PRELIMINARY OFFERING MEMORANDUM **CONFIDENTIAL**

$2,000,000,000

Coty Inc.

$ % SENIOR NOTES DUE 2026
$ % SENIOR NOTES DUE 2028
€ % SENIOR NOTES DUE 2023
€ % SENIOR NOTES DUE 2026

We are offering $ aggregate principal amount of % Senior Notes due 2026 (the "2026 Dollar Notes"), $ aggregate principal amount of % Senior Notes due 2028 (the "2028 Dollar Notes," and, together with the 2026 Dollar Notes, the "Dollar Notes"), € aggregate principal amount of % Senior Notes due 2023 (the "2023 Euro Notes") and € aggregate principal amount of % Senior Notes due 2026 (the "2026 Euro Notes," and, together with the 2023 Euro Notes, the "Euro Notes" and the Euro Notes together with the Dollar Notes, the "Notes"). The 2026 Dollar Notes will bear interest at a rate of % per year, the 2028 Dollar Notes will bear interest at a rate of % per year, the 2023 Euro Notes will bear interest at a rate of % per year and the 2026 Euro Notes will bear interest at a rate of % per year, in each case, payable on and of each year, beginning , 2018. The 2026 Dollar Notes will mature on, 2026, the 2028 Dollar Notes will mature on , 2028, the 2023 Euro Notes will mature on , 2023 and the 2026 Euro Notes will mature on , 2026.

We intend to use the net proceeds of this offering, together with borrowings under our New Credit Facilities (as defined herein) made on or around the date of the issuance of the Notes, to, among other things, repay in full and refinance the indebtedness outstanding under our Existing Credit Facilities (as defined herein) and to pay accrued interest, related premiums, fees and expenses in connection therewith. This offering is not contingent on the consummation of the New Credit Facilities. Any remaining proceeds will be used for general corporate purposes. See "Use of Proceeds."

At any time prior to , 2021 for the 2026 Dollar Notes, , 2023 for the 2028 Dollar Notes, , 2020 for the 2023 Euro Notes and , 2021 for the 2026 Euro Notes, we may redeem some or all of the Notes of the applicable series, at a price equal to 100% of the principal amount of the Notes redeemed, plus accrued and unpaid interest, if any, to, but excluding, the redemption date, plus a "make-whole" premium, as described in this offering memorandum. On or after , 2021, we may redeem some or all of the 2026 Dollar Notes at the applicable redemption prices set forth in this offering memorandum, plus accrued and unpaid interest, if any, to, but excluding, the redemption date. On or after , 2023, we may redeem some or all of the 2028 Dollar Notes at the applicable redemption prices set forth in this offering memorandum, plus accrued and unpaid interest, if any, to, but excluding, the redemption date. On or after , 2020, we may redeem some or all of the 2023 Euro Notes at the applicable redemption prices set forth in this offering memorandum, plus accrued and unpaid interest, if any, to, but excluding, the redemption date. On or after , 2021, we may redeem some or all of the 2026 Euro Notes at the applicable redemption prices set forth in this offering memorandum, plus accrued and unpaid interest, if any, to, but excluding, the redemption date. At any time prior to , 2021 for the 2026 Dollar Notes, 2023 for the 2028 Dollar Notes, , 2020 for the 2023 Euro Notes and , 2021 for the 2026 Euro Notes, we may redeem up to 35% of the aggregate principal amount of the applicable series of Notes using the net cash proceeds from certain equity offerings at the applicable redemption price set forth in this offering memorandum, plus accrued and unpaid interest, if any, to, but excluding, the redemption date. See "Description of Notes—Optional Redemption." We may also redeem the 2023 Euro Notes or the 2026 Euro Notes, in whole but not in part, at any time, upon the occurrence of certain tax events. See "Description of Notes—Euro Notes—Redemption for Tax Reasons."

If we experience a change of control triggering event with respect to a series of Notes as described in this offering memorandum under the heading "Description of Notes—Repurchase of Notes Upon a Change of Control Triggering Event," we will be required to offer to repurchase any and all of the Notes of such series from the holders.

The Notes will be senior unsecured obligations of the Issuer (as defined below) and will rank *pari passu* in right of payment with all existing and future senior indebtedness of the Issuer (including the New Credit Facilities) and senior in right of payment to all existing and future subordinated indebtedness of the Issuer. The Notes will be effectively junior to all existing and future secured indebtedness of the Issuer (including the New Credit Facilities) to the extent of the value of the collateral securing such secured indebtedness.

The Notes initially will be fully and unconditionally guaranteed, jointly and severally, on a senior unsecured basis (the "guarantees") by our subsidiaries (the "Guarantors") that guarantee our obligations under the New Credit Facilities. The guarantees will rank *pari passu* in right of payment with all existing and future senior indebtedness of each such Guarantor, including their respective guarantees of the New Credit Facilities, and senior in right of payment to all existing and future indebtedness of each such Guarantor that is expressly subordinated to the guarantees. The Notes and the guarantees will be structurally subordinated to all existing and future indebtedness and other liabilities of our non-guarantor subsidiaries. The guarantees will be subject to release under certain circumstances. See "Description of Notes—Guarantees."

See "Risk Factors" beginning on page 13 and in our latest Annual Report on Form 10-K (as such risk factors may be updated from time to time in our public filings) for a discussion of certain risks that you should consider in connection with an investment in the Notes.

2026 Dollar Notes issue price: % plus accrued interest, if any, from , 2018
2028 Dollar Notes issue price: % plus accrued interest, if any, from , 2018
2023 Euro Notes issue price: % plus accrued interest, if any, from , 2018
2026 Euro Notes issue price: % plus accrued interest, if any, from , 2018

The Notes and related guarantees have not been registered, and we will not be required to register the Notes and related guarantees, under the Securities Act of 1933, as amended (the "Securities Act"), or the securities laws of any other jurisdiction and may not be offered or sold within the United States to, or for the benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("Regulation S")) except in a transaction exempt from, or not subject to, the registration requirements of the Securities Act. We and the initial purchasers named below are offering the Notes only to qualified institutional buyers under Rule 144A under the Securities Act ("Rule 144A") and to non-U.S. persons outside the United States in reliance on Regulation S. For further details about eligible offerees and resale restrictions, see "Transfer Restrictions."

We intend to apply to The International Stock Exchange Authority Limited ("TISEA") to list the 2023 Euro Notes and the 2026 Euro Notes on the official list (the "Official List") of The International Stock Exchange ("TISE"). There can be no assurance that the 2023 Euro Notes or the 2026 Euro Notes will be listed on the TISE and admitted for trading on the exchange market. The Dollar Notes will not be listed on TISE or any securities exchange or automated quotation system.

We expect that delivery of the Dollar Notes will be made to investors in book entry form through the facilities of The Depository Trust Company and delivery of the Euro Notes will be made in book entry form through the facilities of Clearstream Banking, S.A. ("Clearstream, Luxembourg"), and Euroclear Bank SA/NV ("Euroclear") on or about , 2018.

Joint-Lead and Bookrunning Managers for the Dollar Notes

MORGAN STANLEY **BofA MERRILL LYNCH** **BNP PARIBAS** **CREDIT AGRICOLE CIB** **DEUTSCHE BANK SECURITIES**

HSBC **ING** **J.P. MORGAN** **MIZUHO SECURITIES** **RBC CAPITAL MARKETS** **UNICREDIT BANK**

Joint-Lead and Bookrunning Managers for the Euro Notes

BNP PARIBAS **BofA MERRILL LYNCH** **CRÉDIT AGRICOLE CIB** **DEUTSCHE BANK** **HSBC** **UNICREDIT BANK**

ING **J.P. MORGAN** **MIZUHO SECURITIES** **MORGAN STANLEY** **RBC CAPITAL MARKETS**

Co-Managers for the Notes

BBVA **BANCA IMI** **SCOTIABANK** **SMBC NIKKO**

The date of this offering memorandum is , 2018.

We and the initial purchasers have not authorized anyone to provide you with any information other than the information contained in or incorporated by reference into this offering memorandum. If you receive any other information, you should not rely on it. We and the initial purchasers are offering to sell the Notes only in places where offers and sales are permitted. You should not assume that the information contained in or incorporated by reference into this offering memorandum is accurate as of any date other than the date of the applicable document.

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Notice to Investors

We have not authorized anyone to provide any information other than that contained in or incorporated by reference in this document or to which we or the initial purchasers have referred you. We and the initial purchasers take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. This document may only be used where it is legal to sell these securities.

The initial purchasers may engage in transactions that stabilize, maintain or otherwise affect the price of the Notes which, if commenced, may be discontinued. Specifically, the initial purchasers may over-allot in connection with this offering and may bid for and purchase Notes in the open market. For a description of these activities, see "Plan of Distribution."

This offering memorandum is highly confidential and has been prepared by us solely for use in connection with the offering of the Notes. Its use for any other purpose is not authorized. This offering memorandum is personal to the offeree to whom it has been delivered by the initial purchasers and does not constitute an offer to any other person or to the public generally. Distribution of this offering memorandum to any person other than the offeree and any person retained to advise such offeree is unauthorized and any disclosure of the contents of this offering memorandum without our prior written consent is prohibited. By accepting delivery of this offering memorandum, you agree to the foregoing and to make no photocopies of this offering memorandum or any documents referred to herein. If you do not purchase any Notes or this offering is terminated for any reason, you must return this offering memorandum and all documents referred to herein to the initial purchasers, at: Morgan Stanley & Co. LLC, 1585 Broadway, New York, New York 10036 or BNP Paribas, 10 Harewood Avenue, London NW1 6AA, United Kingdom.

Upon receiving this offering memorandum, you acknowledge that (1) you have been afforded an opportunity to request from us, and to review, all additional information considered by you to be necessary to verify the accuracy of, or to supplement, the information contained herein, (2) you have not relied on the initial purchasers or any person affiliated with any initial purchaser in connection with any investigation of the accuracy of such information or your investment decision and (3) we have not authorized any person to deliver any information different from that contained in this offering memorandum. The offering is being made on the basis of this offering memorandum. Any decision to purchase the Notes in the offering must be based on the information contained in this document. In making an investment decision, investors must rely on their own examination of Coty and the terms of this offering, including the merits and risks involved.

We have prepared this offering memorandum and we are solely responsible for its contents. The information contained in and incorporated by reference in this offering memorandum has been furnished by us and other sources we believe to be reliable. The initial purchasers make no representations or warranty, express or implied, as to the accuracy or completeness of any of the information set forth in or incorporated by reference in this offering memorandum, and you should not rely on anything contained in this offering memorandum as a promise or representation by the initial purchasers, whether as to the past or the future. This offering memorandum contains summaries, believed to be accurate, of the terms we consider material of certain documents, but reference is made to the actual documents. All such summaries are qualified in their entirety by this reference. See “Where You Can Find More Information; Incorporation by Reference.”

We reserve the right to withdraw the offering of the Notes at any time and we and the initial purchasers reserve the right to reject any commitment to subscribe for the Notes in whole or in part and to allot to you less than the full amount of Notes subscribed for by you.

The initial purchasers are not acting for the investors or any potential investors in connection with the transaction referred to in this offering memorandum and will not be responsible to anyone for providing the protections offered to clients of the initial purchasers nor for providing advice in relation to the transaction, this document or any arrangement or other matter referred to herein.

Neither the initial purchasers nor any of their respective affiliates have authorized the whole or any part of this offering memorandum and none of them makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this offering memorandum or any responsibility for any act or omission of the issuer, the guarantors or any other person (other than the relevant initial purchaser) in connection with the issue and offering of the Notes. Neither the delivery of this offering memorandum nor the offering, sale or delivery of any Note shall in any circumstances create any implication that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the issuer since the date of this offering memorandum.

This offering memorandum does not constitute an offer to sell or a solicitation of an offer to buy the Notes to any person in any jurisdiction where it is unlawful to make such offer or solicitation. You are not to construe the contents of this offering memorandum as investment, legal or tax advice. You should consult your own counsel, accountant and other advisors as to legal, tax, business, financial and related aspects of a purchase of the Notes. We are not, and the initial purchasers are not, making any representation to you regarding the legality of an investment in the Notes by you under applicable legal investment or similar laws.

None of the Notes or the related guarantees have been registered with, recommended by or approved by the U.S. Securities and Exchange Commission (“SEC”) or any other federal or state securities commission or regulatory authority, nor has the SEC or any state securities commission or regulatory authority passed upon the accuracy or adequacy of this offering memorandum. Any representation to the contrary is a criminal offense.

The offering is being made in reliance upon an exemption from registration under the Securities Act for an offer and sale of securities that does not involve a public offering. In making your purchase, you will be deemed to have made certain acknowledgments, representations and agreements set forth in this offering memorandum under the caption "Transfer Restrictions." The Notes are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act and applicable state securities laws pursuant to registration or an exemption from registration. You should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time.

You must comply with all laws and regulations that apply to you in any place in which you buy, offer or sell any Notes or possess this offering memorandum. You must also obtain any consents, permission or approvals that you need in order to purchase any Notes. We and the initial purchasers are not responsible for your compliance with these legal requirements. We are not making any representation to you regarding the legality of your investment in the Notes under any legal investment or similar law or regulation.

The distribution of this offering memorandum and the offer and the sale of the Notes may be restricted by law in certain jurisdictions. Persons into whose possession this offering memorandum or any of the Notes come must inform themselves about, and observe, any such restrictions. See "Plan of Distribution."

MIFID II product governance/Professional investors and ECPs only target market—Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "MiFID II"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "distributor") should take into consideration the manufacturer's target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

PRIIPs Regulation/Prohibition of sales to EEA retail investors—The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the "Insurance Mediation Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the "Prospectus Directive"). No key information document required by Regulation (EU) No 1286/2014 (as amended, the "PRIIPs Regulation") for offering or selling packaged retail and insurance based investment products or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

IN CONNECTION WITH THE ISSUE OF THE 2023 EURO NOTES AND THE 2026 EURO NOTES, BNP PARIBAS (THE "STABILIZATION MANAGER") (OR PERSONS ACTING ON BEHALF OF THE STABILIZATION MANAGER) MAY OVER ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILIZATION MANAGER (OR PERSONS ACTING ON BEHALF OF A STABILIZATION MANAGER) WILL UNDERTAKE STABILIZATION ACTION. ANY STABILIZATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES. ANY STABILIZATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE STABILIZATION MANAGER (OR PERSONS ACTING ON BEHALF OF THE

STABILIZATION MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

Neither the admission of the 2023 Euro Notes or the 2026 Euro Notes to the Official List nor the approval of this offering memorandum pursuant to the listing requirements of TISEA shall constitute a warranty or representation by TISEA as to the competence of the service providers to, or any other party connected with, the Issuer, the adequacy and accuracy of information contained in this offering memorandum or the suitability of the Issuer for investment or for any other purposes. The 2023 Euro Notes and 2026 Euro Notes are only intended to be offered in the primary market to, and held by, investors who are particularly knowledgeable in investment matters.

No Review by the SEC

The information included in this offering memorandum does not conform in certain cases to information that would be required if this offering were made pursuant to a registration statement filed with the SEC, including in respect of (i) the presentation of non-GAAP financial measures for which the SEC has issued rules to regulate the use of such non-GAAP financial measures in filings; and (ii) the omission of certain financial information relating to our subsidiaries. In addition, this offering memorandum, as well as any other documents related to this offering, will not be reviewed or approved by the SEC, and the Indenture (as defined herein) will not be qualified under the Trust Indenture Act of 1939, as amended.

Industry, Ranking and Market Data

Unless otherwise indicated, information contained in this offering memorandum concerning our industry and the market in which we operate, including our general expectations about our industry, market position, market opportunity and market size, 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 (including Euromonitor International Ltd and NAI Global), 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 offering memorandum 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.

Listing on the TISE

The Issuer has appointed Ogier Corporate Finance Limited as listing agent with respect to the listing of the 2023 Euro Notes and the 2026 Euro Notes. Ogier Corporate Finance Limited is acting for the Issuer and for no one else in connection with the listing of the 2023 Euro Notes and the 2026 Euro Notes and will not be responsible to anyone other than the Issuer. This offering memorandum may be used in connection with the listing of not more than €   in aggregate principal amount of the 2023 Euro Notes or €   in aggregate principal amount of the 2026 Euro Notes. This offering memorandum and the document constituting each of the 2023 Euro Notes and the 2026 Euro Notes together form the Listing Document for the purposes of the listing application to TISEA for the listing of the 2023 Euro Notes and the 2026 Euro Notes, respectively, on the Official List of TISE.

Terms Used in this Offering Memorandum

In this offering memorandum, (i) the terms "Coty," the "Company," "we," "our" and "us" refer to Coty Inc. and all of its consolidated subsidiaries collectively, in each case, except as otherwise specified or the context otherwise requires, (ii) the term "Issuer" refers to Coty Inc. and not to any of its subsidiaries, (iii) the term "Bourjois Acquisition" refers to our acquisition of the Bourjois cosmetics brand, (iv) the term "Brazil Acquisition" refers to our acquisition of the personal care and beauty business of Hypermarcas S.A. (the "Hypermarcas Brands"), (v) the term "P&G Beauty Business Acquisition" refers to our acquisition of certain assets and liabilities related to The Procter & Gamble Company's ("P&G") global fine fragrances, salon professional, cosmetics and retail hair color businesses, along with select hair styling brands (the "P&G Beauty Business"), (vi) the term "ghd Acquisition" refers to our acquisition of Lion/Gloria Topco Limited which held the net assets of ghd, (vii) the term "Younique Acquisition" refers to our acquisition of 60% of the membership interest in Foundation LLC which held the net assets of Younique, LLC ("Younique") and (viii) the term "Burberry Fragrance Acquisition" refers to our acquisition of the exclusive global license rights and other related assets for the Burberry Limited luxury fragrances, cosmetics and skincare business. 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. References herein to "$" and "dollars" are to the lawful currency of the United States. References to "€" and "euro" are to the lawful currency of the member states of the European Monetary Union that have adopted the euro as their currency.

Cautionary Statement Concerning Forward-Looking Statements

The statements contained in or incorporated by reference into this offering memorandum include certain "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, this offering, the New Credit Facilities and the use of proceeds therefrom and the benefits thereof, establishing the Company as a global leader and challenger in beauty, the Company's future operations and financial performance (including brand relaunches and returning to profitable top line growth and other revenue trends), ongoing and future cost efficiency initiatives and the timing, presentation and cost of future cost saving and/or restructuring plans, mergers and acquisitions, divestitures and brand rationalization, synergies (including the timing, cost and amount thereof), growth from and future performance of acquisitions, the success of the integration of the P&G Beauty Business (as defined herein) and other recent acquisitions, performance in digital and e-commerce, future dividends, fiscal year and subsequent effective tax rates, the future impact of Public Law No. 115-97 (the law informally known as the United States Tax Cuts and Jobs Act ("Tax Act")) and any outlook for future reporting periods, including results and performance for the remainder of the fiscal year. 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," "target," "aim," "potential" 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 to differ materially from such statements, including:

- our ability to consummate this offering and enter into the New Credit Facilities on a timely basis and on terms commercially acceptable to us;
- our ability to achieve our global business strategies, compete effectively in the beauty industry and achieve the benefits contemplated by our strategic transactions, including our joint ventures, recent acquisitions and announced and potential dispositons and rationalizations, within the expected time frame or at all;
- use of estimates and assumptions in preparing our financial statements, including with regard to revenue recognition, stock compensation expense, income taxes, purchase price allocations, the assessment of goodwill, other intangible assets and long-lived assets for impairment, the

market value of inventory, pension expense and the fair value of acquired assets and liabilities associated with acquisitions;

- managerial, integration, operational, regulatory, legal and financial risks, including diversion of management attention to and management of, cash flows, and expenses and costs (including one-time costs and capital expenses) associated with multiple strategic transactions, strategic initiatives and internal reorganizations, including current and future business realignment activities;
- the continued portfolio rationalization and integration of the P&G Beauty Business and other recent acquisitions with our business, operations, systems, financial data and culture and the ability to realize synergies, reduce costs and realize other potential efficiencies and benefits (including through the Company's restructuring and business realignment programs to simplify processes and improve organizational agility) at the levels and at the costs and within the time frames currently contemplated 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 any relaunched or rebranded products, execution of new launches, and the anticipated costs and discounting associated with such relaunches and rebrands;
- increased competition, consolidation among retailers, shifts in consumers' preferred distribution and marketing channels (including to digital channels), compression of go-to-market cycles, changes in product and marketing requirements by retailers, and other changes in the retail, e-commerce and wholesale environment in which we do business and sell our products;
- changes in law (including the Tax Act), regulations and policies and/or the enforcement thereof that affect our business, financial performance, operations or its products;
- our and our brand partners' and licensors' abilities to obtain, maintain and protect the intellectual property rights, including trademarks, brand names and other intellectual property used in their respective businesses, products and software, and their and our other business partners (including suppliers, customers, and talent) and licensors' abilities to protect their respective reputations, public goodwill as well as defend claims by third parties for infringement of intellectual property rights;
- successfully divesting and/or discontinuing non-core brands (including associated post-closing reduction programs) and rationalizing wholesale distribution by reducing the amount of product diversion to the value and mass channels;
- any unanticipated problems, liabilities or other challenges associated with an acquired business which could result in increased risk of new, unanticipated or unknown liabilities, including with respect to environmental, competition and other regulatory or legal matters;
- our international operations and joint ventures, including enforceability and effectiveness of its 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 domestic and international regulations;
- our dependence on certain licenses (especially in our Luxury division), entities performing outsourced functions and third-party suppliers, including third-party software providers;
- administrative, development and other difficulties in meeting the expected timing of market expansions, product launches and marketing efforts;
- global political and/or economic uncertainties, disruptions or major regulatory changes, including the impact of Brexit, the current U.S. administration and recent changes in the U.S. tax code;
- the number, type, outcomes (by judgment, order or settlement) and costs of legal, tax, regulatory or administrative proceedings, and/or litigation;

- our ability to manage seasonal and other variabilities and to anticipate future business trends and needs;
- disruptions in operations, including due to disruptions in supply chain, restructurings, manufacturing or information technology systems, labor disputes, natural disasters and consolidation of our legal entities, supply chain footprint and information technology systems;
- restrictions imposed on us through our license agreements and debt agreements, including restrictions expected to be contained in the Indenture and the New Credit Agreement (as defined herein), our ability to refinance or capitalize debt, including consummation of this offering, and changes in the manner in which we finance our debt and future capital needs, including potential acquisitions;
- increasing dependency on information technology and our ability to protect against service interruptions, data corruption, cyber-based attacks or network security breaches, costs and timing of implementation and effectiveness of any upgrades or other changes to information technology systems, inability to control the quality or level of detail of financial data provided by third parties, and our failure to comply with any privacy or data security laws (including the EU General Data Protection Regulation) or to protect against theft of customer, employee and corporate sensitive information;
- our ability to attract and retain key personnel and work-force related claims and disputes, including during times of integration, transition and restructurings;
- the distribution and sale by third parties of counterfeit and/or gray market versions of our products; and
- other factors described elsewhere in this document and from time to time in documents that we file with the SEC.

When used in this offering memorandum, the term "includes" and "including" means, unless the context otherwise indicates, "including without limitation." 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 offering memorandum and other periodic reports we have filed and may file with the SEC from time to time which are incorporated by reference herein.

All forward-looking statements made in this offering memorandum are qualified by these cautionary statements. You are cautioned not to place undue reliance on these forward-looking statements, which are made only as of the date of the document in which such statement is made, and we do not undertake any obligation, other than as may be required by 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.

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Summary

This summary contains basic information about the Company and the offering, and highlights selected information contained elsewhere or incorporated by reference into this offering memorandum. This summary is not complete and does not contain all of the information that is important to you and that you should consider before deciding whether or not to invest in the Notes. For a more complete understanding of the Company and this offering, you should read this offering memorandum, including any information incorporated by reference into this offering memorandum, in its entirety. Investing in the Notes involves risks, including without limitation the risks that are described in this offering memorandum under the heading "Risk Factors" and in the documents incorporated by reference into this offering memorandum.

The Business

Coty is one of the world's largest beauty companies with a purpose to celebrate and liberate the diversity of consumers' beauty. Founded in 1904, over the years Coty has grown into a multi-segment beauty company with market leading positions in both North America and Europe through new product offerings, diversified sales channels, acquisitions and a global growth strategy.

During our 2017 and 2018 fiscal years, we acquired certain assets and liabilities related to the P&G Beauty Business, which strengthened and diversified our presence across the countries, categories and channels in which we compete. We also acquired ghd, a premium brand in high-end hair styling appliances, which exposed us to a new product category; entered into a joint venture with Younique, a leading online peer-to-peer social selling platform in beauty, which enhances our direct-to-consumer capabilities through a digital distribution channel; and acquired the exclusive global license rights and other related assets for the Burberry Limited luxury fragrances, cosmetics and skincare business, which augments our presence in prestige fragrances, cosmetics and skincare. These acquisitions complement the addition of the Hypermarcas Brands to our business in our 2016 fiscal year, which further strengthened our position in the Brazilian beauty and personal care category. Following this transformation, in addition to continuing to grow our portfolio through acquisitions and other strategic transactions, we continue to focus on expanding our global brands into new markets and channels through the introduction of new products and the support of established products.

Segments

We are organized into three divisions, which are also our operating and reportable segments: Consumer Beauty, Luxury and Professional Beauty. Our organizational structure is product category focused, putting the consumer first, by specifically targeting how and where they shop and what and why they purchase. Each division has end-to-end responsibility to optimize the consumers' beauty experiences in their relevant categories.

(i) Consumer Beauty

Consumer Beauty is primarily focused on color cosmetics, retail hair coloring and styling products, body care and mass fragrances primarily in the mass retail channel, e-commerce and social selling direct-to-consumer platform. The Consumer Beauty division primarily sells products through hypermarkets, supermarkets, drug stores and pharmacies, mid-tier department stores, and traditional food and drug retailers. Certain products are sold through our own branded e-commerce websites and direct to consumer websites and third party operated e-commerce websites.

(ii) Luxury

Luxury is primarily focused on prestige fragrances, premium skincare and premium cosmetics across all regions and luxury channels, including travel retail. The Luxury division primarily sells products through prestige retailers, including upscale perfumeries, upscale department stores and duty-free shops.

(iii) Professional Beauty

Professional Beauty is primarily focused on servicing salon owners and salon professionals in both hair and nail care, covering all key salon segments and salon client needs. Professional Beauty division primarily sells products to nail and hair salons, nail and hair professionals and professionals' stores.

(iv) Corporate

Certain revenues and shared costs and the results of corporate initiatives are managed outside of the three segments by Corporate.

Recent Developments

New Credit Facilities

Substantially concurrently with the issuance of the Notes we intend to incur new senior secured credit facilities consisting of a $3,500,000,000 New Term A Facility (as defined herein), a $2,500,000,000 New Term B Facility (as defined herein) and a $3,000,000,000 New Revolving Credit Facility (as defined herein) (collectively, the "New Credit Facilities"), the proceeds of which shall be used, together with the proceeds of this offering, to, among other things, refinance the loans outstanding under (i) the credit agreement, dated as of October 27, 2015 (as amended, supplemented or otherwise modified prior to its amendment and restatement, the "Coty Credit Agreement"), by and among the Company, JPMorgan Chase Bank, N.A., as administrative agent and collateral agent, and the lenders and other parties from time to time party thereto and (ii) the credit agreement, dated January 26, 2016 (as amended, supplemented or otherwise modified from time to time, the "Galleria Credit Agreement"), among Galleria Co. ("Galleria"), as borrower, JPMorgan Chase Bank, N.A., as administrative agent and collateral agent, and the lenders and other parties from time to time party thereto. The New Credit Facilities will be incurred pursuant to a new credit agreement (the "New Credit Agreement") which will amend and restate the Coty Credit Agreement. For additional information on the New Credit Facilities, see "Description of New Credit Facilities."

Use of Proceeds

We intend to use the net proceeds of this offering, together with borrowings under the New Credit Facilities made on or around the date of the issuance of the Notes, to, among other things, repay in full and refinance the indebtedness outstanding under (a) the Coty Credit Agreement, which consists of (i) existing senior secured term loan facilities (the "Existing Coty Term Facilities") and (ii) an existing senior secured revolving facility (the "Existing Coty Revolving Credit Facility" and, together with the Existing Coty Term Facilities, the "Existing Coty Facilities") and (b) the Galleria Credit Agreement, which consists of (i) existing senior secured term loan facilities (the "Existing Galleria Term Facilities") and (ii) an existing senior secured revolving facility (the "Existing Galleria Revolving Credit Facility" and, together with the Existing Galleria Term Facilities, the "Existing Galleria Facilities") and to pay accrued interest, related premiums, fees and expenses in connection therewith. This offering is not contingent on the consummation of the New Credit Facilities. Any remaining proceeds will be used for general corporate purposes. The Existing Coty Facilities and the Existing Galleria Facilities are referred to herein as the Existing Credit Facilities.

Certain of the initial purchasers or their respective affiliates may hold a portion of the outstanding Existing Credit Facilities and therefore may receive a portion of the proceeds of this offering. See "Use of Proceeds," "Description of New Credit Facilities" and "Plan of Distribution" for more information.

As of March 20, 2018, we had approximately $8 billion aggregate principal amount outstanding under the Existing Credit Facilities (based on an exchange rate of €1.00 to $1.2275 on March 20, 2018). As of December 31, 2017, after giving effect to the offering of the Notes offered hereby, borrowings under our New Credit Facilities made on or around the date of the issuance of the Notes and, in each case, the use of proceeds therefrom, our consolidated indebtedness would have been approximately $8 billion. We would also have had $3 billion of secured borrowings available under our New Revolving Credit Facility, which remains undrawn as of the date hereof. See "Use of Proceeds" and "Description of New Credit Facilities."

Brand Rationalization

We have identified our non-core portfolio of brands in connection with our announced portfolio rationalization. All identified brands are reported in our Consumer Beauty and Luxury segments and represent a smaller percentage of the full year 2017 net revenues than previously announced. We expect to announce completion of the portfolio rationalization in fiscal 2018.

The Offering

The following summary contains basic information about the Notes and is not intended to be complete. It does not contain all the information that is important to you. For a more complete understanding of the Notes, please refer to the sections of this offering memorandum entitled “Description of Notes.”

Terms of the Notes

Issuer	Coty Inc., a Delaware corporation.
2026 Dollar Notes	$ million aggregate principal amount of % senior notes due 2026.
2028 Dollar Notes	$ million aggregate principal amount of % senior notes due 2028.
2023 Euro Notes	€ million aggregate principal amount of % senior notes due 2023.
2026 Euro Notes	€ million aggregate principal amount of % senior notes due 2026.
Issue Price	The issue price of the Notes is as follows: % plus accrued interest, if any, from , 2018 for the 2026 Dollar Notes; % plus accrued interest, if any, from , 2018 for the 2028 Dollar Notes; % plus accrued interest, if any, from , 2018 for the 2023 Euro Notes; and % plus accrued interest, if any, from , 2018 for the 2026 Euro Notes.
Maturity Date of 2026 Dollar Notes	, 2026.
Maturity Date of 2028 Dollar Notes	, 2028.
Maturity Date of 2023 Euro Notes	, 2023.
Maturity Date of 2026 Euro Notes	, 2026.
Interest Payment Dates	and of each year after the date of issuance of the Notes, commencing , 2018. Interest will accrue from , 2018 at a rate of: % per annum for the 2026 Dollar Notes; % per annum for the 2028 Dollar Notes; % per annum for the 2023 Euro Notes; and % per annum for the 2026 Euro Notes.
Currency of Payment	All payments of interest and principal, including payments made upon any redemption of the Dollar Notes, will be payable in U.S. dollars.

All payments of interest and principal, including payments made upon any redemption of the Euro Notes, will be payable in euro. If, on or after the issuance of the Euro Notes, the euro is unavailable to us due to the imposition of exchange controls or other circumstances beyond our control or if the euro is no longer being used by the then member states of the European Monetary Union that have adopted the euro as their currency or for the settlement of transactions by public institutions of or within the international banking community, then all payments in respect of the Euro Notes will be made in U.S. dollars until the euro is again available to us or so used. See "Description of Notes—General—Terms of the Euro Notes."

Additional Amounts .... All payments of principal and interest in respect of the Euro Notes by us or a paying agent on our behalf will be made free and clear of, and without deduction or withholding for or on account of, any present or future taxes, duties, assessments or other similar governmental charges imposed or levied by the United States or any political subdivision or taxing authority of or in the United States, unless such withholding or deduction is required by law. In the event such withholding or deduction for such taxes is required by law, subject to the limitations described herein, we will pay to or on account of any Non-U.S. Holder (as defined herein) or any non-U.S. entity that is treated as a partnership for U.S. federal income tax purposes such additional amounts as may be necessary to ensure that the net amount received by the beneficial owner of a Euro Note, after withholding or deduction for such taxes, will be equal to the amount such person would have received in the absence of such withholding or deduction. See "Description of Notes—Euro Notes—Additional Amounts."

Redemption for Tax Reasons .... If, as a result of any change in, or amendment to, the tax laws of the United States or the official interpretation thereof, we become or, based upon a written opinion of independent counsel selected by us, will become obligated to pay additional amounts with respect to either series of Euro Notes, we may at any time at our option redeem, in whole, but not in part, the Euro Notes of such series at 100% of the principal amount plus accrued and unpaid interest to, but excluding, the date of redemption. Other than as described under the heading "Description of Notes—Euro Notes—Redemption for Tax Reasons," we will not have the option to redeem the Euro Notes, in whole or in part, prior to the maturity date.

Optional Redemption	In addition to the redemption rights described above, as well as under "Description of Notes—Euro Notes—Redemption for Tax Reasons" with respect to the Euro Notes, we may redeem some or all of the Notes at any time prior to , 2021 for the 2026 Dollar Notes, , 2023 for the 2028 Dollar Notes, , 2020 for the 2023 Euro Notes and , 2021 for the 2026 Euro Notes at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, to, but excluding, the redemption date, plus a "make-whole premium," as described under "Description of Notes—Optional Redemption." At any time on or after , 2021, for the 2026 Dollar Notes, 2023 for the 2028 Dollar Notes, , 2020, for the 2023 Euro Notes and , 2021, for the 2026 Euro Notes, we may redeem some or all of the applicable Notes at the applicable redemption prices described under "Description of Notes—Optional Redemption," plus accrued and unpaid interest, if any, to, but excluding, the redemption date. Additionally, from time to time prior to , 2021 for the 2026 Dollar Notes, , 2023 for the 2028 Dollar Notes, , 2020 for the 2023 Euro Notes and , 2021 for the 2026 Euro Notes, we may redeem up to 35% of the aggregate principal amount of the applicable series of Notes at the applicable redemption prices described at the applicable redemption prices described under "Description of Notes—Optional Redemption," plus accrued and unpaid interest, if any, to, but excluding, the redemption date.
Guarantors	Each of our subsidiaries that guarantees the New Credit Facilities will initially fully and unconditionally guarantee the Notes on a joint and several basis. Each of the guarantees will: • be a senior unsecured obligation of each Guarantor; • be *pari passu* in right of payment with all existing and future senior indebtedness of such Guarantor, including their respective guarantees of the New Credit Facilities; • be effectively junior to all of the existing and future secured indebtedness of such Guarantor (including their respective guarantees of the New Credit Facilities) to the extent of the value of the collateral securing such indebtedness; • be structurally subordinated to all existing and future indebtedness and other liabilities of such Guarantor's non-guarantor subsidiaries; and • be senior in right of payment to any future subordinated indebtedness of such Guarantor. The guarantees will be subject to release under certain circumstances. See "Description of Notes—Guarantees."

Priority . . . . The Notes will:

- be unsecured senior obligations of the Issuer;
- be *pari passu* in right of payment with all of the Issuer's existing and future senior indebtedness (including the Credit Agreement);
- be effectively junior to all existing and future secured indebtedness of the Issuer (including the Credit Agreement) to the extent of the value of the collateral securing such secured indebtedness;
- be structurally subordinated to all existing and future indebtedness and other liabilities (including trade payables) of the Issuer's non-guarantor subsidiaries; and
- be senior in right of payment to all existing and future indebtedness of the Issuer that is expressly subordinated to the Notes.

As of December 31, 2017, after giving effect to the offering of the Notes offered hereby, borrowings under our New Credit Facilities made on or around the date of the issuance of the Notes and, in each case, the use of proceeds therefrom, the Issuer and the Guarantors would have had approximately \$8 billion of total indebtedness of which \$6 billion would have been secured indebtedness. We would also have had \$3 billion of secured borrowings available under our New Revolving Credit Facility, which remains undrawn as of the date hereof.

For the fiscal year ended June 30, 2017 and six months ended December 31, 2017, after intercompany eliminations the non-guarantor subsidiaries accounted for approximately 74% and 76% of our total net revenue, respectively. For the fiscal year ended June 30, 2017 and six months ended December 31, 2017, the non-guarantor subsidiaries generated net income of approximately \$283.0 million and \$293.2 million, respectively, while the guarantor subsidiaries generated net losses of approximately \$681.5 million and \$190.7 million, respectively. In addition, as of December 31, 2017, the non-guarantor subsidiaries held approximately 68% of our total assets and approximately 33% of our total liabilities.

Repurchase of Notes Upon a Change of Control Triggering Event . . . . If we experience specific kinds of change of control triggering events with respect to a series of Notes, we will be required to offer to repurchase all or part of the Notes of such series at 101% of their principal amount, plus accrued and unpaid interest, if any, to but excluding the date of redemption. See "Description of Notes—Repurchase of Notes Upon a Change of Control Triggering Event."

Certain Covenants	We will issue the Notes under an indenture (the "Indenture"). The terms of the Indenture, among other things, restrict our ability, and the ability of our subsidiaries, to incur liens on property to secure indebtedness, enter into sale and leaseback transactions and consolidate, merge or transfer all or substantially all of our assets and the assets of our subsidiaries. The covenants are subject to a number of exceptions and qualifications. For more details, see "Description of Notes—Certain Covenants."
No Prior Market/Listing	The Notes of each series are a new issue of securities for which there currently is no market. In addition, the Notes are subject to certain restrictions on resale and transfer as described under "Transfer Restrictions." We do not intend to apply for the Dollar Notes to be listed on any securities exchange or to arrange for the Dollar Notes to be quoted on any quotation system. We do intend to apply to list each series of the Euro Notes on TISE and to admit the Euro Notes for the trading on the exchange market thereof. However, there can be no assurance that either series of the Euro Notes will be listed on the TISE and admitted for trading on the exchange market. The initial purchasers have advised us that they intend to make a market in the Notes as permitted by applicable law. They are not obligated, however, to make a market in the Notes and any market-making may be discontinued with respect to any or all series at any time at their sole discretion. Accordingly, no assurance can be given as to the development or liquidity of any market for the Notes.
Transfer Restrictions	The Notes have not been and will not be registered under the Securities Act or the securities laws of any other jurisdiction and may not be offered or sold within the United States to, or for the benefit of, U.S. persons (as defined in Regulation S) except in a transaction exempt from, or not subject to, the registration requirements of the Securities Act. See "Transfer Restrictions."
No Registration Rights	The Notes and the guarantees will not be entitled to any registration rights, and we do not intend to file a registration statement for the resale of the Notes or to offer to exchange the Notes for registered Notes under the U.S. federal or state securities laws or under the securities laws of any other jurisdiction.

Use of Proceeds	We intend to use the net proceeds of this offering, together with borrowings under the New Credit Facilities made on or around the date of the issuance of the Notes, to, among other things, repay in full and refinance the indebtedness outstanding under the Existing Credit Facilities and to pay accrued interest, related premiums, fees and expenses in connection therewith. Any remaining proceeds will be used for general corporate purposes. See "Use of Proceeds." Certain of the initial purchasers or their respective affiliates may hold a portion of the Existing Credit Facilities and therefore may receive a portion of the proceeds of this offering. See "Description of New Credit Facilities" and "Plan of Distribution" for more information.
Risk Factors	Investing in the Notes involves risk. You should read "Risk Factors" beginning on page 13 of this offering memorandum and in our latest Annual Report on Form 10-K, and other periodic reports we have filed and may file with the SEC from time to time, for a discussion of factors to which you should refer and carefully consider prior to making an investment in the Notes.
Governing Law	The Notes and the Indenture will be governed by and construed in accordance with the laws of the State of New York.
Trustee and Paying Agent for the Dollar Notes	Deutsche Bank Trust Company Americas.
Paying Agent for the Euro Notes	Deutsche Bank AG, London Branch.

Summary Historical Consolidated Financial Information

The following tables set forth our summary historical consolidated financial information as of the dates and for the periods indicated. The summary historical consolidated financial information as of June 30, 2017 and 2016 and for the fiscal years ended June 30, 2017, 2016 and 2015 has been derived from our audited consolidated financial statements included elsewhere or incorporated by reference in this offering memorandum. The summary historical consolidated financial information as of June 30, 2015 has been derived from our audited consolidated financial statements not included or incorporated by reference herein. The summary historical consolidated financial information as of December 31, 2017 and for the six months ended December 31, 2017 and 2016 has been derived from our unaudited condensed consolidated financial statements included elsewhere in this offering memorandum. The unaudited condensed consolidated financial statements have been prepared on a basis consistent with the basis on which our audited consolidated financial statements have been prepared and, in the opinion of our management, reflect all adjustments, of a normal recurring nature, considered necessary for a fair presentation of such data. Our results for the six months ended December 31, 2017 are not necessarily indicative of the results to be expected for the full year or for any other periods.

The summary financial information for the twelve months ended December 31, 2017 was derived by subtracting the unaudited condensed consolidated financial information of the Company for the six months ended December 31, 2016 from the audited consolidated financial information of the Company for the fiscal year ended June 30, 2017, and adding the difference to the unaudited condensed consolidated financial information of the Company for the six months ended December 31, 2017. The unaudited financial information for the twelve months ended December 31, 2017 has been prepared solely for the purposes of this offering memorandum, is for illustrative purposes only and is not necessarily indicative of the Company's results of operations for any future period or the Company's financial condition at any future date.

The summary historical consolidated financial information set forth below should be read in conjunction with the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the historical consolidated financial statements and the notes thereto referred to above. For more information, see the section entitled "Where You Can Find More Information; Incorporation By Reference."

We completed various acquisitions from fourth quarter of fiscal 2015 to second quarter of fiscal 2017: (i) during the fourth quarter of fiscal 2015, we completed the Bourjois Acquisition, (ii) during the third quarter of fiscal 2016, we completed the Brazil Acquisition, (iii) during the second quarter of fiscal 2017, we completed the P&G Beauty Business Acquisition, (iv) during the second quarter of fiscal 2017, we completed the ghd Acquisition, (v) during the third quarter of fiscal 2017, we completed the Younique Acquisition and (vi) during the second quarter of fiscal 2018, we completed the Burberry Fragrance Acquisition. Our historical financial information includes the operations of each acquired business commencing on its respective acquisition date. Accordingly, our operating results for the periods following each acquisition may not be comparable to the periods prior to each such acquisition.

(dollars in millions)	Year Ended June 30, 2017[(1)]	2016[(2)]	2015[(2)]	Six Months Ended December 31, 2017	2016	Twelve Months Ended December 31, 2017
				(unaudited)		(unaudited)
Consolidated Statement of Operations Data						
Net revenues	$7,650.3	$4,349.1	$4,395.2	$4,875.9	$3,376.9	$9,149.3
Gross profit	4,621.8	2,603.1	2,638.2	2,976.6	2,039.8	5,558.6
Restructuring costs	372.2	86.9	75.4	32.9	23.2	381.9
Acquisition-related costs	355.4	174.0	34.1	61.1	217.4	199.1
Asset-impairment charges	—	5.5	—	—	—	—
Operating (loss) income	(437.8)	254.2	395.1	203.1	33.7	(268.4)
Interest expense, net	218.6	81.9	73.0	126.7	98.3	247.0
Loss on early extinguishment of debt	—	3.1	88.8	—	—	—
Other expenses (income), net	1.6	30.4	—	7.1	0.7	8.0
(Loss) income before income taxes	(658.0)	138.8	233.3	69.3	(65.3)	(523.4)
(Benefit) provision for income taxes	(259.5)	(40.4)	(26.1)	(33.2)	(127.2)	(165.5)
Net (loss) income	(398.5)	179.2	259.4	102.5	61.9	(357.9)
Net income (loss) attributable to noncontrolling interests	15.4	7.6	15.1	(4.1)	10.7	0.6
Net income attributable to redeemable noncontrolling interest	8.3	14.7	11.8	17.1	4.4	21.0
Net (loss) income attributable to Coty Inc.	$ (422.2)	$ 156.9	$ 232.5	$ 89.5	$ 46.8	$ (379.5)

(dollars in millions)	As of June 30, 2017[(1)]	2016[(2)]	2015[(2)]	As of December 31, 2017
				(unaudited)
Consolidated Balance Sheet Data				
Cash and cash equivalents	$ 535.4	$ 372.4	$ 341.3	$ 400.1
Total assets[(3)]	22,548.2	7,035.6	5,998.0	23,445.6
Total debt net of discount	7,205.0	4,162.8	2,634.7	7,508.0
Total Coty Inc. stockholders' equity	9,314.7	360.2	969.8	9,429.1

(dollars in millions)	Year Ended June 30, 2017[(1)]	2016[(2)]	2015[(2)]	Six Months Ended December 31, 2017	2016	Twelve Months Ended December 31, 2017
				(unaudited)		(unaudited)
Consolidated Cash Flows Data						
Net cash provided by operating activities	$ 757.5	$ 501.4	$ 526.3	$ 307.8	$ 663.4	$ 401.9
Net cash (used in) investing activities	(1,163.6)	(1,059.2)	(171.2)	(494.0)	(342.0)	(1,315.6)
Net cash provided by (used in) financing activities	595.2	592.6	(1,138.2)	33.2	299.2	329.2

(1) Included in fiscal 2017 are the financial impacts of the acquisitions of the P&G Beauty Business as of October 1, 2016, ghd as of November 21, 2016 and Younique as of February 1, 2017.

(2) Included in fiscal 2016 and 2015 are the financial impacts of the Hypermarcas Brands acquisition as of February 1, 2016 and the Bourjois acquisition as of April 1, 2015.

(3) In fiscal 2017, we adopted authoritative guidance issued by the Financial Accounting Standards Board requiring that debt issuance costs be presented in the balance sheet as a direct deduction from the carrying amount of the related debt liability, consistent with debt discounts. Prior to the adoption of this guidance, debt issuance costs were presented within Total assets in our consolidated balance sheets. Total assets for all periods presented in the table above have been conformed to the June 30, 2017 balance sheet presentation.

Non-GAAP Financial Measures

To supplement the financial measures prepared in accordance with GAAP, we use non-GAAP financial measures including Adjusted operating income, Adjusted EBITDA, Covenant Adjusted EBITDA and net debt. See the applicable discussion below and in "Management's Discussion and Analysis of Financial Condition and Results of Operations" for the reconciliations of these non-GAAP financial measures to the most directly comparable financial measures calculated and presented in accordance with GAAP. 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.

	Year Ended June 30,			Six Months Ended December 31,		Twelve Months Ended December 31,
(dollars in millions)	2017	2016	2015	2017	2016	2017
				(unaudited)		(unaudited)
Other Financial Data						
Adjusted operating income[1]	$ 772.8	$ 622.9	$ 603.6	$ 542.6	$ 474.4	$ 841.0
Adjusted EBITDA[1]	1,052.8	775.3	759.8			1,189.8
Covenant Adjusted EBITDA[1]	1,668.0	839.0	759.8			1,711.0
Capital expenditures	(432.3)	(150.1)	(170.9)	(232.2)	(198.2)	(466.3)
As adjusted total debt[2]						8,015.0
As adjusted net debt[3]						7,175.0
As adjusted secured debt[4]						6,000.0
As adjusted secured net debt[5]						5,160.0
Ratio of as adjusted total debt to Covenant Adjusted EBITDA[1][2][6]						4.7x
Ratio of as adjusted net debt to Covenant Adjusted EBITDA[1][3][6]						4.2x
Ratio of as adjusted secured debt to Covenant Adjusted EBITDA[1][4][6]						3.5x
Ratio of as adjusted secured net debt to Covenant Adjusted EBITDA[1][5][6]						3.0x

(1) Adjusted operating income is defined as operating income adjusted for the items described in the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations—Non-GAAP Financial Measures." Adjusted EBITDA is defined as Adjusted operating income excluding depreciation. Covenant Adjusted EBITDA is defined as Adjusted EBITDA further adjusted to include covenant synergy credit and other items permitted under our Existing Credit Facilities, the New Credit Facilities and the Indenture. A reconciliation of Adjusted operating income, Adjusted EBITDA and Covenant Adjusted EBITDA to operating income is presented below:

(dollars in millions)	Year Ended June 30, 2017	2016	2015	Six Months Ended December 31, 2017	2016	Twelve Months Ended December 31, 2017
				(unaudited)		(unaudited)
Reported Operating (Loss) Income	**(437.8)**	**254.2**	**395.1**	**203.1**	**33.7**	**(268.4)**
Costs related to acquisition activities	494.9	197.5	44.2	65.5	273.4	287.0
Restructuring and other business realignment costs	426.2	109.7	91.4	106.2	35.0	497.4
Amortization expense	275.1	79.5	74.7	167.8	116.4	326.5
Asset impairment charges	—	5.5	—	—	—	—
Share-based compensation expense adjustment	—	1.3	18.3	—	—	—
China optimization	—	—	(19.4)	—	—	—
Real estate consolidation program costs	—	—	(0.7)	—	—	—
Public entity preparedness costs	—	—	—	—	—	—
Gain on sale of assets	(3.1)	(24.8)	—	—	—	(3.1)
Pension settlement charges	17.5	—	—	—	15.9	1.6
Total adjustment to report Operating Income	1,210.6	368.7	208.5	339.5	440.7	1,109.4
Adjusted Operating Income	**722.8**	**622.9**	**603.6**	**542.6**	**474.4**	**841.0**
Depreciation	280.0	152.4	156.2			348.8
Adjusted EBITDA	**1,052.8**	**775.3**	**759.8**			**1,189.8**
Covenant Synergy Credit & Other	615.2	63.7	—			521.2
Covenant Adjusted EBITDA[6]	**$1,668.0**	**$839.0**	**$759.8**			**$1,711.0**

(2) As adjusted total debt is defined as total debt, after giving effect to this offering and the related financing transactions and the application of the proceeds therefrom described under "Use of Proceeds."

(3) As adjusted net debt is defined as total debt, less cash and cash equivalents, after giving effect to this offering and the related financing transactions and the application of the proceeds therefrom described under "Use of Proceeds."

(4) As adjusted secured debt is defined as total debt, that is secured by collateral, after giving effect to this offering and the related financing transactions and the application of the proceeds therefrom described under "Use of Proceeds."

(5) As adjusted secured net debt is defined as total debt, that is secured by collateral, less cash and cash equivalents, after giving effect to this offering and the related financing transactions and the application of the proceeds therefrom described under "Use of Proceeds."

(6) We are presenting Covenant Adjusted EBITDA to help investors evaluate our ability to comply with our covenants, as Covenant Adjusted EBITDA has been a key component of the covenants in our Existing Credit Facilities and will continue to be a key component of the covenants in the New Credit Facilities and, with certain modifications, in the Indenture that will govern the Notes offered hereby. While the Existing Credit Facilities permitted, and the New Credit Facilities and the Indenture will permit, Covenant Adjusted EBITDA to be calculated inclusive of potential synergies and estimated EBITDA from acquired entities, the inclusion of such synergies and EBITDA should not be viewed as a projection of future results, but is simply provided to permit investors to understand how Covenant Adjusted EBITDA is calculated under these debt instruments.

Risk Factors

Investing in the Notes involves a high degree of risk. You should carefully consider the risks described below (as such risk factors may be updated from time to time in our public filings), as well as the other information included in or incorporated by reference into this offering memorandum, before making a decision to invest in the Notes. The risks described below and incorporated by reference are not the only risks that we face. Additional risks and uncertainties not currently known to us or that we currently deem immaterial may also impair our business operations. Any of these risks may have a material adverse effect on our business, reputation, financial condition, results of operations, profitability, cash flows or liquidity. In such a case, you may lose all or part of your investment in the Notes.

Risks Relating to the Company's Business

The beauty industry is highly competitive, and if we are unable to compete effectively, our business, prospects, financial condition and results of operations could suffer.

The beauty industry is highly competitive and can change rapidly due to consumer preferences and industry trends, such as the expansion of digital channels and advances in technology. Competition in the beauty industry is based on several factors, including pricing, value and quality, packaging and brands, speed or quality of innovation and new product introductions, in-store presence and visibility, promotional activities and brand recognition, distribution channels, advertising, editorials and adaptation to evolving technology and device trends, including via e-commerce and mobile-commerce initiatives. Our competitors include large multinational consumer products companies, private label brands and emerging companies, among others, and some have greater resources than we do or may be able to respond more quickly or effectively to changing business and economic conditions than we can. It is difficult for us to predict the timing and scale of our competitors' actions and their impact on the industry or on our business. For example, the fragrance category is being influenced by new product introductions, niche brands and growing e-commerce distribution, and the nail category in the U.S. by lower cost brands, which have increased pricing pressure, and shifts in consumer preference away from certain traditional formulations. The color cosmetics category has been influenced by entry by new competitors and smaller competitors that are fast to respond to trends and engage with their customers through digital platforms and innovative in-store activations. In addition, the hair color category is being influenced by new product introductions in the premium category and innovations by competitors to meet growing category needs. Furthermore, the Internet and the online retail industry are characterized by rapid technological evolution, changes in consumer requirements and preferences, frequent introductions of new products and services embodying new technologies and the emergence of new industry standards and practices, any of which could render our existing technologies and systems obsolete. Our success will depend, in part, on our ability to identify, develop, acquire or license leading technologies useful in our business, and respond to technological advances and emerging industry standards and practices in a cost-effective and timely way. If we are unable to compete effectively on a global basis or in our key product categories or geographies, it could have an adverse impact on our business, prospects, financial condition, results of operations, cash flows, as well as the trading price of our securities.

Further consolidation in the retail industry and shifting preferences in how and where consumers shop may adversely affect our business, prospects, financial condition and results of operations.

Significant consolidation in the retail industry has occurred during the last several years. The trend toward consolidation, particularly in developed markets such as the U.S. and Western Europe, has resulted in our becoming increasingly dependent on our relationships with, and the overall business health of, fewer key retailers that control an increasing percentage of retail locations, which trend may continue. For example, certain retailers account for over 10% of our net revenues in certain geographies, including the U.S. Our success is dependent on our ability to manage our retailer relationships, including offering trade terms on mutually acceptable terms. Furthermore, increased online competition and declining in-store traffic has resulted, and may continue to result, in brick-and-mortar retailers closing physical stores, which could negatively impact our distribution strategies and/or sales if such retailers decide to significantly reduce their inventory levels for our products or to designate more floor space to our competitors. Further consolidation and store closures could have a material adverse effect on our business, prospects, financial condition, results of operations, cash flows, as well as the trading price of our securities. We generally do not have long-term sales contracts or other sales assurances with our retail customers.

Consumer shopping preferences have also shifted, and may continue to shift in the future, to distribution channels other than traditional retail in which we have more limited experience, presence and development, such as direct sales and e-commerce. In addition, our entry into new categories and geographies has exposed, and may continue to expose, us to new distribution channels or risks about which we have less experience. If we are not successful in developing and utilizing these channels or other channels that future consumers may prefer, we may experience lower than expected revenues.

Changes in industry trends and consumer preferences could adversely affect our business, prospects, financial condition and results of operations.

Our success depends on our products' appeal to a broad range of consumers whose preferences cannot be predicted with certainty and may change rapidly, and on our ability to anticipate and respond in a timely and cost-effective manner to industry trends through product innovations, product line extensions and marketing and promotional activities, among other things. Product life cycles and consumer preferences continue to be affected by the rapidly increasing use and proliferation of social and digital media by consumers, and the speed with which information and opinions are shared. As product life cycles shorten, we must continually work to develop, produce, and market new products, maintain and enhance the recognition of our brands and shorten our product development and supply chain cycles.

In addition, net revenues and margins on beauty products tend to decline as they advance in their life cycles, so our net revenues and margins could suffer if we do not successfully and continuously develop new products. This product innovation also can place a strain on our employees and our financial resources, including possibly incurring expenses in connection with product innovation and development, marketing and advertising that are not subsequently supported by a sufficient level of sales. Furthermore, we cannot predict how consumers will react to any new products that we launch or to repositioning of our brands. The amount of positive or negative sales contribution of any of our products may change significantly within a period or from period to period. The above-referenced factors, as well as new product risks, could have an adverse effect on our business, prospects, financial condition, results of operations, cash flows, as well as the trading price of our securities.

Our success depends on our ability to achieve our global business strategies.

Our future growth depends on our ability to successfully implement our global business strategies, which includes leveraging our strength and scale and combining new organic growth opportunities with a well-targeted acquisition strategy to strive to become, over time, the global industry leader by being a clear challenger in beauty, and delighting our consumers, which we believe should ultimately translate into revenue growth, strong cash flow and the creation of long-term shareholder value. Achieving our global business strategies will require investment in new capabilities, products and brands, categories, distribution channels, technologies and emerging and more mature geographies and beauty markets. These investments may result in short-term costs without any current revenues and, therefore, may be dilutive to our earnings and negatively impact our cash flows. We will also seek to reduce fixed costs, which may be unpredictable in periods following acquisitions, as we implement our integration efforts and undertake other cost efficiency measures.

We have identified our non-core portfolio of brands in connection with our announced portfolio rationalization. All identified brands are reported in our Consumer Beauty and Luxury segments and represent a smaller percentage of the full year 2017 net revenues than previously announced. We expect to announce completion of the portfolio rationalization in fiscal 2018. We are likely to continue to dispose of or discontinue select additional brands and/or streamline operations in the future from time to time, and incur costs or restructuring and/or other charges in doing so. We may face risks of declines in brand performance and license terminations, due to allegations of breach, our management's periodic review of various strategic alternatives including renewal, renegotiation, divestiture or discontinuation, or for other reasons. If and when we decide to divest or discontinue any brands or lines of business, we cannot be sure that we will be able to locate suitable buyers or that we will be able to complete such divestitures or discontinuances successfully, timely, on commercially advantageous terms or without significant costs, including relating to any post-closing purchase price adjustments or claims for indemnification. Any such divestiture or discontinuation could have a dilutive impact on our earnings and activities associated with any divestiture or discontinuance have diverted and may divert in the future significant financial, operational and managerial resources from our existing operations, and make it more difficult to achieve our operating and strategic objectives. We also cannot be sure of the effect such divestitures or discontinuances would have on the performance of our remaining business or ability to execute our global strategies.

Although we believe that our strategy will lead to long-term growth in revenue and profitability, we may not realize, in full or in part, the anticipated benefits. The failure to realize benefits, which may be due to our inability to execute plans, global or local economic conditions, competition, changes in the beauty industry and the other risks described herein, could have a material adverse effect on our business, prospects, financial condition, results of operations, cash flows, as well as the trading price of our securities.

We have incurred significant costs associated with the P&G Beauty Business Acquisition that could affect our period-to-period operating results.

Due to the P&G Beauty Business Acquisition, we have significantly more sales, assets and employees, and a higher fixed cost base, than we did prior to the P&G Beauty Business Acquisition. We anticipate that we will incur a total of approximately $1.2 billion of operating expenses and capital expenditures of approximately $500 million in connection with the P&G Beauty Business Acquisition. Through December 31, 2017, we incurred life-to-date operating expenses and capital expenditures against these estimates of approximately $975 million and $275 million, respectively, and we expect the remaining operating expenses, including any anticipated restructuring activities, and capital expenditures to be incurred in future periods through fiscal 2021. As we progress on our portfolio rationalization and continue to integrate the P&G Beauty Business and our other recent acquisitions, we are evaluating additional initiatives designed to simplify processes, reduce costs and improve organizational agility. Our management has been, and will continue to be, required to devote a substantial amount of time and attention to the process of integrating Galleria with our business operations and further simplifying our processes in the combined company, which has diverted attention from ongoing operations of both our legacy Coty business and the P&G Beauty Business and has affected our period-to-period operating results. If our management is not able to effectively manage these initiatives, address fixed and other costs, or if any significant business activities are interrupted as a result of these initiatives, our business, prospects, financial condition, results of operations, cash flows, as well as the trading price of our securities may be materially adversely affected. The amount and timing of the above-referenced charges and management distraction could further adversely affect our business, prospects, financial condition, results of operations, cash flows, as well as the trading price of our securities.

Moreover, the diversion of resources to the integration of the P&G Beauty Business and the exit of all three stages of our transition services agreement with P&G (the "TSA exit") in fiscal years 2017 and 2018 together with recent changes in our management teams as we reorganized our business, negatively impacted our fiscal year 2017 results. Although we have instituted initiatives to deliver meaningful, sustainable expense and cost management results, events and circumstances such as financial or strategic difficulties, unexpected employee turnover, business disruption and delays may occur or continue, resulting in new, unexpected or increased costs that could result in us not realizing all of the anticipated benefits of the integration on our expected timetable or at all. In addition, we are executing many initiatives simultaneously, which may result in further diversion of our resources and business disruption, and may adversely impact the execution of such initiatives. Any failure to implement the integration and other initiatives in accordance with our expectations could adversely affect our business, prospects, financial condition, results of operations, cash flows, as well as the trading price of our securities.

Our new product introductions may not be as successful as we anticipate, which could have a material adverse effect on our business, prospects, financial condition and results of operations.

We must continually work to develop, produce and market new products and maintain a favorable mix of products in order to respond in an effective manner to changing consumer preferences. We continually develop our approach as to how and where we market and sell our products. In addition, we believe that we must maintain and enhance the recognition of our brands, which may require us to quickly and continuously adapt in a highly competitive industry to deliver desirable products and branding to our consumers. For example, we are in the process of rebranding certain brands, particularly in Consumer Beauty, to increase competitiveness of those brands. There is no assurance that these or other initiatives will be successful and, if they are not, our business, prospects, financial condition, results of operations, cash flows, as well as the trading price of our securities, could be adversely impacted.

We have a specific process for the continuous development and evaluation of new product concepts; however, each new product launch carries risks. For example, we may incur costs exceeding our expectations, our advertising, promotional and marketing strategies may be less effective than planned or customer purchases may not be as high as anticipated. In addition, we may experience a decrease in sales of certain of our existing products as a result of consumer preferences shifting to our newly-launched products or to the products of our competitors as a result of unsuccessful or unpopular product launches harming our brands. Any of these could have a material adverse effect on our business, prospects, financial condition, results of operations, cash flows, as well as the trading price of our securities.

As part of our ongoing business strategy we expect that we will need to continue to introduce new products in our traditional product categories and channels, while also expanding our product launches into adjacent categories and channels in which we may have little to no operating experience. For example, we acquired professional and retail hair brands in connection with the P&G Beauty Business Acquisition, recently purchased a premium brand in high-end hair styling and appliances and entered into a joint venture with an online peer-to-peer social selling platform in beauty, all of which are new product categories and channels for us. The success of product launches in adjacent product categories and channels could be hampered by our relative inexperience operating in such categories and channels, the strength of our competitors or any of the other risks referred to herein. Our inability to introduce successful products in our traditional categories and channels or in these or other adjacent categories and channels could limit our future growth and have a material adverse effect on our business, prospects, financial condition, results of operations, cash flows, as well as the trading price of our securities.

We may not be able to identify suitable acquisition targets and our acquisition activities and other strategic transactions may present managerial, integration, operational and financial risks, which may prevent us from realizing the full intended benefit of the acquisitions we undertake.

Our acquisition activities and other strategic transactions expose us to certain risks related to integration, including diversion of management attention from existing core businesses and substantial investment of resources to support integration. During the past several years, we have explored and undertaken opportunities to acquire other companies and assets as part of our growth strategy. For example, we completed five acquisitions in 2016 and 2017 (including the acquisition of the P&G Beauty Business in October 2016) and entered into a joint venture with Younique in 2017. These assets represent a significant portion of our net assets, particularly the P&G Beauty Business. We continue to seek acquisitions that we believe strengthen our competitive position in our key segments and geographies or accelerate our ability to grow into adjacent product categories and channels and emerging markets or which otherwise fit our strategy. There can be no assurance that we will be able to identify suitable acquisition candidates, be the successful bidder or consummate acquisitions on favorable terms or otherwise realize the full intended benefit of such transactions.

The assumptions we use to evaluate acquisition opportunities may not prove to be accurate, and intended benefits may not be realized. Our due diligence investigations may fail to identify all of the problems, liabilities or other challenges associated with an acquired business which could result in increased risk of unanticipated or unknown issues or liabilities, including with respect to environmental, competition and other regulatory matters and our mitigation strategies for such risks that are identified may not be effective. As a result, we may not achieve some or any of the benefits, including anticipated synergies or accretion to earnings, that we expect to achieve in connection with our acquisitions, including the P&G Beauty Business Acquisition, or we may not accurately anticipate the fixed and other costs associated with such acquisitions, which may materially adversely affect our business, prospects, financial condition, results of operations, cash flows, as well as the trading price of our securities. Any financing for an acquisition could increase our indebtedness or result in a potential violation of the debt covenants under our existing facilities requiring consent or waiver from our lenders, which could delay or prevent the acquisition, or dilute the interests of our stockholders. For example, in connection with the P&G Beauty Business Acquisition, Green Acquisition Sub Inc., a wholly-owned subsidiary of the Company, was merged with and into Galleria, with Galleria continuing as the surviving corporation and a direct wholly-owned subsidiary of the Company (the "Green Merger") and pre-Green Merger holders of our stock were diluted to 46% of the fully diluted shares of common stock immediately following the Green Merger. In addition, acquisitions of foreign businesses, new entrepreneurial businesses and businesses in new distribution channels, such as our acquisition of the Hypermarcas Brands, Younique and ghd, entail certain particular risks, including potential difficulties in geographies and channels in which we lack a significant presence, difficulty in seizing business opportunities compared to local or other global competitors, difficulty in complying with new regulatory frameworks, the adverse impact of fluctuating exchange rates and entering lines of business where we have limited or no direct experience. See "—Fluctuations in currency exchange rates may negatively impact our financial condition and results of operations" and "—We are subject to risks related to our international operations."

We face risks associated with our joint ventures.

We are party to several joint ventures in both the U.S. and abroad. Going forward, we may acquire interests in more joint venture enterprises to execute our business strategy by utilizing our partners' skills, experiences and resources. These joint ventures involve risks that our joint venture partners may:

- have economic or business interests or goals that are inconsistent with or adverse to ours;
- take actions contrary to our requests or contrary to our policies or objectives, including actions that may violate applicable law;
- be unable or unwilling to fulfill their obligations under the relevant joint venture agreements;
- have financial difficulties; or
- have disputes with us as to the scope of their rights, responsibilities and obligations.

In certain cases, joint ventures may present us with a lack of ability to fully control all aspects of their operations, including due to veto rights, and we may not have full visibility with respect to all operations, customer relations and compliance practices, among others.

Our present or future joint venture projects may not be successful. We have had, and cannot assure you that we will not in the future have, disputes or encounter other problems with respect to our present or future joint venture partners or that our joint venture agreements will be effective or enforceable in resolving these disputes or that we will be able to resolve such disputes and solve such problems in a timely manner or on favorable economic terms, or at all. Any failure by us to address these potential disputes or conflicts of interest effectively could have a material adverse effect on our business, prospects, financial condition, results of operations, cash flows, as well as the trading price of our securities.

If we are unable to obtain, maintain and protect our intellectual property rights, in particular trademarks, patents and copyrights, or if our brand partners and licensors are unable to maintain and protect their intellectual property rights that we use in connection with our products, our ability to compete could be negatively impacted.

Our intellectual property is a valuable asset of our business. Although certain of the intellectual property we use is registered in the U.S. and in many of the foreign countries in which we operate, there can be no assurances with respect to such intellectual property rights, including our ability to further register, use or defend key current or future trademarks. Further, applicable law may provide only limited and uncertain protection, particularly in emerging markets, such as China.

Furthermore, we may fail to apply for, or be unable to obtain, intellectual property protection for certain aspects of our business. Third parties have in the past and could in the future bring infringement, invalidity, co-inventorship, re-examination, opposition or similar claims with respect to our current or future intellectual property. Any such claims, whether or not successful, could be costly to defend, may not be sufficiently covered by any indemnification provisions to which we are party, divert management's attention and resources, damage our reputation and brands, and substantially harm our business, prospects, financial condition, results of operations, cash flows, as well as the trading price of our securities. Patent expirations may also affect our business. As patents expire, competitors may be able to legally produce and market products similar to the ones that were patented, which could have a material adverse effect on our business, prospects, financial condition, results of operations, cash flows, as well as the trading price of our securities.

In addition, third parties may illegally distribute and sell counterfeit versions of our products, which may be inferior or pose safety risks and could confuse consumers, which could cause them to refrain from purchasing our brands in the future or otherwise damage our reputation. In recent years, there has been an increase in the availability of counterfeit goods, including fragrances, in various markets by street vendors and small retailers, as well as on the Internet. The presence of counterfeit versions of our products in the market and of prestige products in mass distribution channels could also dilute the value of our brands, force us and our distributors to compete with heavily discounted products, cause us to be in breach of contract or otherwise have a negative impact on our reputation and business, prospects, financial condition or results of operations. We are rationalizing our wholesale distribution and continue efforts to reduce the amount of product diversion to the value and mass channels; however, stopping such commerce could result in a potential adverse impact to our sales and net revenues, including to those customers who are selling our products to unauthorized retailers, or an increase in returns over historical levels.

In order to protect or enforce our intellectual property and other proprietary rights, we may initiate litigation or other proceedings against third parties, such as infringement suits, opposition proceedings or interference proceedings. Any lawsuits or proceedings that we initiate could be expensive, take significant time and divert management's attention from other business concerns, adversely impact customer relations and we may not be successful. Litigation and other proceedings may also put our intellectual property at risk of being invalidated or interpreted narrowly. The occurrence of any of these events may have a material adverse effect on our business, prospects, financial condition, results of operations, cash flows, as well as the trading price of our securities.

In addition, many of our products bear, and the value of our brands is affected by, the trademarks and other intellectual property rights of our brand and joint venture partners and licensors. Our brand and joint venture partners' and licensors' ability to maintain and protect their trademark and other intellectual property rights is subject to risks similar to those described above with respect to our intellectual property. We do not control the protection of the trademarks and other intellectual property rights of our brand and joint venture partners and licensors and cannot ensure that our brand and joint venture partners and licensors will be able to secure or protect their trademarks and other intellectual property rights, which could have a material adverse effect on our business, prospects, financial condition, results of operations, cash flows, as well as the trading price of our securities.

Our success depends on our ability to operate our business without infringing, misappropriating or otherwise violating the intellectual property of third parties.

Our commercial success depends in part on our ability to operate without infringing, misappropriating or otherwise violating the trademarks, patents, copyrights and other proprietary rights of third parties. However, we cannot be certain that the conduct of our business does not and will not infringe, misappropriate or otherwise violate such rights. Moreover, our acquisition targets and other businesses in which we make strategic investments are often smaller or younger companies with less robust intellectual property clearance practices, and we may face challenges on the use of their trademarks and other proprietary rights. For example, we are facing oppositions to our use of the "Younique" mark in certain jurisdictions, including the European Economic Area. If we are found to be infringing, misappropriating or otherwise violating a third-party trademark, patent, copyright or other proprietary rights, we may need to obtain a license, which may not be available in a timely manner on commercially reasonable terms or at all, or redesign or rebrand our products, which may not be possible or result in a significant delay to market or otherwise have an adverse commercial impact. We may also be required to pay substantial damages or be subject to a court order prohibiting us and our customers from selling certain products or engaging in certain activities, which could therefore have a material adverse effect on our business, prospects, financial condition, results of operations, cash flows, as well as the trading price of our securities.

Our goodwill and other assets have been subject to impairment and may continue to be subject to impairment in the future.

We are required, at least annually, to test goodwill and indefinite intangible assets to determine if any impairment has occurred. Impairment may result from various factors, including adverse changes in assumptions used for valuation purposes, such as actual or projected revenue growth rates, profitability or discount or interest rates. If the testing indicates that an impairment has occurred, we are required to record a non-cash impairment charge for the difference between the carrying value of the goodwill or indefinite intangible assets and the implied fair value of the goodwill or the fair value of indefinite intangible assets.

We cannot predict the amount and timing of any future impairments, if any. We have experienced impairment charges with respect to goodwill, intangible assets or other items in connection with past acquisitions, and we may experience such charges in connection with recent and future acquisitions. Any future impairment of our goodwill or other intangible assets could have an adverse effect on our business, prospects, financial condition, results of operations, cash flows, as well as the trading price of our securities. For a further discussion of our impairment testing, please refer to "Management's Discussion and Analysis of Financial Condition and Results of Operations-Financial Condition-Liquidity and Capital Resources-Goodwill, Other Intangible Assets and Long-Lived Assets."

A general economic downturn, credit constriction, uncertainty in global economic or political conditions or other global events or a sudden disruption in business conditions may affect consumer spending, which could adversely affect our financial results.

Global events may impact our business, prospects, financial condition, results of operations, cash flows, as well as the trading price of our securities. We operate in an environment of slow overall growth in the segments and geographies in which we compete with increasing competitive pressure and changing consumer preferences. While luxury fragrances and skin care categories are experiencing strong growth, declines in the retail nail, mass color cosmetics and mass fragrances categories in the U.S. and certain key markets in Western Europe continue to impact our business and financial results. Deterioration of social or economic conditions in Europe or elsewhere could also impair collections on accounts receivable. For example, the June 23, 2016 referendum in the U.K. in which voters approved an exit from the E.U., commonly referred to as "Brexit," and subsequent initiation of formal withdrawal procedures by the U.K. government has caused significant volatility in the financial and credit markets and may impact consumer spending and economic conditions generally in Europe. The global markets and currencies have been adversely impacted, including a sharp decline in the value of the British pound as compared to the U.S. dollar. Volatilities in exchange rates resulting from Brexit are expected to continue at least in the short term as the U.K. continues to negotiate its exit from the E.U. Although it is unknown what those terms will be, it is possible that there will be greater restrictions on imports and exports between the U.K. and E.U. countries and increased regulatory complexities. These changes may adversely affect our operations and financial results. See "—We are subject to risks related to our international operations." Further, the impact of recent political and economic developments in the United States, the U.K. and Europe, including the change in administration in the U.S., and the results of several 2017 elections in European nations are uncertain. These political and economic developments could result in changes to legislation or reformation of government policies, rules and regulations pertaining to trade. Such changes could have a significant impact on our business by increasing the cost of doing business, affecting our ability to sell our products and negatively impacting our profitability.

In addition, our sales are affected by the overall level of consumer spending. The general level of consumer spending is affected by a number of factors, including general economic conditions, inflation, interest rates, energy costs and consumer confidence, each of which is beyond our control. Consumer purchases of discretionary and other items and services, including beauty products, tend to decline during recessionary periods and otherwise weak economic environments, when disposable income is lower. A decline in consumer spending may have a negative impact on our direct sales and could cause financial difficulties at our retailer and other customers. If consumer purchases decrease, we may not be able to generate enough cash flow to meet our debt obligations and other commitments and may need to refinance our debt, dispose of assets or issue equity to raise necessary funds. We cannot predict whether we would be able to undertake any of these actions to raise funds on a timely basis or on satisfactory terms or at all. The financial difficulties of a customer or retailer could also cause us to curtail or eliminate business with that customer or retailer. We may also decide to assume more credit risk relating to the receivables from our customers or retailers, which increases the possibility of late or non-payment of receivables. Our inability to collect receivables from a significant retailer or customer, or from a group of these customers, could have a material adverse effect on our business, prospects, results of operations, financial condition, results of operations, cash flows, as well as the trading price of our securities. If a retailer or customer were to go into liquidation, we could incur additional costs if we choose to purchase the retailer's or customer's inventory of our products to protect brand equity.

Volatility in the financial markets could have a material adverse effect on our business, prospects, financial condition, results of operations, cash flows, as well as the trading price of our securities.

While we currently generate significant cash flows from our ongoing operations and have access to global credit markets through our various financing activities, credit markets may experience significant disruptions. Deterioration in global financial markets could make future financing difficult or more expensive. If any financial institutions that are parties to our credit facilities or other financing arrangements, such as interest rate or foreign currency exchange hedging instruments, were to declare bankruptcy or become insolvent, they may be unable to perform under their agreements with us. This could leave us with reduced borrowing capacity or could leave us unhedged against certain interest rate or foreign currency exposures, which could have an adverse impact on our business, prospects, financial condition, results of operations, cash flows, as well as the trading price of our securities.

Fluctuations in currency exchange rates may negatively impact our financial condition and results of operations.

Exchange rate fluctuations have affected and may in the future affect our results of operations, financial condition, reported earnings, the value of our foreign assets, the relative prices at which we and foreign competitors sell products in the same markets and the cost of certain inventory and non-inventory items required by our operations. The currencies to which we are exposed include the euro, the British pound, the Chinese yuan, the Polish zloty, the Russian ruble, the Brazilian real, the Australian dollar and the Canadian dollar. The exchange rates between these currencies and the U.S. dollar in recent years have fluctuated significantly and may continue to do so in the future. A depreciation of these currencies against the U.S. dollar would decrease the U.S. dollar equivalent of the amounts derived from foreign operations reported in our consolidated financial statements and an appreciation of these currencies would result in a corresponding increase in such amounts. The cost of certain items, such as raw materials, transportation and freight, required by our operations may be affected by changes in the value of the various relevant currencies. To the extent that we are required to pay for goods or services in foreign currencies, the appreciation of such currencies against the U.S. dollar would tend to negatively impact our financial condition and results of operations. We hedge certain exposures to foreign currency exchange rates arising in the ordinary course of business in order to mitigate the effect of such fluctuations.

We are subject to risks related to our international operations.

We operate on a global basis, and approximately 67% of our net revenues in fiscal 2017 were generated outside North America. We maintain offices in over 35 countries and markets, sell and distribute our products in over 150 countries and territories. Our presence in such geographies has expanded as a result of our acquisitions, including the ghd Acquisition, the acquisition of the Hypermarcas Brands, and the P&G Beauty Business Acquisition, and we are exposed to risks inherent in operating in geographies in which we have not operated in or have been less present in the past.

Non-U.S. operations are subject to many risks and uncertainties, including ongoing instability or changes in a country's or region's economic, regulatory or political conditions, including inflation, recession, interest rate fluctuations, sovereign default risk and actual or anticipated military or political conflicts (including any other change resulting from Brexit), labor market disruptions, new or increased tariffs, quotas, exchange or price controls, trade barriers or other restrictions on foreign businesses, our failure to effectively and timely implement processes and policies across our diverse operations and employee base and difficulties and costs associated with complying with a wide variety of complex and potentially conflicting regulations across multiple jurisdictions.

In addition, sudden disruptions in business conditions as a consequence of events such as terrorist attacks, war or other military action or the threat of further attacks, pandemics or other crises or vulnerabilities or as a result of adverse weather conditions or climate changes, may have an impact on consumer spending, which could have a material adverse effect on our business, prospects, financial condition, results of operations, cash flows, as well as the trading price of our securities.

In addition, on December 22, 2017, the President of the United States signed the Tax Act, which includes a broad range of tax changes significantly revising the U.S. corporate income tax system by, amongst other things, reducing the U.S. federal corporate tax rate from 35% to 21%, implementing a modified territorial tax system (including a new minimum tax on certain foreign earnings) and imposing one-time deemed repatriation tax on historical earnings generated by certain foreign subsidiaries that had not previously been repatriated to the United States. The new law makes broad and complex changes to the U.S. tax laws that affect businesses operating internationally, and we expect to see future regulatory, administrative or legislative guidance that could adversely affect our financial results. We are analyzing the Tax Act to determine the full impact of the new tax law, and to the extent any future guidance differs from our preliminary interpretation of the law, it could have a material adverse effect on our financial position and results of operations. In addition, some foreign governments may enact tax laws in response to the Tax Act that could result in further changes to global taxation and that could materially adversely affect our financial results.

We are subject to legal proceedings and legal compliance risks.

We are subject to a variety of legal proceedings and legal compliance risks in the countries in which we do business, including the matters described under the heading "Legal Proceedings" in Part I, Item 3 of our latest Annual Report on Form 10-K. We are under the jurisdiction of regulators and other governmental authorities which may, in certain circumstances, lead to enforcement actions, changes in business practices, fines and penalties, the assertion of private litigation claims and damages and adversely impact our customer relationships, particularly to the extent customers were implicated by such proceedings. We are also subject to legal proceedings and legal compliance risks in connection with legacy matters involving our recent acquisitions, including the P&G Beauty Business, ghd and Younique, that were previously outside our control and that we are now independently addressing, which may result in unanticipated or new liabilities. While we believe that we have adopted, and /or will adopt, appropriate risk management and compliance programs, the global nature of our operations and many laws and regulations to which we are subject mean that legal and compliance risks will continue to exist with respect to our business, and additional legal proceedings and other contingencies, the outcome and impact of which cannot be predicted with certainty, will arise from time to time.

Our operations and acquisitions in certain foreign areas expose us to political, regulatory, economic and reputational risks.

We operate on a global basis. Our employees, contractors and agents, business partners, joint venture and joint venture partners and companies to which we outsource certain of our business operations, may take actions in violation of our compliance policies or applicable law. In addition, some of our recent acquisitions have required us to integrate non-U.S. companies that had not, until our acquisition, been subject to U.S. law or other laws to which we are subject. In many countries, particularly in those with developing economies, it may be common for persons to engage in business practices prohibited by the laws and regulations applicable to us. We are in the process of enhancing our compliance program as a result of the P&G Beauty Business Acquisition, but we cannot assure you that we will not encounter problems with respect to such programs or that such programs will be effective in ensuring compliance. Failure by us or our subsidiaries to comply with these laws or policies could subject us to civil and criminal penalties, cause us to be in breach of contract or damage to our or our licensors' reputation, each of which could materially and adversely affect our business, prospects, financial condition, cash flows, results of operations, cash flows, as well as the trading price of our securities.

For example, in 2012, we voluntarily disclosed to the U.S. Department of Commerce, Bureau of Industry and Security, Office of Antiboycott Compliance ("OAC") that our majority-owned subsidiary in the UAE may have violated certain antiboycott regulations. In October 2016, we settled this matter with the OAC for an immaterial amount. We may experience reputational harm and increased regulatory scrutiny, and the U.S. may impose additional sanctions at any time on other countries where we sell our products. If so, our existing activities may be adversely affected, or we may incur costs in order to come into compliance with future sanctions, depending on the nature of any further sanctions that may be imposed.

We are subject to the interpretation and enforcement by governmental agencies of other foreign laws, rules, regulations or policies, including any changes thereto, such as restrictions on trade, import and export license requirements, and tariffs and taxes (including tax assessments and disputes related thereto), which may require us to adjust our operations in certain areas where we do business. We face legal and regulatory risks in the U.S. and abroad and, in particular, cannot predict with certainty the outcome of various contingencies or the impact that pending or future legislative and regulatory changes may have on our business. It is not possible to gauge what any final regulation may provide, its effective date or its impact at this time. These risks could have a material adverse effect on our business, prospects, financial condition, results of operations, cash flows, as well as the trading price of our securities.

Our failure to protect our reputation, or the failure of our brand partners or licensors to protect their reputations, could have a material adverse effect on our brand images.

Our ability to maintain our reputation is critical to our business and our various brand images. Our reputation could be jeopardized if we fail to maintain high standards for product quality and integrity (including should we be perceived as violating the law) or if we, or the third parties with whom we do business, do not comply with regulations or accepted practices and are subject to a significant product recall, litigation, or allegations of tampering, animal testing or use of certain ingredients (such as certain palm oil). Any negative publicity about these types of concerns or other concerns, whether actual or perceived or directed towards us or our competitors, may reduce demand for our products. Failure to comply with ethical, social, product, labor and environmental standards, or related political considerations, could also jeopardize our reputation and potentially lead to various adverse consumer actions, including boycotts. In addition, our employees' use of social media subjects us to potential negative publicity if such use does not align with our high standards for product quality and integrity or fails to comply with regulations or accepted practices. Furthermore, widespread use of digital and social media by consumers has greatly increased the accessibility of information and the speed of its dissemination. Negative or inaccurate publicity, posts or comments on social media, whether accurate or inaccurate, about us or our brand partners and licensors, our respective brands or our respective products, whether true or untrue, could damage our respective brands and our reputation.

Additionally, our success is also partially dependent on the reputations of our brand partners and licensors and the goodwill associated with their intellectual property. We often rely on our brand partners or licensors to manage and maintain their brands, but these licensors' reputation or goodwill may be harmed due to factors outside our control, which could be attributed to our other brands and have a material adverse effect on our business, prospects, financial condition, results of operations, cash flows, as well as the trading price of our securities. Many of these brand licenses are with fashion houses, whose popularity may decline due to mismanagement, changes in fashion or consumer preferences or other factors beyond our control. Similarly, certain of our products bear the names and likeness of celebrities, whose brand or image may change without notice and who may not maintain the appropriate celebrity status or positive association among the consumer public to support projected sales levels. In addition, in the event that any of these licensors were to enter bankruptcy proceedings, we could lose our rights to use the intellectual property that the applicable licensors license to us.

Damage to our reputation or the reputations of our brand partners or licensors or loss of consumer confidence for any of these or other reasons could have a material adverse effect on our results of operations, financial condition and cash flows, as well as require additional resources to rebuild our reputation.

Our brand licenses may be terminated if specified conditions are not met.

We license trademarks for many of our product lines. Our brand licenses typically impose various obligations on us, including the payment of annual royalties, maintenance of the quality of the licensed products, achievement of minimum sales levels, promotion of sales and qualifications and behavior of our suppliers, distributors and retailers. We have breached, and may in the future breach, certain terms of our brand licenses. If we breach our obligations, our rights under the applicable brand license agreements could be terminated by the licensor and we could, among other things, lose our ability to sell products related to that brand, lose any upfront investments made in connection with such license and sustain reputational damage. We may also face difficulties in finding replacements for terminated licenses. Each of the aforementioned risks could have a material adverse effect on our business, prospects, financial condition, results of operations, cash flows, as well as the trading price of our securities.

Our business is subject to seasonal variability.

Our sales generally increase during our second fiscal quarter as a result of increased demand by retailers associated with the winter holiday season. We also experience an increase in sales during our fourth quarter in our Professional Beauty segment as a result of stronger activity prior to the summer holiday season. Accordingly, our financial performance, sales, working capital requirements, cash flow and borrowings generally experience variability during the three to six months preceding and during the holiday period. As a result of this seasonality, our expenses, including working capital expenditures and advertising spend, are typically higher during the period before a high-demand season. Consequently, any substantial decrease in, or inaccurate forecasting with respect to, net revenues during such periods of high demand including as a result of decreased customer purchases, increased product returns, production or distribution disruptions or other events (many of which are outside of our control), would prevent us from being able to recoup our earlier expenses and could have a material adverse effect on our financial condition, results of operations and cash flows.

A disruption in operations could adversely affect our business.

As a company engaged in manufacturing and distribution on a global scale, we are subject to the risks inherent in such activities, including industrial accidents, environmental events, strikes and other labor disputes, disruptions in supply chain or information systems, loss or impairment of key manufacturing sites or distribution centers, product quality control, safety, licensing requirements and other regulatory issues (including possible dawn raids), as well as natural disasters, pandemics, border disputes, acts of terrorism and other external factors over which we have no control. The loss of, or damage or disruption to, any of our manufacturing facilities or distribution centers could have a material adverse effect on our business, prospects, results of operations, financial condition, results of operations, cash flows, as well as the trading price of our securities.

We manufacture and package a majority of our products. Raw materials, consisting chiefly of essential oils, alcohols, chemicals, containers and packaging components, are purchased from various third-party suppliers. The loss of multiple suppliers or a significant disruption or interruption in the supply chain could have a material adverse effect on the manufacturing and packaging of our products. Increases in the costs of raw materials or other commodities may adversely affect our profit margins if we are unable to pass along any higher costs in the form of price increases or otherwise achieve cost efficiencies in manufacturing and distribution. In addition, failure by our third-party suppliers to comply with ethical, social, product, labor and environmental laws, regulations or standards, or their engagement in politically or socially controversial conduct, such as animal testing, could negatively impact our reputations and lead to various adverse consequences, including decreased sales and consumer boycotts. The Dodd-Frank Wall Street Reform and Consumer Protection Act includes disclosure requirements regarding the use of certain minerals mined from the Democratic Republic of Congo and adjoining countries (each, a “covered country”) and procedures pertaining to a manufacturer’s efforts regarding the source of such minerals. SEC rules implementing these requirements may have the effect of reducing the pool of suppliers who can supply covered country “conflict free” products, and we may not be able to obtain covered country conflict free products or supplies in sufficient quantities for our operations. For calendar year 2016, we determined that we have no reason to believe that any products we manufactured or contracted to manufacture contained conflict minerals that may have originated in the covered countries. However, since our supply chain is complex, we may face operational obstacles and reputational challenges with our customers and stockholders if we are unable to continue to sufficiently verify the origins for the minerals used in our products.

We have also outsourced and may continue to outsource certain functions, and we are dependent on the entities performing those functions. The failure of one or more such entities to provide the expected services, provide them on a timely basis or provide them at the prices we expect, or the costs incurred in returning these outsourced functions to being performed under our management and direct control, may have a material adverse effect on our results of operations or financial condition.

We are increasingly dependent on information technology, and if we are unable to protect against service interruptions, corruption of our data and privacy protections, cyber-based attacks or network security breaches, our operations could be disrupted.

We rely on information technology networks and systems, including the Internet, to process, transmit and store electronic and financial information, to manage a variety of business processes and activities, and to comply with regulatory, legal and tax requirements. We also depend on our information technology infrastructure for digital marketing activities, e-commerce and for electronic communications among our locations, personnel, customers and suppliers around the world. We are subject to an evolving body of federal, state and foreign laws, regulations, guidelines, and principles regarding data privacy and security. A data breach or inability on our part to comply with such laws, regulations, guidelines, and principles or to quickly adapt our practices to reflect them as they develop, could potentially subject us to significant liabilities and reputational harm. Several foreign governments, including the E.U., have regulations dealing with the collection and use of personal information obtained from their citizens, and regulators globally are also imposing greater monetary fines for privacy violations. For example, in 2016, the E.U. adopted a new law governing data practices and privacy called the General Data Protection Regulation ("GDPR"), which becomes effective in May 2018. The law establishes new requirements regarding the handling of personal data, and non-compliance with the GDPR may result in monetary penalties of up to 4% of worldwide revenue. The GDPR and other changes in laws or regulations associated with the enhanced protection of certain types of sensitive data, such as healthcare data or other personal information, could greatly increase our cost of providing our products and services or even prevent us from offering certain services in jurisdictions that we operate. The regulations are complex and likely require adjustments to our operations. We cannot assure you that we, our business partners or third-parties engaged by us will successfully comply with such laws and any failure to do so could result in significant liabilities and reputational harm. These information technology systems, some of which are managed by our business partners or third parties that we do not control, may be susceptible to damage, disruptions or shutdowns due to failures during the process of upgrading or replacing software, databases or components thereof, cutover activities in our integration and simplification initiatives, power outages, hardware failures, computer viruses, attacks by computer hackers, telecommunication failures, user errors or catastrophic events. If our information technology systems suffer severe damage, disruption or shutdown and our business continuity plans do not effectively resolve the issues in a timely manner, our product sales, financial condition and results of operations may be materially and adversely affected, and we could experience delays in reporting our financial results. There are further risks associated with the information systems of companies we acquire, both in terms of systems compatibility, level of security and functionality. It may cost us significant money and resources to address these risks and if our systems were to fail or we are unable to successfully expand the capacity of these systems, or we are unable to integrate new technologies into our existing systems our financial condition, results of operations and cash flows may be adversely impacted.

In addition, if we are unable to prevent security breaches, we may suffer financial and reputational damage or penalties because of the unauthorized disclosure of confidential information belonging to us or to our partners, customers or suppliers, including personal consumer or presenter information stored our or third-party systems. In addition, the unauthorized disclosure of nonpublic sensitive information could lead to the loss of intellectual property or damage our reputation and brand image or otherwise adversely affect our ability to compete.

From time to time, we undertake significant information technology systems projects, including enterprise resource planning updates, modifications and roll-outs. These projects may be subject to cost overruns and delays and may cause disruptions in our daily business operations. These cost overruns and delays and distractions as well as our reliance on certain third parties for certain business and financial information could impact our financial statements and could adversely impact our ability to run our business, correctly forecast future performance and make fully informed decisions. Any delay in timing of shipment of orders linked to unexpected technical challenges with such exits may impact our quarterly results.

Our success depends, in part, on our employees, including our key personnel.

Our success depends, in part, on our ability to identify, hire, train and retain our employees, including our key personnel, such as our executive officers and senior management team and our research and development and marketing personnel. The unexpected loss of one or more of our key employees could adversely affect our business. Competition for highly qualified individuals can be intense, and although many of our key personnel have signed non-compete agreements, it is possible that these agreements would be unenforceable, in whole or in part, in some jurisdictions, permitting employees in those jurisdictions to transfer their skills and knowledge to the benefit of our competitors with little or no restriction. We may not be able to attract, assimilate or retain qualified personnel in the future, and our failure to do so could adversely affect our business. Further, other companies may attempt to recruit our key personnel, even if bound by non-competes, which could result in diversion of management attention and our resources to litigation related to such recruitment. These risks may be exacerbated by the stresses associated with the integration of the P&G Beauty Business, implementation of our strategic plan, our recently announced reorganization, recent changes in our senior management team, recent acquisitions and other initiatives.

As we continue to restructure our workforce from time to time (including with respect to acquisitions and our overall growth strategy) and work with more brand partners and licensors, the risk of potential employment-related claims will also increase. As such, we or our partners may be subject to claims, allegations or legal proceedings related to employment matters including, but not limited to, discrimination, harassment (sexual or otherwise), wrongful termination or retaliation, local, state or federal labor law violations, injury, and wage violations. In addition, our employees in certain countries in Europe are subject to works council arrangements, exposing us to works council claims and associated litigation. In the event we or our partners are subject to one or more employment-related claims, allegations or legal proceedings, we or our partners may incur substantial costs, losses or other liabilities in the defense, investigation, settlement, delays associated with, or other disposition of such claims. In addition to the economic impact, we or our partners may also suffer reputational harm as a result of such claims, allegations and legal proceedings and the investigation, defense and prosecution of such claims, allegations and legal proceedings could cause substantial disruption in our or our partners' business and operations. While we do have policies and procedures in place to reduce our exposure to these risks, there can be no assurance that such policies and procedures will be effective or that we will not be exposed to such claims, allegations or legal proceedings.

Our success depends, in part, on the quality, efficacy and safety of our products.

Product safety or quality failures, actual or perceived, or allegations of product contamination, even when false or unfounded, or inclusion of regulated ingredients could tarnish the image of our brands and could cause consumers to choose other products. Allegations of contamination, allergens or other adverse effects on product safety or suitability for use by a particular consumer, even if untrue, may require us from time to time to recall a product from all of the markets in which the affected production was distributed. Such issues or recalls and any related litigation could negatively affect our profitability and brand image.

In addition, government authorities regulate advertising and product claims regarding the performance and benefits of our products. These regulatory authorities typically require a reasonable basis to support any marketing claims. What constitutes a reasonable basis for substantiation can vary widely based on geography, and there is no assurance that the efforts that we undertake to support our claims will be deemed adequate for any particular product or claim. If we are unable to show adequate substantiation for our product claims, or our promotional materials make claims that exceed the scope of allowed claims for the classification of the specific product, regulatory authorities could take enforcement action or impose penalties, such as monetary consumer redress, requiring us to revise our marketing materials, amend our claims or stop selling or recalling certain products, all of which could harm our business, prospects, financial condition, results of operations, cash flows, as well as the trading price of our securities. Any regulatory action or penalty could lead to private party actions, which could further harm our business, prospects, financial condition, results of operations, cash flows, as well as the trading price of our securities.

If our products are perceived to be defective or unsafe, or if they otherwise fail to meet our consumers' expectations, our relationships with customers or consumers could suffer, the appeal of one or more of our brands could be diminished, and we could lose sales or become subject to liability claims. In addition, safety or other defects in our competitors' products could reduce consumer demand for our own products if consumers view them to be similar or view the defects as symptomatic of the product category. Any of these outcomes could result in a material adverse effect on our business, prospects, financial condition, results of operations, cash flows, as well as the trading price of our securities.

If we underestimate or overestimate demand for our products and do not maintain appropriate inventory levels, our net revenues or working capital could be negatively impacted.

We currently engage in a program seeking to improve control over our product demand and inventories. We have identified, and may continue to identify, inventories that are not saleable in the ordinary course, but there is no assurance that our existing program or any future inventory management program will be successful in improving our inventory control. Our ability to manage our inventory levels to meet demand for our products is important for our business. If we overestimate or underestimate demand for any of our products, we may not maintain appropriate inventory levels, we could have excess inventory that we may need to hold for a long period of time, write down, sell at prices lower than expected or discard, which could negatively impact our net sales or working capital, hinder our ability to meet demand, or cause us to incur excess and obsolete inventory charges. We are also seeking to improve our payable terms, which could adversely affect our relations with our suppliers.

In addition, we have significant working capital needs, as the nature of our business requires us to maintain inventories that enable us to fulfill customer demand. We generally finance our working capital needs through cash flows from operations and borrowings under our credit facilities. If we are unable to finance our working capital needs on the same or more favorable terms going forward, or if our working capital requirements increase and we are unable to finance the increase, we may not be able to produce the inventories required by demand, which could result in a loss of sales.

Changes in laws, regulations and policies that affect our business or products could adversely affect our business, financial condition, results of operations, cash flows, as well as the trading price of our securities.

Our business is subject to numerous laws, regulations and policies. Changes in the laws (both foreign and domestic), regulations and policies, including the interpretation or enforcement thereof, that affect, or will affect, our business or products, including those related to taxes, tariffs, corruption, the environment or climate change, immigration, restrictions or requirements related to product content, labeling and packaging, trade and customs (including, among others, import and export license requirements, quotas, trade barriers, and other measures imposed by foreign countries), restrictions on foreign investment, the outcome and expense of legal or regulatory proceedings, and any action we may take as a result, and changes in accounting standards, could adversely affect our financial results. For example, any potential changes in sanctions against Russia or Iran may hinder our ability to conduct business with potential or existing customers and vendors in these countries. Also, the Tax Act was enacted on December 22, 2017, and includes a broad range of tax changes significantly revising the U.S. corporate income tax system by, amongst other things, reducing the U.S. federal corporate tax rate from 35% to 21%, implementing a modified territorial tax system (including a new minimum tax on certain foreign earnings) and imposing one-time deemed repatriation tax on historical earnings generated by certain foreign subsidiaries that had not previously been repatriated to the United States. The new law makes broad and complex changes to the U.S. tax laws that affect businesses operating internationally, and we expect to see future regulatory, administrative or legislative guidance that could adversely affect our financial results. See "—We are subject to risks related to our international operations," "—Network marketing is subject to intense government scrutiny, and regulation and changes in the law, or the interpretation and enforcement of the law, might adversely affect our business" and "—We face risks associated with our independent contractors."

We are also subject to legal proceedings and legal compliance risks in connection with legacy matters related to recently acquired companies that were previously outside our control. Such matters may result in our incurring unanticipated costs that may negatively impact the positive financial contributions of such acquisitions at least in the periods in which such liability is incurred or require operational adjustments that affect our results of operations with respect to such investments. We may not have adequate or any insurance coverage for some of these legacy matters, including matters assumed in the P&G Beauty Business Acquisition. While we believe that we have adopted, and will adopt, appropriate risk management and compliance programs, the global nature of our operations and many laws and regulations to which we are subject mean that legal and compliance risks will continue to exist with respect to our business, and additional legal proceedings and other contingencies, the outcome of which cannot be predicted with certainty, will arise from time to time, which could adversely affect our business, prospects, financial condition, results of operations and cash flows, as well as the trading price of our securities.

Network marketing is subject to intense government scrutiny, and regulation and changes in the law, or the interpretation and enforcement of the law, might adversely affect our business.

On February 1, 2017, we entered into a joint venture with the founders of Younique, a leading online peer-to-peer social selling platform in beauty. We are now subject to a number of federal and state regulations administered by the Federal Trade Commission (the "FTC") and various federal and state agencies in the United States related to Younique's network marketing program, as well as regulations on direct selling in foreign countries administered by foreign agencies. We are subject to the risk that, in one or more countries, Younique's network marketing program could be found by federal, state or foreign regulators not to be in compliance with applicable law or regulations, which could result in significant fines, changes in business practices or a permanent injunction.

Regulations applicable to network marketing organizations generally are directed at preventing fraudulent or deceptive schemes, often referred to as "pyramid" or "chain sales" schemes, by ensuring that product sales ultimately are made to consumers and that advancement within an organization is based on sales of the organization's products rather than investments in the organization or other non-retail sales-related criteria. The regulatory requirements concerning network marketing programs do not include "bright line" rules and are inherently fact-based, and thus, we are subject to the risk that these laws or regulations or the enforcement or interpretation of these laws and regulations by governmental agencies or courts can change and business practices can evolve. There is no assurance that the FTC or other federal, state or foreign courts or agencies will consider us to be in compliance.

The ambiguity surrounding these laws can also affect the public perception of us. The failure of the network marketing program to comply with current or newly adopted regulations or any allegations or charges to that effect brought by federal, state or foreign regulators could negatively impact our brands and business in a particular market or in general and may adversely affect our share price.

We are also subject to the risk of private party challenges to the legality of the network marketing program. Some network marketing programs of other companies have been successfully challenged in the past. Adverse judicial determinations with respect to the network marketing program, or in proceedings not involving us directly but that challenge the legality of network marketing systems, in any other market in which we operate could increase costs to the extent we are obligated to contribute to the cost of defense and could negatively impact our business, prospects, financial condition, results of operations and cash flows, as well as the trading price of our securities.

We face risks associated with our independent contractors.

We have personnel that we classify as independent contractors for U.S. federal and state and international employment law purposes in certain positions in our business. For example, Younique relies on independent presenters that it classifies as independent contractors to sell its products through its peer-to-peer social selling platform, and we are subject to risks related to Younique presenters' status as independent contractors.

We are not in a position to directly provide the same direction, motivation and oversight to our independent contractors as we would if such personnel were our own employees. As a result, there can be no assurance that our independent contractors will comply with applicable law or our policies and procedures. Violations by our independent contractors of applicable law or of our policies and procedures in dealing with customers and other third parties could reflect negatively on our products and operations and harm our business reputation and also negatively impact our business, prospects, financial condition, results of operations and cash flows, as well as the trading price of our securities. In addition, it is possible that a court could hold us civilly or criminally accountable based on vicarious liability because of the actions of our independent contractors. In addition, our independent contractors are not subject to employment agreements with us, and our ability to retain such personnel or enforce non-competes or other restrictions against them may be limited.

In addition, we are subject to the Internal Revenue Service regulations and applicable state law guidelines regarding independent contractor classification. These regulations and guidelines are subject to changes in judicial and agency interpretation, and it could be determined that the independent contractor classification is inapplicable. If legal standards for classification of independent contractors change, it may be necessary to modify our compensation structure for these personnel, including by paying additional compensation and taxes and/or reimbursing expenses. In addition, if we are determined to have misclassified such personnel as independent contractors, we would incur additional exposure under federal and state law, including workers' compensation, unemployment benefits, labor, employment and tort laws, including for prior periods, as well as potential liability for employee benefits and tax withholdings. Any of these outcomes could result in costs to us, could impair our financial condition and our ability to conduct our business and could damage our reputation and our ability to attract and retain other personnel.

We are subject to risks related to our common stock and our stock repurchase program.

Any repurchases pursuant to our stock repurchase program, or a decision to discontinue our stock repurchase program, which may be discontinued at any time, could affect our stock price and increase volatility. For a two-year period following the closing of the P&G Beauty Business Acquisition, we are subject to certain restrictions in repurchasing our stock. For more information on our stock repurchase restrictions, see "—We could be adversely affected by significant restrictions following the P&G Beauty Business Acquisition in order to avoid tax-related liabilities." In addition, the timing and actual number of any shares repurchased will depend on a variety of factors including the timing of open trading windows, price, corporate and regulatory requirements, an assessment by management and our board of directors of cash availability, capital allocation priorities and other market conditions. Further, we allow pledging by our employees in connection with certain executive ownership programs. A drop in the share price could result in pledged shares being sold pursuant to the terms of the pledge, which could result in a decrease in the trading price of our stock and subject us to civil and criminal investigations, including with respect to insider trading.

If the Distribution (as defined below) does not qualify as a tax-free transaction under sections 355 or 368(a)(1)(D) of the Internal Revenue Code of 1986, as amended (the "Code") or the Green Merger does not qualify as a tax-free "reorganization" under section 368(a) of the Code, including as a result of actions taken in connection with the Distribution or the Green Merger or as a result of subsequent acquisitions of Company, P&G or Galleria common stock, then P&G and its shareholders may incur substantial U.S. federal income tax liability, and we may have substantial

indemnification obligations to P&G under the tax matters agreement entered into in connection with the P&G Beauty Business Acquisition dated October 1, 2016 (the "Tax Matters Agreement").

In connection with the closing of the P&G Beauty Business Acquisition on October 1, 2016, we and P&G received written opinions from special tax counsel regarding the intended tax treatment of the Green Merger, and P&G received an additional written opinion from special tax counsel regarding the intended tax treatment of the Distribution. The opinions were based on, among other things, certain assumptions and representations as to factual matters and certain covenants made by us, P&G, Galleria and Green Acquisition Sub Inc. ("Green Merger Sub"), which, if incorrect or inaccurate in any material respect, could jeopardize the conclusions reached by special tax counsel in their opinions. We are not aware of any facts or circumstances that would cause the assumptions or representations to be relied upon in the above-described tax opinions to be untrue or incomplete in any material respect or that would preclude any of us, P&G, Galleria or Green Merger Sub from complying with all applicable covenants. Any change in currently applicable law, which may be retroactive, or the failure of any representation or assumption to be true, correct and complete or any applicable covenant to be satisfied in all material respects, could adversely affect the conclusions reached by counsel. Furthermore, it should be noted that there is a lack of binding administrative and judicial authority addressing the tax-free treatment of transactions substantially similar to the distribution by P&G of its shares of Galleria common stock to P&G shareholders by way of an exchange offer (the "Distribution") and the Green Merger, the opinions will not be binding on the Internal Revenue Service ("IRS") or a court, and the IRS or a court may not agree with the opinions. As a result, while it is impossible to determine the likelihood that the IRS or a court could disagree with the conclusions of the above-described opinions, the IRS could assert, and a court could determine, that the Distribution and Green Merger should be treated as taxable transactions.

If, notwithstanding the receipt of the above-described opinion received by P&G, the Distribution is determined to be a taxable transaction, each P&G shareholder who receives shares of Galleria common stock in the Distribution would generally be treated as recognizing taxable gain equal to the difference between the fair market value of the shares of Galleria common stock received by the shareholder and its tax basis in the shares of P&G common stock exchanged therefor. Additionally, in such case, P&G would generally recognize taxable gain equal to the excess of the fair market value of the assets transferred to Galleria plus liabilities assumed by Galleria over P&G's tax basis in those assets, and this would likely produce substantial income tax adjustments to P&G.

Even if the Galleria Transfer (as used herein, "Galleria Transfer" means the contribution of certain specified assets related to P&G Beauty Business by P&G to Galleria in exchange for Galleria common stock, any distribution to P&G of a portion of the amount calculated pursuant to the transaction agreement entered into in connection with the P&G Beauty Business Acquisition dated July 8, 2015 (the "Transaction Agreement"), for the recapitalization of Galleria and the assumption of certain liabilities related to P&G Beauty Business, in each case in accordance with the Transaction Agreement) and the Distribution, taken together, were otherwise to qualify as a tax-free transaction under section 368(a)(1)(D) of the Code, and the Distribution were otherwise to qualify as a distribution to P&G shareholders pursuant to section 355 of the Code, the Distribution would become taxable to P&G (but not P&G shareholders) pursuant to section 355(e) of the Code if a 50% or greater interest (by vote or value) of either P&G or Galleria was acquired (including, in the latter case, through the acquisition of our stock in or after the Green Merger), directly or indirectly, by certain persons as part of a plan or series of related transactions that included the Distribution. For this purpose, any acquisitions of shares of our common stock, P&G common stock or Galleria common stock within the period beginning two years before the Distribution and ending two years after the Distribution are presumed to be part of such a plan, although we, P&G or Galleria may be able to rebut that presumption. While the Green Merger will be treated as part of such a plan for purposes of the test, standing alone, it should not cause the Distribution to be taxable to P&G under section 355(e) of the Code because P&G shareholders held over 54% of our outstanding common stock immediately following the Green Merger. However, if the IRS were to determine that other acquisitions of our shares of stock, P&G common stock or Galleria common stock, either before or after the Distribution, were part of a plan or series of related transactions that included the Distribution, that determination could result in the recognition of a taxable gain by P&G. While P&G generally would recognize gain as if it had sold the shares of Galleria common stock distributed to P&G shareholders in the Distribution for an amount equal to the fair market value of such stock, P&G has agreed under the Tax Matters Agreement among us, P&G, Galleria and Green Merger Sub to make a protective election under section 336(e) of the Code with respect to the Distribution, which generally causes a deemed sale of Galleria's assets upon a taxable Distribution. In such case, to the extent that P&G is responsible for the resulting transaction taxes, we generally would be required to make periodic payments to P&G equal to the tax savings arising from a "step up" in the tax basis of Galleria's assets as a result of the protective election under section 336(e) of the Code taking effect.

Under the Tax Matters Agreement, we are required to indemnify P&G against tax-related losses (e.g., increased taxes, penalties and interest required to be paid by P&G) if the Distribution were taxable to P&G as a result of the acquisition of a 50% or greater interest (by vote or value) in us as part of a plan or series of related transactions that included the Distribution, except where such acquisition would not have been taxable but for P&G's breach of certain provisions described in the Tax Matters Agreement. In addition, we are required to indemnify P&G for any tax liabilities resulting from the failure of the Green Merger to qualify as a reorganization under section 368(a) of the Code or the failure of the Distribution to qualify as a tax-free reorganization under sections 355 and 368(a) of the Code (including, in each case, failure to so qualify under a similar provision of state or local law) to the extent that such failure is attributable to a breach of certain representations and warranties by us or certain actions or omissions by us. Tax-related losses attributable both to actions or omissions by us, on the one hand, and certain actions or omissions by P&G, on the other hand, would be shared according to the relative fault of us and P&G. If we are required to indemnify P&G in the event of a taxable Distribution, this indemnification obligation would be substantial and could have a material adverse effect on us, including with respect to our financial condition and results of operations. Except as described above, P&G would not be entitled to indemnification under the Tax Matters Agreement with respect to any taxable gain recognized in the Distribution. To the extent that we have any liability for any taxes of P&G, Galleria or any of their affiliates with respect to the P&G Beauty Business Acquisition that do not result from actions or omissions for which we are liable as described above, P&G must indemnify us for such tax-related losses.

We could be adversely affected by significant restrictions following the P&G Beauty Business Acquisition in order to avoid tax-related liabilities.

The Tax Matters Agreement among us, P&G, Galleria and Green Merger Sub requires that we and Galleria, for a two-year period following the closing of the Green Merger, generally avoid taking certain actions. These limitations are designed to restrict actions that might cause the Distribution to be treated under section 355(e) of the Code as part of a plan under which a 50% or greater interest (by vote or value) in us is acquired or that could otherwise cause the Distribution, Green Merger and/or certain related transactions to become taxable to P&G. Unless we deliver an unqualified opinion of tax counsel reasonably acceptable to P&G, confirming that a proposed action would not cause the Distribution, Green Merger and/or certain related transactions to become taxable, or P&G otherwise consents to the action, we and Galleria are each generally prohibited or restricted during the two-year period following the closing of the Green Merger from:

- subject to specified exceptions, issuing stock (or stock equivalents) or recapitalizing, repurchasing, redeeming or otherwise participating in acquisitions of its stock;
- amending our or Galleria's certificate of incorporation or other organizational documents to affect the voting rights of our or Galleria's stock;
- merging or consolidating with another entity, or liquidating or partially liquidating, except for any merger, consolidation, liquidation or partial liquidation that is disregarded for U.S. federal income tax purposes;
- discontinuing, selling, transferring or ceasing to maintain the Galleria active business under section 355(b) of the Code;

- taking any action that permits a proposed acquisition of our stock or Galleria stock to occur by means of an agreement to which none of us, Galleria or their affiliates is a party (including by soliciting a tender offer for Galleria stock or our stock, participating in or otherwise supporting any unsolicited tender offer for such stock or redeeming rights under a shareholder rights plan with respect to such stock); and
- engaging in other actions or transactions that could jeopardize the tax-free status of the Distribution, Green Merger and/or certain related transactions.

In addition, even if we deliver such an unqualified opinion, or P&G otherwise consents, we generally would be required to indemnify P&G if an action that would be otherwise restricted results in tax-related losses to P&G.

Due to these restrictions and indemnification obligations under the Tax Matters Agreement, including the indemnification obligations described in the preceding risk factor, many strategic alternatives may be unavailable to us during the two-year period following the consummation of the Green Merger, which could have a material adverse effect on our liquidity and financial condition. We may be limited during this period in our ability to pursue strategic transactions, equity or convertible debt financings, internal restructurings or other transactions that may maximize the value of our business and that may otherwise be in our best interests. Also, the restrictions and our potential indemnity obligation to P&G might discourage, delay or prevent a change of control transaction during this two-year period that our stockholders may consider favorable to our ability to pursue strategic alternatives.

We are no longer a "controlled company" within the meaning of the New York Stock Exchange rules.

Until October 2016, JAB Cosmetics B.V. ("JABC") beneficially owned a majority of the voting power of our outstanding stock. As a result, we were a "controlled company" within the meaning of NYSE corporate governance standards, and we were not required to comply with certain NYSE corporate governance standards, including that our compensation committee consist entirely of independent directors, until September 30, 2017. We chose to comply with the NYSE corporate governance standards prior to the deadline and have been in compliance since December 8, 2016.

JABC is a significant shareholder of the Company, currently owning approximately 39% of the fully diluted shares of Class A Common Stock, and has the ability to exercise significant influence over decisions requiring stockholder approval, which may be inconsistent with the interests of our other stockholders.

Prior to the close of the P&G Beauty Business Acquisition, we were controlled by JABC, Lucresca and Agnaten. Lucresca and Agnaten indirectly share voting and investment control over the shares of the Class A Common Stock held by JABC. Following the completion of the P&G Beauty Business Acquisition, JABC remains our largest stockholder, currently owning approximately 39% of the fully diluted shares of Class A Common Stock. As a result, JABC, Lucresca and Agnaten continue to have the ability to exercise significant influence over decisions requiring stockholder approval, including the election of directors, amendments to our certificate of incorporation and approval of significant corporate transactions, such as a merger or other sale of the Company or our assets. In addition, several of the directors on our Board of Directors are affiliated with JABC.

JABC's interests may be different from or conflict with the interests of our other shareholders and, as a result, this concentration of ownership may have the effect of delaying, preventing or deterring a change in control of us and may negatively affect the market price of our stock. Also, JABC and its affiliates are in the business of making investments in companies and may from time to time acquire and hold interests in businesses that compete indirectly with us. JABC or its affiliates may also pursue acquisition opportunities that are complementary to our business, and as a result, those acquisition opportunities may not be available to us.

Risks Relating to this Offering and the Notes

We have taken on significant debt, which may adversely affect our business.

We have a substantial amount of indebtedness. As of December 31, 2017, after giving effect to the offering of the Notes offered hereby, borrowings under our New Credit Facilities made on or around the date of the issuance of the Notes and, in each case, the use of proceeds therefrom, our consolidated indebtedness would have been approximately $8 billion, all of which we will need to refinance or repay. We would also have had $3 billion of secured borrowings available under our New Revolving Credit Facility, which remains undrawn as of the date hereof. There can be no assurances we will be able to refinance our indebtedness in the future (1) on commercially reasonable terms, (2) on terms, including with respect to interest rates, as favorable as our current debt or (3) at all.

Our debt burden could have important consequences, including increasing our vulnerability to general adverse economic and industry conditions; limiting our flexibility in planning for, or reacting to, changes in our business and our industry; requiring the dedication of a substantial portion of any cash flow from operations to the payment of principal of, and interest on, our indebtedness, thereby reducing the availability of such cash flow to fund our operations, growth strategy, working capital, capital expenditures, future business opportunities and other general corporate purposes; exposing us to the risk of increased interest rates with respect to any borrowings that are at variable rates of interest; restricting us from making strategic acquisitions or causing us to make non-strategic divestitures; limiting our ability to obtain additional financing for working capital, capital expenditures, research and development, debt service requirements, acquisitions and general corporate or other purposes; limiting our ability to adjust to changing market conditions; and placing us at a competitive disadvantage relative to our competitors who are less highly leveraged. In addition, a significant portion of our cash and investments are held outside the United States, and we may not be able to service our debt without undergoing the costs of repatriating those funds.

The agreements that will govern our debt contain various covenants that impose restrictions on us that may affect our ability to operate our business.

Agreements that will govern our indebtedness, including the Indenture and the New Credit Agreement, will impose operating and financial restrictions on our activities. These restrictions limit or prohibit our ability and the ability of our restricted subsidiaries to, among other things:

- incur indebtedness or grant liens on our property to secure indebtedness;
- dispose of assets or equity;
- make acquisitions or investments;
- make dividends, distributions or other restricted payments;
- effect affiliate transactions;
- enter into sale and leaseback transactions; and
- enter into mergers, consolidations or sales of substantially all of our assets and the assets of our subsidiaries.

In addition, we will be required to maintain certain financial ratios calculated pursuant to a financial maintenance covenant under our New Credit Agreement. See "Description of New Credit Facilities" for more information.

These restrictions on our ability to operate our business could seriously harm our business by, among other things, limiting our ability to take advantage of financing, merger and acquisition and other corporate opportunities.

Further, various risks, uncertainties and events beyond our control could affect our ability to comply with these covenants. Failure to comply with any of the covenants in our financing agreements could result in an event of default under those agreements and under any other agreements containing cross-default provisions. Such an event of default, if not waived or cured, would permit lenders to accelerate the maturity of the debt under these agreements and to foreclose upon any collateral securing the debt. Under these circumstances, we might not have sufficient funds or other resources to satisfy all of our obligations, including our obligations under our New Credit Agreement or the Indenture. In addition, the limitations imposed by financing agreements on our ability to incur additional debt and to take other actions might significantly impair our ability to obtain other financing. We cannot assure you that we will be granted waivers or amendments to these agreements if for any reason we are unable to comply with these agreements or that we will be able to refinance our debt on terms acceptable to us, or at all.

If we default on our obligations under our other indebtedness, we may not be able to make payments on the Notes.

Any default under the agreements governing our indebtedness, including a default under the Indenture and the New Credit Agreement, that is not waived by the required percentage of noteholders or lenders, as applicable, could impede our inability to pay principal, premium and additional amounts, if any, and interest on the Notes and substantially decrease the market value of the Notes. If we are unable to generate sufficient cash flow and are otherwise unable to obtain funds necessary to meet required payments of principal, premium, if any, and interest on our indebtedness, or if we otherwise fail to comply with the various covenants, including financial and operating covenants, in the agreements governing our indebtedness, we could be in default under the terms of the agreements governing such indebtedness. In the event of such a default, the holders of such indebtedness in the applicable required percentage could elect to declare all the funds borrowed thereunder to be due and payable, together with accrued and unpaid interest, lenders under our New Revolving Credit Facility in the applicable required percentage could elect to terminate their commitments and lenders under the New Credit Facilities in the applicable required percentage could institute foreclosure proceedings against our assets, and we may seek protection under the bankruptcy code.

If we breach our covenants under the Indenture, under the New Credit Agreement or under any agreements governing future senior credit facilities or other indebtedness, we may need to request waivers from the required percentage of lenders or required percentage of noteholders to avoid being in default. If we are unable to obtain a waiver from the lenders or noteholders, we would be in default under the instrument governing that indebtedness, the lenders or noteholders could exercise their rights as described above, and we may seek protection under the bankruptcy code. See “Description of New Credit Facilities” and “Description of Notes.”

The Notes are our and the Guarantors’ unsecured obligations and are effectively junior to our and the Guarantors’ secured debt to the extent of the collateral securing such indebtedness.

The Notes will be our and the Guarantors’ senior unsecured obligations. Holders of our and the Guarantors’ existing and future secured indebtedness (including the New Credit Facilities) will have claims that are effectively senior to the claims of the holders of the Notes, to the extent of the value of the assets securing such other indebtedness. As a result, in the event of any distribution or payment of our assets in any bankruptcy, liquidation or dissolution, holders of secured indebtedness will have a prior claim to those assets that constitute their collateral. In any of the foregoing events, there can be no assurance that there will be sufficient assets to pay all amounts due on the Notes.

As of December 31, 2017, after giving effect to the offering of the Notes offered hereby, borrowings under our New Credit Facilities made on or around the date of the issuance of the Notes and, in each case, the use of proceeds therefrom, we and our subsidiaries would have had a total of approximately $8 billion of outstanding indebtedness, approximately $6 billion of which would have been secured, and the Notes would have ranked structurally subordinate to approximately $4.5 billion of liabilities and obligations of our non-guarantor subsidiaries. We would also have had $3 billion of secured borrowings available under our New Revolving Credit Facility, which remains undrawn as of the date hereof.

Our ability to service and repay the Notes will be dependent on the cash flow generated by our subsidiaries and events beyond our control.

The Issuer's only material asset is its interest in its subsidiaries. The Issuer conducts its operations through, and most of its assets are owned by, its subsidiaries, and its operating income and cash flow are generated by its subsidiaries. As a result, repayment of the Notes will depend on our subsidiaries' generation of cash flow, which will, in turn, depend principally upon future operating performance, and our subsidiaries' ability to make such cash available to us, by dividend, debt repayment or otherwise. If our operating subsidiaries experience sufficiently adverse changes in its financial position or results of operations, or we otherwise becomes unable to pay our debts as they become due and obtain further credit, this could result in the commencement of insolvency proceedings. Any such proceedings would have a material adverse effect on our financial condition, results of operations or cash flows.

Prevailing economic conditions and financial, business and other factors, many of which are beyond our control, will affect our ability to make payments on our debt. In particular, due to the seasonal nature of the beauty industry, with the highest levels of consumer demand generally occurring during the holiday buying season in our second fiscal quarter, our subsidiaries' cash flow in the second half of the fiscal year may be less than in the first half of the fiscal year, which may affect our ability to satisfy our debt service obligations, including to service the Notes offered hereby. In addition, we earn a significant amount of our operating income, and hold a significant portion of our cash and investments, in our foreign subsidiaries outside the United States. As of December 31, 2017, the amount of cash and cash equivalents held outside of the United States by our foreign subsidiaries was $365.1 million. If our domestic subsidiaries are not able to generate sufficient cash flow to satisfy our debt service obligations, including to service the Notes offered hereby, we may need to repatriate additional earnings and we may be subject to a higher effective tax rate. If we do not generate sufficient cash flow to satisfy our debt service obligations, including payments on the Notes, we may have to undertake alternative financing plans, such as refinancing or restructuring our debt, selling assets, reducing or delaying capital investments or seeking to raise additional capital. Our ability to restructure or refinance our debt will depend on the capital markets and our financial condition at such time. Any refinancing of our debt could result in higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations. The terms of the Indenture, the New Credit Agreement or any existing debt instruments or future debt instruments that we may enter into may restrict us from adopting some of these alternatives. The inability of our subsidiaries to generate sufficient cash flow to satisfy our debt service obligations, including the inability to service the Notes offered hereby, or to refinance our obligations on commercially reasonable terms, could have a material adverse effect on our business, financial condition, results of operations, profitability, cash flows or liquidity financial and may impact our ability to satisfy our obligations in respect of the Notes.

We may incur substantially more debt, including secured debt, or take other actions that may affect our ability to satisfy our obligations under the Notes.

Although the terms of the Indenture and the New Credit Agreement will restrict our and our subsidiaries' ability to incur liens securing indebtedness, other than indebtedness under the New Credit Agreement, such restrictions are subject to several exceptions and qualifications, and such agreements will not restrict our ability to incur additional unsecured indebtedness or additional indebtedness secured by liens junior to the liens securing the New Credit Agreement. Accordingly, we will be able to incur additional indebtedness, including secured debt, as permitted by the terms of the Indenture and the New Credit Agreement. Such additional indebtedness may be substantial. Our ability to recapitalize, incur additional debt and take a number of other actions that are not prohibited by the terms of the Indenture or the New Credit Agreement could have the effect of diminishing our ability to make payments on the Notes when due, and may also require us to dedicate a substantial portion of our cash flow from operations to payments on our other indebtedness, which would reduce the availability of cash flow to fund our operations, working capital and capital expenditures. In addition, if we incur any additional indebtedness that ranks *pari passu* in right of payment to a series of the Notes, the holders of that debt will be able to share ratably with the holders of such series of the Notes in any proceeds distributed in connection with any insolvency, liquidation, reorganization, dissolution or other winding up of us. If our subsidiaries that are not guaranteeing the Notes incur any indebtedness, all of such debt will be structurally senior to the Notes, and the holders of that debt will benefit prior to the holders of the Notes in any proceeds distributed in connection with any insolvency, liquidation, reorganization, dissolution or other winding up of any such entity.

Our variable rate indebtedness subjects us to interest rate risk, which could cause our debt service obligations to increase.

Borrowings under our New Credit Facilities are at variable rates of interest and expose us to interest rate risk. As of December 31, 2017, after giving effect to the offering of the Notes offered hereby, borrowings under our New Credit Facilities made on or around the date of the issuance of the Notes and, in each case, the use of proceeds therefrom, $4 billion, or approximately 50% of our total debt, would have been at variable rates of interest. We would also have had $3 billion of secured borrowings available under our New Revolving Credit Facility, which remains undrawn as of the date hereof. If interest rates were to increase, our debt service obligations on the variable rate indebtedness referred to above would increase even though the amount borrowed remained the same, and our net income and cash flows, including cash available for servicing our indebtedness, will correspondingly decrease. For every 10% increase or decrease in our interest rates, our (Loss) income before income taxes in fiscal 2017 would have changed by approximately $17.4 million, assuming that all other variables stayed the same. We are currently party to, and in the future, we may enter into additional, interest rate swaps that involve the exchange of floating for fixed rate interest payments, in order to reduce interest rate volatility. However, we may not maintain interest rate swaps with respect to all of our variable rate indebtedness, and any swaps we enter into may not fully mitigate our interest rate risk.

Our credit ratings may not reflect the risks of investing in the Notes.

Our credit ratings are an assessment by rating agencies of our ability to pay our debts when due and include many subjective factors. Consequently, real or anticipated changes in our credit ratings will generally affect the value of the Notes. Also, these credit ratings may not reflect the potential impact of risks relating to structure or marketing of the Notes. Agency ratings are not a recommendation to buy, sell or hold any security and may be revised or withdrawn at any time by the issuing organization. Each agency's rating should be evaluated independently of any other agency's rating. There can be no assurance that our credit ratings will remain in effect for any given period of time or that such ratings will not be lowered, suspended or withdrawn entirely by a rating agency, if, in that rating agency's judgment, circumstances so warrant. There can also be no assurance that our credit ratings will reflect all of the factors that would be important to holders of the Notes. Actual or anticipated changes or downgrades in our credit ratings, including any announcement that our ratings are under further review for a downgrade, could affect the value of the Notes, may increase our borrowing costs and may negatively impact our ability to incur additional debt. The reports of the rating agencies do not form a part of, and are not incorporated by reference into, this offering memorandum.

Redemption may adversely affect your return on the Notes.

Each series of Notes is redeemable at our option, and therefore we may choose to redeem the Notes at times when prevailing interest rates are relatively low. As a result, you may not be able to reinvest the proceeds you receive from the redemption in a comparable security at an effective interest rate as high as the interest rate on your Notes being redeemed.

We may not be able to purchase the Notes upon the occurrence of a change of control triggering event, which would result in a default under the Indenture and would adversely affect our business and financial condition.

Upon the occurrence of a "Change of Control Triggering Event" within the meaning of the Indenture with respect to a series of Notes, we will be required to repurchase all or any part of such holder's Notes of such series at 101% of the principal amount thereof plus accrued and unpaid interest, if any, to but excluding the purchase date. We may not have sufficient funds available to make any required repurchases of the Notes of such series, and we may be unable to receive distributions or advances from our subsidiaries in the future sufficient to meet such repurchase obligation. In addition, a change of control triggering event may also accelerate obligations to repurchase amounts outstanding under our and our subsidiaries' indebtedness and require us (or our subsidiaries), among other things, to make similar offerings in respect of our and their outstanding indebtedness. In addition, restrictions under future debt instruments may not permit us to repurchase the Notes of a series. If we fail to repurchase such Notes in that circumstance, we will be in default under the Indenture governing the Notes. If, due to a default, the repayment of related indebtedness were to be accelerated after any applicable notice or grace periods, we may not have sufficient funds to repay such indebtedness or the Notes. See "Description of Notes—Repurchase of Notes Upon a Change of Control Triggering Event."

Some significant restructuring transactions may not constitute a change of control triggering event, in which case we would not be obligated to offer to purchase the affected Notes.

Upon the occurrence of a change of control triggering event within the meaning of the Indenture with respect to a series of Notes, holders of Notes of such series have the right to require us to purchase their Notes of such series. However, the change of control triggering event provisions will not afford protection to holders of Notes in the event of certain transactions. For example, transactions such as leveraged recapitalizations, refinancings, restructurings or acquisitions initiated by us may not constitute a change of control triggering event requiring us to purchase the Notes of a series. Further, various transactions might not constitute a change of control triggering event under the Notes but could constitute a change of control triggering event as defined under our other debt. In the event of any such transaction, the holders would not have the right to require us to purchase the Notes, even though such transaction could increase the amount of our indebtedness, or otherwise adversely affect our capital structure or any credit ratings, thereby adversely affecting the holders of Notes.

The ability of holders of the Notes to require us to repurchase Notes as a result of a disposition of "substantially all" assets may be uncertain.

The definition of change of control triggering event in the Indenture will include a phrase relating to the direct or indirect sale, transfer, conveyance or other disposition of "all or substantially all" of the assets of the Issuer and its restricted subsidiaries, taken as a whole. Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a holder of Notes to require us to repurchase such Notes as a result of a sale, transfer, conveyance or other disposition of less than all of our assets and the assets of our subsidiaries taken as a whole to another person or group may be uncertain.

Trading markets for the Notes may not develop.

The Notes of each series are a new issue of securities for which there currently is no market. In addition, the Notes are subject to certain restrictions on resale and transfer as described under "Transfer Restrictions." We do not intend to apply for the Dollar Notes to be listed on any securities exchange or to arrange for the Dollar Notes to be quoted on any quotation system. We do intend to apply to list each series of the Euro Notes on TISE and to admit the Euro Notes for trading on the exchange market thereof. However, there can be no assurance that either series of the Euro Notes will be listed on the TISE and admitted for trading on the exchange market.

The initial purchasers have advised us that they intend to make a market in the Notes as permitted by applicable law. They are not obligated, however, to make a market in the Notes and any market-making may be discontinued with respect to any or all series at any time at their sole discretion. Accordingly, no assurance can be given as to the development or liquidity of any market for the Notes. If a market develops, the Notes of any series could trade at prices that may be lower than the initial offering price of such series of the Notes. Further, if an active market does not develop or is not maintained, the price and liquidity of any series of the Notes may be adversely affected. Historically, debt markets have been subject to disruptions that have caused substantial volatility in the prices of securities similar to the Notes. The market, if any, for any series of the Notes may not be free from similar disruptions, and any such disruptions may adversely affect the prices at which holders of Notes may sell their Notes. In addition, subsequent to their initial issuance, any series of the Notes may trade at a discount from their initial offering price, depending upon prevailing interest rates, the market for similar notes, our performance and other factors.

Not all of our subsidiaries will guarantee the Notes, and your right to receive payment on the Notes will be structurally subordinated to the liabilities of our non-guarantor subsidiaries.

Not all of our subsidiaries will be required to guarantee the Notes. The Notes will be guaranteed by the Company and the Guarantors of the obligations under the New Credit Agreement, which do not include foreign subsidiaries and certain domestic subsidiaries excepted from providing guarantees under the terms of the New Credit Agreement. Creditors of our non-guarantor subsidiaries will generally be entitled to payment from the assets of those subsidiaries before those assets can be distributed for the benefit of noteholders. As a result, the Notes will be structurally subordinated to the prior payment of all of the existing and future debt and other liabilities of our non-guarantor subsidiaries. In the event of a bankruptcy, liquidation or reorganization of any of our non-guarantor subsidiaries, holders of their indebtedness will generally be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to the Issuer or the Guarantors of the Notes. For the fiscal year ended June 30, 2017 and six months ended December 31, 2017, after intercompany eliminations the non-guarantor subsidiaries accounted for approximately 74% and 76% of our total net revenue, respectively. For the fiscal year ended June 30, 2017 and six months ended December 31, 2017, the non-guarantor subsidiaries generated net income of approximately $283.0 million and $293.2 million, respectively, while the guarantor subsidiaries generated net losses of approximately $681.5 million and $190.7 million, respectively. In addition, as of December 31, 2017, the non-guarantor subsidiaries held approximately 68% of our total assets and approximately 33% of our total liabilities.

Unless they are Guarantors, our subsidiaries will not have any obligation to pay amounts due on the Notes or to make funds available for that purpose. Our subsidiaries may not be able to, or may not be permitted to, make distributions or debt repayments to enable us to make payments in respect of the Notes. Each such subsidiary is a distinct legal entity and may be subject to legal or contractual restrictions that, under certain circumstances, may limit our ability to obtain cash from them. In the event that we do not receive sufficient cash from our subsidiaries, we will be unable to make required principal, premium, if any, and interest payments on the Notes.

There are restrictions on your ability to transfer or resell the Notes. In addition, holders of the Notes will not be entitled to registration rights, and we do not currently intend to register the Notes under applicable securities laws.

The Notes are being offered and sold pursuant to exemptions from registration under the Securities Act and applicable state securities laws. Therefore, you may transfer or resell the Notes in the United States only in a transaction registered under or exempt from the registration requirements of the Securities Act and applicable state securities laws, and you may be required to bear the risk of your investment for an indefinite period of time. You may not offer or sell the Notes except under an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act, and we do not intend to register the Notes for resale or to offer to exchange the Notes for registered notes under the Securities Act. By purchasing the Notes, you will be deemed to have made certain acknowledgements, representations and agreements as set forth under "Transfer Restrictions."

Federal and state statutes allow courts, under specific circumstances, to avoid the Notes and the guarantees, to require holders of the Notes to return payments received from us or the Guarantors, and to take other actions detrimental to the holders of the Notes.

Federal and state fraudulent transfer and conveyance statutes may apply to the issuance of the Notes, the delivery of any guarantees of the Notes, including the guarantees by the Guarantors entered into upon issuance of the Notes, and any subsidiary guarantees that may be entered into thereafter under the terms of the Indenture. Under federal bankruptcy law and comparable provisions of state fraudulent transfer or conveyance laws, which may vary from state to state, the issuance of the Notes and the delivery of guarantees could be avoided (that is, canceled) as fraudulent transfers or conveyances if a court determined that we, at the time we issued the Notes, or any of the Guarantors, at the time it delivered the applicable guarantee (or, in some jurisdictions, at the time payment became due under the Notes or a guarantee),

(I) issued the Notes or provided the applicable guarantee, as the case may be, with the intent of hindering, delaying or defrauding any present or future creditor; or

(II) (A) received less than reasonably equivalent value or fair consideration for issuing the Notes or providing such guarantee, as the case may be, and

(B) (1) was insolvent or rendered insolvent by reason of such issuance or provision,

(2) was engaged in a business or transaction for which the Issuer's or such Guarantor's remaining assets constituted unreasonably small capital, or

(3) intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they matured.

A court would likely find that the Issuer or a Guarantor did not receive reasonably equivalent value or fair consideration for the Notes or the applicable guarantee if the Issuer or such Guarantor did not benefit directly or indirectly from the issuance of the Notes or such guarantee. As a general matter, subject to the standards noted above, value is given for a transfer or an obligation if, in exchange for the transfer or obligation, property is transferred or an antecedent debt is secured or satisfied. However, a debtor will generally not be considered to have received value in connection with a debt offering if the debtor uses the proceeds of that offering to make a dividend payment or otherwise retire or redeem equity securities issued by the debtor. If the Notes or guarantees are avoided or limited under fraudulent transfer or other laws, any claim you may make against the Issuer or the Guarantors for amounts payable on the Notes or guarantees, as the case may be, will be unenforceable to the extent of such avoidance or limitation.

We cannot be certain as to the standards a court would use to determine whether the Issuer or a Guarantor was solvent at the relevant time that, if applicable in a particular jurisdiction, may be when payment became due under the Notes or a guarantee. Regardless of the actual standard applied by the court, we cannot be certain that the issuance of the Notes or a guarantee would not be avoided.

The measures of insolvency for purposes of these fraudulent transfer laws will vary depending upon the law applied in any proceeding to determine whether a fraudulent transfer has occurred. Generally, however, the Issuer or a Guarantor would be considered insolvent if:

- the sum of its debts, including contingent and unliquidated liabilities, was greater than the value of its property, at a fair valuation;
- the present fair saleable value of its assets was less than the amount that would be required to pay its probable liability on its existing debts, including contingent liabilities, as they become absolute and mature; or
- it could not pay its debts as they become due.

To the extent that a court avoids or otherwise finds the Notes or a guarantee unenforceable for any other reason, your claims against the Issuer or the relevant Guarantor would be eliminated or limited. In addition, the court might direct you to repay any amounts already received from the Issuer or such Guarantor. Further, the avoidance of the Notes or a related guarantee could result in an event of default with respect to our other debt that, in turn, could result in acceleration of such debt.

In certain circumstances, a court may subordinate claims in respect of the Notes or a guarantee to all other debts of an Issuer or a Guarantor, or take other actions detrimental to the noteholders, based on equitable or other grounds. We cannot be certain as to the standards that a court might apply and whether it might find such subordination or other actions appropriate.

If a guarantee were legally challenged, such guarantee could also be subject to the claim that, since the guarantee was incurred for the Issuer's benefit, and only indirectly for the benefit of the Guarantor, the obligations of the Guarantor were incurred for less than fair consideration. A court could thus avoid the obligations under the guarantee. Although each guarantee will contain a provision intended to limit that Guarantor's liability to the maximum amount that it could incur without causing the incurrence of obligations under its guarantee to be a fraudulent transfer, that provision may not be effective to protect those guarantees from being avoided under fraudulent transfer law, or may reduce that Guarantor's obligation to an amount that effectively makes its guarantee worthless.

Even if the guarantees of the Notes remain in force, the remaining amount due and collectible under the guarantee may not be sufficient to pay the Notes in full when due.

Because each Guarantor's liability under its guarantees may be reduced to zero, avoided or released under certain circumstances, you may not receive any payments from some or all of the Guarantors.

You have the benefit of the guarantees of the Guarantors. However, the guarantees by the Guarantors are limited to the maximum amount that the Guarantors are permitted to guarantee under applicable law. As a result, a Guarantor's liability under its guarantee could be reduced to zero, depending on the amount of other obligations of such Guarantor. Further, under the circumstances discussed more fully above, a court under Federal or state fraudulent conveyance and transfer statutes could void the obligations under a guarantee or further subordinate it to all other obligations of the Guarantor. In addition, you will lose the benefit of a particular guarantee if it is released under certain circumstances described under "Description of Notes—Guarantees."

Holders of the Notes may be subject to the effects of foreign currency exchange rate fluctuations, as well as possible exchange controls, relating to the U.S. dollar and the euro.

The initial investors in the Notes will be required to pay for the Notes in U.S. dollar or euro, as applicable. Neither we nor the initial purchasers will be obligated to assist the initial investors in obtaining U.S. dollar or euro or in converting other currencies into U.S. dollar or euro, as applicable, to facilitate the payment of the purchase price for the Notes. An investment in any security denominated in, and all payments with respect to which are to be made in, a currency other than the currency of the country in which an investor in the Notes resides or the currency in which an investor conducts its business or activities (the "investor's home currency"), entails significant risks not associated with a similar investment in a security denominated in the investor's home currency. In the case of the Notes offered hereby, these risks may include the possibility of:

- significant changes in rates of exchange between the U.S. dollar and euro and the investor's home currency; and
- the imposition or modification of foreign exchange controls with respect to the U.S. dollar and euro or the investor's home currency.

We have no control over a number of factors affecting the Notes offered hereby and foreign exchange rates, including economic, financial and political events that are important in determining the existence, magnitude and longevity of these risks and their effects. Changes in foreign currency exchange rates between two currencies result from the interaction over time of many factors directly or indirectly affecting economic and political conditions in the countries issuing such currencies, and economic and political developments globally and in other relevant countries. Foreign currency exchange rates may be affected by, among other factors, existing and expected rates of inflation, existing and expected interest rate levels, the balance of payments between countries, and the extent of governmental surpluses or deficits in various countries. All of these factors are, in turn, sensitive to the monetary, fiscal and trade policies pursued by the governments of various countries important to international trade and finance. Moreover, the recent global economic volatility and the actions taken or to be taken by various national governments in response to the volatility could significantly affect the exchange rates between the U.S. dollar and euro and the investor's home currency.

The exchange rates of an investor's home currency for U.S. dollar and euro and the fluctuations in those exchange rates that have occurred in the past are not necessarily indicative of the exchange rates or the fluctuations therein that may occur in the future. Depreciation of the U.S. dollar or euro against the investor's home currency would result in a decrease in the investor's home currency equivalent yield on a Note, in the investor's home currency equivalent of the principal payable at the maturity of that Note and generally in the investor's home currency equivalent market value of that Note. Appreciation of the U.S. dollar and euro in relation to the investor's home currency would have the opposite effects. The United States or European Union or one or more of its member states may, in the future, impose exchange controls and modify any exchange controls imposed, which controls could affect exchange rates, as well as the Availability of the U.S. dollar and euro at the time of payment of principal of, interest on, or any redemption payment or additional amounts with respect to, the Notes.

This description of foreign exchange risks does not describe all the risks of an investment in securities, including, in particular, the Notes, that are denominated or payable in a currency other than an investor's home currency. You should consult your own financial and legal advisors as to the risks involved in an investment in the Notes.

In a lawsuit for payment on the Euro Notes, an investor may bear currency exchange risk.

The Notes will be governed by New York law. Under New York law, a New York state court rendering a judgment on the Euro Notes would be required to render the judgment in euro. However, the judgment would be converted into U.S. dollars at the exchange rate prevailing on the date of entry of the judgment. Consequently, in a lawsuit for payment on the Euro Notes, investors would bear currency exchange risk until a New York state court judgment is entered, which could be a long time from the date the judgment is rendered. In courts outside of New York, investors may not be able to obtain a judgment in a currency other than U.S. dollars. For example, a judgment for money in an action based on the Euro Notes in many other U.S. federal or state courts ordinarily would be enforced in the United States only in U.S. dollars. The date used to determine the rate of conversion of euro into U.S. dollars will depend upon various factors, including which court renders the judgment.

The Euro Notes permit us to make payments in U.S. dollars if we are unable to obtain euro.

We will pay the principal of and interest on each Euro Note to the registered holder in euro in immediately available funds, provided that, if on or after the issuance of the Euro Notes, the euro is unavailable to us due to the imposition of exchange controls or other circumstances beyond our control or if the euro is no longer being used by the then member states of the European Monetary Union that have adopted the euro as their currency or for the settlement of transactions by public institutions of or within the international banking community, then all payments in respect of the Euro Notes will be made in U.S. dollars until the euro is again available to us or so used. In such circumstances, the amount payable on any date in euro will be converted into U.S. dollars at the rate mandated by the U.S. Federal Reserve Board as of the close of business on the second business day prior to the relevant payment date or, in the event the U.S. Federal Reserve Board has not mandated a rate of conversion, on the basis of the then most recent U.S. dollar/euro exchange rate available on or prior to the second business day prior to the relevant payment date as determined by us in our sole discretion. Any payment in respect of the Euro Notes so made in U.S. dollars will not constitute an event of default under the Euro Notes or the Indenture. See "Description of the Notes—General Terms of the Euro Notes." This exchange rate may be materially less favorable than the rate in effect at the time the Euro Notes were issued or as would be determined by applicable law. Such developments, or market perceptions concerning these and related issues, could materially adversely affect the value of the Euro Notes and you may lose a significant amount of your investment in the Euro Notes.

Trading in the clearing system is subject to minimum denomination requirements.

The Dollar Notes will be issued in registered, global form in minimum denominations of $2,000 and integral multiples of $1,000 in excess of $2,000. The Euro Notes will be issued with a minimum denomination of €100,000 and multiples of €1,000 in excess of €100,000. It is possible that the clearing systems may process trades that could result in amounts being held in denominations smaller than the minimum denominations. If definitive Notes are required to be issued in relation to such Notes in accordance with the provisions of the relevant Global Notes, a holder who does not have the minimum denomination or a multiple of $1,000 in excess of $2,000, or €1,000 in excess of €100,000, as applicable, in its account with the relevant clearing system at the relevant time may not receive all of its entitlement in the form of definitive Notes unless and until such time as its holding satisfies the minimum denomination requirement.

Use of Proceeds

We expect to receive net proceeds of approximately $ from the sale of the Notes, after deducting the initial purchasers' discount and other offering expenses payable by us (based on an exchange rate of €1.00 to $ on , 2018 with respect to the Euro Notes). We intend to use the net proceeds of this offering, together with borrowings under our New Credit Facilities made on or around the date of the issuance of the Notes, to, among other things, repay in full and refinance the indebtedness outstanding under the Existing Credit Facilities and to pay accrued interest, related premiums, fees and expenses in connection therewith. This offering is not contingent on the consummation of the New Credit Facilities. Any remaining proceeds will be used for general corporate purposes.

As of March 20, 2018 (based on an exchange rate of €1.00 to $1.2275 on March 20, 2018), we had approximately $5.4 billion aggregate principal amount outstanding under our Existing Coty Facilities, including $4.5 billion under outstanding Existing Coty Term Facilities and $0.9 billion under the Existing Coty Revolving Credit Facility. We have an additional $0.6 billion available under such Existing Coty Revolving Credit Facility. The Existing Coty Revolving Credit Facility matures in October 2020 and the Existing Term Loan Facilities mature between October 2020 and October 2022. The interest rate for borrowing under the Existing Coty Revolving Credit Facility is LIBOR plus a margin ranging from 1.00% to 2.00% per annum or a base rate plus a margin ranging from 0.00% to 1.00% per annum, in each case, based on the Company's total net leverage ratio and is currently 2.00% in respect of LIBOR loans and 1.00% in respect of base rate loans. The weighted average interest rate for the loans outstanding under the Coty Term Facilities is currently 3.44%.

As of March 20, 2018, we had approximately $2.6 billion aggregate principal amount outstanding under our Existing Galleria Facilities, including $2.0 billion under the Existing Galleria Term Facilities and $0.6 billion under the Existing Galleria Revolving Credit Facility. We have an additional $0.9 billion available under such Existing Galleria Revolving Credit Facility. The Existing Galleria Revolving Credit Facility matures in September 2021 and the term loan facilities mature between September 2021 and September 2023. The interest rate for the revolver is LIBOR plus a margin ranging from 1.00% to 2.00% per annum or a base rate plus a margin ranging from 0.00% to 1.00% per annum, in each case, based on the Company's total net leverage ratio and is currently 2.00% in respect of LIBOR loans and 1.00% in respect of base rate loans. The weighted average interest rate for the loans outstanding under the Existing Galleria Term Facilities is currently 4.20%.

Certain of the initial purchasers or their respective affiliates may hold a portion of the outstanding Existing Credit Facilities and therefore may receive a portion of the proceeds of this offering. See "Description of New Credit Facilities" and "Plan of Distribution" for more information.

Capitalization

The following table sets forth our cash and cash equivalents, total debt, total equity and total capitalization as of December 31, 2017:

- on an actual basis; and
- on an as adjusted basis after giving effect to (i) borrowings under our New Credit Facilities to be made on or around the date of the issuance of the Notes, (ii) the issuance of the Notes offered hereby, and (iii) in each case, the anticipated use of proceeds therefrom, described in "Use of Proceeds."

You should read the information in this table in conjunction with "Use of Proceeds," "Description of New Credit Facilities" and our historical consolidated financial statements and related notes and unaudited pro forma condensed combined financial statements and related notes for the fiscal year ended June 30, 2017, and for the six months ended December 31, 2017, incorporated by reference into this offering memorandum.

	As of December 31, 2017	
(in millions)	**Actual**	**As adjusted**
Cash and cash equivalents[4]	$ 400.1	$
Debt:		
Short-term debt	13.5	
Galleria Credit Agreement	2,295.0[4]	
Coty Credit Agreement[1]	5,207.9[4]	
New Credit Facilities[2]	—	
2026 Dollar Notes offered hereby	—	
2028 Dollar Notes offered hereby	—	
2023 Euro Notes offered hereby[3]	—	
2026 Euro Notes offered hereby[3]	—	
Other long-term debt and capital lease obligations	1.4	
Total debt	7,517.8	
Total equity	9,428.5	
Total capitalization	$16,946.3	$

(1) Includes a $62.0 million swingline loan outstanding as of December 31, 2017.

(2) As adjusted, we would have had $3 billion of secured borrowings available under our New Revolving Credit Facility, which remains undrawn as of the date hereof.

(3) Based on an exchange rate of €1.00 to $1.2275 on March 20, 2018.

(4) As adjusted cash and cash equivalents could change as a result of additional draws on our existing revolving credit facilities and fluctuations in the euro exchange rate with respect to our euro-denominated loans outstanding under our Existing Credit Facilities. As of March 20, 2018, we had approximately $8 billion aggregate principal amount outstanding under the Existing Credit Facilities (based on an exchange rate of € 1.00 to $1.2275 on March 20, 2018).

Selected Consolidated Financial Data

The following tables set forth our selected historical consolidated financial information as of the dates and for the periods indicated. The selected historical consolidated financial information as of June 30, 2017 and 2016, and for the fiscal years ended June 30, 2017, 2016 and 2015, has been derived from our audited consolidated financial statements included elsewhere in this offering memorandum. The selected historical consolidated financial information as of June 30, 2015, and the fiscal years ended June 30, 2014 and 2013, has been derived from our audited consolidated financial statements not included or incorporated by reference herein. The selected historical consolidated financial information as of December 31, 2017, and for the six months ended December 31, 2017 and 2016, has been derived from our unaudited condensed consolidated financial statements included elsewhere in this offering memorandum. The unaudited condensed consolidated financial statements have been prepared on a basis consistent with the basis on which our audited consolidated financial statements have been prepared and, in the opinion of our management, reflect all adjustments, of a normal recurring nature, considered necessary for a fair presentation of such data. Our results for the six months ended December 31, 2017 are not necessarily indicative of the results to be expected for the full year or for any other periods.

The selected historical consolidated financial information set forth below should be read in conjunction with the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the historical consolidated financial statements and the notes thereto referred to above. For more information, see the section entitled "Where You Can Find More Information; Incorporation By Reference."

We completed various acquisitions from the fourth quarter of fiscal 2015 to the second quarter of fiscal 2017: (i) during the fourth quarter of fiscal 2015, we completed the Bourjois Acquisition, (ii) during the third quarter of fiscal 2016, we completed the Brazil Acquisition, (iii) during the second quarter of fiscal 2017, we completed the P&G Beauty Business Acquisition, (iv) during the second quarter of fiscal 2017, we completed the ghd Acquisition, (v) during the third quarter of fiscal 2017, we completed the Younique Acquisition and (vi) during the second quarter of fiscal 2018, we completed the Burberry Fragrance Acquisition. Our historical financial information includes the operations of each acquired business commencing on its respective acquisition date. Accordingly, our operating results for the periods following each acquisition may not be comparable to the periods prior to each such acquisition.

(dollars in millions)	Year Ended June 30, 2017(1)	2016(2)	2015(2)	2014	2013	Six Months Ended December 31, 2017	2016
						(unaudited)	
Consolidated Statement of Operations Data							
Net revenues	$7,650.3	$4,349.1	$4,395.2	$4,551.6	$4,649.1	$4,875.9	$3,376.9
Gross profit	4,621.8	2,603.1	2,638.2	2,685.9	2,788.8	2,976.6	2,039.8
Restructuring costs	372.2	86.9	75.4	37.3	29.4	32.9	23.2
Acquisition-related costs	355.4	174.0	34.1	0.7	8.9	61.1	217.4
Asset-impairment charges	—	5.5	—	316.9	1.5	—	—
Operating (loss) income	(437.8)	254.2	395.1	25.7	394.4	203.1	33.7
Interest expense, net	218.6	81.9	73.0	68.5	76.5	126.7	98.3
Loss on early extinguishment of debt	—	3.1	88.8	—	—	—	—
Other expenses (income), net	1.6	30.4	—	1.3	(0.8)	7.1	0.7
(Loss) income before income taxes	(658.0)	138.8	233.3	(44.1)	318.7	69.3	(65.3)
(Benefit) provision for income taxes	(259.5)	(40.4)	(26.1)	20.1	116.8	(33.2)	(127.2)
Net (loss) income	(398.5)	179.2	259.4	(64.2)	201.9	102.5	61.9
Net income attributable to noncontrolling interests	15.4	7.6	15.1	17.8	15.7	(4.1)	10.7
Net income attributable to redeemable noncontrolling interest	8.3	14.7	11.8	15.4	18.2	17.1	4.4
Net (loss) income attributable to Coty Inc.	$ (422.2)	$ 156.9	$ 232.5	$ (97.4)	$ 168.0	$ 89.5	$ 46.8

(dollars in millions)	As of June 30, 2017(1)	2016(2)	2015(2)	2014	2013	As of December 31, 2017
						(unaudited)
Consolidated Balance Sheet Data						
Cash and cash equivalents	$ 535.4	$ 372.4	$ 341.3	$1,238.0	$ 920.4	$ 400.1
Total assets(3)	22,548.2	7,035.6	5,998.0	6,570.8	6,446.3	23,445.6
Total debt net of discount	7,205.0	4,162.8	2,634.7	3,293.5	2,630.2	7,508.0
Total Coty Inc. stockholder's equity	9,314.7	360.2	969.8	834.8	1,494.0	9,429.1

(dollars in millions)	Year Ended June 30, 2017(1)	2016(2)	2015(2)	2014	2013	Six Months Ended December 31, 2017	2016
						(unaudited)	
Consolidated Cash Flows Data							
Net cash provided by operating activities	$ 757.5	$ 501.4	$ 526.3	$ 536.5	$ 463.9	$ 307.8	$ 663.4
Net cash (used in) investing activities	(1,163.6)	(1,059.2)	(171.2)	(257.6)	(229.9)	(494.0)	(342.0)
Net cash provided by (used in) financing activities	595.2	592.6	(1,138.2)	(5.7)	69.0	33.2	299.2

(1) Included in fiscal 2017 are the financial impacts of the acquisitions of the P&G Beauty Business as of October 1, 2016, ghd as of November 21, 2016, and Younique as of February 1, 2017.

(2) Included in fiscal 2016 and 2015 are the financial impacts of the Hypermarcas Brands acquisition as of February 1, 2016, and the Bourjois acquisition as of April 1, 2015.

(3) In fiscal 2017, we adopted authoritative guidance issued by the Financial Accounting Standards Board requiring that debt issuance costs be presented in the balance sheet as a direct deduction from the carrying amount of the related debt liability, consistent with debt discounts. Prior to the adoption of this guidance, debt issuance costs were presented within Total assets in our consolidated balance sheets. Total assets for all periods presented in the table above have been conformed to the June 30, 2017 balance sheet presentation.

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 our Consolidated Financial Statements and related notes included elsewhere in this offering memorandum, and in our other public filings with the SEC, including our Annual Report on Form 10-K for the fiscal year ended June 30, 2017 and Quarterly Reports on Form 10-Q for the periods ended September 30, 2017 and December 31, 2017. 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. The following discussion contains forward-looking statements. See "Cautionary Statement Concerning Forward-Looking Statements" and "Risk Factors" in this offering memorandum and other periodic reports we have filed and may file with the SEC from time to time which are incorporated by reference herein for a discussion on the uncertainties, risks and assumptions associated with these statements. Actual results may differ materially from those contained in any forward-looking statements. 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.

Overview

We are a global beauty company and our strategic vision is to be a new global leader and challenger in the beauty industry. We manufacture, market, sell and distribute branded beauty products, including fragrances, color cosmetics, hair care products and skin & body related products throughout the world.

We consistently introduce new products and support new and established products through our focus on strategic advertising and merchandising, which we must continuously develop and evolve in response to competitors' new products and shifting consumer preferences in order to offset the gradual decline of demand for products that are later in their lifecycles. The economics of developing, producing, launching, supporting and discontinuing products impact the timing of our sales and operating performance each period. We also continuously evaluate strategic transactions and new brand licenses in order to enhance our portfolio.

Operating and Reportable Segments

On October 1, 2016, we acquired certain assets and liabilities related to The Procter & Gamble Company's global fine fragrances, salon professional, cosmetics and retail hair color businesses, along with select hair styling brands (such brands the "P&G Beauty Business", and such acquisition and the other transactions contemplated by the related acquisition agreement, the "Transactions"). Prior to the Transactions, we operated and managed our business as four operating and reportable segments: Fragrances, Color Cosmetics, Skin & Body Care, and the Brazil Acquisition. Following the close of the Transactions, we reorganized our business into three divisions: Luxury, Consumer Beauty and Professional Beauty, and we determined that our operating and reportable segments would reflect this new divisional structure. As a result of this change in segment reporting, we retrospectively revised prior period results, by segment, to conform to current period presentation. Certain shared costs and the results of corporate initiatives are managed outside of our three segments by Corporate.

Our organizational structure is product category focused, putting the consumer first, by specifically targeting how and where they shop and what and why they purchase. Each division has full end-to-end responsibility to optimize the consumers' beauty experiences in their relevant categories and channels in this new organizational design and translate this into profitable growth.

The new operating and reportable segments are:

Luxury—primarily focused on prestige fragrances, premium skin care and premium cosmetics;

Consumer Beauty—primarily focused on color cosmetics, retail hair coloring and styling products, mass fragrance, mass skin care and body care;

Professional Beauty—primarily focused on hair and nail care products for professionals.

Geographic Structure

Additionally, in connection with the P&G Beauty Business Acquisition, the Company reorganized its geographical structure to consist of: North America (Canada and the United States), Europe and ALMEA (Asia, Latin America, the Middle East, Africa and Australia).

Business Overview

We operate in an environment of slow overall growth in the segments and geographies in which we compete with increasing competitive pressure and changing consumer preferences. While luxury fragrances and skin care categories are experiencing strong growth, declines in the retail nail, mass color cosmetics and mass fragrances categories in the U.S. and certain key markets in Western Europe continue to impact our business and financial results.

We believe our business has attractive opportunities, and in the first half of fiscal 2018 we experienced strong growth in our Luxury segment, sustained performance in our Professional segment and improving performance in our Consumer Beauty segment. However, in certain categories, our net revenues are declining faster than the category or despite category growth. We remain focused on stabilizing our business, particularly our Consumer Beauty segment, which has been affected by declines in distribution and reduction in shelf-space for certain brands. We continue addressing these challenges through brand repositioning, innovation, in-store execution and end-to-end digital capabilities.

The diversion of resources to closing the Transactions and integrating the P&G Beauty Business, the recent changes in our management teams as we reorganized our business and transitional factors, including significantly higher than expected trade inventory prior to the closing of the Transactions, have negatively impacted our fiscal year 2017 results from certain P&G Beauty Business brands. We successfully exited all three stages of our transition services agreement with P&G ("TSA exit") in fiscal 2017. The timing of shipment of orders related to the TSA exit, which benefited our fiscal 2017 fourth quarter net revenues, negatively impacted our first quarter of 2018 net revenues, however, we expect no further impact going forward. We also instituted initiatives to deliver meaningful, sustainable expense and cost management results to address increases in our fixed cost base as a combined company.

As previously disclosed in connection with the Transactions, we expect to incur a total of approximately $1.2 billion of operating expenses and approximately $500 million of capital expenditures. Specifically, in connection with the P&G Beauty Business acquisition, we anticipated costs related to restructuring, integrating and optimizing the combined organizations (known as the "Global Integration Activities"). Through December 31, 2017, we incurred life-to-date Global Integration Activities expenditures of approximately $975 million and $275 million of operating and capital expenditures, respectively, and we expect additional expenses to be incurred in future periods through fiscal 2021. Further, in connection with the acquisition of the P&G Beauty Business, we are implementing our plan through which we continue to target realizing approximately $750 million of synergies driven by cost, procurement, supply chain and selling, general, and administrative savings through fiscal 2020. We realized cumulative synergies of approximately 20% in fiscal 2017, and we expect to cumulatively generate approximately 50% of the net synergies throughout fiscal 2018, approximately 80% through fiscal 2019 and the full $750 million through fiscal 2020.

We have also identified our non-core portfolio of brands, and are exploring alternatives for these brands, including divestiture. As we progress on our portfolio rationalization and continue to integrate the P&G Beauty Business and our other recent acquisitions, we are evaluating additional initiatives designed to simplify processes, reduce costs and improve organizational agility.

Non-GAAP Financial Measures

To supplement the financial measures prepared in accordance with GAAP, we use non-GAAP financial measures including Adjusted EBITDA, Covenant Adjusted EBITDA, Net Debt, Adjusted operating income, Adjusted net income attributable to Coty Inc. and Adjusted net income attributable to Coty Inc. per common share (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 under "Summary Historical Consolidated Financial Information—Non-GAAP Financial Measures" above and in the tables below in the applicable discussion for each comparable period. 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, preparation of our 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 the Adjusted Performance Measures.

In addition, our financial covenant compliance calculations under our debt agreements are substantially derived from these Adjusted Performance Measures. We are presenting Covenant Adjusted EBITDA to help investors evaluate our ability to comply with our covenants, as Covenant Adjusted EBITDA has been a key component of the covenants in our Existing Credit Facilities and will continue to be a key component of the covenants in the New Credit Facilities and, with certain modifications, in the Indenture that will govern the notes offered hereby. While the Existing Credit Facilities permitted, and the New Credit Facilities and the Indenture will permit, Covenant Adjusted EBITDA to be calculated inclusive of potential synergies and estimated EBITDA from acquired entities, the inclusion of such synergies and EBITDA should not be viewed as a projection of future results, but is simply provided to permit investors to understand how Covenant Adjusted EBITDA is calculated under these debt instruments.

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 excludes restructuring costs and business structure realignment programs, amortization, acquisition-related costs and acquisition accounting impacts, the impact of accounting modifications from liability plan accounting to equity plan accounting as a result of amended share-based compensation plans, asset impairment charges and other adjustments as described below. We do not consider these items to be reflective of our core operating performance due to the variability of such items from period-to-period in terms of size, nature and significance. They are primarily incurred to realign our operating structure and integrate new acquisitions, and fluctuate based on specific facts and circumstances. Additionally, Adjusted net income attributable to Coty Inc. and Adjusted net income attributable to Coty Inc. per common share are adjusted for certain interest and other (income) expense as described below and the related tax effects of each of the items used to derive Adjusted net income as such charges are not used by our management in assessing our operating performance period-to-period.

Adjusted Performance Measures reflect adjustments based on the following items:

- Costs related to acquisition activities: We have excluded acquisition-related costs and acquisition 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. The nature and amount of such costs vary significantly based on the size and timing of the acquisitions and the maturities of the businesses being acquired. Also, the size, complexity and/or volume of past acquisitions, which often drives the magnitude of such expenses, may not be indicative of the size, complexity and/or volume of any future acquisitions.
- Restructuring and other business realignment costs: We have excluded costs associated with restructuring and business structure realignment programs to allow for comparable financial results to historical operations and forward-looking guidance. In addition, the nature and amount of such charges vary significantly based on the size and timing of the programs. By excluding the referenced expenses from our non-GAAP financial measures, our management is able to further evaluate our ability to utilize existing assets and estimate their long-term value. Furthermore, our management believes that the adjustment of these items supplement the GAAP information with a measure that can be used to assess the sustainability of our operating performance.
- Amortization expense: We have excluded the impact of amortization of finite-lived intangible assets, as such non-cash amounts are inconsistent in amount and frequency and are significantly impacted by the timing and/or size of acquisitions. Our management believes that the adjustment of these items supplement the GAAP information with a measure that can be used to assess the sustainability of our operating performance. Although we exclude amortization of intangible assets from our non-GAAP expenses, our management believes that it is important for investors to understand that such intangible assets contribute to revenue generation. Amortization of intangible assets that relate to past acquisitions will recur in future periods until such intangible assets have been fully amortized. Any future acquisitions may result in the amortization of additional intangible assets.
- Asset impairment charges: We have excluded the impact of asset impairments as such non-cash amounts are inconsistent in amount and frequency and are significantly impacted by the timing and/or size of acquisitions. Our management believes that the adjustment of these items supplement the GAAP information with a measure that can be used to assess the sustainability of our operating performance.
- Share-based compensation adjustment: During fiscal 2016 and 2015, we excluded the impact of the fiscal 2013 accounting modification from liability plan to equity plan accounting for the share-based compensation plans as well as other share-based compensation transactions that are not reflective of the ongoing and planned pattern of recognition for such expense. Refer to "Management's Discussion and Analysis of Financial Condition and Results of Operations–Critical Accounting Policies and Estimates" contained in our Annual Report on Form 10-K filed with the SEC for the fiscal year ended June 30, 2016 for a full discussion of the share-based compensation adjustment.

- Interest and other (income) expense: We have excluded foreign currency impacts associated with acquisition-related forward contracts and debt financing related forward contracts as the nature and amount of such charges are not consistent and are significantly impacted by the timing and size of such transactions.
- Loss on early extinguishment of debt: We have excluded loss on extinguishment of debt as this represents a non-cash charge, and the amount and frequency of such charges is not consistent and is significantly impacted by the timing and size of debt financing transactions.
- Noncontrolling interests: 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 are based on the tax rates related to the jurisdiction in which the adjusted items are received or incurred.

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 market 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 and Divestitures

We closed the following acquisitions during the periods presented in this Management's Discussion and Analysis of Financial Condition and Results of Operations: (i) the P&G Beauty Business during the second quarter of fiscal 2017, (ii) ghd during the second quarter of fiscal 2017, (iii) Younique during the third quarter of fiscal 2017, (iv) the Hypermarcas Brands during the third quarter of fiscal 2016, (v) Bourjois during the fourth quarter of fiscal 2015 (the "Bourjois

Acquisition") and (vi) the global license rights and other assets related to the Burberry Beauty Business during the second quarter of fiscal 2018. In addition, we divested one of our fragrance brands in the third quarter of fiscal 2017, which had an inconsequential impact on our fiscal 2017 results, the Cutex brand in the fourth quarter of fiscal 2016, and the TJoy brand in fiscal 2014. We also reorganized our mass business in China in fiscal 2014. Collectively, the impact of the discontinuation of the TJoy brand and the reorganization of our mass business in China is referred to herein as the "China Optimization".

During the period when we complete an acquisition or divestiture, the financial results of the current 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 the respective brands or businesses that are acquired or divested until we have twelve months of comparable financial results. When used herein, the terms "Acquisitions" and "Divestitures" refers to the financial contributions during the period that are not comparable to the prior period as a result of the acquisitions and divestitures, respectively.

THREE MONTHS ENDED DECEMBER 31, 2017 AS COMPARED TO THREE MONTHS ENDED DECEMBER 31, 2016

NET REVENUES

In the three months ended December 31, 2017, net revenues increased 15%, or $340.9, to $2,637.6 from $2,296.7 in the three months ended December 31, 2016. The incremental net revenues from the acquisitions of Younique, ghd, and the Burberry Beauty Business comprised 8% of the total net revenues. Excluding the incremental net revenues from the Acquisitions, total net revenues increased 7%, or $163.6, to $2,444.3 in the three months ended December 31, 2017 from $2,280.7 in the three months ended December 31, 2016, reflecting a positive foreign currency exchange translation impact of 4%, an increase in unit volume of 4% and a negative price and mix impact of 1%.

Net Revenues by Segment

(in millions)	Three Months Ended December 31, 2017	Three Months Ended December 31, 2016	Change %
NET REVENUES			
Luxury	$ 951.2	$ 835.0	14%
Consumer Beauty	1,138.6	1,001.7	14%
Professional Beauty	547.8	460.0	19%
Total	**$2,637.6**	**$2,296.7**	**15%**

Luxury

In the three months ended December 31, 2017, net revenues from the Luxury segment increased 14%, or $116.2, to $951.2 from $835.0 in the three months ended December 31, 2016. The acquisition of the Burberry Beauty Business comprised 1% of the total net revenues for the segment. Excluding the acquisition of the Burberry Beauty Business, net revenues from the Luxury segment increased 13%, or $108.0, to $943.0 in the three months ended December 31, 2017, from $835.0 in the three months ended December 31, 2016 reflecting a positive price and mix impact of 6%, an increase in unit volume of 2% and a positive foreign currency exchange translation impact of 5%. The increase primarily reflects greater net revenues from fragrances. This increase was primarily driven by launches of the Tiffany & Co. and Gucci Bloom fragrances.

Consumer Beauty

In the three months ended December 31, 2017, net revenues from the Consumer Beauty segment increased 14%, or $136.9, to $1,138.6 from $1,001.7 in the three months ended

December 31, 2016. The acquisition of Younique comprised 11% of the total net revenues for the segment. Excluding the net revenues from the acquisition of Younique, net revenues from the Consumer Beauty segment increased 3%, or $25.9, to $1,027.6 in the three months ended December 31, 2017, from $1,001.7 in the three months ended December 31, 2016 reflecting an increase in unit volume of 5%, a positive foreign currency exchange translation impact of 4%, and a negative price and mix impact of 6%. The increase in net revenues primarily reflects (i) higher net revenues from Max Factor and the retail product line of Wella hair products, in part reflecting a positive impact in the current year period from lower net revenues in the prior year as a result of the timing of shipments by P&G prior to the closing of the acquisition of the P&G Beauty Business, (ii) higher net revenues from Guess, in part due to a renewed focus on brand building in the ALMEA region in the current year, and (iii) higher net revenues from deodorants in Brazil as a result of innovation and a successful relaunch of in-store marketing. These increases were partially offset by lower net revenues from CoverGirl as a result of increased markdowns and trade spending related to the brand relaunch in the second quarter of fiscal 2018 and Sally Hansen due to lower launch activity and declines in existing product lines.

Professional Beauty

In the three months ended December 31, 2017, net revenues from the Professional Beauty segment increased 19%, or $87.8, to $547.8 from $460.0 in the three months ended December 31, 2016. The incremental net revenues from the acquisition of ghd comprised 12% of the total net revenues for the segment. Excluding the incremental net revenues from the acquisition of ghd, net revenues from the Professional Beauty segment increased 7%, or $29.7, to $473.7 in the three months ended December 31, 2017, from $444.0 in the three months ended December 31, 2016, reflecting a positive foreign currency exchange translation impact of 5%, a positive price and mix impact of 3% and a decrease in unit volume of 1%. The increase in this segment primarily reflects higher net revenues from OPI driven by the innovative technology and launch of the OPI ProHealth GelColor System as well as an increase in the professional product line of Wella hair products due to the launch of Wellaplex. These increases were partially offset by declines in smaller hair care brands.

Net Revenues by Geographic Regions

In addition to our reporting segments, net revenues by geographic regions are as follows:

(in millions)	Three Months Ended December 31, 2017	Three Months Ended December 31, 2016	Change %
NET REVENUES			
North America	$ 743.5	$ 700.5	6%
Europe	1,289.1	1,134.1	14%
ALMEA	605.0	462.1	31%
Total	**$2,637.6**	**$2,296.7**	**15%**

North America

In the three months ended December 31, 2017, net revenues in North America increased 6%, or $43.0, to $743.5 from $700.5 in the three months ended December 31, 2016. Excluding the incremental net revenues from the Acquisitions, net revenues in North America decreased 7%, or $51.1, to $649.4 in the three months ended December 31, 2017 from $700.5 in the three months ended December 31, 2016, primarily due to lower net revenues in the U.S. from color cosmetics and retail hair products. The decline in color cosmetics primarily reflects lower net revenues from CoverGirl and Sally Hansen. CoverGirl net revenues were negatively impacted by increased markdowns and trade spending related to the brand relaunch in the second quarter of fiscal 2018. Sally Hansen net revenues declined due to lower launch activity and declines in existing product lines. Declines in net revenues from retail hair products were primarily driven by declines in Clairol due to lower sales during the holiday season and an increase in sales incentives. Decreases in the region were partially offset by the launches of the Tiffany & Co. and Gucci Bloom fragrance launches, which both showed strong performance in the U.S. There was no impact from foreign currency exchange translations in North America during the period.

Europe

In the three months ended December 31, 2017, net revenues in Europe increased 14%, or $155.0, to $1,289.1 from $1,134.1 in the three months ended December 31, 2016. Excluding the incremental net revenues from the Acquisitions, net revenues in Europe increased 8%, or $94.3, to $1,212.4 in the three months ended December 31, 2017 from $1,118.1 in the three months ended December 31, 2016, primarily due to: (i) incremental revenues from fragrances driven by the launches of the Tiffany & Co. and Gucci Bloom fragrances across the region resulting in higher net revenues in Western Europe including the U.K., Spain, and Germany, (ii) higher net revenues from mass fragrances across the region and (iii) higher net revenues from retail hair products driven by Wella retail hair products across the region. Excluding the impact of the Acquisitions and the positive foreign currency exchange translations impact of 8%, net revenues in Europe remained consistent with prior year.

ALMEA

In the three months ended December 31, 2017, net revenues in ALMEA increased 31%, or $142.9, to $605.0 from $462.1 in the three months ended December 31, 2016. Excluding the incremental net revenues from the Acquisitions, net revenues in ALMEA increased 26%, or $120.4, to $582.5 in the three months ended December 31, 2017 from $462.1 in the three months ended December 31, 2016, primarily due to primarily due to: (i) incremental net revenues from fragrances driven by the launches of the Tiffany & Co. and Gucci Bloom fragrances across the region resulting in higher net revenues in China and our travel retail and export businesses, (ii) higher net revenues from retail hair products driven by Wella and Clairol hair products in Brazil and (iii) higher revenues from color cosmetics driven by Max Factor in China. Excluding the impact of the Acquisitions and the positive foreign currency exchange translations impact of 2%, net revenues in ALMEA increased 24%.

COST OF SALES

In the three months ended December 31, 2017, cost of sales increased 15%, or $132.7, to $1,025.0 from $892.3 in the three months ended December 31, 2016. Cost of sales as a percentage of net revenues remained consistent at 38.9% in the three months ended December 31, 2017 compared to three months ended December 31, 2016. Cost of sales as percentage of net revenues in the three months ended December 31, 2017 was positively impacted by the acquisition of Younique, a higher margin business in fiscal 2017 and continued contribution from our supply chain savings program. Offsetting these positive impacts were: (i) the negative impact of increased markdowns and trade spending associated with the CoverGirl brand relaunch in the second quarter of fiscal 2018, (ii) the impact of a shift in sales volumes to lower margin Consumer Beauty products, and (iii) the impact of a shift in Consumer Beauty regional sales volumes to ALMEA, a region with lower margin sales compared to North America and Europe.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

In the three months ended December 31, 2017, selling, general and administrative expenses increased 13%, or $149.7, to $1,319.9 from $1,170.2 in the three months ended December 31, 2016. Selling, general and administrative expenses as a percentage of net revenues decreased to 50.0% in the three months ended December 31, 2017 from 51.0% in the three months ended December 31, 2016, or approximately 100 basis points. This decrease primarily reflects approximately 300 basis points related to lower advertising and consumer promotion spending and approximately 20 basis points related to lower bad debt expense partially offset by approximately 140 basis points related to higher administrative costs and approximately 90 basis points related to negative foreign currency exchange translations impact. The lower advertising and consumer promotion spending as a percentage of net revenues was primarily due to a shift in timing of investment scheduled for the second half of fiscal 2018 for product relaunches of certain brands, including CoverGirl and the Clairol retail hair product line. The higher administrative costs as a percentage of net revenues are primarily due to incremental consulting costs and increased depreciation expense, partially offset by lower compensation-related expenses.

OPERATING INCOME

In the three months ended December 31, 2017, operating income increased by greater than 100%, or $187.1, to $174.4 from $(12.7) in the three months ended December 31, 2016. Operating margin, or operating income as a percentage of net revenues, increased to 6.6% of net revenues in the three months ended December 31, 2017 as compared to (0.6%) in the three months ended December 31, 2016. This margin increase of approximately 720 basis points reflects approximately 560 basis points related to lower acquisition related costs, 100 basis points related to lower selling, general and administrative expenses, and approximately 70 basis points related to lower amortization expense, partially offset by approximately 10 basis points related to higher restructuring costs.

Operating Income by Segment

(in millions)	Three Months Ended December 31, 2017	2016	Change % 2017/2016
OPERATING INCOME (LOSS)			
Luxury	$ 85.1	$ 66.6	28%
Consumer Beauty	99.3	62.9	58%
Professional Beauty	73.5	83.3	(12%)
Corporate	(83.5)	(225.5)	63%
Total	**$174.4**	**$ (12.7)**	**>100%**

Luxury

In the three months ended December 31, 2017, operating income for Luxury increased 28%, or $18.5, to $85.1 from $66.6 in the three months ended December 31, 2016. Operating margin increased to 8.9% of net revenues in the three months ended December 31, 2017 as compared to 8.0% in the three months ended December 31, 2016, primarily reflecting lower cost of sales as a percentage of net revenues and lower selling, general and administrative expenses as a percentage of net revenues partially offset by higher amortization expense as a percentage of net revenues.

Consumer Beauty

In the three months ended December 31, 2017, operating income for Consumer Beauty increased 58%, or $36.4, to $99.3 from $62.9 in the three months ended December 31, 2016. Operating margin increased to 8.7% of net revenues in the three months ended December 31, 2017 as compared to 6.3% in the three months ended December 31, 2016, primarily reflecting lower selling, general and administrative expenses as a percentage of net revenues and lower amortization expense as a percentage of net revenues partially offset by higher cost of sales as a percentage of net revenues.

Professional Beauty

In the three months ended December 31, 2017, operating income for Professional Beauty decreased by 12%, or $9.8, to $73.5 from $83.3 in the three months ended December 31, 2016. Operating margin decreased to 13.4% of net revenues in the three months ended December 31, 2017 as compared to 18.1% in the three months ended December 31, 2016, primarily reflecting higher cost of sales as a percentage of net revenues and higher selling, general and administrative expenses as a percentage of net revenues.

Corporate

Corporate primarily includes corporate 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, 2017, the operating loss for Corporate was $(83.5) compared to $(225.5) in the three months ended December 31, 2016, as described under "—Operating Income—Adjusted Operating Income for Coty Inc." below.

Adjusted Operating Income by Segment

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

	Three Months Ended December 31, 2017		
(in millions)	Reported (GAAP)	Adjustments[a]	Adjusted (Non-GAAP)
OPERATING INCOME (LOSS)			
Luxury	$ 85.1	$ (40.3)	$125.4
Consumer Beauty	99.3	(32.6)	131.9
Professional Beauty	73.5	(16.7)	90.2
Corporate	(83.5)	(83.5)	—
Total	**$174.4**	**$(173.1)**	**$347.5**

	Three Months Ended December 31, 2016		
(in millions)	Reported (GAAP)	Adjustments[a]	Adjusted (Non-GAAP)
OPERATING INCOME (LOSS)			
Luxury	$ 66.6	$ (30.9)	$ 97.5
Consumer Beauty	62.9	(47.6)	110.5
Professional Beauty	83.3	(16.7)	100.0
Corporate	(225.5)	(225.5)	—
Total	**$ (12.7)**	**$(320.7)**	**$308.0**

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[a] See a reconciliation of reported operating income to adjusted operating income and a description of the adjustments under "—Operating Income—Adjusted Operating Income for Coty Inc." below. All adjustments are reflected in Corporate, except for Amortization expense which is reflected in the Luxury, Consumer Beauty and Professional Beauty divisions.

Adjusted Operating Income for Coty Inc.

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

(in millions)	Three Months Ended December 31, 2017	2016	Change% 2017/2016
Reported Operating Income (Loss)	$174.4	$(12.7)	>100%
% of Net revenues	*6.6%*	*(0.6%)*	
Amortization expense	89.6	95.2	(6%)
Restructuring and other business realignment costs	75.6	22.6	>100%
Costs related to acquisition activities	7.9	190.1	(96%)
Pension settlement charges	—	12.8	(100%)
Total adjustments to reported Operating income	173.1	320.7	(46%)
Adjusted operating income	**$347.5**	**$308.0**	**13%**
% of Net revenues	*13.2%*	*13.4%*	

In the three months ended December 31, 2017, adjusted operating income increased 13%, or $39.5, to $347.5 from $308.0 in the three months ended December 31, 2016. Adjusted operating margin decreased to 13.2% of net revenues in the three months ended December 31, 2017 from 13.4% in the three months ended December 31, 2016, driven by approximately 200.0 basis points related to higher adjusted cost of sales as a percentage of net revenues partially offset by approximately 180.0 basis points related to lower adjusted selling, general and administrative expenses. Excluding the impact of foreign currency exchange translations, adjusted operating income increased 9%.

Amortization Expense

In the three months ended December 31, 2017, amortization expense decreased to $89.6 from $95.2 in the three months ended December 31, 2016, primarily as a result of the Acquisitions. In the three months ended December 31, 2017, amortization expense of $40.3, $32.6, and $16.7 was reported in the Luxury, Consumer Beauty and Professional Beauty segments, respectively. In three months ended December 31, 2016, amortization expense of $30.9, $47.6, and $16.7 was reported in the Luxury, Consumer Beauty, and Professional Beauty segments, respectively.

Restructuring and Other Business Realignment Costs

In the three months ended December 31, 2017, we incurred restructuring and other business structure realignment costs of $75.6, as follows:

- We incurred restructuring costs of $21.7 primarily related to the Global Integration Activities, included in the Condensed Consolidated Statements of Operations.
- We incurred business structure realignment costs of $53.9 primarily related to our Global Integration Activities and certain other programs. This amount includes $43.7 reported in Selling, general and administrative expenses and $10.2 reported in Cost of sales in the Condensed Consolidated Statements of Operations, primarily due to costs incurred for the realignment of the business due to the P&G Beauty Business.

In the three months ended December 31, 2016, we incurred restructuring and other business structure realignment costs of $22.6, as follows:

- We incurred restructuring costs of $15.8 primarily related to the Global Integration Activities, Organizational Redesign and Acquisition Integration Program costs, included in the Condensed Consolidated Statements of Operations.
- We incurred business structure realignment costs of $6.8 primarily related to our Organizational Redesign and certain other programs. Of this amount, $3.2 is included in Cost

of goods sold, $2.2 is included in Selling, general and administrative expenses and $1.4 is included in Other expense in the Condensed Consolidated Statements of Operations.

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

Costs Related to Acquisition Activities

In the three months ended December 31, 2017, we incurred $7.9 of costs related to acquisition activities. We recognized Acquisition-related costs of $7.0, included in the Condensed Consolidated Statements of Operations. These costs may include finder's fees, legal, accounting, valuation, and other professional or consulting fees, and other internal costs which may include compensation related expenses for dedicated internal resources. We also incurred approximately $0.9 in Costs of sales primarily reflecting revaluation of acquired inventory in connection with the acquisition of the Burberry Beauty Business in the Condensed Consolidated Statements of Operations.

In the three months ended December 31, 2016, we incurred $190.1 of costs related to acquisition activities. We recognized Acquisition-related costs of $135.9, included in the Condensed Consolidated Statements of Operations. These costs primarily consist of legal and consulting fees in connection with the acquisition of the P&G Beauty Business. We also incurred $36.2 and $16.1 in Costs of sales primarily reflecting revaluation of acquired inventory in connection with the acquisition of the P&G Beauty Business and ghd, respectively, and $1.9 in Selling, general and administrative expense primarily related to P&G Beauty Business real estate in the Condensed Consolidated Statements of Operations three months ended December 31, 2016.

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

Pension settlement charges

In the three months ended December 31, 2017, there were no pension settlement charges.

In the three months ended December 31, 2016, we incurred a charge of $12.8 in connection with the settlement of obligations related to the U.S. Del Laboratories, Inc. pension plan. The settlement of the plan was effectuated through the purchase of annuity contracts from a third-party insurance provider, effectively transferring the U.S. Del Laboratories, Inc. pension plan obligation to the insurance provider, during the three months ended December 31, 2016. The settlement charge of $12.8, in the three months ended December 31, 2016, was as a result of accelerating the recognition of losses previously deferred in other comprehensive income (loss).

INTEREST EXPENSE, NET

In the three months ended December 31, 2017, Interest expense, net was $60.3 as compared with $57.9 in the three months ended December 31, 2016. This increase was primarily due to higher average debt balances outstanding under the Coty Credit Agreement and Galleria Credit Agreement, during the three months ended December 31, 2017.

INCOME TAXES

The effective income tax rate for the three months ended December 31, 2017 and 2016 was (7.1%) and 174.4% respectively. The decrease in the effective tax rate as compared to the same period in fiscal 2017 was primarily the result of (i) the resolution of foreign uncertain tax positions of approximately $43.0 ($41.8 in tax and $1.2 in interest) in the three months ended December 31, 2017 and (ii) the release of a valuation allowance of $111.2 in the U.S. in the three months ended December 31, 2016 as a result of the P&G Beauty Business acquisition.

The effective income tax rates vary from the U.S. federal statutory rate of approximately 28% 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 January 1, 2018, the U.S. federal statutory rate decreased from 35% to 21%. As the Company has a June 30 fiscal year-end, the lower rate will be phased in, resulting in a blended rate of approximately 28% for the fiscal year ended June 30, 2017 (see Note 2, "Summary of Significant Accounting Policies—Tax Information" in the notes to our Consolidated Financial Statements for the six months ended December 31, 2017 included elsewhere in this offering memorandum for more information on the U.S. tax law change). 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 Income (Loss) Before Income Taxes to Adjusted Income Before Income Taxes and Effective Tax Rates:

	Three Months Ended December 31, 2017			Three Months Ended December 31, 2016		
(in millions)	Income Before Income Taxes	(Benefit) Provision for Income Taxes	Effective Tax Rate	(Loss) Income Before Income Taxes	(Benefit) Provision for Income Taxes	Effective Tax Rate
Reported Income (loss) before income taxes	$110.7	$(7.9)	(7.1%)	$(70.0)	$(122.1)	174.4%
Adjustments to reported Operating income[(a)(b)]	173.1	37.2		320.7	144.2	
Adjusted Income before income taxes	**$283.8**	**$29.3**	**10.3%**	**$250.7**	**$ 22.1**	**8.8%**

(a) See a description of adjustments under "—Operating Income—Adjusted Operating Income for Coty Inc."

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

The adjusted effective tax rate was 10.3% for the three months ended December 31, 2017 compared to 8.8% for the three months ended December 31, 2016. The differences were primarily due to the resolution of foreign uncertain tax positions in the three months ended December 31, 2017 and the release of a valuation allowance of $111.2 in the U.S. in the three months ended December 31, 2016 as a result of the P&G Beauty Business acquisition.

NET INCOME ATTRIBUTABLE TO COTY INC.

Net Income attributable to Coty Inc. was $109.2 in the three months ended December 31, 2017 as compared to $46.8 in the three months ended December 31, 2016. This increase primarily reflects higher operating income in three months ended December 31, 2017 partially offset by a higher tax benefit in the three months ended December 31, 2016.

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)	Three Months Ended December 31, 2017	2016	Change % 2017/2016
Reported Net Income Attributable to Coty Inc.	$109.2	$ 46.8	>100%
% of Net revenues	4.1%	2.0%	
Adjustments to reported Operating income[a]	173.1	320.7	(46%)
Adjustments to Noncontrolling interests[b]	(7.9)	—	N/A
Change in tax provision due to adjustments to reported Net Income Attributable to Coty Inc.	(37.2)	(144.2)	74%
Adjusted net income attributable to Coty Inc.	**$237.2**	**$ 223.3**	**6%**
% of Net revenues	9.0%	9.7%	
Per Share Data			
Adjusted weighted-average common shares			
Basic	749.6	746.6	
Diluted	752.7	752.4	
Adjusted net income attributable to Coty Inc. per common share			
Basic	$ 0.32	$ 0.30	
Diluted	0.32	0.30	

[a] See a description of adjustments under "—Operating Income—Adjusted Operating Income for Coty Inc."

[b] The amounts represent the impact of non-GAAP adjustments to Net income attributable to noncontrolling interest related to the Company's majority-owned consolidated subsidiaries. The amounts are based on the relevant noncontrolling interest's percentage ownership in the related subsidiary, for which the non-GAAP adjustments were made.

SIX MONTHS ENDED DECEMBER 31, 2017 AS COMPARED TO SIX MONTHS ENDED DECEMBER 31, 2016

NET REVENUES

In the six months ended December 31, 2017, net revenues increased 44%, or $1,499.0, to $4,875.9 from $3,376.9 in the six months ended December 31, 2016. The acquisition of the P&G Beauty Business comprised 21% of total net revenues for the period and the acquisitions of Younique, ghd and the Burberry Beauty Business combined comprised 7% of total net revenues for the period. The incremental net revenues in the first quarter of fiscal 2018 from the acquisition of the P&G Beauty Business in the prior year was the primary driver of the significant increase in total net revenues in all of our segments and geographic regions. Excluding the incremental net revenues from the Acquisitions, total net revenues increased 5%, or $159.0, to $3,519.9 in the six months ended December 31, 2017 from $3,360.9 in the six months ended December 31, 2016, reflecting a positive foreign currency exchange translation impact of 4%, a positive price and mix impact of 2% and a decrease in unit volume of 1%.

(in millions)	Six Months Ended December 31, 2017	2016	Change %
NET REVENUES			
Luxury	$1,715.6	$1,284.0	34%
Consumer Beauty	2,182.0	1,573.6	39%
Professional Beauty	978.3	519.3	88%
Total	**$4,875.9**	**$3,376.9**	**44%**

Luxury

In the six months ended December 31, 2017, net revenues from the Luxury segment increased 34%, or $431.6, to $1,715.6 from $1,284.0 in the six months ended December 31, 2016. The incremental net revenues in the first quarter of fiscal 2018 from the acquisition of the P&G Beauty Business in the prior year comprised 17% of total net revenues for the segment, and the acquisition of the Burberry Beauty Business comprised 1% of the total net revenues for the segment for the six months ended December 31, 2017. Excluding the incremental net revenues from the Acquisitions, total net revenues from the Luxury segment increased 10%, or $128.6, to $1,412.6 in the six months ended December 31, 2017 from $1,284.0 in the six months ended December 31, 2016, reflecting a positive price and mix impact of 5%, a positive foreign currency exchange translation impact of 4%, and an increase in unit volume of 1%. The increase primarily reflects greater net revenues from fragrances driven by launches of Tiffany & Co. and Gucci Bloom fragrances.

Consumer Beauty

In the six months ended December 31, 2017, net revenues from the Consumer Beauty segment increased 39%, or $608.4, to $2,182.0 from $1,573.6 in the six months ended December 31, 2016. The incremental net revenues in the first quarter of fiscal 2018 from the acquisition of the P&G Beauty Business in the prior year comprised 18% of total net revenues for the segment, and the acquisition of Younique comprised 11% of the total net revenues for the segment. Excluding the incremental net revenues from the Acquisitions, total net revenues from the Consumer Beauty segment remained consistent with the prior year period with an increase of $1.2 to $1,574.8 in the six months ended December 31, 2017 from $1,573.6 in the six months ended December 31, 2016, reflecting a positive foreign currency exchange translation impact of 3%, a negative price and mix impact of 2%, and a decrease in unit volume of 1%. The increase in net revenues primarily reflects (i) higher net revenues from Max Factor and the retail product line of Wella hair products, in part reflecting a positive impact in the current year period from lower net revenues in the prior year as a result of the timing of shipments prior to the closing of the acquisition of the P&G Beauty Business, (ii) higher net revenues from Guess, in part due to a renewed focus on brand building in the ALMEA region in the current year, and (iii) higher net revenues from deodorants in Brazil as a result of innovation and a successful visual relaunch of in-store marketing. These increases were offset by lower net revenues from CoverGirl as result of increased markdowns and trade spending related to the brand relaunch in the second quarter of fiscal 2018 and Sally Hansen due to lower launch activity and declines in existing product lines.

Professional Beauty

In the six months ended December 31, 2017, net revenues from the Professional Beauty segment increased 88%, or $459.0, to $978.3 from $519.3 in the six months ended December 31, 2016. The incremental net revenues in the first quarter of fiscal 2018 from the acquisition of the P&G Beauty Business in the prior year comprised 34% of the total net revenues for the segment, and incremental net revenues from the acquisition of ghd comprised 12% of the total net revenues for the segment in the six months ended December 31, 2017. Excluding the incremental net revenues from the Acquisitions, total net revenues from the Professional Beauty segment increased 6%, or $29.2, to $532.5 in the six months ended December 31, 2017 from $503.3 in the six months ended December 31, 2016, reflecting a positive price and mix impact of 2%, a positive foreign currency exchange translation impact of 4%, and no impact from unit volume. The increase in this segment primarily reflects higher net revenues from OPI driven by the innovative technology and launch of the OPI ProHealth GelColor System as well as an increase in the professional product line of Wella hair products due to the launch of Wellaplex. These increases were partially offset by declines in smaller hair care brands.

Net Revenues by Geographic Regions

In addition to our reporting segments, net revenues by geographic regions are as follows.

(in millions)	Six Months Ended December 31, 2017	2016	Change %
NET REVENUES			
North America	$1,492.4	$1,044.9	43%
Europe	2,266.0	1,581.0	43%
ALMEA	1,117.5	751.0	49%
Total	**$4,875.9**	**$3,376.9**	**44%**

North America

In the six months ended December 31, 2017, net revenues in North America increased 43%, or $447.5, to $1,492.4 from $1,044.9 in the six months ended December 31, 2016, primarily due to the impact of the Acquisitions. Excluding the incremental net revenues from the Acquisitions, net revenues in North America decreased 5%, or $50.6, to $994.3 in the six months ended December 31, 2017 from $1,044.9 in the six months ended December 31, 2016, primarily due to lower net revenues in the U.S. from color cosmetics and retail hair. The decline in color cosmetics primarily reflects lower net revenues from CoverGirl and Sally Hansen. CoverGirl net revenues were negatively impacted by incremental sales incentives associated with a relaunch of the brand in the second quarter of fiscal 2018. Sally Hansen net revenue declines were due to lower launch activity and declines in existing product lines. Lower net revenues retail hair products were primarily driven by Clairol hair products due to lower sales during the holiday season and an increase in sales incentives. Decreases in the region were partially offset by a higher net revenues driven by the launches of the Tiffany & Co. and Gucci Bloom fragrances, which both showed strong performance in the U.S. There was no impact from foreign currency exchange translations during the period.

Europe

In the six months ended December 31, 2017, net revenues in Europe increased 43%, or $685.0, to $2,266.0 from $1,581.0 in the six months ended December 31, 2016, primarily due to the impact of the Acquisitions. Excluding the incremental net revenues from the Acquisitions, net revenues in Europe increased 6%, or $92.3, to $1,657.3 in the six months ended December 31, 2017 from $1,565.0 in the six months ended December 31, 2016, primarily due to: (i) incremental revenues from fragrances driven by the launches of the Tiffany & Co. and Gucci Bloom fragrances across the region resulting in higher net revenues in Western Europe including the U.K., Spain, and Germany, (ii) higher net revenues from mass fragrances across the region and (iii) higher net revenues from retail hair products driven by Wella hair products across the region. Excluding the impact of the Acquisitions and the positive foreign currency exchange translations impact of 6%, net revenues in Europe remained consistent with the prior year fiscal period.

ALMEA

In the six months ended December 31, 2017, net revenues in ALMEA increased 49%, or $366.5, to $1,117.5 from $751.0 in the six months ended December 31, 2016, primarily due to the impact of the Acquisitions. Excluding the incremental net revenues from the Acquisitions, net revenues in ALMEA increased 16%, or $117.3, to $868.3 in the six months ended December 31, 2017 from $751.0 in the six months ended December 31, 2016, primarily due to primarily due to: (i) incremental net revenues from fragrances driven by the launches of the Tiffany & Co. and Gucci Bloom fragrances across the region resulting in higher net revenues in China and our travel retail and export businesses, (ii) higher net revenues from retail hair products driven by Wella and Clairol hair products in Brazil and (iii) higher revenues from color cosmetics driven by Max Factor in China. Excluding the impact of the Acquisitions and the positive foreign currency exchange translations impact of 2%, net revenues in ALMEA increased 14%.

COST OF SALES

In the six months ended December 31, 2017, cost of sales increased 42%, or $562.2, to $1,899.3 from $1,337.1 in the six months ended December 31, 2016. Cost of sales as a percentage of net revenues decreased to 39.0% in the six months ended December 31, 2017 from 39.6% in the six months ended December 31, 2016, resulting in a gross margin improvement of approximately 60 basis points primarily reflecting the acquisitions of higher margin businesses in fiscal 2017 including the P&G Beauty Business and Younique and contribution from our supply chain savings program partially offset by: (i) the negative impact of inventory buyback associated with distributor terminations relating to the acquisition of the P&G Beauty Business, (ii) the negative impact of the revaluation of acquired inventory from the Younique acquisition, (iii) the negative impact of accelerated depreciation of buildings and equipment associated with plant closures related to the Global Integration Activities Program and (iv) the negative impact of increased markdowns and trade spending associated with the CoverGirl brand relaunch in the second quarter of fiscal 2018.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

In the six months ended December 31, 2017, selling, general and administrative expenses increased 52.3%, or $862.6, to $2,511.7 from $1,649.1 in the six months ended December 31, 2016. Selling, general and administrative expenses as a percentage of net revenues increased to 51.5% in the six months ended December 31, 2017 from 48.8% in the six months ended December 31, 2016, or approximately 270 basis points. The increase primarily reflects approximately 330 basis points related to higher administrative costs and approximately 40 basis points related to negative foreign currency exchange translations impact, partially offset by 100 basis points related to lower advertising and consumer promotion. The higher administrative costs as a percentage of net revenues are primarily due to: (i) compensation-related costs associated with the new organizational structure of the Company as a result of the P&G Beauty Business acquisition, primarily in the Professional Beauty division where we acquired a large sales organization to service the salon business, (ii) increased depreciation expense, and (iii) incremental consulting costs. The lower advertising and consumer promotion spending as a percentage of net revenues was primarily due to a shift in timing of investment scheduled for the second half of fiscal 2018 for product relaunches of certain brands, including CoverGirl and the Clairol retail hair product line.

OPERATING INCOME (LOSS)

In the six months ended December 31, 2017, operating income increased greater than 100%, or $169.4 to $203.1 from $33.7 in the six months ended December 31, 2016. Operating margin, or operating income as a percentage of net revenues, increased to 4.2% in the six months ended December 31, 2017 as compared to 1.0% in the six months ended December 31, 2016. This margin increase of approximately 320 basis points primarily reflects approximately 520 basis points related to lower acquisition-related costs and approximately 60 basis points related to lower cost of sales partially offset by approximately 270 basis points related to higher selling, general and administrative expenses.

Operating Income by Segment

(in millions)	Six Months Ended December 31, 2017	2016	Change %
NET REVENUES			
Luxury	$ 141.8	$ 142.7	(1%)
Consumer Beauty	161.2	115.6	39%
Professional Beauty	71.8	99.7	(28%)
Corporate	(171.7)	(324.3)	47%
Total	**$ 203.1**	**$ 33.7**	**>100%**

Luxury

In the six months ended December 31, 2017, operating income for Luxury decreased 1%, or $0.9, to $141.8 from $142.7 in the six months ended December 31, 2016. Operating margin decreased to 8.3% of net revenues in the six months ended December 31, 2017 as compared to 11.1% in the six months ended December 31, 2016, primarily reflecting higher selling, general and administrative expenses as a percentage of net revenues and higher amortization expense as a percentage of net revenues partially offset by lower cost of sales as a percentage of net revenues.

Consumer Beauty

In the six months ended December 31, 2017, operating income for Consumer Beauty increased 39%, or $45.6, to $161.2 from $115.6 in the six months ended December 31, 2016. Operating margin increased to 7.4% of net revenues in the six months ended December 31, 2017 as compared to 7.3% in the six months ended December 31, 2016, primarily reflecting lower amortization expense as a percentage of net revenues partially offset by higher selling, general and administrative expenses as a percentage of net revenues and higher cost of sales as a percentage of net revenues.

Professional Beauty

In the six months ended December 31, 2017, operating income for Professional Beauty decreased by 28%, or $27.9, to $71.8 from $99.7 in the six months ended December 31, 2016. Operating margin decreased to 7.3% of net revenues in the six months ended December 31, 2017 as compared to 19.2% in the six months ended December 31, 2016, primarily reflecting higher selling, general and administrative expenses as a percentage of net revenues and higher cost of sales as a percentage of net revenues.

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, 2017, the operating loss for Corporate was $(171.7) compared to $(324.3) in the six months ended December 31, 2016, as described under "—Operating Income—Adjusted Operating Income for Coty Inc." below.

Adjusted Operating Income by Segment

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

	Six Months Ended December 31, 2017		
(in millions)	**Reported (GAAP)**	**Adjustments[a]**	**Adjusted (Non-GAAP)**
OPERATING INCOME			
Luxury	$ 141.8	$ (73.5)	$215.3
Consumer Beauty	161.2	(59.0)	220.2
Professional Beauty	71.8	(35.3)	107.1
Corporate	(171.7)	(171.7)	—
Total	**$ 203.1**	**$(339.5)**	**$542.6**

(in millions)	Six Months Ended December 31, 2017 Reported (GAAP)	Adjustments[a]	Adjusted (Non-GAAP)
OPERATING INCOME			
Luxury	$ 142.7	$ (45.4)	$188.1
Consumer Beauty	115.6	(52.4)	168.0
Professional Beauty	99.7	(18.6)	118.3
Corporate	(324.3)	(324.3)	—
Total	**$ 33.7**	**$(440.7)**	**$474.4**

[a] See a reconciliation of reported operating income to adjusted operating income and a description of the adjustments under "—Operating Income—Adjusted Operating Income for Coty Inc." below. All adjustments are reflected in Corporate, except for Amortization expense which is reflected in the Luxury, Consumer Beauty and Professional Beauty divisions.

Adjusted Operating Income for Coty Inc.

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 to Adjusted Operating Income is presented below:

(in millions)	Six Months Ended December 31, 2017	2016	Change %
Reported Operating Income	**$203.1**	**$ 33.7**	**>100%**
% of Net revenues	*4.2%*	*1.0%*	
Amortization expense	167.8	116.4	44%
Restructuring and other business realignment costs	106.2	35.0	>100%
Costs related to acquisition activities	65.5	273.4	(76%)
Pension settlement charges	—	15.9	(100%)
Total adjustments to reported Operating income	339.5	440.7	(23%)
Adjusted Operating income	**$542.6**	**$474.4**	**14%**
% of Net revenues	*11.1%*	*14.0%*	

Adjusted operating income in the six months ended December 31, 2017 increased 14%, or $68.2, to $542.6 from $474.4 in the six months ended December 31, 2016. Adjusted operating margin decreased to 11.1% of net revenues in the six months ended December 31, 2017 as compared to 14.0% in the six months ended December 31, 2016, primarily driven by approximately 240 basis points related to higher adjusted selling, general and administrative expenses and approximately 50 basis points related to higher adjusted cost of sales as a percentage of net revenues.

Amortization Expense

In the six months ended December 31, 2017, amortization expense increased to $167.8 from $116.4 in the six months ended December 31, 2016 primarily as a result of the Acquisitions. In the six months ended December 31, 2017, amortization expense of $73.5, $59.0, and $35.3 was reported in the Luxury, Consumer Beauty and Professional Beauty segments, respectively. In the six months ended December 31, 2016, amortization expense of $45.4, $52.4, and $18.6 was reported in the Luxury, Consumer Beauty, and Professional Beauty segments.

Restructuring and Other Business Realignment Costs

In the six months ended December 31, 2017, we incurred restructuring and other business structure realignment costs of $106.2, as follows:

- We incurred restructuring costs of $32.9 primarily related to the Global Integration Activities, included in the Condensed Consolidated Statements of Operations.
- We incurred business structure realignment costs of $73.3 primarily related to our Global Integration Activities, Organizational Redesign and certain other programs. Of this amount $52.6 is included in Selling, general and administrative expenses and $20.7 is included in Cost of sales, primarily due to costs incurred for the realignment of the business due to the P&G Beauty Business.

In the six months ended December 31, 2016, we incurred restructuring and other business structure realignment costs of $35.0 as follows:

- We incurred Restructuring costs of $23.2 primarily related to the Global Integration Activities, Acquisition Integration Program and Organizational Redesign, included in the Condensed Consolidated Statements of Operations.
- We incurred business structure realignment costs of $11.8 primarily related to our Organizational Redesign. Of this amount, $7.0 is included in Selling, general and administrative expenses, $3.4 is included in Cost of sales, and $1.4 is included in Other expense in the Condensed Consolidated Statements of Operations.

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

Costs Related to Acquisition Activities

In the six months ended December 31, 2017, we incurred $65.5 of costs related to acquisition activities. We recognized Acquisition-related costs of $61.1, included in the Condensed Consolidated Statements of Operations. These costs were primarily incurred in connection with the acquisition of P&G Beauty Business. These costs include amounts paid for external consulting fees and internal costs for converting the data received from P&G during the transition period to satisfy the Company's internal and external financial reporting, regulatory and other requirements, as well as legal, accounting, and valuation services, and fees paid directly to P&G. We also incurred $3.5 and $0.9 in Costs of sales primarily reflecting revaluation of acquired inventory in connection with the acquisitions of Younique and the Burberry Beauty Business, respectively, in the Condensed Consolidated Statements of Operations.

In the six months ended December 31, 2016, we incurred $273.4 of costs related to acquisition activities. We recognized Acquisition-related costs of $217.4, included in the Condensed Consolidated Statements of Operations. These costs primarily consist of legal and consulting fees in connection with the acquisition of the P&G Beauty Business. We also incurred $36.2 and $16.1 in Costs of sales primarily reflecting revaluation of acquired inventory in connection with the acquisition of the P&G Beauty Business and ghd, respectively, and $3.7 in Selling, general and administrative expense primarily related to P&G Beauty Business real estate in the Condensed Consolidated Statements of Operations six months ended December 31, 2016.

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

Pension Settlement Charges

In the six months ended December 31, 2017, there were no pension settlement charges.

In the six months ended December 31, 2016, we incurred charges of $15.9 in connection with the settlement of obligations related to the U.S. Del Laboratories, Inc. pension plan. The settlement of the plan was effectuated through lump sum payments to eligible participants during the three months ended September 30, 2016, in addition to, the purchase of annuity contracts from a third-party insurance provider, effectively transferring the U.S. Del Laboratories, Inc. pension plan obligation to the insurance provider, during the six months ended December 31, 2016. The settlement charge of $15.9, for the six months ended December 31, 2016, was as a result of accelerating the recognition of losses previously deferred in other comprehensive income (loss).

Pension settlement charges were reported in Corporate.

INTEREST EXPENSE, NET

In the six months ended December 31, 2017, interest expense, net was $126.7 as compared with $98.3 in the six months ended December 31, 2016. This increase was primarily due to higher average debt balances outstanding under the Coty Credit Agreement and Galleria Credit Agreement, during the six months ended December 31, 2017.

OTHER EXPENSE (INCOME), NET

We incurred $7.1 of expense and $0.7 of expense in the six months ended December 31, 2017 and 2016, respectively. The other expense was primarily associated with the change in the Mandatorily Redeemable Financial Instrument ("MRFI") balance associated with a certain Southeast Asian subsidiary.

INCOME TAXES

The effective income tax rate for the six months ended December 31, 2017 and 2016 was (47.9)% and 194.8%, respectively. The decrease in the effective tax rate as compared to the same period in fiscal 2017 was primarily the result of (i) the resolution of foreign uncertain tax positions of approximately $43.0 ($41.8 in tax and $1.2 in interest) in the six months ended December 31, 2017 and (ii) the release of a valuation allowance of $111.2 in the U.S. in the six months ended December 31, 2016 as a result of the P&G Beauty Business acquisition.

The effective income tax rates vary from the U.S. federal statutory rate of approximately 28% 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. As of January 1, 2018, the U.S. federal statutory rate decreased from 35% to 21%. As the Company has a June 30 fiscal year-end, the lower rate will be phased in, resulting in a blended rate of approximately 28% for the fiscal year ended June 30, 2017 (see Note 2, "Summary of Significant Accounting Policies—Tax Information" in the notes to our Consolidated Financial Statements for the six months ended December 31, 2017 included elsewhere in this offering memorandum for more information on the U.S. tax law change). 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 Income (Loss) Before Income Taxes to Adjusted Income Before Income Taxes and Effective Tax Rates:

	Six Months Ended December 31, 2017			Six Months Ended December 31, 2016		
(in millions)	Income Before Income Taxes	(Benefit) Provision for Income Taxes	Effective Tax Rate	(Loss) Income Before Income Taxes	(Benefit) Provision for Income Taxes	Effective Tax Rate
Reported Income (Loss) before income taxes	**$ 69.3**	**$(33.2)**	**(47.9%)**	**$(65.3)**	**$(127.2)**	**194.8%**
Adjustments to reported Operating income[(a)(b)]	339.5	96.8		440.7	186.7	
Adjustments to Interest expense[(b)(c)]	—	—	—	1.4	0.6	
Adjusted Income before income taxes	**$408.8**	**$ 63.6**	**15.6%**	**$376.8**	**$ 60.1**	**16.0%**

(a) See a description of adjustments under "—Operating Income—Adjusted Operating Income for Coty Inc."

(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) See "—Net Income Attributable to Coty Inc."

The adjusted effective tax rate was 15.6% compared to 16.0% in the prior-year period. The differences were primarily due to the resolution of foreign uncertain tax positions in the six months ended December 31, 2017 and the release of a valuation allowance of $111.2 in the U.S. in the six months ended December 31, 2016 as a result of the P&G Beauty Business acquisition.

NET INCOME ATTRIBUTABLE TO COTY INC.

In the six months ended December 31, 2017, net income attributable to Coty Inc. increased $42.7, to $89.5, from $46.8 in the six months ended December 31, 2016. This decrease primarily reflects higher operating income in the six months ended December 31, 2017, partially offset by higher interest expense and a lower tax benefit in the six months ended December 31, 2017 than in the six months ended December 31, 2016.

We believe that Adjusted Net Income Attributable to Coty Inc. provides an enhanced understanding of our performance. See "—Overview—Non-GAAP Financial Measures."

	Six Months Ended December 31,		
(in millions)	**2017**	**2016**	**Change %**
Reported net income attributable to Coty Inc.	**$ 89.5**	**$ 46.8**	**91%**
% of Net revenues	*1.8%*	*1.4%*	
Adjustments to reported Operating income[a]	339.5	440.7	(23%)
Adjustments to Interest expense[b]	—	1.4	N/A
Adjustments to Noncontrolling interests[c]	(18.7)	—	N/A
Change in tax provision due to adjustments to reported Net income attributable to Coty Inc.	(96.8)	(187.3)	48%
Adjusted net income attributable to Coty Inc.	**$313.5**	**$ 301.6**	**4%**
% of Net revenues	*6.4%*	*8.9%*	
Per Share Data			
Adjusted weighted-average common shares			
Basic	749.1	539.8	
Diluted	752.5	545.8	
Adjusted net income attributable to Coty Inc. per common share			
Basic	$ 0.42	$ 0.56	
Diluted	0.42	0.55	

(a) See a description of adjustments under "—Operating Income—Adjusted Operating Income for Coty Inc."

(b) In the six months ended December 31, 2016, the amount represents a net loss of $1.4 incurred in connection with the Hypermarcas Brands and subsequent intercompany loans, included in Interest expense, net in the Condensed Consolidated Statements of Operations.

(c) The amounts represent the impact of non-GAAP adjustments to Net income attributable to noncontrolling interest related to the Company's majority-owned consolidated subsidiaries. The amounts are based on the relevant noncontrolling interest's percentage ownership in the related subsidiary, for which the non-GAAP adjustments were made.

YEAR ENDED JUNE 30, 2017 AS COMPARED TO YEAR ENDED JUNE 30, 2016

NET REVENUES

In fiscal 2017, net revenues increased 76%, or $3,301.2, to $7,650.3 from $4,349.1 in fiscal 2016. The acquisition of the P&G Beauty Business comprised 41% of total net revenues for the fiscal year and the Hypermarcas Brands, ghd and Younique combined comprised 7% of the total net revenues for the fiscal year. The acquisition of the P&G Beauty Business was the primary driver of the significant increase in total net revenues in all of our segments and geographic regions. The increase in net revenues in fiscal 2017 reflects an increase in unit volume of 75% and a positive price and mix impact of 4%, partially offset by a negative foreign currency exchange translations impact of 3%. Excluding the impacts of the Acquisitions and Divestitures, total net revenues in fiscal 2017 decreased 8% reflecting a negative price and mix impact of 4%, a decrease in unit volume of 3% and a negative foreign currency exchange translations impact of 1%.

In fiscal 2016, net revenues decreased 1%, or $46.1, to $4,349.1 from $4,395.2 in fiscal 2015. The decrease was the result of a negative price and mix impact of 9% and a negative foreign currency exchange translations impact of 5%, partially offset by an increase in unit volume of 13%. The incremental net revenues from the Hypermarcas Brands and the Bourjois Acquisition comprised 5% of total net revenues for the fiscal year. Excluding the impacts from the Acquisitions and Divestitures and foreign currency exchange translations, total net revenues in fiscal 2016 decreased 1% reflecting a decrease in unit volume of 5%, partially offset by a positive price and mix impact of 4%.

Net Revenues by Segment

	Year Ended June 30,			Change %	
(in millions)	2017	2016	2015	2017/2016	2016/2015
NET REVENUES					
Luxury	$2,566.6	$1,836.6	$1,938.3	40%	(5%)
Consumer Beauty	3,688.2	2,262.5	2,185.4	63%	4%
Professional Beauty	1,395.5	250.0	271.5	>100%	(8%)
Total	**$7,650.3**	**$4,349.1**	**$4,395.2**	**76%**	**(1%)**

Luxury

In fiscal 2017, net revenues from the Luxury segment increased 40%, or $730.0 to $2,566.6 from $1,836.6 in fiscal 2016, primarily due to the impact of the Acquisitions. The acquisition of the P&G Beauty Business comprised 33% of the total net revenues for the segment. Hugo Boss and Gucci fragrances were the largest contributors to net revenues as a result of the acquisition of the P&G Beauty Business. Excluding the impacts of the Acquisitions and Divestitures, net revenues from the Luxury segment decreased 6%, or $110.0, to $1,726.6 in fiscal 2017 from $1,836.6 in fiscal 2016, reflecting a negative price and mix impact of 3%, a decrease in unit volume of 2%, and a negative foreign currency exchange translations impact of 1%. This decrease primarily reflects lower net revenues from Calvin Klein and Marc Jacobs fragrances. Net revenues from Calvin Klein declined due to: (i) our strategic efforts to rationalize wholesale distribution by reducing the amount of product diversion to the value and mass channels resulting in a lower volume and (ii) a higher level of discounting and promotional activities resulting in a negative price and mix. The decline in Marc Jacobs primarily reflects declines in volumes from existing product lines and a lower level of launch activity in fiscal 2017 as compared to fiscal 2016.

In fiscal 2016, net revenues from the Luxury segment decreased 5% or $101.7 to $1,836.6 from $1,938.3 in fiscal 2015, reflecting a negative foreign currency exchange translations impact of 4% and a negative price and mix impact of 1%, while volume remained consistent. Contributing to the segment declines were lower net revenues from Calvin Klein and Davidoff reflecting declines in existing product lines, a lower level of launch activity in fiscal 2016 as compared to fiscal 2015 and a negative foreign currency exchange translations impact. Net revenue declines in the segment were partially offset by the launch of the Miu Miu fragrance as well as growth from Marc Jacobs. Growth from Marc Jacobs primarily reflects incremental net revenues from the launches of Marc Jacobs Decadence and Marc Jacobs Splash, partially offset by declines in existing product lines. Additionally, lower net revenues from philosophy contributed to the decline in the segment in part reflecting a different timing of orders and a lower level of promotional campaigns at a key U.S. customer. The negative price and mix impact for the segment primarily reflects a higher relative volume of lower-priced Calvin Klein products.

Consumer Beauty

In fiscal 2017, net revenues from the Consumer Beauty segment increased 63%, or $1,425.7, to $3,688.2 from $2,262.5 in fiscal 2016, primarily due to the impact of the Acquisitions. The acquisition of the P&G Beauty Business, Younique and the incremental net revenues from the seven months of the Hypermarcas Brands in fiscal 2017, comprised 35%, 5% and 5%, respectively, of the total net revenues for the segment. CoverGirl and Max Factor cosmetics and the retail product line of Wella and Clairol hair products were the largest contributors to net revenues as a result of the acquisition of the P&G Beauty Business, although these and other brands were negatively impacted as we reorganized our business and by transitional factors, including significantly higher than expected trade inventory prior to the closing of the Transactions. Additionally, a reduction in shelf space and declines in certain of these brands negatively impacted our results. Excluding the impacts of the Acquisitions and the Divestitures, net revenues from the Consumer Beauty segment decreased 10%, or $217.7, to $2,038.5 in fiscal 2017 from $2,256.2 in fiscal 2016, primarily reflecting a negative price and mix impact of 5%, a decrease in unit volume of 3%, and a negative foreign currency exchange translations impact of 2%. The decrease in net revenues primarily reflects lower net revenues from mass fragrances, as well as Sally Hansen and Rimmel. Mass fragrances declined in part due to a decrease in volume from brands that are later in their lifecycles and our continued efforts to execute portfolio rationalization in non-strategic distribution channels, and have also been adversely impacted by a negative market trend in the U.S. Lower net revenues from Sally Hansen and Rimmel reflect a decrease in volume as the result of the implementation of a new inventory management system by a key U.S. customer and a negative foreign currency translations impact. Lower net revenues from Sally Hansen also reflect the negative retail nail market trend in the U.S. and a lower volume of relative higher priced products. The declines in the segment were partially offset by higher net revenues from an increase in volume from the Hypermarcas Brands during the five months of the comparable periods and an increase in volume from Bourjois due to continued expansion in Eastern Europe.

In fiscal 2016, net revenues from the Consumer Beauty segment increased 4%, or $77.1, to $2,262.5 from $2,185.4 in fiscal 2015. The acquisition of the Hypermarcas Brands and the incremental net revenues from the nine months of Bourjois in fiscal 2016 comprised 4% and 6%, respectively, of the total net revenues for the segment. Excluding the net revenues from the Acquisitions and Divestitures, net revenues from the Consumer Beauty segment decreased 7%, or $147.9, to $2,028.7 in fiscal 2016 from $2,176.6 in fiscal 2015, primarily reflecting a negative foreign currency exchange translations impact of 7% and a decrease in unit volume of 5%, partially offset by a positive price and mix impact of 5%. The decrease in net revenues primarily reflects: (i) lower net revenues from mass fragrances, in part due to brands that are later in their lifecycles and our continued efforts to execute portfolio rationalization on lower-volume product lines in non-strategic distribution channels, and have also been adversely impacted by a negative market trend in the U.S. and have also been adversely impacted by a negative market trend in the U.S., (ii) lower net revenues from Playboy due to declines in existing product lines, partially offset by incremental net revenues from the launch of the Playboy Play It Wild franchise and (iii) lower net revenues from N.Y.C. New York Color which declined in part due to shelf space reduction at certain retailers in the U.S. as well as a management decision to discontinue the brand in the U.K. The positive price and mix impact in part reflects lower relative volumes of lower-priced products, such as N.Y.C. New York Color and higher relative volumes of higher-priced products, such as Sally Hansen.

Professional Beauty

In fiscal 2017, net revenues from the Professional Beauty segment increased greater than 100%, or $1,145.5, to $1,395.5 from $250.0 in fiscal 2016, primarily due to the impact of the Acquisitions. The acquisitions of the P&G Beauty Business and ghd comprised 74% and 10%, respectively, of the total net revenues for the segment. The professional product line of Wella hair products was the largest contributor to net revenues as a result of the P&G Beauty Business acquisition. Excluding the impacts of the Acquisitions and Divestitures, net revenues from the Professional Beauty segment decreased 12%, or $30.5 to $219.5 in fiscal 2017, from $250.0 in fiscal 2016, primarily reflecting the following activity related to OPI: (i) a decrease in unit volume of 8% as a result of declines from existing lacquer product lines, partially offset by an increase in volume of gel and long wear product lines, (ii) a negative price and mix impact of 3% as a result of unfavorable regional, channel and promotional mix and (iii) a negative foreign currency exchange translations impact of 1%.

In fiscal 2016, net revenues from the Professional Beauty segment decreased 8%, or $21.5, to $250.0 from $271.5 in fiscal 2015, with declines in OPI. The net revenues decrease was primarily the result of a decrease in unit volume of 10%, and a negative foreign currency exchange translations impact of 2%, partially offset by a positive price and mix impact of 4%. OPI net revenues decreased primarily due to declining lacquer products in the U.S. professional channel. Partially offsetting the overall declines in OPI were incremental net revenues from product launches such as the OPI Hello Kitty collection and OPI Infinite Shine as well as growth in ALMEA. The positive price and mix impact in part reflects higher relative volumes of higher-priced OPI products.

Net Revenues by Geographic Regions

In addition to our reporting segments, net revenues by geographic regions are as follows. We define our geographic regions as North America (comprising Canada and the United States), Europe and ALMEA (comprising Asia, Latin America, the Middle East, Africa and Australia):

	Year Ended June 30,			Change %	
(in millions)	**2017**	**2016**	**2015**	**2017/2016**	**2016/2015**
NET REVENUES					
North America	$2,506.9	$1,413.0	$1,499.7	77%	(6%)
Europe	3,325.7	1,924.6	1,961.6	73%	(2%)
ALMEA	1,817.7	1,011.5	933.9	80%	8%
Total	**$7,650.3**	**$4,349.1**	**$4,395.2**	**76%**	**(1%)**

North America

In fiscal 2017, net revenues in North America increased 77% or $1,093.9, to $2,506.9 from $1,413.0 in fiscal 2016, primarily due to the impact of the Acquisitions. Excluding the impact of the Acquisitions and Divestitures, net revenues in North America decreased 10% or $141.8, to $1,271.2 in fiscal 2017 from $1,413.0 in fiscal 2016, primarily due to lower net revenues in the U.S. from Sally Hansen, in part reflecting negative market trends in the retail nail market in the U.S., N.Y.C. New York Color and Rimmel in the Consumer Beauty division, as well as, OPI in the Professional Beauty division. There was no impact from foreign currency exchange translations in North America.

In fiscal 2016, net revenues in North America decreased 6% or $86.7, to $1,413.0 from $1,499.7 in fiscal 2015, primarily due to lower net revenues in the U.S. Lower net revenues in the U.S. were primarily due to a decline in mass fragrances in the Consumer Beauty division, in part due to brands that are later in their life cycles and have been adversely impacted by negative market trends, as well as the Professional Beauty division. Excluding the negative foreign currency exchange translations impact of 1%, net revenues in North America decreased 5%.

Europe

In fiscal 2017, net revenues in Europe increased 73%, or 1,401.1, to $3,325.7 from $1,924.6 in fiscal 2016, primarily due to the impact of the Acquisitions. Excluding the impacts of the Acquisitions and Divestitures, net revenues in Europe decreased 13%, or $242.2, to $1,682.4 in fiscal 2017 from $1,924.6 in fiscal 2016, primarily due to lower net revenues from mass fragrances across the region as a result of a negative market trend in Europe, Rimmel in the U.K., Astor in Germany and Eastern Europe, Playboy in Germany, France, and Eastern Europe and adidas in the U.K. and Germany, partially offset by growth in Bourjois in Eastern Europe. Excluding the impact of the Acquisitions, Divestitures and the negative foreign currency exchange translations impact of 4%, net revenues in Europe decreased 9%.

In fiscal 2016, net revenues in Europe decreased 2%, or $37.0, to $1,924.6 from $1,961.6 in fiscal 2015, primarily due to declines in Germany and the U.K., partially offset by increases in the regional export business and France from incremental net revenues from Bourjois. Declines in Germany reflect a negative foreign currency exchange translations impact. Excluding this impact, net revenues in Germany increased primarily driven by growth in Rimmel and Sally Hansen, partially offset by declines in mass fragrances. Net revenues in the U.K. were adversely impacted by a negative foreign currency exchange translations impact, as well as declines in mass fragrances and Calvin Klein, partially offset by incremental net revenues from Bourjois. Excluding the impact of the Acquisitions and Divestitures of 6% and a negative foreign currency exchange translations impact of 7%, net revenues in Europe for fiscal 2016 decreased 1%.

ALMEA

In fiscal 2017, net revenues in ALMEA increased 80%, or $806.2, to $1,817.7 from $1,011.5 in fiscal 2016, primarily due to the impact of the Acquisitions. Excluding the impacts of the Acquisitions and Divestitures, net revenues in ALMEA increased 2%, or $19.4, to $1,030.9 in fiscal 2017 from $1,011.5 in fiscal 2016, primarily due to the Hypermarcas Brands in Brazil during the five months of the comparable periods, partially offset by declines in Calvin Klein in China and Marc Jacobs in our travel retail business in Latin America. Excluding the impact of the Acquisitions, Divestitures and the positive foreign currency exchange translations impact of 1%, net revenues in ALMEA increased 1%.

In fiscal 2016, net revenues in ALMEA increased 8% or $77.6, to $1,011.5 from $933.9 in fiscal 2015, primarily due to the acquisition of the Hypermarcas Brands. Additionally, an increase in net revenues in the Middle East from prestige fragrances contributed to the overall increase in the region, partially offset by a decrease in our travel retail business. Excluding the impact of the Acquisitions and Divestitures of 9% and a negative foreign currency exchange translations impact of 7%, net revenues in ALMEA for fiscal 2016 increased 6%.

COST OF SALES

In fiscal 2017, cost of sales increased 73%, or $1,282.5, to $3,028.5 from $1,746.0 in fiscal 2016, primarily due to the impact of the Acquisitions. Cost of sales as a percentage of net revenues decreased to 39.6% in fiscal 2017 from 40.1% in fiscal 2016, resulting in a gross margin improvement of approximately 50 basis points primarily reflecting the acquisitions of higher margin businesses in fiscal 2017 including the P&G Beauty Business and Younique and continued contribution from our supply chain savings program partially offset by: (i) the negative impact of the revaluation of acquired inventory from the Acquisitions, (ii) the negative impact of inventory buyback associated with distributor terminations relating to the acquisition of the P&G Beauty Business and (iii) higher promotional and discounted pricing activity reported in net revenues.

In fiscal 2016, cost of sales decreased 1%, or $11.0, to $1,746.0 from $1,757.0 in fiscal 2015. Cost of sales as a percentage of net revenues increased to 40.1% in fiscal 2016 from 40.0% in fiscal 2015, resulting in a gross margin decline of approximately 10 basis points. In fiscal 2016, cost of sales was negatively impacted by certain items, such as the revaluation of acquired inventory related to the Hypermarcas Brands and Bourjois Acquisition. In fiscal 2015, cost of sales included the positive impact from refinement of estimates associated with China Optimization and the negative impacts from the Bourjois Acquisition, primarily reflecting revaluation of acquired inventory, as well as inventory buyback as we converted one of our distributors to a subsidiary distribution model in the Middle East. Excluding these items, gross margin improved by approximately 30 basis points, which includes a positive impact of approximately 20 basis points from the addition of the Bourjois Acquisition and a negative impact of approximately 70 basis points from the addition of the Hypermarcas Brands. The improvement in gross margin primarily reflects the positive impact of lower promotional and discounted pricing activity, reported in net revenues, and continued contribution from our supply chain savings program, reported in cost of sales.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

In fiscal 2017, selling, general and administrative expenses increased greater than 100%, or \$2,032.2, to \$4,060.0 from \$2,027.8 in fiscal 2016, primarily due to the impact of the Acquisitions. Selling, general and administrative expenses as a percentage of net revenues increased to 53.1% in fiscal 2017 from 46.6% in fiscal 2016, or approximately 650 basis points. This increase primarily reflects approximately 500 basis points related to higher administrative costs and approximately 240 basis points related to higher advertising and consumer promotion spending, partially offset by approximately 50 basis points related to the transactional impact from our exposure to foreign currency exchange fluctuations and 40 basis points related to lower share-based compensation expenses. The higher administrative costs as a percentage of net revenues was primarily due to consulting expenses and compensations costs incurred in connection with the integration of the P&G Beauty Business and the new organizational structure in the Professional Beauty division where we acquired a large sales organization to service the salon business. The higher advertising and consumer promotion spending as a percentage of net revenues was primarily due to (i) the impact of the higher spending ratio for the P&G Beauty Business as compared with the Legacy-Coty business in fiscal 2016 and (ii) increased spending primarily supporting Rimmel, Sally Hansen and Bourjois.

In fiscal 2016, selling, general and administrative expenses decreased 2%, or \$38.3, to \$2,027.8 from \$2,066.1 in fiscal 2015. Selling, general and administrative expenses as a percentage of net revenues decreased to 46.6% in fiscal 2016 from 47.0% in fiscal 2015. This decrease of 40 basis points includes approximately 10 basis points related to lower costs related to acquisition activities, business realignment costs, share-based compensation expense adjustment, China Optimization costs and real estate consolidation program costs. Excluding these items described above, selling, general and administrative expenses decreased 2%, or \$32.7, to \$2,001.7 from \$2,034.4 in fiscal 2015 and decreased as a percentage of net revenues to 46.0% from 46.3%, or approximately 30 basis points. This decrease primarily reflects approximately 80 basis points related to lower advertising and consumer promotion spending and approximately 50 basis points related to lower administrative costs, partially offset by approximately 40 basis points related to reserves in connection with liquidity issues at a key distributor in China, approximately 30 basis points of higher share-based compensation expenses and approximately 30 basis points related due to a reduction in non-strategic spending and a positive foreign exchange translations impact, which enabled us to increase investment in consumer-facing media and absorb added costs related to the Bourjois Acquisition and the acquisition of the Hypermarcas Brands. Despite added costs from acquisitions, administrative costs decreased primarily reflecting a positive foreign currency exchange translations impact, lower costs related to the management incentive program and savings from our Organizational Redesign and cost control measures. Increased share-based compensation primarily reflects a higher level of options exercises resulting in increased fringe benefit expense in fiscal 2016.

OPERATING (LOSS) INCOME

In fiscal 2017, operating loss of \$437.8 declined greater than 100%, or \$692.0, from income of \$254.2 in fiscal 2016. Operating margin, or operating (loss) income as a percentage of net revenues, declined to (5.7)% of net revenues in fiscal 2017 as compared to 5.8% in fiscal 2016. This margin decline of approximately 1150 basis points primarily reflects approximately 650 basis points related to higher selling, general and administrative expenses, approximately 290 basis points related to higher restructuring expenses, approximately 180 basis points related to higher amortization expense, approximately 60 basis points related to higher acquisition-related costs and approximately 50 basis points related to lower gains on sale of assets, partially offset by approximately 50 basis points related to lower cost of sales and 10 basis points related to asset impairment charges in fiscal 2016 that did not recur in fiscal 2017.

In fiscal 2016, operating income decreased 36%, or $140.9, to $254.2 from $395.1 in fiscal 2015. Operating margin, or operating income as a percentage of net revenues, decreased to 5.8% of net revenues in fiscal 2016 as compared to 9.0% in fiscal 2015. This margin decline of approximately 320 basis points reflects approximately 320 basis points related to higher acquisition-related costs, approximately 30 basis points related to higher restructuring expense, approximately 30 basis points related to higher amortization expense and asset impairment charges and approximately 10 basis points related to higher cost of sales, partially offset by approximately 40 basis points related to gains on the sale of assets and approximately 40 basis points related to lower selling, general and administrative expenses.

Operating (Loss) Income by Segment

	Year Ended June 30,			Change %	
(in millions)	**2017**	**2016**	**2015**	**2017/2016**	**2016/2015**
OPERATING (LOSS) INCOME					
Luxury	$ 158.0	$ 228.9	$ 313.1	(31%)	(27%)
Consumer Beauty	261.2	246.5	156.4	6%	58%
Professional Beauty	78.5	68.0	74.8	15%	(9%)
Corporate	(935.5)	(289.2)	(149.2)	<(100%)	(94%)
Total	**$(437.8)**	**$ 254.2**	**$ 395.1**	**<(100%)**	**(36%)**

Luxury

In fiscal 2017, operating income for Luxury decreased 31%, or $70.9, to $158.0 from $228.9 in fiscal 2016. Operating margin decreased to 6.2% of net revenues in fiscal 2017 as compared to 12.5% in fiscal 2016, primarily driven by higher selling, general and administrative expenses as a percentage of net revenues and amortization expense as a percentage of net revenues, partially offset by lower cost of goods sold as a percentage of net revenues.

In fiscal 2016, operating income for Luxury decreased 27%, or $84.2, to $228.9 from $313.1 in fiscal 2015. Operating margin decreased to 12.5% of net revenues in fiscal 2016 as compared to 16.2% in fiscal 2015, primarily driven by higher cost of sales as a percentage of net revenues, partially offset by lower selling, general and administrative expenses as a percentage of net revenues.

Consumer Beauty

In fiscal 2017, operating income for Consumer Beauty increased 6%, or $14.7, to $261.2 from $246.5 in fiscal 2016. Operating margin decreased to 7.1% of net revenues in fiscal 2017 as compared to 10.9% in fiscal 2016, primarily driven by higher selling, general and administrative expenses as a percentage of net revenues and higher amortization expense as a percentage of net revenues, partially offset by lower cost of goods sold as a percentage of net revenues.

In fiscal 2016, operating income for Consumer Beauty increased 58%, or $90.1, to $246.5 from $156.4 in fiscal 2015. Operating margin increased to 10.9% of net revenues in fiscal 2016 as compared to 7.2% in fiscal 2015, primarily driven by lower selling, general and administrative expenses and lower cost of sales as a percentage of net revenues.

Professional Beauty

In fiscal 2017, operating income for Professional Beauty increased 15%, or $10.5 to $78.5 from $68.0 in fiscal 2016. Operating margin decreased to 5.6% of net revenues in fiscal 2017 as compared to 27.2% in fiscal 2016 primarily driven by higher selling, general and administrative expenses as a percentage of net revenues and higher amortization expense as a percentage of net revenues, partially offset by lower cost of goods sold as a percentage of net revenues.

In fiscal 2016, operating income for Professional Beauty decreased 9%, or $6.8, to $68.0 from $74.8 in fiscal 2015. Operating margin in fiscal 2016 remained relatively consistent with fiscal 2015 as selling, general and administrative expenses, cost of sales and amortization expense in fiscal 2016 were all relatively consistent with fiscal 2015.

Corporate

Corporate primarily includes corporate 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.

Operating loss for Corporate was $935.5, $289.2 and $149.2 in fiscal 2017, 2016 and 2015, respectively, as described under "—Operating Income—Adjusted Operating Income" below.

Adjusted Operating Income

Adjusted Operating Income provides investors with supplementary information relating to our performance. See "—Overview—Non-GAAP Financial Measures." Reconciliation of reported operating (loss) income to Adjusted Operating Income is presented below:

	Year Ended June 30,			Change %	
(in millions)	**2017**	**2016**	**2015**	**2017/2016**	**2016/2015**
Reported Operating (Loss) Income	**$ (437.8)**	**$254.2**	**$395.1**	**<(100%)**	**(36%)**
% of Net revenues	*(5.7)%*	*5.8%*	*9.0%*		
Costs related to acquisition activities	494.9	197.5	44.2	>100%	>100%
Restructuring and other business realignment costs	426.2	109.7	90.7	>100%	21%
Amortization expense	275.1	79.5	74.7	>100%	6%
Pension Settlement	17.5	—	—	100%	N/A
Asset impairment charges	—	5.5	—	(100%)	N/A
Share-based compensation expense adjustment	—	1.3	18.3	(100%)	(93%)
Gain on sale of assets[a]	(3.1)	(24.8)	—	88%	(100%)
China optimization	—	—	(19.4)	N/A	100%
Total adjustments to Reported Operating (Loss) Income	1,210.6	368.7	208.5	>100%	77%
Adjusted Operating Income	**$ 772.8**	**$622.9**	**$603.6**	**24%**	**3%**
% of Net revenues	10.1%	14.3%	13.7%		

[a] In fiscal 2015, gain on sale of assets of $7.2 in the Consolidated Statements of Operations was related to the sale of a China facility, which is included in China Optimization. See "—China Optimization."

In fiscal 2017, adjusted operating income increased 24%, or $149.9, to $772.8 from $622.9 in fiscal 2016. Adjusted operating margin decreased to 10.1% of net revenues in fiscal 2017 as compared to 14.3% in fiscal 2016, driven by approximately 630 basis points related to higher adjusted selling, general and administrative expenses partially offset by approximately 200 basis points related to lower adjusted cost of sales as a percentage of net revenues. Excluding the impact of foreign currency exchange translations, adjusted operating income increased 23%.

In fiscal 2016, adjusted operating income increased 3%, or $19.3, to $622.9 from $603.6 in fiscal 2015. Adjusted operating margin increased to 14.3% of net revenues in fiscal 2016 as compared to 13.7% in fiscal 2015, driven by approximately 30 basis points related to lower cost of sales as described in "—Cost of Sales" and approximately 30 basis points related to lower selling, general and administrative expenses as described under "—Selling, General and Administrative Expenses."

Excluding the impact of foreign currency exchange translations, adjusted operating income increased 9%

Costs related to acquisition activities

In fiscal 2017, we incurred $494.9 of costs related to acquisition activities. We recognized Acquisition-related costs of $355.4, primarily in connection with the acquisition of P&G Beauty Business, ghd and Younique, included in the Consolidated Statements of Operations. These costs may include finder's fees, legal, accounting, valuation, and other professional or consulting fees, and other internal costs which may include compensation related expenses for dedicated internal resources. We also incurred $48.8, $44.4, and $40.8 in costs of sales primarily reflecting revaluation of acquired inventory in connection with the acquisition of the P&G Beauty Business, ghd, and Younique, respectively in the Consolidated Statements of Operations.

In fiscal 2016, we incurred $197.5 of costs related to acquisition activities. This includes Acquisition-related costs of $174.0, primarily in connection with the acquisition of P&G Beauty Business, included in the Consolidated Statements of Operations. These costs may include finder's fees, legal, accounting, valuation, and other professional or consulting fees, and other internal costs which may include compensation related expenses for dedicated internal resources. We also incurred $20.3 of costs, primarily reflecting revaluation of acquired inventory in connection with the acquisition of the Hypermarcas Brands and Bourjois acquisition, included in Cost of sales in the Consolidated Statements of Operations. We also incurred $3.2 of costs related to acquisition activities, included in Selling, general and administrative expense in the Consolidated Statements of Operations.

In fiscal 2015, we incurred acquisition-related costs of $44.2. These costs primarily consist of consulting and legal fees related to the P&G Beauty Business and Bourjois Acquisition of $30.2 and $3.9, respectively, included in Acquisition-related costs in the Consolidated Statements of Operations. Also included in connection with the Bourjois Acquisition are $3.3 of costs related to acquisition accounting impacts of revaluation of acquired inventory and $0.9 of costs related to inventory obsolescence, included in Cost of sales in the Consolidated Statements of Operations, and $2.5 of costs related to sales returns, included in Net revenues in the Consolidated Statements of Operations. In addition, we incurred $3.4 of costs related to the revaluation of an inventory buyback associated with the conversion of one of our distributors to a subsidiary distribution model in the Middle East, included in Cost of sales in the Consolidated Statements of Operations. Acquisition-related costs of $40.8 and $3.4 were reported in Corporate and the Consumer Beauty segment, respectively.

In all reported periods, all acquisition-related costs were reported in Corporate, except where otherwise noted.

Restructuring and Other Business Realignment Costs

In connection with the acquisition of the P&G Beauty Business, we anticipate that we will incur a total of approximately $1,200.0 of operating expenses, including restructuring and related costs aimed at the Global Integration Activities.

We are continuing to evaluate actions and associated costs, and plan to approve specific restructuring actions over a multi-year period. We expect that the Global Integration Activities will result in pre-tax restructuring and related costs of approximately $700.0 to $800.0, out of which approximately $640.0 has been approved through fiscal year 2017.

In the first quarter of fiscal 2016, our Board approved an expansion to the Acquisition Integration Program in connection with the acquisition of the Bourjois Acquisition. Actions associated with the program were initiated after the Bourjois Acquisition and substantially completed during fiscal 2017. We incurred $59.9 of restructuring costs life-to-date as of June 30, 2017, which have been recorded in Corporate.

During the fourth quarter of fiscal 2014, the Board approved a program associated with a new organizational structure ("Organizational Redesign") that aims to reinforce our growth path and strengthen our position as a new global leader and challenger in beauty. The Organizational Redesign was substantially completed during fiscal 2017. We incurred $111.2 of restructuring costs life-to-date as of June 30, 2017, which have been recorded in Corporate.

In fiscal 2017, we incurred restructuring and other business realignment costs of $426.2, as follows:

- We incurred restructuring costs of $372.2 primarily related to the Global Integration Activities, included in the Consolidated Statements of Operations.
- We incurred business structure realignment costs of $54.0 primarily related to our Global Integration Activities, Organizational Redesign and certain other programs. This amount primarily includes $37.4 in Selling, general and administrative expenses and $16.6 in Cost of sales.

In fiscal 2016, we incurred restructuring and other business realignment costs of $109.7, as follows:

- We incurred Restructuring costs of $86.9 primarily related to the Acquisition Integration Program and Organizational Redesign, included in the Consolidated Statements of Operations.
- We incurred other business realignment costs of $21.6 primarily related to our Organizational Redesign and the 2013 Productivity Program, included in Selling, general and administrative expenses in the Consolidated Statements of Operations. We incurred $1.2 of accelerated depreciation for fiscal 2016 resulting from a change in the estimated useful life of manufacturing equipment reported in Cost of goods sold in the Consolidated Statements of Operations in Corporate.

In fiscal 2015, we incurred restructuring and other business realignment costs of $90.7, as follows:

- We incurred restructuring costs of $76.0, included in Restructuring costs in the Consolidated Statements of Operations, which primarily relate to $58.6 of costs for the Organizational Redesign, $15.3 of costs for the Acquisition Integration Program, and $2.1 of costs related to the 2013 Productivity Program. These costs exclude $0.6 of income related to the refinement in estimates associated with China Optimization. See "—China Optimization."
- We incurred other business realignment costs of $14.7 primarily related to our Organizational Redesign and the 2013 Productivity Program, which includes $1.3 of accelerated depreciation expense. All other business realignment costs were included in Selling, general and administrative expenses in the Consolidated Statements of Operations.

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

Amortization Expense

In fiscal 2017, amortization expense increased to $275.1 from $79.5 in fiscal 2016 primarily as a result of the Acquisitions. In fiscal 2017, amortization expense of $124.4, $94.9, and $55.8 were reported in the Luxury, Consumer Beauty, and Professional Beauty segments, respectively.

In fiscal 2016, amortization expense increased to $79.5 from $74.7 in fiscal 2015, primarily as a result of the Hypermarcas Brands and Bourjois Acquisition. In fiscal 2016, amortization expense of $50.4, $20.6 and $8.5 were reported in the Luxury, Consumer Beauty, and Professional Beauty segments, respectively.

In fiscal 2015, amortization expense of $60.1, $6.0, and $8.6 were reported in the Luxury, Consumer Beauty, and Professional Beauty segments, respectively.

Pension Settlement Charges

In fiscal 2017, we incurred charges of $17.5 primarily in connection with the settlement of obligations related to the U.S. Del Laboratories, Inc. pension plan. The settlement of the plan was effectuated through lump sum payments to eligible participants during the three months ended

September 30, 2016, in addition to, the purchase of annuity contracts from a third-party insurance provider, effectively transferring the U.S. Del Laboratories, Inc. pension plan obligation to the insurance provider, during fiscal 2017. The settlement charge for fiscal 2017 was as a result of accelerating the recognition of losses previously deferred in other comprehensive income (loss).

In fiscal 2016 and 2015, we did not incur any pension settlement charges. Pension settlement charges were reported in Corporate. Asset Impairment Charges

Asset Impairment Charges

In fiscal 2017 and fiscal 2015, we did not incur any asset impairment charges. In fiscal 2016, Asset impairment charges of $5.5 were reported in the Consolidated Statements of Operations. The impairment represents the write-off of long-lived assets in Southeast Asia consisting of customer relationships reported in Corporate.

Share-Based Compensation Adjustment

Senior management evaluates operating performance of our segments based on the share-based compensation expense calculated under equity and liability plan accounting, but excludes the share based compensation related to the fiscal 2013 accounting modification from liability plan to equity plan accounting for share-based compensation that are not reflective of the ongoing and planned pattern of recognition for such expense. We follow the same treatment of the share-based compensation for the financial covenant compliance calculations under our debt agreements. See "—Overview—Non-GAAP Financial Measures." All other share-based compensation expense is reflected in the operating results of the segments. Share-based compensation adjustment is included in Corporate. See Note 4, "Segment Reporting" in the notes to our Consolidated Financial Statements for the fiscal year ended June 30, 2017 included elsewhere in this offering memorandum.

There was no share-based compensation expense adjustment included in the calculation of Adjusted Operating Income in fiscal 2017. Share-based compensation adjustment for Pre-IPO grants in fiscal 2016 and 2015 of $1.3 and $2.5, respectively, consisted of the difference between share-based compensation expense accounted for under equity plan accounting based on the grant date fair value and total share-based compensation expense, which was accounted for under liability plan accounting prior to June 12, 2013 and equity plan accounting subsequent to the IPO based on the fair value on June 12, 2013, for the recurring nonqualified stock option awards and director-owned and employee-owned shares, restricted shares and restricted stock units. In fiscal 2015, the adjustment also includes $15.8 million associated with shares sold and shares repurchased related to the termination of an employment agreement with a potential CEO incurred by our controlling shareholder on our behalf, which are considered an incremental contribution to us. Refer to Note 21, "Equity," in the notes to our Consolidated Financial Statements for the fiscal year ending June 30, 2017 included elsewhere in this offering memorandum. This expense is excluded from our segments and operating income as management views the discounted sale of shares and subsequent repurchase as outside the normal course of business

	2016	2015
Total share-based compensation expense	$35.4	$35.9
Expense under equity plan accounting based on grant date fair value and expense for Series A Preferred Stock	34.1	17.6
Share-based compensation expense adjustment for pre-IPO grants and special transactions	$ 1.3	$18.3

Gain on sale of assets

In fiscal 2017, we sold certain assets relating to one of our fragrance brands and recorded a gain of $3.1 which has been reflected in Gain on sale of assets in the Consolidated Statements of Operations.

In fiscal 2016, we sold the Cutex brand and related assets and recorded a gain of $24.8 which has been reflected in Gain on sale of assets in the Consolidated Statements of Operations.

In fiscal 2015, we did not have a gain on sale of assets.

China Optimization

In fiscal 2017 and 2016, we did not incur any China Optimization costs.

In fiscal 2015, we recognized income of $19.4 related to China Optimization, of which $7.3, $7.2, $3.0, $1.3 and $0.6 was recorded in Net revenues, Gain on sale of assets, Cost of sales, Selling, general and administrative expenses and Restructuring costs in the Consolidated Statements of Operations, respectively. Income of $11.6 was restructuring related primarily consisting of $5.3 due to the gain on sale of a facility of $7.2 net of real estate tax expense related to the sale of $1.9 and $5.7 due to a change in estimates related to inventory obsolescence and sales returns recorded in connection with the China Optimization at June 30, 2014. Income of $7.8 primarily reflects changes in estimates associated with pre-restructuring related activities. We primarily attribute the changes in estimates to the sale of the TJoy brand and supporting production facility to a single buyer at the beginning of the third quarter, allowing the brand to remain viable in the marketplace. We believe that this resulted in lower than initially estimated returns, customer incentives payments and related costs. Income of $18.8 and $0.6 related to China Optimization was reported in the Consumer Beauty segment and Corporate, respectively.

INTEREST EXPENSE, NET

In fiscal 2017, Interest expense, net was $218.6 as compared with $81.9 in fiscal 2016. This increase was primarily a result of higher average debt balances at increased interest rates due to the assumption of debt under the Galleria Credit Agreement and the financings of the acquisitions of ghd and Younique. Additionally included in the prior period interest expense was a one-time foreign currency exchange gain of $11.1 related to our debt refinancing in fiscal 2016.

In fiscal 2016, net interest expense was $81.9 as compared with $73.0 in fiscal 2015. Interest expense increased primarily due to higher interest rates on higher average debt balances and increased deferred financing costs. Offsetting the increased interest expense was a one-time net derivative gain of $11.1 related to foreign currency forward contracts to facilitate debt refinancing and a foreign currency net gain of $12.8 in connection with the acquisition of the Hypermarcas Brands and subsequent intercompany loans.

LOSS ON EARLY EXTINGUISHMENT OF DEBT

In fiscal 2017, there were no losses related to the early extinguishment of debt.

In fiscal 2016, we incurred $3.1 in losses related to the write-off of deferred financing costs in connection with the refinancing of the Prior Coty Inc. Credit Facilities (as later defined).

In fiscal 2015, we incurred $88.8 in losses on the early extinguishment of debt in conjunction with the repurchase of our Senior Notes as described in "—Financial Condition—Liquidity and Capital Resources" below.

INCOME TAXES

The following table presents our provision for income taxes, and effective tax rates for the periods presented

	2017	2016	2015
(Benefit) Provision for income taxes	$(259.5)	$(40.4)	$(26.1)
Effective income tax rate	39.4%	(29.1)%	(11.2)%

The effective income tax rate for fiscal 2017 was 39.4% as compared with (29.1)% in fiscal 2016 and (11.2)% in fiscal 2015. The effective income tax rate in fiscal 2017 includes the release of a valuation allowance in the U.S. as a result of the P&G Beauty Business acquisition of $111.2.

The negative effective income tax rate in fiscal 2016 reflects a change in recognized tax benefit of $51.4 due settlement of tax audits in multiple jurisdictions and the expiration of foreign and state statutes of limitation. The effective income tax rate in fiscal 2015 reflects a change in recognized tax benefit of $62.0 due to the settlement of tax audits in multiple foreign jurisdictions and the expiration of foreign and state statutes of limitation.

During fiscal 2015, we transferred certain international intellectual property rights to our wholly owned subsidiary in Switzerland in order to align our ownership of these international intellectual property rights with our global operations. Although the transfer of foreign intellectual property rights between consolidated entities did not result in any gain in the consolidated results of operations, we generated a taxable gain in the U.S. that was offset by net operating loss carryforwards. Income taxes incurred related to the intercompany transactions are treated as a prepaid income tax in our Consolidated Balance Sheet and amortized to income tax expense over the life of the intellectual property. For the fiscal years ending June 30, 2017 and 2016, the prepaid income taxes of $7.6 and $7.6, respectively, are included in Prepaid expenses and other current assets and $128.2 and $135.8, respectively, are included in Other noncurrent assets in the Consolidated Balance Sheets. The prepaid income taxes are amortized as a component of income tax expense over twenty years.

The effective rates vary from the U.S. federal statutory rate of 35% 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:

	Year Ended June 30, 2017			Year Ended June 30, 2016			Year Ended June 30, 2015		
(in millions)	(Loss)/ Income Before Income Taxes	Provision for Income Taxes	Effective Tax Rate	Income Before Income Taxes	Provision for Income Taxes	Effective Tax Rate	Income Before Income Taxes	Provision for Income Taxes	Effective Tax Rate
Reported (Loss) Income Before Income Taxes	**$ (658.0)**	**(259.5)**	**39.4%**	**$138.8**	**(40.4)**	**(29.1)%**	**$233.3**	**(26.1)**	**(11.2)%**
Adjustments to Reported Operating (Loss) Income[(a)(b)]	1,210.6	355.0		368.7	50.7		208.5	86.1	
Other adjustments[(b)(c)]	1.4	0.4		9.6	(0.7)		88.8	34.0	
Adjusted Income Before Income Taxes	**$ 554.0**	**95.9**	**17.3%**	**$517.1**	**$ 9.6**	**1.9%**	**$530.6**	**$ 94.0**	**17.7%**

(a) See "—Operating Income—Adjusted Operating Income."

(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) See "—Net (Loss) Income Attributable to Coty Inc."

The adjusted effective tax rate was 17.3% compared to 1.9% in the prior-year period. The differences were primarily due to the release of a valuation allowance in the US as a result of the P&G Beauty Business acquisition. Cash paid during the years ended June 30, 2017, 2016 and 2015, for income taxes of $90.1, $118.1 and $104.8 represents 16.3%, 22.8% and 19.8% of Adjusted income before income taxes for each fiscal year respectively.

NET (LOSS) INCOME ATTRIBUTABLE TO COTY INC.

In fiscal 2017, net loss attributable to Coty Inc. of $422.2 declined greater than 100%, or $579.1, from income of $156.9 in fiscal 2016. This decrease primarily reflects lower operating income and higher interest expense in fiscal 2017, partially offset by a higher tax benefit in the fiscal 2017 than in fiscal 2016 and losses related to hedges on the acquisition of the Hypermarcas Brands in fiscal 2016.

In fiscal 2016, net income attributable to Coty Inc. decreased $75.6 to $156.9, from $232.5 in fiscal 2015. This decrease primarily reflects lower operating income and losses on foreign currency contracts in fiscal 2016, partially offset by lower loss on early extinguishment of debt and higher tax benefit in fiscal 2016 related to a tax settlement with the IRS.

We believe that Adjusted Net Income Attributable to Coty Inc. provides an enhanced understanding of our performance. See "—Overview—Non-GAAP Financial Measures."

	Year Ended June 30,			Change %	
(in millions)	2017	2016	2015	2017/2016	2016/2015
Reported Net (Loss) Income Attributable to Coty Inc.	**$ (422.2)**	**$156.9**	**$ 232.5**	**<(100%)**	**(33%)**
% of Net revenues	(5.5%)	3.6%	5.3%		
Adjustments to Reported Operating Income[(a)]	1,210.6	368.7	208.5	>100%	77%
Adjustments to other expense[(b)]	—	30.4	—	(100%)	N/A
Loss on early extinguishment of debt[(c)]	—	3.1	88.8	(100%)	(97%)
Adjustments to interest expense[(d)]	1.4	(23.9)	—	>100%	N/A
Adjustments to noncontrolling interest expense[(e)]	(25.9)	—	(1.2)	(100%)	100%
Change in tax provision due to adjustments to Reported Net (Loss) Income Attributable to Coty Inc.	(355.4)	(50.0)	(120.1)	<(100%)	58%
Adjusted Net Income Attributable to Coty Inc.	**$ 408.5**	**$485.2**	**$ 408.5**	**(16%)**	**19%**
% of Net revenues	*5.3%*	*11.2%*	*9.3%*		
Per Share Data					
Adjusted weighted-average common shares[(f)]					
Basic	642.8	345.5	353.3		
Diluted	647.8	354.2	362.9		
Adjusted net income attributable to Coty Inc. per common share					
Basic	$ 0.64	$ 1.40	$ 1.16		
Diluted	$ 0.63	$ 1.37	$ 1.13		

(a) See the reconciliation included in "—Operating (Loss) Income—Adjusted Operating Income."

(b) In fiscal 2016, we incurred losses of $29.6 on foreign currency contracts related to payments for the acquisition of the Hypermarcas Brands and expenses of $0.8 related to the purchase of the remaining mandatorily redeemable financial interest in a subsidiary, included in Other expense, net in the Consolidated Statements of Operations.

(c) In fiscal 2016, the amount represents the write-off of deferred financing costs in connection with the refinancing of the Prior Coty Inc. Credit Facilities, included in Loss on early extinguishment of debt in the Consolidated Statements of Operations. In fiscal 2015, the amount represents the repurchase of our previously existing Senior Notes, included in Loss on early extinguishment of debt in the Consolidated Statements of Operations.

(d) The amount in fiscal 2017 represents a net loss of $1.4 incurred in connection with the acquisition of the Hypermarcas Brands and subsequent intercompany loans, included in Interest expense, net in the Condensed Consolidated Statements of Operations. The amount in fiscal 2016 primarily represents one-time gains of $11.1 on short-term forward contracts to exchange Euros for U.S. Dollars related to the Euro-denominated portion of the Term Loan B Facility and a net gain of $12.8 in connection with the acquisition of the Hypermarcas Brands and subsequent intercompany loans, included in Interest expense, net in the Consolidated Statements of Operations.

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

(f) In fiscal 2017, using the treasury stock method, the number of adjusted diluted common shares to calculate non-GAAP adjusted diluted net income per common share was five million shares higher than the number of common shares used to calculate GAAP diluted net loss per common share, due to the potentially dilutive effect of certain securities issuable under our share-based compensation plans, which were considered anti-dilutive for calculating GAAP diluted net loss per common share. In fiscal 2016 and 2015, respectively, the adjusted number of common shares used to calculate non-GAAP adjusted diluted net income attributable to Coty Inc. per common share was the same as the number of diluted shares used to calculate GAAP net (loss) income per common share. In fiscal 2017, 2016, and 2015, respectively, the adjusted number of common shares used to calculate non-GAAP adjusted basic net income attributable to Coty Inc. per common share was identical to the number of basic shares used to calculate GAAP net (loss) income per common share.

FINANCIAL CONDITION

LIQUIDITY AND CAPITAL RESOURCES

Overview

Our primary sources of funds include cash generated from operations, borrowings from issuance of debt and committed and uncommitted lines of credit provided by banks and lenders in the U.S. and abroad. As of December 31, 2017, we had cash and cash equivalents of $400.1 compared with $535.4 as of June 30, 2017. The decrease in our cash and cash equivalents balances during the six months ended December 31, 2017 was primarily as a result of net cash used in investing activities of $494.0, partially offset by net cash provided by operating activities of $307.8 and net cash provided by financing activities of $33.2.

Our cash flows are subject to seasonal variation throughout the year, including demands on cash made during the three and six months buildup before the holiday season 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, interest payments, acquisitions, dividends, share repurchases and any principal payments on debt. The working capital movements are based on the sourcing of materials related to the production of products within each of our segments.

As a result of the cash on hand, our ability to generate cash from operations and through access to our revolving credit facility and other lending sources, we believe we have sufficient liquidity to meet our ongoing needs on both a near term and long-term basis.

Debt

The following describes our debt outstanding prior to this offering and the related financing transactions as described under “Use of Proceeds,” “Capitalization” and “Description of New Credit

Facilities." The balances consisted of the following as of December 31, 2017 and June 30, 2017, respectively[1]:

	December 31, 2017	June 30, 2017
Short-term debt	$ 13.5	$ 3.7
Galleria Credit Agreement		
Galleria Revolving Credit Facility due September 2021	365.0	—
Galleria Term Loan A Facility due September 2021	932.5	944.3
Galleria Term Loan B Facility due September 2023	997.5	1,000.0
Coty Credit Agreement		
Coty Revolving Credit Facility due October 2020[a]	777.0	810.0
Coty Term Loan A Facility due October 2020	1,751.6	1,792.8
Coty Term Loan A Facility due October 2021	926.3	950.6
Coty Term Loan B Facility due October 2022	1,753.0	1,712.5
Other long-term debt and capital lease obligations	1.4	1.7
Total debt	7,517.8	7,215.6
Less: Short-term debt and current portion of long-term debt	(295.9)	(209.1)
Total Long-term debt	7,221.9	7,006.5
Less: Unamortized debt issuance costs[b]	(66.3)	(67.6)
Less: Discount on Long-term debt	(9.8)	(10.6)
Total Long-term debt, net	$7,145.8	$6,928.3

(1) This table does not give effect to the offering of the Notes offered hereby, the entry into the Credit Agreement, or the repayment in full and refinancing of the indebtedness outstanding under the Coty Credit Agreement and the Galleria Credit Agreement. See "Use of Proceeds."

(a) Includes a $62.0 swingline loan outstanding as of December 31, 2017.

(b) Consists of unamortized debt issuance costs of $15.4 and $17.5 for the Existing Coty Revolving Credit Facility, $29.7 and $33.2 for the Coty Term Loan A Facility and $11.0 and $11.3 for the Coty Term Loan B Facility as of December 31, 2017 and June 30, 2017, respectively. Consists of unamortized debt issuance costs of $4.4 for the Existing Galleria Revolving Credit Facility as of December 31, 2017, and $2.7 and $2.7 for the Galleria Term Loan A Facility and $3.1 and $3.0 for the Galleria Term Loan B Facility as of December 31, 2017 and June 30, 2017, respectively. Unamortized debt issuance costs of $4.2 for the Existing Galleria Revolving Credit Facility was classified as Other noncurrent assets in the Condensed Consolidated Balance Sheets as of June 30, 2017.

Short-Term Debt

We maintain short-term lines of credit with financial institutions around the world. Total available lines of credit were $126.0 and $132.4, of which $5.9 and $3.2 were outstanding at December 31, 2017 and June 30, 2017, respectively. Interest rates on these short-term lines of credit vary depending on market rates for borrowings within the respective geographic locations plus applicable spreads. Interest rates plus applicable spreads on these lines ranged from 0.4% to 10.7% and 0.4% to 11.2% as of December 31, 2017 and June 30, 2017, respectively. The weighted-average interest rate on short-term debt outstanding was 1.9% and 3.0% as of December 31, 2017 and June 30, 2017, respectively. In addition, we had undrawn letters of credit of $5.4 and $5.5 as of December 31, 2017 and June 30, 2017, respectively.

Long Term Debt

Our long term debt facilities consisted of the following as of December 31, 2017 and June 30, 2017:

Facility	Maturity Date	Borrowing Capacity (in millions)	Interest Rate Terms	Applicable Interest Rate Spread as of December 31, 2017	Applicable Interest Rate Spread as of June 30, 2017	Debt Discount	Repayment Schedule
Galleria Revolving Credit Facility[a]	September 2021	$ 1,500.0	LIBOR[a] plus a margin ranging from 1.00% to 2.00% per annum or a base rate plus a margin ranging from 0.00% to 1.00% per annum, based on the Company's total net leverage ratio[c][d][f]	1.75%	1.75%	N/A[b]	Payable in full at maturity date
Galleria Term Loan A Facility[a]	September 2021	$ 2,000.0[g]	LIBOR[a] plus a margin ranging from 1.00% to 2.00% per annum or a base rate plus a margin ranging from 0.00% to 1.00% per annum, based on the Company's total net leverage ratio[c][f]	1.75%	1.75%	N/A[b]	Quarterly repayments beginning December 31, 2017 at 1.25% of original principal amount
Galleria Term Loan B Facility[a]	September 2023	$ 1,000.0	LIBOR[a] plus a margin of 3.00% or a base rate, plus a margin of 2.00%[f]	3.00%	3.00%	0.50%	Quarterly repayments beginning December 31, 2017 at 0.25% of original principal amount
Coty Revolving Facility[a]	October 2020	$ 1,500.0	LIBOR[a] plus a margin ranging from 1.00% to 2.00% per annum or a base rate plus a margin ranging from 0.00% to 1.00% per annum, based on the Company's total net leverage ratio[c][d][f]	1.75%	1.75%	N/A[b]	Payable in full at maturity date
Coty Term Loan A Facility[a]— USD Portion	October 2020	$ 1,750.0	LIBOR[a] plus a margin ranging from 1.00% to 2.00% per annum or a base rate plus a margin ranging from 0.00% to 1.00% per annum, based on the Company's total net leverage ratio[c][f]	1.75%	1.75%	N/A[b]	Quarterly repayments beginning June 30, 2016 at 1.25% of original principal amount
Coty Term Loan A Facility[a]— Euro Portion	October 2020	€ 140.0	EURIBOR[a] plus a margin of 1.00% to 2.00% per annum, based on the Company's total net leverage ratio[c][f]	1.75%	1.75%	N/A[b]	Quarterly repayments beginning September 30, 2016 at 1.25% of original principal amount
Incremental Term A Facility[a]	October 2021	$ 975.0	LIBOR[a] plus a margin ranging from 1.00% to 2.00% per annum or a base rate plus a margin ranging from 0.00% to 1.00% per annum, based on the Company's total net leverage ratio[c][f]	1.75%	1.75%	N/A[b]	Quarterly repayments beginning March 31, 2017 at 1.25% of original principal amount

Facility	Maturity Date	Borrowing Capacity (in millions)	Interest Rate Terms	Applicable Interest Rate Spread as of December 31, 2017	Applicable Interest Rate Spread as of June 30, 2017	Debt Discount	Repayment Schedule
Coty Term Loan B Facility[a][h]—USD Portion and Incremental Term B Facility[a]	October 2022	$ 600.0	LIBOR[a] plus a margin of 2.50% or a base rate, plus a margin of 2.00%[f]	2.50%	2.50%	0.50%	Quarterly repayments beginning June 30, 2016 at 0.25% of original principal amount
Coty Term Loan B Facility[a]—Euro Portion	October 2022	€ 990.0[e]	EURIBOR[a] plus a margin of 2.75%	2.75%	2.75%	0.50%	See below.[e]

(a) As defined below.

(b) N/A—Not Applicable.

(c) As defined per the respective loan agreement.

(d) Additionally we will pay to the Existing Coty Revolving Credit Facility and Galleria Credit Facility lenders an unused commitment fee calculated at a rate ranging from 0.25% to 0.50% per annum, based on our total net leverage ratio[c]. As of June 30, 2017, the applicable rate on the unused commitment fee was 0.50%.

(e) Includes €665.0 million of the Euro portion of Coty Term Loan B Facility originated on October 27, 2015, and the €325.0 million from the Incremental Term Loans, as defined below, originated on April 8, 2016. Repayments on the €665.0 million portion are payable quarterly beginning on June 30, 2016 at 0.25% of the original principal amount. Repayments on the €325.0 million Incremental Term Loan B are payable quarterly beginning on September 30, 2016 at 0.25% of the original principal amount.

(f) The selection of the applicable interest rate for the period is at the discretion of Coty.

(g) At the closing of the P&G Beauty Business acquisition, $944.3 were assumed under the Galleria Credit Agreement. The remaining unused loan commitments for the Galleria Term Loan A Facility expired.

(h) Refinanced as part of the Incremental Assumption Agreement(a) on October 28, 2016 and part of the Refinancing Facilities(a).

Coty Credit Agreement

On October 27, 2015, we entered into the Coty Credit Agreement with JPMorgan Chase Bank, N.A., as administrative agent. The Coty Credit Agreement provides for senior secured credit facilities comprised of (i) a revolving credit facility in an aggregate principal amount up to $1,500.0 (the "Existing Coty Revolving Credit Facility") which includes up to $80.0 in swingline loans available for short term borrowings, (ii) a $1,750.0 term loan A facility ("Coty Term Loan A Facility") and (iii) a term loan B facility comprising of a $500.0 tranche and a €665.0 million tranche ("Coty Term Loan B Facility"). The Coty Term Loan B Facility was issued at a 0.50% discount. The proceeds of the Coty Credit Agreement were primarily used to refinance the Company's previously existing debt, which included the 2015 Credit Agreement due March 2018 and other facilities of Coty Inc.

On April 8, 2016, we entered into an Incremental Assumption Agreement and Amendment No. 1 (the "Incremental Credit Agreement") to the Coty Credit Agreement. The Incremental Credit Agreement provides for an additional €140.0 million in loans under the Coty Term Loan A Facility and an additional €325.0 million in loans under the Coty Term Loan B Facility (the "Incremental Term Loans"). The proceeds of the Incremental Term Loans were used to partially repay outstanding balances under the Existing Coty Revolving Credit Facility. The terms of the €140.0 million and €325.0 million portions of the Incremental Term Loans are substantially the same as the respective existing Coty Term Loan A Facility and Euro denominated portion of the Coty Term Loan B Facility.

On October 28, 2016, we entered into an Incremental Assumption Agreement and Refinancing Amendment (the "Incremental and Refinancing Agreement"), which amended the Coty Credit Agreement. The Incremental and Refinancing Agreement provides for: (i) an additional Coty Term Loan A Facility in aggregate principal amount of $975.0 in loans (the "Incremental Term A Facility"), (ii) an additional Coty Term Loan B Facility in aggregate principal amount of $100.0 in loans (the "Incremental Term B Facility") and (iii) a refinancing of the previously existing USD and Euro denominated Coty Term Loan B Facility loans (the "Refinancing Facilities") under the Coty Credit Agreement.

The loans made under the Incremental Term A Facility have terms that are substantially identical to the existing Coty Term Loan A Facility except that the loans will mature on the date that is five years after October 28, 2016. The loans under the Incremental Term B Facility and the Refinancing Facilities have substantially identical terms as the term B loans existing under the Coty Credit Agreement prior to effectiveness of the Incremental and Refinancing Agreement, except that, among other things: (i) the interest rate with respect to the USD denominated tranche of the Refinancing Facilities and the Incremental Term B Facility will be, our option, either the London Interbank Offered Rate ("LIBOR") plus an applicable margin of 2.50% or an alternate base rate ("ABR") equal to the highest of (1) JPMorgan Chase Bank N.A.'s prime rate, (2) the federal funds rate plus 0.50% and (3) one-month LIBOR plus 1.00%, in each case plus an applicable margin of 1.50% and (ii) the LIBOR floor with respect to the LIBOR loans under the Incremental Term B Facility and the Refinancing Facilities is 0.00%.

We recognized $13.0 of deferred debt issuance costs in connection with the Incremental and Refinancing Agreement.

The Coty Credit Agreement is guaranteed by our wholly-owned domestic subsidiaries and secured by a first priority lien on substantially all of our and our wholly-owned domestic subsidiaries' assets, in each case subject to certain carve outs and exceptions.

Scheduled Amortization

We make quarterly principal payments of 1.25% of the initial aggregate principal amount of the Coty Term Loan A Facility (including with respect to its Incremental Term A loans), as well as 0.25% of the initial aggregate principal amount of the Coty Term Loan B Facility (including with respect to its refinanced and Incremental Term B loans).

Galleria Credit Agreement

On October 1, 2016, at the closing of the P&G Beauty Business acquisition, we assumed the debt facilities available under the Galleria Credit Agreement which was initially entered into by Galleria on January 26, 2016. The Galleria Credit Agreement provides for senior secured credit facilities comprised of (i) a $2,000.0 five year term loan A facility ("Galleria Term Loan A Facility"), (ii) a $1,000.0 seven year term loan B facility ("Galleria Term Loan B Facility") and (iii) a $1,500.0 five year revolving credit facility ("Galleria Revolving Facility"). The Galleria Term Loan B Facility was issued at a 0.50% discount. In connection with the closing of the P&G Beauty Business acquisition, we assumed $1,941.8 of aggregate debt outstanding consisting of $944.3 Galleria Term Loan A Facility, $995.0 Galleria Term Loan B Facility, net of a discount and $0.0 outstanding under the Galleria Revolving Facility, as well as $2.5 in assumed fees payable. At the closing of the P&G Beauty Business acquisition, the remaining unused loan commitments for the Galleria Term Loan A Facility expired.

We recognized $11.4 of deferred debt issuance costs in connection with the Galleria Credit Agreement.

The Galleria Credit Agreement is guaranteed by us and our wholly-owned domestic subsidiaries (other than Galleria) and secured by a first priority lien on substantially all of our and our wholly-owned domestic subsidiaries' assets, in each case subject to certain carve outs and exceptions.

Scheduled Amortization

We make quarterly payments of 1.25% and 0.25% of the initial aggregate principal amounts of the Galleria Term Loan A Facility and the Galleria Term Loan B Facility, respectively. The remaining balance of the initial aggregate principal amounts of the Galleria Term Loan A Facility and the Galleria Term Loan B Facility will be payable on the maturity date for each facility, respectively.

Deferred Financing Fees

For the six months ended December 31, 2017 and the fiscal years ended June 30, 2017, 2016 and 2015, we recognized deferred financing fees of $4.0, $24.4, $59.0, and $11.2, respectively. For the six months ended December 31, 2017 and the fiscal years ended June 30, 2017, 2016 and 2015, we wrote-off deferred financing fees of $0.0, $0.0, $3.1, and $5.1, respectively, of which $3.1 and $4.2 in fiscal 2016 and 2015, respectively, were recorded to Loss on early extinguishment of debt in the Consolidated Statement of Operations. The remaining $0.9 of the fees written off in fiscal 2015 was recorded to Interest expense in the Consolidated Statement of Operations. As of December 31, 2017 and June 30, 2017, we had deferred financing fees of $0.0 and $4.2 recorded in Other noncurrent assets on our Consolidated Balance Sheet.

Interest

The Coty Credit Agreement and Galleria Credit Agreement facilities will bear interest at rates equal to, at our option, either:

- LIBOR of the applicable qualified currency plus the applicable margin; or
- ABR plus the applicable margin.

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

Pricing Tier	Total Net Leverage Ratio:	LIBOR plus:	Alternative Base Rate Margin:
1.0	Greater than or equal to 5.00:1	2.000%	1.000%
2.0	Less than 5.00:1 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%	—%

In the case of the USD portion of the Coty Term Loan B Facility, the applicable margin means 2.50% per annum, in the case of LIBOR loans, and 1.50% per annum, in the case of ABR loans. In the case of the Euro portion of the Coty Term Loan B Facility, the applicable margin means 2.75% per annum, in the case of EURIBOR loans. In the case of the Galleria Term Loan B Facility, the applicable margin means 3.00% per annum, in the case of LIBOR loans, and 2.00% per annum, in the case of ABR loans. With respect to the Galleria Term Loan B Facility, in no event will (i) LIBOR be deemed to be less than 0.75% per annum and (ii) ABR be deemed to be less than 1.75% per annum.

Interest is payable quarterly or on the last day of the interest period applicable to borrowings under our long-term debt facilities. For the six months ended December 31, 2017, the weighted-average interest rates for the Revolving Credit Facility, Term Loan A Facility, and Term Loan B Facility under the Coty Credit Agreement collectively were 3.31%, 3.22% and 3.77%, respectively. For fiscal 2017, the weighted-average interest rates for the Revolving Credit Facility, Term Loan A Facility, and Term Loan B Facility under the Coty Credit Agreement collectively were 2.43%, 2.45% and 3.15%, respectively. For the six months ended December 31, 2017, the weighted-average interest rates for the Revolving Credit Facility, Term Loan A Facility, and Term Loan B Facility under the Galleria Credit Agreement collectively were 3.25%, 3.13% and 4.38%, respectively. For fiscal 2017, the weighted-average interest rates for the Revolving Credit Facility, Term Loan A Facility, and Term Loan B Facility under the Galleria Credit Agreement collectively were 2.06%, 2.42% and 3.86%, respectively.

Debt Maturities Schedule

Our aggregate maturities of long-term debt, including current portion of long-term debt and excluding capital lease obligations as of December 31, 2017, prior to this offering and the related financing transactions are presented below:

Fiscal Year Ending June 30,	
2018, remaining	$ 109.8
2019	219.6
2020	219.6
2021	2,412.7
2022	1,915.7
Thereafter	2,625.5
Total	$7,502.9

Debt Covenants

We are required to comply with certain affirmative and negative covenants contained within the Coty Credit Agreement and the Galleria Credit Agreement (collectively the "Debt Agreements"). With certain exceptions as described below, the Debt Agreements include 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.

Test Period Ending	Total Net Leverage Ratio[a]
December 31, 2017	5.00 to 1.00
March 31, 2018	4.75 to 1.00
June 30, 2018	4.75 to 1.00
September 30, 2018	4.50 to 1.00
December 31, 2018	4.50 to 1.00
March 31, 2019	4.25 to 1.00
June 30, 2019	4.25 to 1.00
September 30, 2019	4.00 to 1.00
December 31, 2019	4.00 to 1.00
March 31, 2020	4.00 to 1.00
June 30, 2020	4.00 to 1.00
September 30, 2020	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 cash and Cash Equivalents of the Parent Borrower and its Restricted Subsidiaries as determined in accordance with GAAP to (b) Adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA") for the most recently ended Test Period (each of the defined terms used within the definition of Total Net Leverage Ratio have the meanings ascribed to them within the Debt Agreements).

In the four fiscal quarters following the closing of any Material Acquisition (as defined in the Debt Agreements), including the fiscal quarter in which such Material Acquisition occurs, the maximum Total Net Leverage Ratio shall be the lesser of (i) 5.95 to 1.00 and (ii) 1.00 higher than the otherwise applicable maximum Total Net Leverage Ratio for such quarter (as set forth in the table above). Immediately after any such four fiscal quarter period, there shall be at least two consecutive fiscal quarters during which our Total Net Leverage Ratio is no greater than the maximum Total Net Leverage Ratio that would otherwise have been required in the absence of such Material Acquisition, regardless of whether any additional Material Acquisitions are consummated during such period. Following the acquisition of Younique and the Burberry Beauty Business, the Total Net Leverage Ratio applicable for the period ending December 31, 2017 is 5.95 to 1.00. As of December 31, 2017, we were in compliance with all covenants contained within the Debt Agreements.

On November 8, 2017, the Company entered into amendments to the Coty Credit Agreement and the Galleria Credit Agreement, which amended the definition of Adjusted EBITDA. Each amendment allowed for the extension of the period during which certain synergies and cost savings can be incorporated in the financial covenant calculations under the respective agreements.

Business Combinations

P&G Beauty Business Acquisition

On October 1, 2016, we acquired the P&G Beauty Business in order to further strengthen our position in the global beauty industry. The purchase price was $11,570.4 and consisted of $9,628.6 of total equity consideration and $1,941.8 of assumed debt.

The P&G Beauty Business acquisition was completed pursuant to the Transaction Agreement, dated July 8, 2015, by and among Coty, P&G, Galleria and Green Acquisition Sub Inc., a wholly-owned subsidiary of Coty (known as the "Green Merger Sub"). On October 1, 2016, (i) Green Merger Sub was merged with and into Galleria, with Galleria continuing as the surviving corporation and a direct, wholly-owned subsidiary of Coty (known as the "Green Merger") and (ii) each share of Galleria common stock was converted into the right to receive one share of our common stock.

We issued 409.7 million shares of common stock to the former holders of Galleria common stock, together with cash in lieu of fractional shares. Immediately after consummation of the Green Merger, approximately 54% of the fully-diluted shares of our common stock was held by pre- Green Merger holders of Galleria common stock, and approximately 46% of the fully-diluted shares of our common stock was held by pre- Green Merger holders of our common stock. Coty Inc. is considered to be the acquiring company for accounting purposes.

Acquisition of ghd

On November 21, 2016, we completed the acquisition of 100% of the equity interest of Lion/Gloria Topco Limited, which held the assets of ghd which stands for "Good Hair Day," a premium brand in high-end hair styling appliances, pursuant to a sale and purchase agreement. The ghd acquisition further strengthens our professional hair category and is included in the Professional Beauty segment's results after the acquisition date. The total cash consideration paid net of acquired cash and cash equivalents was £430.2 million, the equivalent of $531.5, at the time of closing, which was funded through cash on hand and available debt.

Acquisition of Younique

On February 1, 2017, we completed our acquisition of 60% of the membership interest in Foundation, LLC ("Foundation"), which held the net assets of Younique, for cash consideration of $600.0, net of acquired cash and debt assumed, and an additional payment of $7.5 for working capital adjustments expected to be paid in the first half of fiscal 2018. The existing Younique membership holders contributed their 100% membership interest in Younique to Foundation in exchange for a 40% membership interest in Foundation and $600.0 of cash consideration plus the additional payment of $7.5. Younique strengthens the Consumer Beauty division's color cosmetics and skin and body care product offerings. The acquisition was funded with a combination of cash on hand and borrowings under available debt facilities. We account for the noncontrolling interest portion of the acquisition as a redeemable noncontrolling interest. Refer to Note 20, "Noncontrolling Interests and Redeemable Noncontrolling Interests" in the notes to our Consolidated Financial Statements for the fiscal year ended June 30, 2017 included elsewhere in this offering memorandum for information regarding valuation method and significant assumptions used to calculate the fair value.

Hypermarcas Brands Acquisition

On February 1, 2016, we completed the acquisition of 100% of the net assets of the Hypermarcas Brands pursuant to a share purchase agreement in order to further strengthen our position in the Brazilian beauty and personal care market. This acquisition was included in the Consumer Beauty segment. The total consideration of R$3,599.5 million, the equivalent of $901.9, at the time of closing, was paid during fiscal 2016.

Dispositions

During fiscal 2017, we sold assets of one of our fragrance brands for a total purchase price of $10.5. We allocated $2.4 of goodwill to the brand as part of the sale. We recorded a gain of $3.1 which has been reflected in Gain sale of assets in the Consolidated Statement of Operations for the year June 30, 2017.

During fiscal 2016, we sold the Cutex brand and related assets for a total disposal price of $29.2. We allocated $4.2 of goodwill to the brand as part of the sale. We recorded a gain of $24.8 which has been reflected in Gain on sale of assets in the Consolidated Statements of Operations for the fiscal year ended June 30, 2016.

Cash Flows

	Year Ended June 30,			Six Months Ended December 31,	
(in millions)	**2017**	**2016**	**2015**	**2017**	**2016**
Condensed Consolidated Statements of Cash Flows Data:					
Net cash provided by operating activities	$ 757.5	$ 501.4	$ 526.3	$ 307.8	$ 663.4
Net cash used in investing activities	(1,163.6)	(1,059.2)	(171.2)	(494.0)	(342.0)
Net cash provided by financing activities	595.2	592.6	(1,138.2)	33.2	299.2

Net cash provided by operating activities

Net cash provided by operating activities was $307.8 and $663.4 for the six months ended December 31, 2017 and 2016, respectively. The decrease in cash inflows of $355.6 was primarily due to an increase in cash outflows related to working capital of $636.7, partially offset by an increase in net income after adjusting for non-cash items of $277.0. Working capital changes in the six months ended December 31, 2017 generated cash outflows of $112.1, compared with generating cash inflows of $524.6 in the six months ended December 31, 2016. The movement in the working capital changes resulted primarily from (i) an increase in accounts payable during the six months ended December 31, 2016 due to implementing significantly longer Coty payment terms to the vendors associated with the P&G Beauty Business, as compared to the prior P&G payment terms and (ii) an increase in accrued expenses and other current liabilities during the six months ended December 31, 2016 due to the establishment of accruals for the Global Integration Activities along with incrementally larger accruals resulting from the larger combined business subsequent to the acquisition of the P&G Beauty Business. The increase in net income after adjusting for non-cash items in the six months ended December 31, 2017, compared to same period in 2016, resulted primarily from higher net income and depreciation and amortization from recent acquisitions.

Net cash provided by operating activities was $757.5, $501.4 and $526.3 for fiscal 2017, 2016 and 2015, respectively. The increase in operating cash inflows in fiscal 2017 compared with fiscal 2016 was $256.1. This increase was primarily due to an increase of $687.0 resulting from the change in operating assets and liabilities acquired in the P&G Beauty Business acquisition during the post-acquisition period, coupled with an improvement in working capital due to timing of invoices. In addition, the increase also included a change of $323.1 for depreciation and amortization as a result of the new acquisitions. This was offset by a decrease in deferred income tax of $250.8 primarily due to a release of valuation allowance as a result of the P&G Beauty Business acquisition and a decrease of $577.7 in Net income (loss).

The decrease in operating cash inflows in fiscal 2016 compared with fiscal 2015 was $24.9. This decrease was primarily due to the change in Gain on sale of assets relating to the Cutex brand, Loss on extinguishment of debt and lower cash provided by Net income totaling $183.5. Offsetting the decrease in cash inflows was an increase of bad debt provision of $17.4, as well as an increase in accounts payable of $141.2 relating to additional operating expenses as well as a change in the frequency of our payables processing from a bi-monthly to a monthly basis.

Net cash (used in) investing activities

Net cash used in investing activities was $(494.0) and $(342.0) for the six months ended December 31, 2017 and 2016, respectively. The increase in cash outflows of $152.0 was primarily due to higher cash payments for business combinations of $120.8 and increased capital expenditures of $34.0. The business combinations in the current period included $245.1 for the Burberry Beauty Business, $12.0 for other acquisitions and $7.5 of net working capital adjustments from the Younique acquisition previously accrued for and paid in the current period.

Net cash used in investing activities was $(1,163.6), $(1,059.2) and $(171.2) for fiscal 2017, 2016 and 2015, respectively. The increase in cash outflows in fiscal 2017 as compared to fiscal 2016 of $104.4 was primarily driven by higher cash payments for capital projects of $282.2, partially offset by a decrease of $166.1 for net payments in connection with the P&G Beauty Business, ghd and Younique acquisitions.

The increase in cash outflows in fiscal 2016 as compared to fiscal 2015 of $888.0 was primarily driven by $890.8 paid in connection with the acquisition of the Hypermarcas Brands, net of cash received, $17.9 paid in connection with the acquisition of Beamly and a loss of $29.6 on a foreign currency forward contract related to the acquisition of the Hypermarcas Brands. This was partially offset by lower capital expenditures in the current year of $20.8 and the elimination of $30.0 of annual contingent purchase price payments made in connection with the acquisition of the Calvin Klein license from Unilever in 2006.

Net cash provided by (used in) financing activities

Net cash provided by financing activities was $33.2 and $299.2 for the six months ended December 31, 2017 and 2016, respectively. The decrease in cash inflows of $266.0 was primarily due to lower net borrowings of short-term debt, the revolving loan facilities and term loans of $283.0 and higher distributions to noncontrolling interests and redeemable noncontrolling interests of $28.2 in the current period. These amounts were partially offset by lower payments for deferred financing fees of $19.4 in the current period and no repurchases of Class A Common Stock held as Treasury Stock in the current period, compared to $36.3 in the prior period.

Net cash provided by (used in) financing activities was $595.2, $592.6 and $(1,138.2) for fiscal 2017, 2016 and 2015, respectively. The increase in cash inflows in fiscal 2017 as compared to fiscal 2016 of $2.6 was primarily driven by a decrease of $758.6 in payments for Class A Common Stock compared to the prior year, partially offset by an increase of $474.0 in net repayments of short term debt, the revolving loan and term loan facilities and an increase of $283.6 in cash dividends paid.

The increase in cash inflows in fiscal 2016 as compared to fiscal 2015 of $1,730.8 was primarily attributable to higher net cash inflows from debt transactions of $2,270.9 substantially related to the net proceeds from the Coty Credit Agreement used to refinance the Prior Coty Inc. Credit Facilities. The increase in the financing cash inflows was also attributable to a decrease of net payments for foreign currency forward contracts of $28.2, which were partially offset by year over year cash outflows of $531.8 for the purchase of treasury shares, and higher payments of deferred financing fees of $46.4.

Dividends

Prior to October 2016, we declared annual cash dividends in the first quarter of the fiscal year. Beginning after October 2016, we began declaring cash dividends on a quarterly basis.

The following dividends were declared during six months ended December 31, 2017 and fiscal years 2017, 2016 and 2015:

Declaration Date	Dividend Type	Dividend Per Share	Holders of Record Date	Dividend Value	Dividend Payment Date	Dividends Paid	Dividends Payable[(a)]
Fiscal 2018							
August 22, 2017	Quarterly	$0.125	September 1, 2017	$ 94.4	September 14, 2017	$ 93.6	$0.8
November 9, 2017	Quarterly	$0.125	November 30, 2017	$ 94.6	December 14, 2017	$ 93.7	$0.9
Fiscal 2018		$0.250		$189.0		$187.3	$1.7
Fiscal 2017							
August 1, 2016	Annual	$0.275	August 11, 2016	$ 93.4	August 19, 2016	$ 92.4	$1.0
December 9, 2016	Quarterly	$0.125	December 19, 2016	$ 94.0	December 28, 2016	$ 93.4	$0.6
February 9, 2017	Quarterly	$0.125	February 28, 2017	$ 94.0	March 10, 2017	$ 93.4	$0.6
May 10, 2017	Quarterly	$0.125	May 31, 2017	$ 94.0	June 13, 2017	$ 93.4	$0.6
Fiscal 2017		$0.650		$375.4		$372.6	$2.8
Fiscal 2016							
September 11, 2015	Annual	$0.250	October 1, 2015	$ 90.1	October 15, 2015	$ 89.0	$1.1
Fiscal 2015							
September 16, 2014	Annual	$0.200	October 1, 2014	$ 71.9	October 15, 2014	$ 71.0	$0.9

(a) The dividend payable is the value of the remaining dividends payable upon settlement of the RSUs and phantom units outstanding as of the Holders of Record Date. Dividends payable are recorded as Accrued expenses and other current liabilities and Other noncurrent liabilities in the Condensed Consolidated Balance Sheet.

As may be declared by the Board of Directors, we anticipate issuing future dividends on a quarterly basis.

Treasury Stock—Share Repurchase Program

On February 3, 2016, the Board authorized us to repurchase up to $500.0 of our Class A Common Stock (the "Incremental Repurchase Program"). Subject to certain restrictions on repurchases of shares through September 30, 2018 imposed by the tax matters agreement, dated October 1, 2016, as amended, between us and P&G entered into in connection with the P&G Beauty Business acquisition, repurchases may be made from time to time at our discretion, based on ongoing assessments of the capital needs of the business, the market price of our Class A Common Stock, and general market conditions. For the three and six months ended December 31, 2017, we did not repurchase any shares of our Class A Common Stock. As of December 31, 2017 and June 30, 2017, we had $396.8 remaining under the Incremental Repurchase Program.

The following table summarizes the share repurchase activities during the six months ended December 31, and the years ended June 30, 2017, 2016, and 2015:

Period	Number of shares repurchased (in millions)	Cost of shares repurchased (in millions)	Lowest fair value of shares repurchased per share	Highest fair value of shares repurchased per share
Six Months Ended December 31, 2017	—	—	—	—
Fiscal Year Ended June 30, 2017	1.4	$ 36.3	$25.35	$27.40
Fiscal Year Ended June 30, 2016	27.4	767.0	25.10	30.35
Fiscal Year Ended June 30, 2015	13.4	263.1	18.64	21.99

Treasury Stock—Other Repurchases

In addition to the above mentioned repurchase activities, on December 3, 2015, we entered into a stock purchase agreement with a shareholder holding more than 5% of our Class A Common Stock to repurchase 1.0 million shares of our Class A Common Stock. On December 17, 2015, we remitted payment for the repurchased shares at a price of $27.91 per share. The fair value of shares repurchased was approximately $27.9, which was recorded as an increase to Treasury stock in the Consolidated Balance Sheets and Consolidated Statements of Equity and Redeemable Noncontrolling Interests.

On April 1, 2015, we completed our previously announced purchase of 100% of the net assets of the Bourjois cosmetics brand ("Bourjois") from Chanel International B.V. ("CHANEL") pursuant to the Stock Purchase Agreement, dated as of March 12, 2015, between us and CHANEL (the "Stock Purchase Agreement"). We issued to our foreign subsidiaries 15.5 million shares of our Class A Common Stock for $376.8 in cash and subsequently exchanged these shares with CHANEL as consideration for Bourjois. The shares had an approximate value of $376.8 based on the closing value of our Class A Common Stock on the New York Stock Exchange. As a result of the purchase, we reissued the total of $269.9 Treasury Stock with a charge to Additional paid-in capital ("APIC") of $106.9.

On September 29, 2014, we entered into an agreement with Mr. Scannavini, our former Chief Executive Officer in connection with his resignation. The agreement required that we purchase on or before January 27, 2015 all Class A Common Stock Mr. Scannavini held directly or indirectly, including shares of Class A Common Stock obtained upon the exercise of certain stock options, for a share price of $17.21. As a result of the agreement, we purchased 2.4 million shares of our Class A Common Stock for $42.0 and reflected as an increase to Treasury stock in our Consolidated Balance Sheets and Consolidated Statements of Equity and Redeemable Noncontrolling Interests during the year ended June 30, 2015. We made a net payment to Mr. Scannavini of $29.5, which is the purchase amount of $42.0 net of the aggregate exercise price of his vested stock options of $12.5.

Commitments and Contingencies

Mandatorily Redeemable Financial Interest

United Arab Emirates Joint Venture ("U.A.E. JV")

We are required under a shareholders agreement (the "U.A.E. Shareholders Agreement") to purchase all of the shares held by the noncontrolling interest holder equal to 25% of the U.A.E. JV at the termination of the agreement. We have determined such shares to be an MRFI that is recorded as a liability. The liability is calculated based upon a pre-determined formula in accordance with the U.A.E Shareholders Agreement. As of December 31, 2017 and June 30, 2017, the liability amounted to $5.7 and $5.2, of which $4.7 and $4.7, respectively, was recorded in Other noncurrent liabilities and $1.0 and $0.5, respectively, was recorded in Accrued expenses and other current liabilities in the Condensed Consolidated Balance Sheet.

Southeast Asian subsidiary

On May 23, 2017, we entered into the Sale of Shares and Termination Deed (the "Termination Agreement") to purchase the remaining 49% noncontrolling interest from the noncontrolling interest holder of a certain Southeast Asian subsidiary for a purchase price of $45.0. Additionally, all remaining retained earnings will be paid out as dividends prior to the purchase. The payment and termination will be effective on June 30, 2019. As a result of the Termination Agreement, the noncontrolling interest balance is recorded as an MRFI. The MRFI balance will be accreted to the redemption value until the effective date of the purchase with changes in the balance being reflected in Other expense, net in the Condensed Consolidated Statements of Operations.

As of December 31, 2017 and June 30, 2017, the MRFI liability amounted to $46.7 and $49.3, respectively, of which $43.0 and $41.7, respectively, was recorded in Other noncurrent liabilities and

$3.7 and $7.6, respectively, was recorded in Accrued expenses and other current liabilities in the Condensed Consolidated Balance Sheet.

Redeemable Noncontrolling Interests

As of December 31, 2017, the redeemable noncontrolling interests ("RNCI") consisted of a 25.0% interest in a subsidiary in the United Arab Emirates and a 40.7% interest in the consolidated subsidiaries related to the Younique acquisition. See Note 4, "Business Combinations" in the notes to our Consolidated Financial Statements for the six months ended December 31, 2017 included elsewhere in this offering memorandum.

Younique

On February 1, 2017, after the close of the acquisition, the pre-acquisition Younique membership holders had a 40% membership interest in Foundation. On October 15, 2017, shares of Foundation were issued to employees of Younique under a stock ownership program and incentive stock grants were granted, resulting in a 0.7% increase to the noncontrolling interest ownership percentage. The impact of the additional shares was recorded as an increase to RNCI of $8.5, a decrease in APIC of $8.3 and cash proceeds of $0.2. We account for the 40.7% noncontrolling interest portion of Foundation as RNCI due to the noncontrolling interest holder's right to put their shares to us in certain circumstances. While Foundation is a majority-owned consolidated subsidiary, we record income tax expense based on our 59.3% membership interest in Foundation due to its treatment as a partnership for U.S. income tax purposes. Accordingly, Foundation's net income attributable to RNCI is equal to the 40.7% noncontrolling interest of Foundation's net income excluding a provision for income taxes. On December 22, 2017, the Tax Act was enacted, which included a reduction of the U.S. corporate tax rate. The tax rate change was the primary driver of a $79.2 adjustment to the fair value of the RNCI balance for the quarter. We recognized $574.8 and $481.6 as the redeemable noncontrolling interest balances as of December 31, 2017 and June 30, 2017, respectively.

Subsidiary in the United Arab Emirates

On May 31, 2017, we, along with the non-controlling interest holder in our subsidiary in the United Arab Emirates ("Middle East Subsidiary") amended the shareholder agreement governing our Middle East Subsidiary. As of July 1, 2017, the amendment reduced the percentage of the noncontrolling interest holders' share to 25% in exchange for our contribution of the local distribution rights for the brands acquired as part of the P&G Beauty Business acquisition to the joint venture's portfolio of brands. This resulted in a dilution of the RNCI that resulted in a decrease of the RNCI and an increase of APIC of $17.0.

Derivative Financial Instruments and Hedging Activities

We are exposed to foreign currency exchange fluctuations and interest rate volatility through our global operations. We utilize natural offsets to the fullest extent possible in order to identify net exposures. In the normal course of business, established policies and procedures are employed to manage these net exposures using a variety of financial instruments. We do not enter into derivative financial instruments for trading or speculative purposes.

Foreign Currency Exchange Risk Management

We operate in multiple functional currencies and are exposed to the impact of foreign currency fluctuations. For foreign currency exposures, which primarily relate to receivables, inventory purchases and sales, payables and intercompany loans, derivatives are used to better manage the earnings and cash flow volatility arising from foreign currency exchange rate fluctuations. We recorded foreign currency losses (gains) of $1.5, $7.2 and $(7.9) in fiscal 2017, 2016 and 2015, respectively, resulting from non-financing foreign currency exchange transactions which are included in their associated expense type and are included in the Consolidated Statements of Operations. Net gains (losses) of $(12.8), $19.2 and $(4.1) in fiscal 2017, 2016 and 2015, respectively, resulting from financing foreign exchange currency transactions are included in Interest expense, net in the Consolidated Statements of Operations. Net (losses) of $(1.7), $(29.4) and nil in fiscal 2017, 2016 and 2015, respectively, resulting from acquisition-related foreign exchange currency transactions are included in Other expense, net in the Consolidated Statements of Operations.

Exchange gains or losses are also partially offset through the use of qualified derivatives under hedge accounting, for which we record accumulated gains or losses in Accumulated other comprehensive income until the underlying transaction occurs at which time the gain or loss is reclassified into the respective account in the Consolidated Statements of Operations. The accumulated gain (loss) on these derivative instruments in Accumulated other comprehensive income (loss) ("AOCI/(L)"), net of tax, was $12.6 and $(28.9) as of June 30, 2017 and June 30, 2016, respectively.

We have experienced and will continue to experience fluctuations in our net income as a result of balance sheet transactional exposures. As of June 30, 2017, in the event of a 10.0% unfavorable change in the prevailing market rates of hedged foreign currencies versus the U.S. dollar, the change in fair value of all foreign exchange forward contracts would result in a $29.4 increase in the fair value of the forward contracts. In the view of management, these hypothetical gains resulting from an assumed change in foreign currency exchange rates are not material to our consolidated financial statement position or results of operations. This gain does not include the impact on our underlying foreign currency exposures.

Interest Rate Risk Management

We are exposed to interest rate risk that relates primarily to our indebtedness, which is affected by changes in the general level of the interest rates primarily in the United States and Europe. We periodically enter into interest rate swap agreements to facilitate our interest rate management activities. We have designated these agreements as cash flow hedges and, accordingly, applied hedge accounting. The effective changes in fair value of these agreements are recorded in AOCI/(L), net of tax, and ineffective portions are recorded in current- period earnings. Amounts in AOCI/(L) are subsequently reclassified to earnings as interest expense when the hedged transactions are settled.

We expect that both at the inception and on an ongoing basis, the hedging relationship between any designated interest rate hedges and underlying variable rate debt will be highly effective in achieving offsetting cash flows attributable to the hedged risk during the term of the hedge. If it is determined that a derivative is not highly effective, or that it has ceased to be a highly effective hedge, we will be required to discontinue hedge accounting with respect to that derivative prospectively. The corresponding gain or loss position of the ineffective hedge recorded to AOCI/(L) will be reclassified to current-period earnings.

If interest rates had been 10% higher/lower and all other variables were held constant, (Loss) income before income taxes in fiscal 2017 would decrease/increase by $17.4.

Credit Risk Management

We attempt to minimize credit exposure to counterparties by generally entering into derivative contracts with counterparties that have an "A" (or equivalent) credit rating. The counterparties to these contracts are major financial institutions. Exposure to credit risk in the event of nonperformance by any of the counterparties is limited to the fair value of contracts in net asset positions, which totaled $22.5 as of June 30, 2017. Accordingly, management believes risk of material loss under these hedging contracts is remote.

Inflation Risk

To date, we do not believe inflation has had a material effect on our business, financial condition or results of operations. However, if our costs were to become subject to significant inflationary pressures in the future, we may not be able to fully offset such higher costs through price increases. Our inability or failure to do so could harm our business, prospects, financial condition, results of operations, cash flows, as well as the trading price of our securities.

Off-Balance Sheet Arrangements

We had undrawn letters of credit of $5.4, $5.5 and $4.6 as of December 31, 2017, June 30, 2017 and June 30, 2016, respectively. We consider these letters of credit to be immaterial to the business.

Contractual Obligations and Commitments

Our principal contractual obligations and commitments as of June 30, 2017 are presented below. For the six months ended December 31, 2017, there have been no material changes in our contractual obligations outside the ordinary course of business, except as described in footnote (a) below.

		Payments Due in Fiscal[(a)]					
(in millions)	Total	2018	2019	2020	2021	2022	Thereafter
Long-term debt obligations	$ 7,210.2	$204.4	$218.8	$218.8	$2,439.5	$1,550.2	$2,578.5
Interest on long-term debt obligations[(b)]	1,547.7	245.9	263.9	282.0	298.4	254.7	202.8
Operating lease obligations	785.0	126.1	114.3	98.3	82.2	73.7	290.4
License agreements:[(c)]							
Royalty payments	709.2	95.1	87.0	78.1	61.3	48.5	339.2
Advertising and promotional spend obligations	127.1	27.6	29.5	31.0	13.0	13.0	13.0
Other contractual obligations[(d)]	305.1	118.2	109.1	29.4	24.6	23.8	—
Other long-term obligations:							
Pension obligations (mandated)[(e)]	139.7	29.6	28.6	27.8	27.1	26.6	—
Total	$10,824.0	$846.9	$851.2	$765.4	$2,946.1	$1,990.5	$3,423.9

(a) The above table does not give effect to this offering or the related financing transactions as described under "Use of Proceeds," "Capitalization" and "Description of New Credit Facilities."

(b) Interest costs on our variable rate debt after consideration of our interest rate swap arrangements are determined based on an interest rate forecast using the forward interest rate curve and assumptions of the amount of debt outstanding. A 25 basis-point increase in our variable interest rate debt would have increased our interest costs by $97.3 over the term of our long-term debt.

(c) Obligations under license agreements relate to royalty payments and required advertising and promotional spending levels for our products bearing the licensed trademark. Royalty payments are typically made based on contractually defined net sales. However, certain licenses require minimum guaranteed royalty payments regardless of sales levels. Minimum guaranteed royalty payments and required minimums for advertising and promotional spending have been included in the table above. Actual royalty payments and advertising and promotional spending are expected to be higher. Furthermore, early termination of any of these license agreements could result in potential cash outflows that have not been reflected above.

(d) Other contractual obligations primarily represent advertising/marketing, manufacturing, logistics and capital improvements commitments. Additionally, we have included the mandatorily redeemable financial instruments arising out of our joint ventures as discussed in Note 19, "Mandatorily Redeemable Financial Interest" in the notes to our Consolidated Financial Statements for the fiscal year ended June 30, 2017 included elsewhere in this offering memorandum. We also maintain several distribution agreements for which early termination could result in potential future cash outflows that have not been reflected above.

(e) Represents future contributions to our pension and other post retirement benefit plans over the next five years mandated by local regulations or statutes. Subsequent funding requirements cannot be reasonably estimated as the return on plan assets in future periods, as well as future assumptions are not known.

The table above excludes obligations for uncertain tax benefits, including interest and penalties, of $154.6 as of June 30, 2017, as we are unable to predict when, or if, any payments would be made. See Note 15, "Income Taxes" in the notes to our Consolidated Financial Statements for the fiscal year ended June 30, 2017 included elsewhere in this offering memorandum for additional information on our uncertain tax benefits.

The table excludes $551.1 of RNCI which is reflected in Redeemable noncontrolling interests in the Consolidated Balance Sheet as of June 30, 2017 related to our 33.0% RNCI in the United Arab Emirates subsidiary and our 40.0% interest in Foundation. Given the provisions of the associated Put and Call rights, both RNCI are redeemable outside of our control and are recorded in temporary equity.

See Note 20, "Noncontrolling Interests and Redeemable Noncontrolling Interests" in the notes to our Consolidated Financial Statements for the fiscal year ended June 30, 2017 included elsewhere in this offering memorandum for further discussion related to the calculation of the redemption value for each of these noncontrolling interests.

Critical Accounting Policies

We prepare our Consolidated Financial Statements in conformity with U.S. generally accepted accounting principles. The preparation of these Consolidated Financial Statements requires us to make estimates, assumptions and judgments that affect the reported amounts of assets, liabilities, revenues and expenses related disclosures. These estimates and assumptions can be subjective and complex and, consequently, actual results may differ from those estimates that would result in material changes to our operating results and financial condition. We evaluate our estimates and assumptions on an ongoing basis. Our estimates are based on historical experience and various other assumptions that we believe to be reasonable under the circumstances. Our most critical accounting policies relate to revenue recognition, the assessment of goodwill, other intangible and long-lived assets for impairment, business combinations, inventory, pension benefit costs, income taxes and redeemable noncontrolling interests.

Our management has discussed the selection of significant accounting policies and the effect of estimates with the Audit and Finance Committee of our Board of Directors.

Revenue Recognition

Revenue is recognized when realized or realizable and earned. Our policy is to recognize revenue when risk of loss and title to the product transfers to the customer, which usually occurs upon delivery. Net revenues comprise gross revenues less customer discounts and allowances, actual and expected returns (estimated based on returns history and position in product life cycle) and various trade spending activities. Trade spending activities relate to advertising, product promotions and demonstrations, some of which involve cooperative relationships with customers. Returns represent 2%, 3% and 3% of gross revenue after customer discounts and allowances in fiscal 2017, 2016 and 2015, respectively. Trade spending activities recorded as a reduction to gross revenue after customer discounts and allowances represent 7%, 8%, and 9% in fiscal 2017, 2016 and 2015, respectively.

Our sales return accrual reflects seasonal fluctuations, including those related to the holiday season in our second quarter. This accrual is a subjective critical estimate that has a direct impact on reported net revenues, and is calculated based on history of actual returns, estimated future returns and information provided by retailers regarding their inventory levels. In addition, as necessary, specific accruals may be established for significant future known or anticipated events. The types of known or anticipated events that we have considered, and will continue to consider, include, but are not limited to, the financial condition of our customers, store closings by retailers, changes in the retail environment, and our decision to continue to support new and existing brands. If the historical data we use to calculate these estimates does not approximate future returns, additional allowances may be required.

Goodwill, Other Intangible Assets and Long-Lived Assets

Goodwill

Goodwill is calculated as the excess of the cost of purchased businesses over the fair value of their underlying net assets. Other intangible assets consist of indefinite-lived trademarks. Goodwill and other indefinite-lived intangible assets are not amortized.

We assess goodwill at least annually as of May 1 for impairment, or more frequently, if certain events or circumstances warrant. We test goodwill for impairment at the reporting unit level, which is the same level as our reportable segments. We identify our reporting units by assessing whether the components of our reporting segments constitute businesses for which discrete financial information is available and management of each reporting unit regularly reviews the operating results of those components.

When testing goodwill for impairment, we have the option of first performing a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as the basis to determine if it is necessary to perform a quantitative goodwill impairment test. In performing our qualitative assessment, we consider the extent to which unfavorable events or circumstances identified, such as changes in economic conditions, industry and market conditions or company specific events, could affect the comparison of the reporting unit's fair value with its carrying amount. If we conclude that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, we are required to perform a quantitative impairment test.

Quantitative impairment testing for goodwill is performed in two steps: (i) the determination of possible impairment, based upon the fair value of a reporting unit as compared to its carrying value; and (ii) if there is a possible impairment indicated, this step measures the amount of impairment loss, if any, by comparing the implied fair value of goodwill with the carrying amount of that goodwill. We make certain judgments and assumptions in allocating assets and liabilities to determine carrying values for our reporting units.

Testing goodwill for impairment requires us to estimate fair values of reporting units using significant estimates and assumptions. The assumptions made will impact the outcome and ultimate results of the testing. We use industry accepted valuation models and set criteria that are reviewed and approved by various levels of management and, in certain instances, we engage independent third-party valuation specialists for advice. To determine fair value of the reporting unit, we used a combination of the income and market approaches. We believe the blended use of both models compensates for the inherent risk associated with either model if used on a stand-alone basis, and this combination is indicative of the factors a market participant would consider when performing a similar valuation.

Under the income approach, we determine fair value using a discounted cash flow method, projecting future cash flows of each reporting unit, as well as a terminal value, and discounting such cash flows at a rate of return that reflects the relative risk of the cash flows. Under the market approach, we utilize information from comparable publicly traded companies with similar operating and investment characteristics as the reporting units, which creates valuation multiples that are applied to the operating performance of the reporting units being tested, to value the reporting unit.

The key estimates and factors used in these approaches include, but are not limited to, revenue growth rates and profit margins based on our internal forecasts, our specific weighted-average cost of capital used to discount future cash flows, and comparable market multiples for the industry segment as well as our historical operating trends. Certain future events and circumstances, including deterioration of market conditions, higher cost of capital, a decline in actual and expected consumer consumption and demands, could result in changes to these assumptions and judgments. A revision of these assumptions could cause the fair values of the reporting units to fall below their respective carrying values. We would then perform the second step of the goodwill impairment test to determine the amount of any non-cash impairment charge. Such charge could have a material effect on the Consolidated Statements of Operations and Balance Sheets.

There were no impairments of goodwill at our reporting units in fiscal 2017, 2016 and 2015.

Based on the annual impairment test performed at May 1, 2017, we determined that the fair values of our reporting units exceeded their respective carrying values at that date by a range of approximately 11.5% to 81.9%. To determine the fair value of our reporting units, we have used expected growth rates that are in line with expected market growth rates for the respective product categories and include a discount rate of 7.75%. The impact of recent acquisitions of the P&G Beauty Business, ghd and Younique is significant to the reporting units as day one carrying values of the recently acquired assets represent 71.1%, 79.1% and 77.8% of total Luxury, Consumer Beauty and Professional Beauty reporting units' carrying values, respectively, as of the date of the test and on acquisition their carrying values approximate their fair values. Accordingly, the newly acquired assets initially did not have cushion and therefore lowered the overall cushion for the reporting units as of May 1, 2017. The percentage by which the fair value of the Professional Beauty reporting unit exceeded its carrying value was 11.5%. For the Professional Beauty reporting unit, we determined that a 75 basis points increase in the discount rate from 7.75% to 8.5% would cause a decrease of the excess over carrying value from 11.5% to 1.3%. A decrease in the weighted average revenue growth rate (for fiscal 2017 to 2022) from 1.0% to 0.5% would result in a decrease to the excess over carrying value from 11.5% to 0.4%.

We believe the assumptions used in calculating the estimated fair value of the reporting units are reasonable. However, we can provide no assurances that we will achieve such projected results. Further, we can provide no assurances that we will not have to recognize additional impairment of goodwill in the future due to other market conditions or changes in our interest rates. Recognition of additional impairment of a significant portion of our goodwill would negatively affect our reported results of our operations and total capitalization.

Other Intangible Assets

We assess indefinite-lived other intangible assets (trademarks) at least annually as of May 1 for impairment, or more frequently if certain events occur or circumstances change that would more likely than not reduce the fair value of an indefinite-lived intangible asset below its carrying value. Trademarks are tested for impairment on a brand level basis.

The trademarks' fair values are based upon the income approach, primarily utilizing the relief from royalty methodology. This methodology assumes that, in lieu of ownership, a third party would be willing to pay a royalty in order to obtain the rights to use the comparable asset. An impairment loss is recognized when the estimated fair value of the intangible asset is less than the carrying value. Fair value calculation requires significant judgments in determining both the assets' estimated cash flows as well as the appropriate discount and royalty rates applied to those cash flows to determine fair value. Variations in the economic conditions or a change in general consumer demands, operating results estimates or the application of alternative assumptions could produce significantly different results.

On May 1, 2017, 2016 and 2015, we performed our annual impairment testing of indefinite-lived other intangible assets and determined that no adjustments to carrying values were required.

The carrying value of our indefinite-lived other intangible assets was $3,210.1 and $3,186.9 as of December 31, 2017 and June 30, 2017, respectively, and is comprised of trademarks for the following brands: OPI of $668.1 and $662.6, philosophy of $281.1 and $269.8, Sally Hansen of $186.0 and $183.4, Galleria related trademarks of $1,575.0 and $1,575.0, ghd related trademark of $162.3 and $172.7, and other brands totaling and $337.6 and $323.4, each as of December 31, 2017 and June 30, 2017, respectively. As of May 1, 2017, we determined that the fair value of our Sally Hansen brand exceeded its carrying value by approximately 8% using projections that assumed weighted average revenue growth rates of approximately (1.0)% for fiscal 2017 to fiscal 2022 and a discount rate of 8.5%. The fair value of the Sally Hansen trademark would fall below its carrying value if the weighted average annual growth rate decreased by approximately 49 basis points or the discount rate increased by 50 basis points. The fair value of one of our regional brands exceeded its carrying value of $13.0 by approximately 8% using projections that assumed weighted average revenue growth rates of approximately 3.5% for fiscal 2017 to 2022 and a discount rate of 13.5%. The fair value of this regional brand would fall below its carrying value if the weighted average annual growth rate decreased by approximately 122 basis points or the discount rate increased by 150 basis points. The fair values of the remaining indefinite-lived trademarks exceeded their carrying values by amounts ranging from 19.0% to 92.0%.

We believe the assumptions used in calculating the estimated fair value of the trademarks are reasonable and attainable. However, we can provide no assurances that we will not have to recognize additional impairment of indefinite-lived intangible assets in the future due to other market conditions or changes in our interest rates. Recognition of additional impairment of a significant portion of our indefinite-lived intangible assets would negatively affect our reported results of operations and total capitalization.

Long-Lived Assets

Long-lived assets, including tangible and intangible assets with finite lives, are amortized over their respective lives to their estimated residual values and are also reviewed for impairment whenever certain triggering events may indicate impairment. When such events or changes in circumstances occur, a recoverability test is performed comparing projected undiscounted cash flows from the use and eventual disposition of an asset or asset group to its carrying value. If the projected undiscounted cash flows are less than the carrying value, an impairment would be recorded for the excess of the carrying value over the fair value, which is determined by discounting future cash flows.

There were no impairments of long-lived assets in fiscal 2017.

In conjunction with our analysis of our go-to-market strategy in Southeast Asia during the first quarter of fiscal 2016, we evaluated future cash flows for this asset group and determined that the carrying value exceeded the undiscounted cash flows. As a result, we evaluated the fair value of the long-lived assets in the asset group, through an analysis of discounted future cash flows, and determined that the customer relationships were fully impaired and thus recorded $5.5 of Asset impairment charges in the Consolidated Statements of Operations for the fiscal year ended June 30, 2016.

There were no impairments of long-lived assets in fiscal 2015.

Business Combinations

We allocate the cost of an acquired business to the assets acquired and liabilities assumed based on their estimated fair values as of the date of acquisition. The excess value of the cost of an acquired business over the estimated fair value of the assets acquired and liabilities assumed is recognized as goodwill. The valuation of the acquired assets and liabilities will impact our future operating results, as we recognize depreciation and amortization expense on long lived assets. We use a variety of information sources to determine the value of acquired assets and liabilities including: third-party appraisers for the values and lives of property, identifiable intangibles and inventories; and legal counsel or other experts to assess the obligations and liabilities associated with legal, environmental or other claims.

Significant judgment is required in estimating the fair value of intangible assets and in assigning their respective useful lives. The fair value estimates are based on historical information and on future expectations and assumptions deemed reasonable by management, but are inherently uncertain. Determining the useful life of an intangible asset also requires judgment. Certain brand intangibles are expected to have indefinite lives based on their history and our plans to manage the acquired brands. Other intangible assets are expected to have determinable useful lives. Our assessment of intangible assets that have an indefinite life and those that have a determinable life is based on a number of factors including the competitive environment, market share, brand history, underlying product life cycles, operating plans and the macroeconomic environment. The costs of determinable-lived intangible assets are amortized to expense over the estimated useful life.

We generally use the following methodologies for valuing our significant acquired intangibles assets:

- Trademarks (indefinite or finite) - We use a relief from royalty method to value trademarks. The key assumptions for the model are forecasted net revenue, the royalty rate, the effective tax rate and the discount rate.
- Customer relationships and license agreements - We use an excess earnings method to value customer relationships. The key assumptions for the model are forecasted net revenue and EBITDA, the estimated allocation of earnings between different classes of assets, the attrition rate, the effective tax rate and the discount rate.

Inventory

Inventories include items which are considered salable or usable in future periods, and are stated at the lower of cost or market value, with cost being based on standard cost which approximates actual cost on a first-in, first-out basis. Costs include direct materials, direct labor and overhead (e.g., indirect labor, rent and utilities, depreciation, purchasing, receiving, inspection and quality control) and in-bound freight costs. We classify inventories into various categories based upon their stage in the product life cycle, future marketing sales plans and the disposition process.

We also record an inventory obsolescence reserve, which represents the excess of the cost of the inventory over its estimated market value, based on various product sales projections. This reserve is calculated using an estimated obsolescence percentage applied to the inventory based on age, historical trends, and requirements to support forecasted sales. In addition, and as necessary, we may establish specific reserves for future known or anticipated events. These estimates could vary significantly, either favorably or unfavorably, from the amounts that we may ultimately realize upon the disposition of inventories if future economic conditions, customer inventory levels, product discontinuances, sales return levels, competitive conditions or other factors differ from the our estimates and expectations.

Pension Benefit Costs

We sponsor both funded and unfunded pension plans in various forms covering employees who meet the applicable eligibility requirements. We use several statistical and other factors in an attempt to estimate future events in calculating the liability and expense related to these plans. Certain significant variables require us to make assumptions such as anticipated discount rate and expected rate of return on plan assets. We evaluate these assumptions with our actuarial advisors and select assumptions that we believe reflect the economics underlying our pension obligations. While we believe these assumptions are within accepted industry ranges, an increase or decrease in the assumptions or economic events outside our control could have a material impact on reported net income.

The discount rates used to measure the benefit obligations at the measurement date and the net periodic benefit cost for the subsequent fiscal year are reset annually using data available at the measurement date.

The long-term rates of return on our pension plan assets are based on management's expectations of long-term average rates of return to be achieved by the underlying investment portfolios. In establishing this assumption, management considers historical and expected returns for the assets in which the plan is invested, as well as current economic and market conditions. The difference between actual and expected return on plan assets is reported as a component of accumulated other comprehensive income (loss). Those gains or losses that are subject to amortization over future periods will be recognized as a component of the net periodic benefit cost in such future periods. In fiscal 2017, our pension plans (including the acquired plans after October 1, 2016) had actual returns on assets of $9.8 as compared with expected return on assets of $7.2, which resulted in a net deferred gain of $2.6, substantially all of which is currently subject to be amortized over periods ranging from approximately 9 to 30 years. The actual return on assets was primarily related to the performance of equity markets during the past fiscal year.

The weighted-average assumptions used to determine our projected benefit obligation were as follows:

	Pension Plans			
	U.S.		International	
	2017	2016	2017	2016
Discount rates	3.6%	3.3%-3.8%	0.4%-7.5%	0.2%-1.9%

The weighted-average assumptions used to determine our net periodic benefit cost during the fiscal year were as follows:

	Pension Plans					
	U.S.			International		
	2017	2016	2015	2017	2016	2015
Discount rates	3.3%-3.8%	4.1%-4.5%	3.1%-4.5%	0.2%-7.8%	1.0%-2.7%	1.8%-3.2%
Expected long-term rates of return on plan assets	N/A	5.1%	6.5%	1.6%-6.0%	2.3%-4.3%	2.8%-4.3%

The actuarial assumptions used by us may differ materially from actual results due to changing market and economic conditions. Differences from these assumptions could significantly impact the actual amount of net periodic benefit cost and liability recorded by us.

Income Taxes

We are subject to income taxes in the U.S. and various foreign jurisdictions. We account for income taxes under the asset and liability method. Therefore, income tax expense is based on reported income before income taxes, and deferred income taxes reflect the effect of temporary differences between the amounts of assets and liabilities that are recognized for financial reporting purposes and the amounts that are recognized for income tax purposes. Deferred taxes are recorded at currently enacted statutory tax rates and are adjusted as enacted tax rates change.

In November 2015, the FASB issued authoritative guidance to eliminate the requirement to present deferred tax assets and liabilities as current and noncurrent amounts in a classified balance sheet. The new standard requires deferred tax assets and liabilities to be classified as noncurrent. We early adopted this guidance as of the fourth quarter of fiscal 2017 on a prospective basis beginning with the fiscal 2017 period presented. Accordingly, deferred tax assets and liabilities as well as corresponding valuation allowances have been classified as noncurrent in our Consolidated Balance Sheet. A valuation allowance is established, when necessary, to reduce deferred tax assets to the amount that is more likely than not to be realized based on currently available evidence. We consider how to recognize, measure, present and disclose in financial statements uncertain tax positions taken or expected to be taken on a tax return.

We are subject to tax audits in various jurisdictions. We regularly assess the likely outcomes of such audits in order to determine the appropriateness of liabilities for unrecognized tax benefits. We classify interest and penalties related to unrecognized tax benefits as a component of the provision for income taxes.

For unrecognized tax benefits, we first determine whether it is more-likely-than-not (defined as a likelihood of more than fifty percent) that a tax position will be sustained based on its technical merits as of the reporting date, assuming that taxing authorities will examine the position and have full knowledge of all relevant information. A tax position that meets this more-likely-than-not threshold is then measured and recognized at the largest amount of benefit that is greater than fifty percent likely to be realized upon effective settlement with a taxing authority. As the determination of liabilities related to unrecognized tax benefits, including associated interest and penalties, requires significant estimates to be made by us, there can be no assurance that we will accurately predict the outcomes of these audits, and thus the eventual outcomes could have a material impact on our operating results or financial condition and cash flows.

Unrecognized tax benefits are reviewed on an ongoing basis and are adjusted in light of changing facts and circumstances, including progress of examinations by tax authorities, developments in case law and closing of statute of limitations. Such adjustments are reflected in the provision for income taxes as appropriate. In addition, we are present in approximately 55 tax jurisdictions and we are subject to the continuous examination of our income tax returns by the Internal Revenue Service (IRS) and other tax authorities. We regularly assess the likelihood of adverse outcomes resulting from these examinations to determine the adequacy of our provision for income taxes.

It is our intention to permanently reinvest undistributed earnings and profits from our foreign operations that have been generated through June 30, 2017, except where we are able to repatriate these earnings to the U.S. without material incremental tax expenditures. Our future plans do not demonstrate a need to repatriate the foreign amounts to fund U.S. operations. Accordingly, no provision has been made for U.S. income taxes on undistributed earnings of foreign subsidiaries as of June 30, 2017. It is not practicable for us to determine the amount of additional income and withholding taxes that may be payable in the event the undistributed earnings are repatriated.

The balance of cumulative undistributed earnings of non-U.S. subsidiaries was $2,412.7 and $2,426.0 as of June 30, 2017 and 2016, respectively. Our cash and cash equivalents balance at June 30, 2017 and 2016 includes $470.2 and $364.8, respectively, of cash held by foreign operations associated with our permanent reinvestment strategy.

Redeemable Noncontrolling Interests

Interests held by third parties in consolidated majority-owned subsidiaries are presented as noncontrolling interests, which represents the noncontrolling stockholders' interests in the underlying net assets of Coty consolidated majority-owned subsidiaries.

Noncontrolling interests, where we may be required to repurchase the noncontrolling interest under a put option or other contractual redemption requirement, are reported in the Consolidated Balance Sheets between liabilities and equity, as redeemable noncontrolling interests ("RNCI"). We adjust the redeemable noncontrolling interests to the redemption values on each balance sheet date with changes recognized as an adjustment to retained earnings, or in the absence of retained earnings, as an adjustment to additional paid-in capital.

Younique

We use an income approach, a market approach or a combination of these approaches to estimate the fair value of the RNCI related to our subsidiary Foundation, LLC, which holds a 100% interest in Younique, LLC. The income approach is used to determine the fair value of the Foundation RNCI using a discounted cash flow method, projecting future cash flows of the business, as well as a terminal value, and discounting such cash flows at a rate of return that reflects the relative risk of the cash flows. For the market approach, we use a selected multiple based on comparable companies multiplied by the forecasted cash flows. The key estimates and factors used in this approach include, but are not limited to, revenue growth rates and profit margins based on our internal forecasts and the entity specific weighted-average cost of capital used to discount future cash flows.

Business

Overview

Coty is one of the world's largest beauty companies with a purpose to celebrate and liberate the diversity of consumers' beauty. Founded in 1904, over the years Coty has grown into a multi-segment beauty company, with market leading positions in both North America and Europe through new product offerings, diversified sales channels, acquisitions and a global growth strategy. During our 2017 and 2018 fiscal years, we acquired certain assets and liabilities related to the P&G Beauty Business, which strengthened and diversified our presence across the countries, categories and channels in which we compete. We also acquired ghd, a premium brand in high-end hair styling appliances, which exposed us to a new product category; entered into a joint venture with Younique, a leading online peer-to-peer social selling platform in beauty, which enhances our direct-to-consumer capabilities through a digital distribution channel; and acquired the exclusive global license rights and other related assets for the Burberry Limited luxury fragrances, cosmetics and skincare business, which augments our presence in prestige fragrances, cosmetics and skincare. These acquisitions complement the addition of the Hypermarcas Brands to our business in our 2016 fiscal year, which further strengthened our position in the Brazilian beauty and personal care category. Following this transformation, in addition to continuing to grow our portfolio through acquisitions and other strategic transactions, we continue to focus on expanding our global brands into new markets and channels through the introduction of new products and the support of established products. Today, we are the global leader in fragrance, a strong number two in professional salon hair color & styling, and number three in color cosmetics.

Segments

We are organized into three divisions, which are also our operating and reportable segments: Consumer Beauty, Luxury and Professional Beauty. Our organizational structure is product category focused, putting the consumer first, by specifically targeting how and where they shop and what and why they purchase. Each division has end-to-end responsibility to optimize the consumers' beauty experiences in their relevant categories.

Consumer Beauty is primarily focused on color cosmetics, retail hair coloring and styling products, body care and mass fragrances primarily in the mass retail channel, e-commerce and social selling direct-to-consumer platform.

Luxury is primarily focused on prestige fragrances, premium skincare and premium cosmetics across all regions and luxury channels, including travel retail.

Professional Beauty is primarily focused on servicing salon owners and salon professionals in both hair and nail care, covering all key salon segments and salon client needs.

For segment and geographic area financial information and information about our long-lived assets, see Note 4, "Segment Reporting" in the notes to our Consolidated Financial Statements for the fiscal year ended June 30, 2017, and for information about recent acquisitions or dispositions of any material amount of assets, see Note 3, "Business Combinations" in the notes to our Consolidated Financial Statements for the fiscal year ended June 30, 2017.

Brands

The following chart reflects our iconic brand portfolio by segment:

COTY CONSUMER BEAUTY

- adidas
- BOURJOIS PARIS
- CLAIROL YOUR COLOR EXPERT
- COVERGIRL
- MAX FACTOR X
- RIMMEL LONDON
- Sally Hansen SELF-MADE BEAUTY
- WELLA
- bruno banani NOT FOR EVERYBODY
- KATY PERRY PARFUMS
- JŌVAN
- PAIXÃO
- bozzano
- monange
- RISQUÉ
- younique
- BIOCOLOR
- cenoura & bronze

COTY LUXURY

- BOTTEGA VENETA
- CALVIN KLEIN
- Chloé
- GUCCI
- BOSS HUGO BOSS
- MARC JACOBS
- miu miu
- TIFFANY & Co.
- LANCASTER
- DAVIDOFF PARFUMS
- LACOSTE
- JOOP!
- JIL SANDER
- BALENCIAGA
- ALEXANDER MQUEEN
- STELLA McCARTNEY
- BURBERRY London, England
- philosophy

COTY PROFESSIONAL BEAUTY

- NIOXIN
- O·P·I #1 SALON BRAND WORLDWIDE
- ghd good hair day, every day
- WELLA PROFESSIONALS
- SYSTEM PROFESSIONAL
- CLAIROL PROFESSIONAL
- Londa PROFESSIONAL
- PROFESSIONAL SEBASTIAN
- SASSOON PROFESSIONAL

Marketing and Sales

We have dedicated marketing and sales forces in most of our significant markets. We believe that local teams dedicated to the commercialization of our brands give us the greatest opportunity to execute our business strategy. We also develop branding and marketing execution strategies with our top customers.

Our marketing strategy varies by brand and market. We have a diverse portfolio of over 75 brands, and we employ different models to create a distinct image and personality suited to each brand's equity, distribution, product focus and consumer. Each of our brands is promoted with logos, packaging and advertising designed to enhance its image and the uniqueness of each brand. We manage our creative marketing work through a combination of our in-house teams and external agencies that design and produce the sales materials, social media strategies, advertisements and packaging for products in each brand. Our marketing teams are also focused on utilizing our digital marketing agency Beamly's ("Beamly") digital social listening and trend spotting capabilities to expand digital marketing of our brands.

One of our strategies is to promote our brands in television, print, outdoor ads, in-store and in-salon displays and to develop and grow promotion on digital and social networks. We also seek editorial coverage for products and brands in both traditional media and digital and social media. We also leverage our relationships with celebrities and on-line influencers to endorse certain of our products.

We are focused on revamping our in-store execution and deploying new brand visuals for certain of our brands. Our marketing efforts benefit from cooperative advertising programs with retailers, often in connection with in-store marketing activities. Such activities are designed to attract consumers to our counters, displays and walls and so that they try, or purchase, our products. We also engage in sampling and "gift-with-purchase" programs designed to stimulate product trials.

Our consolidated expenses for advertising and promotional costs were $1,883.3, $967.6 and $1,007.7 in fiscal 2017, 2016 and 2015, respectively. Our consolidated expenses for total marketing and advertising, which includes trade marketing spend, were $2,493.0, $1,363.9 and $1,470.9 in fiscal 2017, 2016 and 2015, respectively.

Distribution Channels and Retail Sales

We market, sell and distribute our products in over 130 countries and territories. We have a balanced multi-channel distribution strategy that complements our product category focused divisions. The Consumer Beauty division primarily sells products through hypermarkets, supermarkets, drug stores and pharmacies, mid-tier department stores, and traditional food and drug retailers. Certain products are sold through our own branded e-commerce websites and direct-to-consumer websites and third-party operated e-commerce websites. The Luxury division primarily sells products through prestige retailers, including upscale perfumeries, upscale department stores and duty-free shops, with travel retail sales channels accounting for 14% of the division's net revenues. The Professional Beauty division primarily sells products to nail and hair salons, nail and hair professionals and professionals stores. We also sell our products through third-party distributors in countries and territories where we do not have direct distribution. In fiscal 2017, no retailer accounted for more than 10% of our global net revenues; however, certain retailers accounted for more than 10% of net revenues within certain geographic markets and segments. In fiscal 2017, Walmart, our top retailer, accounted for 7% of our net revenues.

Research and Development

Research and development is a pillar of our innovation. Select key new product developments include a new revolutionary proprietary technology for *Clairol's* core Nice 'N Easy product line, *COVERGIRL* Vitalist Foundation and *Rimmel* Volume Shake Mascara for Consumer Beauty, *Wella Professionals* Wellaplex for Professional Beauty, and *Tiffany & Co.* and *Gucci* Bloom fragrances and *philosophy* purity pore extractor for Luxury.

We continuously seek to improve our products through research and development and strive to provide the consumer with the best possible products. Our research and development teams work with our marketing and operations teams, as well as our internal digital agency, Beamly, to identify recent trends and consumer needs and to bring products quickly to market. Additionally, our basic and applied research groups, which conduct longer-term research such as "blue sky" research, seek to develop proprietary new technologies for first-to-market products and for improving existing products. This research and development is done both internally and through affiliations with various universities, technical centers, supply partners, industry associations and technical associations. As of June 30, 2017, we owned approximately 3000 patents and patent applications globally.

Our principal research and development centers are located in the U.S. and Europe. See "Item 2. Properties" of our latest Annual Report on Form 10-K.

We do not perform, nor do we commission any third parties on our behalf to perform testing of our products or ingredients on animals except where required by law.

Manufacturing and Related Operations and Raw Materials

We manufactured approximately 82% of our products in fiscal 2017, primarily in the United States, Europe and Brazil. Our manufacturing facilities provide multi-segment manufacturing. We recognize the importance of our employees at our manufacturing facilities and have in place programs designed to ensure operating safety. In addition, we implement programs designed to ensure that our manufacturing and distribution facilities comply with applicable environmental rules and regulations. To capitalize on innovation and other supply chain benefits, we continue to utilize a network of third-party manufacturers on a global basis.

The principal raw materials used in the manufacture of our products are primarily essential oils, alcohols and specialty chemicals. The essential oils in our fragrance products are generally sourced from fragrance houses. As a result, we realize material cost savings and benefits from the technology, innovation and resources provided by these fragrance houses.

We purchase the raw materials for all our products from various third parties. We also purchase packaging components that are manufactured to our design specifications. We collaborate with our suppliers to meet our stringent design and creative criteria. We believe that we currently have adequate sources of supply for all our products. We have not experienced material disruptions in our supply chain in the past, and we believe we have robust practices in place to respond to potential disruptions in our supply chain. In fiscal 2017, no single supplier accounted for more than 10% of the materials used in the manufacture of our products.

We have established a global distribution network designed to meet the changing demands of our customers while maintaining service levels. We are continuing to evaluate and restructure our physical distribution network to improve utilization, increase efficiency and reduce our order lead times.

Competition

We compete against a number of manufacturers and marketers of fragrances, color cosmetics, hair care, salon professional and personal care products. In addition to the established multinational brands which we compete against, small targeted niche brands continue to enter the beauty market. Competition is also increasing from private label products sold by apparel retailers and mass distribution retailers.

We believe that we compete primarily on the basis of perceived value, including pricing and innovation, service to the consumer, promotional activities, advertising, special events, new product introductions, e-commerce and mobile-commerce initiatives, direct sales and other activities (including influencers). It is difficult for us to predict the timing, scale and effectiveness of our competitors' actions in these areas or the timing and impact of new entrants into the marketplace.

Intellectual Property

We generally own the trademark rights in key sales countries in Trademark International Class 3 (covering cosmetics and perfumery) for use in connection with, among others, the following brands: *Astor*, *Bourjois*, *Clairol*, *Coty*, *COVERGIRL*, *Joop!*, *Jovan*, *Lancaster*, *Manhattan*, *Max Factor*, *Nioxin*, *N.Y.C. New York Color*, *OPI*, *philosophy*, *Rimmel*, *Sally Hansen*, *System Professional* and *Wella*. We generally license trademarks for the balance of our product lines, and we are generally the exclusive trademark licensee for all Class 3 trademarks as used in connection with our products. We or our licensors, as the case may be, actively protect the trademarks used in our principal products in the U.S. and significant markets worldwide. We consider the protection of our trademarks to be essential to our business.

A number of our products also incorporate patented, patent-pending or proprietary technology in their respective formulations and/or packaging, and in some cases our product packaging is subject to copyright, trade dress or design protection. While we consider our patents and copyrights, and the protection thereof, to be important, no single patent or copyright, or group of patents or copyrights, is material to the conduct of our business. Products representing a significant portion of our net revenues are manufactured and marketed under exclusive license agreements granted to us for use on a worldwide and/or regional basis. As of June 30, 2017, we maintained 37 brand licenses. In fiscal 2017, 39% of our net revenues were generated from licensed brands.

Our licenses impose obligations and restrictions on us that we believe are common to many licensing relationships in the beauty industry, such as paying annual royalties on net sales of the licensed products and maintaining the quality of the licensed products and the image of the applicable trademarks. We are currently in material compliance with all terms of our brand license agreements.

Most brand licenses have renewal options for one or more terms, which can range from three to ten years. Certain brand licenses provide for automatic extensions, so long as minimum annual royalty payments are made, while renewal of others is contingent upon attaining of specified sales levels. Our management periodically reviews various strategic alternatives for expiring licenses, including renewal, renegotiation, divestiture or discontinuation. Management makes such determinations based on many factors, including financial performance, strategic focus and brand equity. As part of our portfolio rationalization program, we have terminated early or not renewed a number of licenses. We plan to renew one license set to expire in fiscal 2018. For additional risks associated with our licensing arrangements, see "Risk Factors—Our brand licenses may be terminated if specified conditions are not met" and "Risk Factors—Our failure to protect our reputation, or the failure of our brand partners or licensors to protect their reputations, could have a material adverse effect on our brand images."

Employees

As of June 30, 2017, we had approximately 22,000 full-time employees in over 46 countries. In addition, we employ a large number of seasonal contractors during our peak manufacturing and promotional season. We recognize the importance of our employees to our business and believe our relationship with our employees is satisfactory.

Our employees in the U.S. are not covered by collective bargaining agreements. Our employees in certain countries in Europe are subject to works council arrangements. We have not experienced a material strike or work stoppage in the U.S. or any other country where we have a significant number of employees.

Government Regulation

We and our products are subject to regulation by various U.S. federal regulatory agencies as well as by various state and local regulatory authorities and by the applicable regulatory authorities in the countries in which our products are produced or sold. Such regulations principally relate to the ingredients, labeling, manufacturing, packaging, advertising and marketing, and sales and distribution of our products. Because we have commercial operations overseas, we are subject to the

U.S. Foreign Corrupt Practices Act as well as other countries' anti-corruption and anti-bribery regimes, such as the U.K. Bribery Act.

We are also subject to numerous foreign, federal, provincial, state, municipal and local environmental, health and safety laws and regulations relating to, among other matters, safe working conditions, product stewardship and environmental protection, including those relating to emissions to the air, discharges to land and surface waters, generation, handling, storage, transportation, treatment and disposal of hazardous substances and waste materials, and the registration and evaluation of chemicals. We maintain policies and procedures to monitor and control environmental, health and safety risks, and to monitor compliance with applicable environmental, health and safety requirements. Compliance with such laws and regulations pertaining to the discharge of materials into the environment, or otherwise relating to the protection of the environment, has not had a material effect upon our capital expenditures, earnings or competitive position. However, environmental and social responsibility laws and regulations have tended to become increasingly stringent, and to the extent regulatory changes occur in the future, they could result in, among other things, increased costs and risks of non-compliance for us. For example, certain states in the U.S., such as California, and the U.S. Congress and certain European jurisdictions have proposed or adopted legislation relating to chemical disclosure and other requirements and prohibitions related to the content of our products, including certain chemicals that we use in our products. For more information, see "Risk Factors-Changes in laws, regulations and policies that affect our business or products could adversely affect our business, financial condition and results of operations."

Seasonality

Our sales generally increase during our second fiscal quarter as a result of increased demand by retailers associated with the holiday season. We also experience an increase in sales during our fourth quarter in our Professional Beauty segment as a result of stronger activity prior to the summer holiday season. Working capital requirements, sales and cash flows generally experience variability during the three to six months preceding the holiday period due in part to product innovations and new product launches and the size and timing of certain orders from our customers. While we continue to attempt to reduce this seasonality, sales volume is, by its nature, difficult to forecast.

We generally experience peak inventory levels from July to October and peak receivable balances from September to December. During the months of November, December and January of each year, cash is normally generated as customer payments for holiday season orders are received.

In response to this seasonality and other factors, management has implemented various working capital programs aimed at optimizing the effectiveness of our inventories, customer receivables and accounts payable. For example, to improve inventory productivity, we have worked to enhance our sales and operational planning forecasting processes. To improve accounts payable efficiency, we have commenced a harmonization of our vendor management practices across geographies to optimize our payments to vendors. For more information, see "Risk Factors—Our business is subject to seasonal variability."

Description of New Credit Facilities

Substantially concurrently with the issuance of the Notes, we intend to enter the New Credit Agreement which will provide for (a) the incurrence by the Company of (1) a senior secured term A facility in an aggregate principal amount of (i) $1,250,000,000 denominated in U.S. dollars and (ii) $2,250,000,000 denominated in euros (the "New Term A Facility") and (2) a senior secured term B facility in an aggregate principal amount of (i) $1,000,000,000 denominated in U.S. dollars and (ii) $1,500,000,000 denominated in euros (the "New 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 $3,000,000,000 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 "New Revolving Credit Facility"). The proceeds of these New Credit Facilities will be used, together with the proceeds of this offering, to, among other things, refinance the loans outstanding under the Coty Credit Agreement and the Galleria Credit Agreement and for general corporate purposes.

The New Credit Agreement provides that with respect to the New Revolving Credit Facility, up to $150 million is available for letters of credit and up to $150 million is available for swing line loans. The New Credit Agreement also permits, subject to certain terms and conditions, the incurrence of incremental facilities thereunder in an aggregate amount of (i) $1.7 billion plus (ii) an unlimited amount if the First Lien Net Leverage Ratio (as defined in the New 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 New Credit Facilities will be 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 New Credit Facilities will be 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 Guarantors will also guarantee the Notes from this offering. The Dutch Borrower will not guarantee the obligations of the Company under the New Credit Facilities or grant any liens on its assets to secure any obligations under the New Credit Facilities.

The New Credit Agreement will contain affirmative and negative covenants that the Company believes are usual and customary for financings of this type. The negative covenants include, among other things, limitations on debt, liens, dispositions, investments, fundamental changes, restricted payments and affiliate transactions. The New Credit Agreement will include a financial maintenance covenant that requires the Company to maintain a Total Net Leverage Ratio (as defined in the New Credit Agreement), equal to or less than, initially, 5.50 to 1.00 with stepdowns to be agreed; provided that in the four fiscal quarters following the closing of any Material Acquisition (as defined in the New Credit Agreement), 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 to 1.00 higher than the otherwise applicable maximum Total Net Leverage Ratio for such quarter.

Description of Notes

The terms of the Notes (as defined below) will include those set forth in the Indenture (as defined below). You should carefully read the summary below and the provisions of the Indenture that may be important to you before investing in the Notes. This summary is not complete and is qualified in its entirety by reference to the Indenture and the Notes. We urge you to read the Indenture and the Notes because they, not this description, define your rights as holders of the Notes.

Certain terms used in this description are defined under the subheading "—Certain Definitions." In this description, references to "Coty," "us," "we," "our" or the "Company" refer only to Coty Inc. and not to any of its Subsidiaries.

General

The Company will issue $ aggregate principal amount of % Senior Notes due 2026 (the "2026 Dollar Notes"), $ aggregate principal amount of % Senior Notes due 2028 (the "2028 Dollar Notes" and, together with the 2026 Dollar Notes, the "Dollar Notes"), € aggregate principal amount of % Senior Notes due 2023 (the "2023 Euro Notes") and € aggregate principal amount of % Senior Notes due 2026 (the "2026 Euro Notes" and, together with the 2023 Euro Notes, the "Euro Notes", and the Euro Notes together with the Dollar Notes, the "Notes") under an indenture (the "Indenture"), to be entered into by and among the Company, the Guarantors and Deutsche Bank Trust Company Americas, as trustee (the "Trustee"). The 2026 Dollar Notes, the 2028 Dollar Notes, the 2023 Euro Notes and the 2026 Euro Notes are each referred to herein as a "series" of Notes. The registered holder of a Note will be treated as its owner for all purposes. Only registered holders will have rights under the Indenture.

Unless previously redeemed or repurchased and cancelled, the Company will repay the Notes of each series in cash at 100% of their principal amount together with accrued and unpaid interest thereon at maturity.

The Notes will be the senior unsecured debt obligations of the Company and will be *pari passu* in right of payment with all of the Company's other existing and future senior unsecured Indebtedness.

The Notes will be entitled to the benefits of the Note Guarantees described under "—Guarantees."

Each series of Notes will be redeemable by the Company at any time prior to maturity at the redemption prices and in the manner described below under "—Optional Redemption." Not later than 30 days following a Change of Control Triggering Event with respect to a series of Notes, the Company will be required to make an offer to repurchase the Notes of such series at a price equal to 101% of the principal amount of the Notes of such series on the date of repurchase plus accrued and unpaid interest, if any, to, but excluding, the Change of Control Payment Date.

The Company may from time to time, without notice to or the consent of the holders or beneficial owners of the Notes of a series, create and issue additional Notes of the same series as one of the series of Notes offered hereby, having the same terms (except for the Issue Date and, in some case, the initial issue price and the first interest payment date) and be equal with the Notes of such series in all respects (or in all respects other than the payment of interest accruing prior to the Issue Date of such additional Notes except for the first payment of interest following the Issue Date of such additional Notes); *provided* that if such additional Notes are not fungible with the relevant series of Notes offered hereby for U.S. federal income tax purposes, then such additional Notes will have a separate CUSIP number. Such additional Notes will be consolidated and form a single series with the relevant series of Notes offered hereby and be treated as a single class for all purposes under the Indenture, including, without limitation, waivers, consents, amendments, redemptions and offers to purchase. Unless expressly stated or the context otherwise requires, references in this "Description of Notes" to the "Notes" include any additional Notes issued under the Indenture that are treated as a single class with any applicable series described herein.

The Notes will not be subject to a sinking fund. The Notes, the Indenture and the Note Guarantees will be subject to defeasance as described under "—Defeasance" and the Indenture will be subject to satisfaction and discharge as described under "—Satisfaction and Discharge."

The Indenture and the Notes do not limit the amount of Indebtedness which may be incurred or the amount of securities which may be issued by the Company or its Subsidiaries, and contain no financial covenants or similar restrictions on the Company or its Subsidiaries, in each case except as described under "—Certain Covenants."

If the scheduled maturity date or interest payment date for the Notes falls on a day that is not a Business Day, the payment of interest and principal will be made on the next succeeding Business Day as if made on the date such payment was due, and no interest on such payment shall accrue for the period from and after the scheduled maturity date or interest payment date, as the case may be on account of such delay.

Interest on each series of Notes will be computed on the basis of a 360-day year of twelve 30-day months.

The Notes will not be entitled to any registration rights, and the Company does not intend to register the Notes for resale or to offer to exchange the Notes for registered Notes under the U.S. federal or state securities laws or the securities laws of any other jurisdiction.

Terms of the Dollar Notes

The 2026 Dollar Notes will mature on , 2026 and the 2028 Dollar Notes will mature on , 2028.

Initial holders of the Dollar Notes will be required to pay for the Dollar Notes in United States dollars, and the Company will pay principal of, premium, if any, and interest, including payments made upon any redemption or offer to purchase, on the Dollar Notes in United States dollars.

The Dollar Notes will be issued in registered, book-entry form only without interest coupons in minimum denominations of $2,000 and integral multiples of $1,000 in excess thereof.

The 2026 Dollar Notes will bear interest at a rate of % per annum and the 2028 Dollar Notes will bear interest at a rate of % per annum. Interest on the Dollar Notes will accrue from the Issue Date, or from the most recent interest payment date to which interest has been paid or provided for, to, but excluding, the relevant interest payment date. The Company will make interest payments on the Dollar Notes semi-annually in arrears on and of each year, beginning on , 2018, to the Person in whose name such Dollar Notes are registered at the close of business on the immediately preceding or , as applicable.

Terms of the Euro Notes

The 2023 Euro Notes will mature on , 2023 and the 2026 Euro Notes will mature on , 2026.

Initial holders of the Euro Notes will be required to pay for the Euro Notes in euro, and the Company will pay principal of, premium, if any, and interest, including payments made upon any redemption or offer to purchase, on the Euro Notes in euro. If, on or after the issuance of the Euro Notes, the euro is unavailable to the Company due to the imposition of exchange controls or other circumstances beyond its control or if the euro is no longer being used by the then member states of the European Monetary Union that have adopted the euro as their currency or for the settlement of transactions by public institutions of or within the international banking community, then all payments in respect of the Euro Notes will be made in U.S. dollars until the euro is again available to the Company or so used. In such circumstances, the amount payable on any date in euro will be converted into U.S. dollars at the rate mandated by the U.S. Federal Reserve Board as of the close of business on the second Business Day prior to the relevant payment date or, in the event the U.S. Federal Reserve Board has not mandated a rate of conversion, on the basis of the then most recent U.S. dollar/euro exchange rate available on or prior to the second Business Day prior to the relevant payment date as determined by the Company in its sole discretion. Any payment in respect of the Euro Notes so made in U.S. dollars will not constitute an event of default under the Euro Notes or the Indenture. Neither the Trustee nor the applicable paying agent shall have any responsibility for any calculation or conversion in connection with the foregoing. Investors will be subject to foreign exchange risks as to payments of principal and interest, including payments made upon any redemption of Euro Notes, that may have important economic and tax consequences to them. See "Risk Factors—Risks Related to this Offering and the Notes" in this offering memorandum. In the circumstances described above, the Company and the Trustee shall be permitted, without the consent of any other Person, to amend the terms of the Indenture and the Euro Notes to change the currency in which the obligations of the Company hereunder are payable in a manner consistent with then-prevailing market practice for similarly situated issuers. See "—Modification and Waiver."

The Euro Notes will be issued in registered, book-entry form only without interest coupons in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof.

The 2023 Euro Notes will bear interest at a rate of % per annum, and the 2026 Euro Notes will bear interest at a rate of % per annum. Interest on the Euro Notes will accrue from the Issue Date, or from the most recent interest payment date to which interest has been paid or provided for, to, but excluding, the relevant interest payment date. The Company will make interest payments on the Euro Notes semi-annually in arrears on and of each year, beginning on , 2018, to the Person in whose name such Euro Notes are registered at the close of business on the immediately preceding or , as applicable.

The Company intends to apply to The International Stock Exchange Authority for the Euro Notes on the official list of The International Stock Exchange (the "TISE"). There can be no assurance that the Euro Notes will be listed on the TISE and admitted for trading on the exchange market. Accordingly, the Company cannot assure you that any active trading market for the Euro Notes will develop or be maintained. There is currently no market for the Notes. This offering of the Euro Notes is not contingent upon obtaining this listing. The Dollar Notes will not be listed on TISE or any securities exchange or automated quotation system.

Guarantees

The Company's Subsidiaries that Guarantee the Credit Agreement will initially Guarantee the Company's obligations under the Indenture and the Notes.

Each of the Guarantors will jointly and severally Guarantee the Company's obligations under the Indenture and the Notes on a senior unsecured basis. The obligations of each Guarantor under its Note Guarantee will be limited as necessary to prevent its Note Guarantee from constituting fraudulent conveyances or fraudulent transfers under applicable law; this limitation, however, may not be effective to prevent such Guarantee from constituting a fraudulent conveyance. See "Risk Factors—Risks Related to this Offering and the Notes—Federal and state statutes allow courts, under specific circumstances, to avoid the Notes and the guarantees, to require noteholders to return payments received from us or the Guarantors, and to take other actions detrimental to the noteholders" and "—Because each Guarantor's liability under its guarantees may be reduced to zero, avoided or released under certain circumstances, you may not receive any payments from some or all of the Guarantors."

Each Guarantor may consolidate with or merge into or sell its assets to the Company or another Guarantor without limitation, or with, into or to any other Persons upon the terms and conditions set forth in the Indenture. See "—Certain Covenants—Consolidation, Merger and Conveyance, Transfer and Lease of Assets."

The Note Guarantee of a Guarantor will be automatically and unconditionally released without any further action by any Person in the event that:

(a) there is a sale, disposition or other transfer (including through merger or consolidation) of all of the Capital Stock (or any sale, disposition or other transfer of Capital Stock (including through merger or consolidation) following which the applicable Guarantor is no longer a Subsidiary, including by way of a dividend of the Capital Stock of such Guarantor to the stockholders of the Company), or all or substantially all the assets, of the applicable Guarantor to a Person that is not a Subsidiary of the Company where such sale, disposition or other transfer is not prohibited by the Indenture;

(b) if the Company exercises its legal defeasance option or its covenant defeasance option as described under "—Defeasance" or if its obligations under the Indenture are discharged in accordance with the terms of the Indenture as described under "—Satisfaction and Discharge"; or

(c) in the case of the Note Guarantees issued on the Issue Date, upon the release or discharge of the Guarantee by such Guarantor of Indebtedness under the Credit Agreement, or, in all other cases, the release or discharge of such other Guarantee that resulted in the creation of such Note Guarantee, except, in each case, a discharge or release by or as a result of payment under such Guarantee (it being understood that a release subject to a contingent reinstatement is still a release, and that if any such Guarantee is so reinstated, such Note Guarantee shall also be reinstated to the extent that such Subsidiary would then be required to provide a Note Guarantee pursuant to the covenant described under "—Certain Covenants—Additional Guarantees").

For the fiscal year ended June 30, 2017 and the six months ended December 31, 2017, after intercompany eliminations, the Company's non-guarantor Subsidiaries accounted for approximately 74% and 76% of the Company's total net revenue, respectively. For the fiscal year ended June 30, 2017 and six months ended December 31, 2017, the Company's non-guarantor Subsidiaries generated net income of approximately \$283.0 million and \$293.2 million, respectively, while the Guarantors generated net losses of approximately \$681.5 million and \$190.7 million, respectively. In addition, as of December 31, 2017, the Company's non-guarantor Subsidiaries held approximately 68% of the Company's total assets and approximately 33% of the Company's total liabilities, all of which would be structurally senior to the Notes. See "Risk Factors—Risks Related to this Offering and the Notes—Not all of our subsidiaries will guarantee the Notes, and your right to receive payment on the Notes will be structurally subordinated to the liabilities of our non-guarantor subsidiaries."

Priority

The Notes:

- will be senior unsecured obligations of the Company;
- will be *pari passu* in right of payment with all existing and future senior Indebtedness of the Company (including the Credit Agreement);
- will be effectively junior to all existing and future secured Indebtedness of the Company (including the Credit Agreement), to the extent of the value of the collateral securing such secured Indebtedness;
- will be structurally subordinated to all existing and future Indebtedness and other liabilities (including trade payables) of the Company's Subsidiaries that are not Guarantors; and
- will be senior in right of payment to all existing and future Indebtedness of the Company that is expressly subordinated to the Notes.

The Note Guarantees of each Guarantor:

- will be senior unsecured obligations of such Guarantor;
- will be *pari passu* in right of payment with all existing and future senior Indebtedness of such Guarantor (including its respective Guarantee of the Credit Agreement);
- will be effectively junior to all existing and future secured Indebtedness of such Guarantor (including its respective Guarantee of the Credit Agreement), to the extent of the value of the collateral securing such secured Indebtedness;
- will be structurally subordinated to all existing and future Indebtedness and other liabilities (including trade payables) of such Guarantor's Subsidiaries that are not Guarantors; and

- will be senior in right of payment to all existing and future Indebtedness of such Guarantor that is expressly subordinated to the Note Guarantee of such Guarantor.

At December 31, 2017, on a *pro forma* basis after giving effect to this offering and the other transactions described under "Use of Proceeds" in this offering memorandum:

(1) the Company and the Guarantors would have had outstanding $8 billion in aggregate principal amount of Indebtedness (including the Notes), of which $6 billion in aggregate principal amount would have been secured Indebtedness, and approximately $3 billion of additional secured borrowings would have been available and undrawn under the Credit Agreement (excluding $5.9 million of outstanding letters of credit); and

(2) the Company and the Guarantors would have had $2 billion in aggregate principal amount of senior unsecured Indebtedness outstanding, including the Notes.

Optional Redemption

2026 Dollar Notes

At any time and from time to time prior to , 2021, the Company may redeem some or all of the 2026 Dollar Notes at a redemption price equal to 100% of the principal amount of the 2026 Dollar Notes being redeemed plus the Applicable Premium, plus accrued and unpaid interest, if any, to, but excluding, the redemption date.

At any time on or after , 2021, the Company may redeem some or all of the 2026 Dollar 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 date, if redeemed during the twelve-month period beginning on of each of the years indicated below:

Year	Price
2021	%
2022	%
2023	%
2024 and thereafter	100.000%

In addition, at any time prior to , 2021, the Company may redeem up to 35% of the original principal amount of the outstanding 2026 Dollar Notes (including additional 2026 Dollar Notes, if any) with the net cash proceeds of one or more Equity Offerings at a redemption price (expressed as a percentage of principal amount) of %, plus accrued and unpaid interest, if any, to, but excluding, the redemption date; *provided* that (i) at least 65% of the aggregate principal amount of 2026 Dollar Notes originally issued on the date of the Indenture remains outstanding after each such redemption, and (ii) notice of any such redemption is delivered to the Trustee within 90 days of the closing of each such Equity Offering.

2028 Dollar Notes

At any time and from time to time prior to , 2023, the Company may redeem some or all of the 2028 Dollar Notes at a redemption price equal to 100% of the principal amount of the 2028 Dollar Notes being redeemed plus the Applicable Premium, plus accrued and unpaid interest, if any, to, but excluding, the redemption date.

At any time on or after , 2023, the Company may redeem some or all of the 2028 Dollar 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 date, if redeemed during the twelve-month period beginning on of each of the years indicated below:

Year	Price
2023	%
2024	%
2025	%
2026 and thereafter	100.000%

In addition, at any time prior to , 2021, the Company may redeem up to 35% of the original principal amount of the outstanding 2028 Dollar Notes (including additional 2028 Dollar Notes, if any) with the net cash proceeds of one or more Equity Offerings at a redemption price (expressed as a percentage of principal amount) of %, plus accrued and unpaid interest, if any, to, but excluding, the redemption date; *provided* that (i) at least 65% of the aggregate principal amount of 2028 Dollar Notes originally issued on the date of the Indenture remains outstanding after each such redemption, and (ii) notice of any such redemption is delivered to the Trustee within 90 days of the closing of each such Equity Offering.

2023 Euro Notes

At any time and from time to time prior to , 2020, the Company may redeem some or all of the 2023 Euro Notes at a redemption price equal to 100% of the principal amount of the 2023 Euro Notes being redeemed plus the Applicable Premium, plus accrued and unpaid interest, if any, to, but excluding, the redemption date.

At any time on or after , 2020, the Company may redeem some or all of the 2023 Euro 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 date, if redeemed during the twelve-month period beginning on of each of the years indicated below:

Year	Price
2020	%
2021	%
2022 and thereafter	100.000%

In addition, at any time prior to , 2020, the Company may redeem up to 35% of the original principal amount of the outstanding 2023 Euro Notes (including additional 2023 Euro Notes, if any) with the net cash proceeds of one or more Equity Offerings at a redemption price (expressed as a percentage of principal amount) of %, plus accrued and unpaid interest, if any, to, but excluding, the redemption date; *provided* that (i) at least 65% of the aggregate principal amount of 2023 Euro Notes originally issued on the date of the Indenture remains outstanding after each such redemption, and (ii) notice of any such redemption is delivered to the Trustee within 90 days of the closing of each such Equity Offering.

2026 Euro Notes

At any time and from time to time prior to , 2021, the Company may redeem some or all of the 2026 Euro Notes at a redemption price equal to 100% of the principal amount of the 2026 Euro Notes being redeemed plus the Applicable Premium, plus accrued and unpaid interest, if any, to, but excluding, the redemption date.

At any time on or after , 2021, the Company may redeem some or all of the 2026 Euro 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 date, if redeemed during the twelve-month period beginning on of each of the years indicated below:

Year	Price
2021	%
2022	%
2023	%
2024 and thereafter	100.000%

In addition, at any time prior to , 2021, the Company may redeem up to 35% of the original principal amount of the outstanding 2026 Euro Notes (including additional 2026 Euro Notes, if any) with the net cash proceeds of one or more Equity Offerings at a redemption price (expressed as a percentage of principal amount) of %, plus accrued and unpaid interest, if any, to, but excluding, the redemption date; *provided* that (i) at least 65% of the aggregate principal amount of 2026 Euro Notes originally issued on the date of the Indenture remains outstanding after each such redemption, and (ii) notice of any such redemption is delivered to the Trustee within 90 days of the closing of each such Equity Offering.

Notwithstanding anything in "—Optional Redemption" to the contrary, installments of interest on the Notes that are due and payable on interest payment dates falling on or prior to a redemption date will be payable on the interest payment date to the registered holders as of the close of business on the relevant record date according to the Notes and the Indenture.

Notice of Redemption

The Company will prepare and give, or cause to be given, a notice of redemption to each holder of Notes of a series to be redeemed at least 30 and not more than 60 calendar days prior to the date fixed for redemption, except that notices of redemption may be given more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the Notes of a series or a satisfaction and discharge of the Indenture. On and after a redemption date, interest will cease to accrue on the Notes called for redemption unless the Company defaults in the payment of the redemption price and accrued interest. At or before 10:00 a.m., New York City time, on the redemption date in the case of the Dollar Notes, or at or before 12:00 p.m., London time, on the redemption date in the case of the Euro Notes, the Company will deposit with the applicable paying agent (or the Trustee) money sufficient to pay the redemption price of and accrued interest on the Notes to be redeemed on the redemption date. If fewer than all of the Notes of a series are to be redeemed, the Notes of such series to be redeemed shall be selected by the registrar pro rata or by lot or by a method the registrar deems to be fair and appropriate and, in respect of global Notes, subject to the applicable procedures of DTC or Euroclear and Clearstream, as applicable.

Any redemption or notice of redemption may, in the Company's discretion, be subject to one or more conditions precedent. If any such redemption or notice is subject to satisfaction of one or more conditions precedent, such notice shall state that, in the Company's discretion, the redemption date may be delayed until such time as any or all such conditions shall be satisfied (or waived by the Company in its sole discretion), or such redemption may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied (or waived) by the redemption date, or by the redemption date so delayed and such redemption provisions may be adjusted to comply with the requirements of the depositary.

Euro Notes—Additional Amounts

All payments of principal and interest in respect of the Euro Notes by the Company or the applicable paying agent on its behalf will be made free and clear of, and without deduction or withholding for or on account of, any present or future taxes, duties, assessments or other similar governmental charges imposed or levied by the United States or any political subdivision or taxing authority of or in the United States (collectively, "Taxes"), unless such withholding or deduction is required by law.

In the event such withholding or deduction for Taxes is required by law, subject to the limitations described below, the Company will pay to or on account of any Non-U.S. Holder (as defined in "U.S. Federal Income Tax Considerations" in this offering memorandum) or any non-U.S. entity that is treated as a partnership for U.S. federal income tax purposes such additional amounts ("Additional Amounts") as may be necessary to ensure that the net amount received by the beneficial owner of a Euro Note, after withholding or deduction for such Taxes, will be equal to the amount such person would have received in the absence of such withholding or deduction.

However, no Additional Amounts shall be payable with respect to any Taxes if such Taxes are imposed or levied for reasons unrelated to the holder's or beneficial owner's ownership or disposition of Notes, nor shall Additional Amounts be payable for or on account of:

(a) any Taxes which would not have been so imposed, withheld or deducted but for:

  (1) the existence of any present or former connection between the holder or beneficial owner (or between a fiduciary, settlor, beneficiary, member or shareholder or other equity owner of, or a person having a power over, such holder or beneficial owner, if

such holder or beneficial owner is an estate, a trust, a limited liability company, a partnership, a corporation or other entity) and the United States, including, without limitation, such holder or beneficial owner (or such fiduciary, settlor, beneficiary, member, shareholder or other equity owner or person having such a power) being or having been a citizen or resident or treated as a resident of the United States, being or having been engaged in a trade or business in the United States, being or having been present in the United States, or having or having had a permanent establishment in the United States;

(2) the failure of the holder or any other person to comply with certification, identification or information reporting requirements concerning the nationality, residence, identity or connection with the United States of the holder or beneficial owner of the Euro Notes, if compliance is required by statute, by regulation of the United States or any taxing authority therein or by an applicable income tax treaty to which the United States is a party as a precondition to partial or complete exemption from such tax, assessment or other governmental charge (including, but not limited to, the requirement to provide Internal Revenue Service Form W-8BEN, Form W-8BEN-E, Form W-8ECI, Form W-8IMY (and related documentation) or any subsequent versions thereof or successor thereto); or

(3) the holder's or beneficial owner's present or former status as a personal holding company with respect to the United States, as a controlled foreign corporation with respect to the United States, as a passive foreign investment company with respect to the United States, as a foreign tax exempt organization with respect to the United States or as a corporation that accumulates earnings to avoid United States federal income tax;

(b) any Taxes which would not have been imposed, withheld or deducted but for the failure of the holder or beneficial owner to meet the requirements (including the certification requirements) of Section 871(h) or Section 881(c) of the United States Internal Revenue Code of 1986, as amended (the "Code");

(c) any Taxes which would not have been imposed, withheld or deducted but for the presentation by the holder or beneficial owner of such note for payment on a date more than 30 days after the date on which such payment became due and payable or the date on which payment of the Euro Note is duly provided for and notice is given to holders, whichever occurs later, except to the extent that the holder or beneficial owner would have been entitled to such Additional Amounts on presenting such Euro Note on any date during such 30-day period;

(d) any estate, inheritance, gift, sales, excise, transfer, personal property, wealth or similar Taxes;

(e) any Taxes which are payable otherwise than by withholding or deduction from a payment on such Euro Note;

(f) any Taxes which are imposed, withheld or deducted with respect to, or payable by, a holder that is not the beneficial owner of the Euro Note, or a portion of the Euro Note, or that is a fiduciary, partnership, limited liability company or other similar entity, but only to the extent that a beneficial owner, a beneficiary or settlor with respect to such fiduciary or member of such partnership, limited liability company or similar entity would not have been entitled to the payment of an Additional Amount had such beneficial owner, settlor, beneficiary or member received directly its beneficial or distributive share of the payment;

(g) any Taxes required to be withheld or deducted by any paying agent from any payment on any Euro Note, if such payment can be made without such withholding or deduction by at least one other paying agent;

(h) any Taxes required to be withheld or deducted where such withholding or deduction is imposed pursuant to European Council Directive 2003/48/EC on the taxation of savings income, or any law implementing or complying with, or introduced in order to conform to, such European Council Directive;

(i) any Taxes imposed, withheld or deducted under Sections 1471 through 1474 of the Code (or any amended or successor provisions), any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Code or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such sections of the Code;

(j) any Taxes that would not have been imposed, withheld or deducted but for a change in any law, treaty, regulation, or administrative or judicial interpretation that becomes effective more than 15 days after the applicable payment becomes due or is duly provided for, whichever occurs later; or

(k) any combination of items (a), (b), (c), (d), (e), (f), (g), (h), (i) and (j).

For purposes of this section, the acquisition, ownership, enforcement, or holding of or the receipt of any payment with respect to the Euro Notes will not constitute a connection (1) between the holder or beneficial owner and the United States or (2) between a fiduciary, settlor, beneficiary, member or shareholder or other equity owner of, or a person having a power over, such holder or beneficial owner if such holder or beneficial owner is an estate, a trust, a limited liability company, a partnership, a corporation or other entity and the United States.

Except as specifically provided under this section "Euro Notes—Additional Amounts," the Company will not be required to make any payment with respect to any tax, duty, assessment or other governmental charge imposed by any government or any political subdivision or taxing authority.

If the Company is required to pay Additional Amounts with respect to the Euro Notes, the Company will notify the Trustee and the applicable paying agent pursuant to an Officer's Certificate that specifies the Additional Amounts payable with respect to the Euro Notes and when the Additional Amounts are payable. If the Trustee and the applicable paying agent do not receive such an Officer's Certificate from the Company, the Trustee and the applicable paying agent may rely on the absence of such an Officer's Certificate in assuming that no such Additional Amounts are payable.

In addition, the Company will undertake that, to the extent permitted by law, it will maintain a paying agent that will not require withholding or deduction of tax pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such European Council Directive.

Euro Notes—Redemption for Tax Reasons

The Company may, at its option, redeem either series of Euro Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Euro Notes to be redeemed, together with any accrued and unpaid interest thereon to, but excluding, the redemption date, at any time, if the Company has or, based upon a written opinion of independent tax counsel of nationally recognized standing selected by the Company, will become obliged to pay Additional Amounts with respect to the Euro Notes of such series as a result of any change in, or amendment to, the laws, regulations, treaties, or rulings of the United States or any political subdivision of or in the United States or any taxing authority thereof or therein affecting taxation, or any change in, or amendment to, the application, official interpretation, administration or enforcement of such laws, regulations, treaties or rulings (including a holding by a court of competent jurisdiction in the United States), which change or amendment is enacted, adopted, announced or becomes effective on or after the date of this offering memorandum (a "Change in Tax Law").

Notice of any redemption will be given pursuant to the procedures described under "—Optional Redemption—Notice of Redemption"; *provided*, that the notice of redemption shall not be given earlier than 90 days before the earliest date on which the Company would be obligated to pay such Additional Amounts on the Euro Notes of the relevant series if a payment was then due.

Notice of any redemption described above or notice thereof may, at the Company's discretion, be subject to one or more conditions precedent as provided under "—Optional Redemption—Notice of Redemption."

No Mandatory Redemption; Offer To Repurchase; Open Market Purchases

The Company is not required to make any mandatory redemption or sinking fund payments with respect to the Notes. However, under certain circumstances, the Company may be required to offer to repurchase Notes as described under the caption "—Repurchase of Notes upon a Change of Control Triggering Event." The Company may at any time and from time to time purchase Notes in the open market, pursuant to negotiated transactions or otherwise, which may include a consent solicitation.

Repurchase of Notes Upon a Change of Control Triggering Event

If a Change of Control Triggering Event occurs with respect to a series of Notes, unless the Company at such time has given notice of redemption pursuant to the first or second paragraph under the caption "—Optional Redemption—2026 Dollar Notes," "—Optional Redemption—2028 Dollar Notes," "—Optional Redemption—2023 Euro Notes" or "—Optional Redemption—2026 Euro Notes" or terms described under "Euro Notes—Redemption for Tax Reasons," as applicable, with respect to all outstanding Notes of such series, the Company will offer to repurchase all or any part (in minimum principal amount of $2,000 or €100,000, as applicable, and integral multiples of $1,000 or €1,000 in excess thereof, as applicable) of each holder's Notes pursuant to an offer to repurchase on the terms set forth in the Indenture (a "Change of Control Offer"). In the Change of Control Offer, the Company will offer a payment in cash equal to 101% of the aggregate principal amount of the Notes of such series being repurchased plus accrued and unpaid interest on the Notes of such series being repurchased, to, but excluding, the date of repurchase (the "Change of Control Payment"). Within 30 days following any Change of Control Triggering Event with respect to a series of Notes, unless the Company at such time has given notice of redemption as described in the first sentence of this paragraph with respect to all outstanding Notes of such series, the Company will give a notice to each holder of Notes of such series describing the transaction or transactions and ratings downgrade that constitute the Change of Control Triggering Event and offering to repurchase the Notes of such series on the date specified in the notice (the "Change of Control Payment Date"), which date will be no earlier than 30 days and no later than 60 days from the date such notice is given, pursuant to the procedures required by the Indenture and described in such notice.

The Company will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder, if any, to the extent those laws and regulations are applicable in connection with the repurchase of the Notes as a result of a Change of Control Triggering Event. To the extent that the provisions of any securities laws or regulations conflict with the Change of Control Triggering Event provisions of the Indenture, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Change of Control Triggering Event provisions of the Indenture by virtue of such conflict.

At or prior to 10:00 a.m., New York City time (in the case of Dollar Notes) or at or prior to 12:00 p.m., London time (in the case of Euro Notes), on the Change of Control Payment Date, the Company will, to the extent lawful, deposit with the applicable paying agent an amount equal to the Change of Control Payment in respect of all Notes or portions of Notes properly tendered. On the Change of Control Payment Date, the Company will, to the extent lawful, (i) accept for payment all Notes or portions of Notes properly tendered and not withdrawn pursuant to the Change of Control Offer and (ii) deliver or cause to be delivered to the Trustee the Notes properly accepted, together with an Officer's Certificate stating the aggregate principal amount of Notes or portions of Notes being repurchased by the Company.

The applicable paying agent will promptly deliver to each holder of Notes properly tendered the Change of Control Payment for such Notes, and the Trustee will promptly authenticate and mail (or cause to be transferred by book entry) to each holder a new Note equal in principal amount to any unpurchased portion of the Notes surrendered, if any; *provided* that each new Dollar Note will be in a minimum principal amount of $2,000 and integral multiples of $1,000 in excess thereof and each new Euro Note will be in a minimum principal amount of €100,000 and integral multiples of €1,000 in excess thereof. The Company will publicly announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Payment Date.

The Company will not be required to make a Change of Control Offer upon a Change of Control Triggering Event with respect to a series of Notes if (i) a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Company and repurchases all Notes of such series properly tendered and not withdrawn under the Change of Control Offer or (ii) a valid notice of redemption for all of the Notes of such series has been given, or will be given contemporaneously with the Change of Control Triggering Event, pursuant to the terms of the Indenture as described under "—Optional Redemption" or "—Euro Notes—Redemption for Tax Reasons" unless and until such notice has been validly revoked or there is a default in the payment of the applicable redemption price. Notwithstanding anything to the contrary herein, a Change of Control Offer may be made in advance of a Change of Control Triggering Event or conditional upon the occurrence of a Change of Control Triggering Event, if a definitive agreement is in place for the Change of Control Triggering Event at the time the Change of Control Offer is made.

In the event that holders of not less than 90% in aggregate principal amount of the then outstanding Notes of a series accept a Change of Control Offer and the Company (or any third party making such Change of Control Offer in lieu of the Company as described above) purchases all of the Notes of such series validly tendered and not withdrawn by such holders, the Company or such third party will have the right, upon not less than 30 nor more than 60 days' prior notice, given not more than 30 days following the repurchase pursuant to the Change of Control Offer described above, to redeem all of the Notes of such series that remain outstanding following such repurchase at a redemption price equal to the Change of Control Payment, plus to the extent not included in the Change of Control Payment, accrued and unpaid interest on the Notes of such series that remain outstanding to, but excluding, the date of repurchase.

The Credit Agreement provides that the occurrence of certain change of control events with respect to the Company will constitute a default thereunder.

Other indebtedness that the Company or its Subsidiaries may incur may contain prohibitions on the occurrence of certain events that would constitute a Change of Control or require the repurchase of such indebtedness upon a Change of Control Triggering Event. Moreover, the exercise by the holders of their right to require the Company to repurchase their Notes could cause a default under such indebtedness, even if the Change of Control itself does not, due to the financial effect of such repurchase on the Company. Finally, the Company's ability to pay cash to the holders of Notes following the occurrence of a Change of Control Triggering Event may be limited by its then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make any required repurchases.

Except as described above with respect to a Change of Control Triggering Event, the Indenture will contain no provisions that permit the holders of the Notes to require that the Company repurchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

The definition of Change of Control includes a phrase relating to the direct or indirect sale, lease, transfer, conveyance or other disposition of "all or substantially all" of the properties or assets of the Company and its subsidiaries taken as a whole. Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a holder of Notes to require the Company to repurchase its Notes as a result of a sale, lease, transfer, conveyance or other disposition of less than all of the assets of the Company and its subsidiaries taken as a whole to another Person or group may be uncertain.

The Change of Control Triggering Event repurchase feature of the Notes may in certain circumstances make it more difficult or discourage a sale or takeover of the Company and thus, the removal of incumbent management. The Change of Control Triggering Event repurchase feature is a result of negotiations between the initial purchasers and the Company. As of the Issue Date, the Company has no present intention to engage in a transaction involving a Change of Control, although it is possible that it could decide to do so in the future. Subject to the limitations discussed below, the Company could, in the future, enter into certain transactions, including acquisitions, refinancings or other recapitalizations, that would not constitute a Change of Control Triggering Event under the Indenture, but that could increase the amount of Indebtedness outstanding at such time or otherwise affect the Company's capital structure or credit ratings. Restrictions on the Company's ability to incur additional Indebtedness are contained in the covenants described under "—Certain Covenants—Limitation on Liens" and "—Certain Covenants—Limitation on Sale and Leaseback Transactions." Such restrictions in the Indenture can be waived only with the consent of holders of a majority in principal amount of the Notes then outstanding. Except for limitations contained in such covenants, however, the Indenture will not contain any covenants or provisions that may afford holders of the Notes protection in the event of a highly leveraged transaction.

The provisions under the Indenture relating to the Company's obligation to make an offer to repurchase the Notes of any series as a result of a Change of Control Triggering Event with respect to such series of Notes may be waived or modified with the written consent of a majority in principal amount of the Notes of such series.

Exchange and Transfer

Holders generally will be able to exchange Notes of a series for other Notes of such series with the same total principal amount and the same terms.

Holders may present Notes for exchange or for registration of transfer at the office of the registrar or at the office of any transfer agent designated for that purpose. The registrar or designated transfer agent will exchange or transfer the Notes if it is satisfied with the documents of title and identity of the Person making the request; *provided* that such transfer complies with the restrictions specified in the section of this offering memorandum titled "Transfer Restrictions." The Company will not charge a service charge for any exchange or registration of transfer of Notes. However, the Company and the registrar may require payment of a sum sufficient to cover any tax or other governmental charge payable for the registration of transfer or exchange. The Company has initially appointed the Trustee as registrar in respect of the Notes.

At any time the Company may (i) designate additional transfer agents; (ii) rescind the designation of any transfer agent; or (iii) approve a change in the office of any transfer agent.

However, the Company is required to maintain a transfer agent in each place of payment for the Notes at all times.

If the Company elects to redeem the Notes of a series or makes a Change of Control Offer with respect to the Notes of a series, neither the Company nor the Trustee will be required to:

- issue, register the transfer of or exchange any Notes of such series during the period beginning at the opening of business 15 calendar days before the day the Company gives the notice of redemption or makes the Change of Control Offer and ending at the close of business on the day the notice is given or the Change of Control Offer is made;
- register the transfer or exchange of any Note of such series so selected for redemption or subject to repurchase in such Change of Control Offer, except for any portion not to be redeemed or subject to repurchase; or
- in the case of a redemption or a Change of Control Payment Date occurring after a regular record date but on or before the corresponding interest payment date, register the transfer or exchange of any Note of such series on or after the regular record date and before the date of redemption or repurchase.

Payment and Paying Agents

Under the Indenture, the Company will pay interest on the Notes to the Persons in whose names the Notes are registered at the close of business on the regular record date for each interest payment. However, the Company will pay the interest payable on the Notes at their stated maturity to the Persons to whom the Company pays the principal amount of the Notes.

The Company will pay principal, premium, if any, and interest on the Notes at the offices of the designated paying agents.

The Company will initially designate the Trustee as paying agent for the Dollar Notes and Deutsche Bank AG, London Branch as paying agent for the Euro Notes. The Company may at any time appoint new paying agents, transfer agents and registrars. At any time, the Company may designate additional paying agents or rescind the designation of any paying agents. However, the Company is required to maintain a paying agent in each place of payment for the Notes at all times. In addition, as long as the Euro Notes remain outstanding, the Company has also agreed that it will, to the extent permitted as a matter of law, ensure that there is an applicable paying agent with respect to such series in a European Union Member State that is not obliged to withhold or deduct tax pursuant to the European Union Council Directive 2003/48/EC (as amended) on the taxation of savings income in the form of interest payments which was adopted by the ECOFIN Council on June 3, 2003, and amended by Council Decision on July 19, 2004, or any law implementing or complying with, or introduced to conform to, such Directive.

Any money deposited with the Trustee or any paying agent for the payment of principal, premium, if any, and interest on the Notes that remains unclaimed for the earlier of (i) two years after the date the payments became due and (ii) such time as the money escheats to the state, may be repaid to the Company upon its request. After the Company has been repaid, holders entitled to those payments may only look to the Company for payment as its unsecured general creditors. Neither the Trustee nor any paying agent will be liable for those payments after the Company has been repaid.

Certain Covenants

Except as set forth below, neither the Company nor any of its Subsidiaries will be restricted by the Indenture from:

- incurring any indebtedness or other obligation;
- incurring any Liens;
- entering into any Sale and Leaseback Transactions; or
- disposing of any assets.

In addition, neither the Company nor any of its Subsidiaries will be restricted by the Indenture from making any investments, including acquisitions, paying dividends or making distributions on the capital stock of the Company or of such Subsidiaries or purchasing or redeeming capital stock of the Company or such Subsidiaries. The Company will not be required to maintain any financial ratios or specified levels of net worth or liquidity or to repurchase or redeem or otherwise modify the terms of any of the Notes upon a change of control or other events involving the Company or any of its Subsidiaries which may adversely affect the creditworthiness of the Notes, except to the limited extent provided under "—Repurchase of Notes upon a Change of Control Triggering Event." Among other things, the Indenture will not contain covenants designed to afford holders of the Notes any protections in the event of a highly leveraged or other transaction involving the Company that may adversely affect holders of the Notes, except to the limited extent provided below and under "—Repurchase of Notes upon a Change of Control Triggering Event."

Consolidation, Merger and Conveyance, Transfer and Lease of Assets

The Company may not: (1) consolidate or merge with or into another Person (whether or not the Company is the surviving entity); or (2) sell, assign, transfer, convey, lease or otherwise dispose of all or substantially all of the properties or assets of the Company and its Subsidiaries, taken as a whole, in one or more related transactions, to another Person, unless:

(1) either: (a) the Company is the surviving entity in such consolidation or merger; or (b) the Person formed by or surviving any such consolidation or merger (if other than the Company) or to which such sale, assignment, transfer, conveyance, lease or other disposition has been made is an entity organized or existing under the laws of any state of the United States or the District of Columbia (the Company or such Person, including the Person to which such sale, assignment, transfer, conveyance, lease or other disposition has been made, as the case may be, being herein called the "Successor Company"); *provided* that at any time the Successor Company is not a corporation, there shall be a co-issuer of the Notes that is a corporation that satisfies the requirements of this covenant;

(2) the Successor Company (if other than the Company) assumes all the obligations of the Company under the Notes and the Indenture pursuant to a supplemental indenture;

(3) immediately after such transaction, no Default or Event of Default exists; and

(4) in any transaction in which the Company is not the Successor Company, the Company or the Successor Company delivers an Officer's Certificate stating that such transaction complies with the "—Consolidation, Merger and Conveyance, Transfer and Lease of Assets" section of the Indenture and, if applicable, all conditions precedent in the Indenture to the execution of the supplemental indenture have been satisfied.

The Indenture will also provide for similar provisions relating to any consolidation, merger or sale, assignment, transfer, conveyance, lease or other disposition of all or substantially all of the properties or assets of a Guarantor; *provided* that such provisions shall not apply to a transaction pursuant to which such Guarantor shall be released from its obligations under the Indenture and the Notes in accordance with the covenant described under "—Guarantees."

For purposes of this covenant, the sale, lease, conveyance, assignment, transfer or other disposition of all or substantially all of the properties and assets of one or more Subsidiaries of the Company, which properties and assets, if held by the Company instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of the Company on a consolidated basis, shall be deemed to be the sale, lease, conveyance, assignment, transfer or other disposition of all or substantially all of the properties and assets of the Company.

The predecessor company will be released from its obligations under the Indenture and, upon the execution and delivery of the supplemental indenture referred to above, the Successor Company will succeed to, and be substituted for, and may exercise every right and power of, the Company under the Indenture, but, in the case of a lease of all or substantially all its assets, the predecessor will not be so released.

Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the property or assets of a Person.

Notwithstanding the foregoing, clauses (3) and (4) above will not apply to (a) a sale, assignment, transfer, conveyance, lease or other disposition of assets between or among the Company and its Subsidiaries, (b) any Subsidiary consolidating with, merging into or selling, assigning, transferring, conveying, leasing or otherwise disposing of all or part of its properties and assets to the Company or to another Subsidiary (*provided* that, in the event that such Subsidiary is a Guarantor, it may consolidate with, merge into or sell, assign, transfer, convey, lease or otherwise dispose of all or part of its properties and assets solely to the Company or another Guarantor) or (c) the Company or a Guarantor merging with an Affiliate solely for the purpose and with the sole effect of reorganizing the Company or such Guarantor in another jurisdiction.

Limitation on Liens

The Company will not, and will not permit any of its Subsidiaries, to enter into, create, incur or assume any Lien on any property owned by any of them, whether now owned or hereafter acquired, in order to secure any Indebtedness (other than Indebtedness among the Company and the Guarantors), other than Permitted Liens, without effectively providing that the Notes shall be equally and ratably secured (together with, at the option of the Company, any other Indebtedness of the Company or any Subsidiary ranking equally in right of payment with the Notes), until such time as such Indebtedness is no longer secured by such Lien. Any Lien that is granted to secure the Notes under this covenant shall be automatically released and discharged without any further action by any Person at the same time as the release of the Lien that gave rise to the obligation to secure the Notes under this covenant.

For purposes of the foregoing covenant, in the event that a Lien meets the criteria of more than one of the types of Permitted Liens, the Company, in its sole discretion, will classify, and may reclassify, such Lien and only be required to include the amount and type of such Lien as a Permitted Lien, and a Lien may be divided and classified and reclassified into more than one of such types of Liens. In addition, (1) for purposes of calculating compliance with the foregoing covenant, in no event will the amount of any Indebtedness or Liens securing any Indebtedness be required to be included more than once despite the fact more than one Person is or becomes liable with respect to such Indebtedness and despite the fact such Indebtedness is secured by the property of more than one Person (for example, and for avoidance of doubt, in the case where there are Liens on the property of one or more of the Company and its Subsidiaries securing any Indebtedness, the amount of such Indebtedness secured shall only be included once for purposes of such calculations) and (2) the expansion of Liens by virtue of accrual of interest, the accretion of accreted value, the payment of interest or dividends in the form of additional Indebtedness, amortization of original issue discount and increases in the amount of Indebtedness outstanding solely as a result of fluctuations in the exchange rate of currencies will not be deemed to be an incurrence of Liens for purposes of this covenant.

Any Sale and Leaseback Transaction incurred pursuant to clauses (i), (iii) or (iv) of the "—Limitation on Sale and Leaseback Transactions" covenant below shall be deemed to be permitted pursuant to this covenant.

Limitation on Sale and Leaseback Transactions

The Company will not, and will not permit any of its Subsidiaries, to enter into any Sale and Leaseback Transaction with respect to any property unless:

(i) such Sale and Leaseback Transaction involves a lease of property executed by the time of or within 12 months after the latest of (i) the acquisition, the completion of construction or improvement, alteration or repair of such property and (ii) the commencement of commercial operation after the acquisition, completion, improvement, alteration or repeat of such property; or

(ii) the Company or such Subsidiary could incur Indebtedness secured by a Lien on the property to be leased in an amount equal to the Attributable Indebtedness with respect to such Sale and Leaseback Transaction without equally and ratably securing the Notes pursuant to the first paragraph under "—Limitation on Liens" above; or

(iii) the Company or such Subsidiary applies an amount equal to the net proceeds from the sale of such property to the purchase, construction or improvement of other property or equipment used or useful to the Company's business or to the retirement or other repayment or prepayment of long-term Indebtedness, including debt securities, within 365 calendar days after the effective date of any such Sale and Leaseback Transaction; *provided*, *however*, that the amount required to be applied to the retirement of long-term Indebtedness pursuant to this clause (iii) shall be reduced by the aggregate principal amount of any such Indebtedness retired by us or a Subsidiary within 365 days of the effective date of such Sale and Leaseback Transaction; or

(iv) such Sale and Leaseback Transaction was entered into prior to the date of the Indenture.

Additional Guarantees

If the Company or any Wholly Owned Domestic Subsidiary acquires or creates another Wholly Owned Domestic Subsidiary (other than an Excluded Subsidiary) after the Issue Date that provides a Guarantee of the Company's or any Guarantor's obligations, or any Wholly Owned Domestic Subsidiary (other than an Excluded Subsidiary) becomes an obligor, under any Material Indebtedness, then, within 30 days after such Wholly Owned Domestic Subsidiary provides such Guarantee or becomes such an obligor, such Wholly Owned Domestic Subsidiary will execute a supplemental indenture to the Indenture providing for a Note Guarantee by such Wholly Owned Domestic Subsidiary. The Company may elect, in its sole discretion, to cause any Subsidiary that is not otherwise required to provide a Note Guarantee to become a Guarantor, in which case such Subsidiary shall not be required to comply with the 30-day period described above.

Provision of Financial Information

The Company will provide to the Trustee, within 30 days after the Company is required to file the same with the Commission, copies of the annual reports and of the information, documents, and other reports (or copies of such portions of any of the foregoing as the Commission may from time to time by rules and regulations prescribe) which the Company may be required to file with the Commission pursuant to Section 13 or Section 15(d) of the Exchange Act or, if the Company is not required to file information, documents, or reports pursuant to either of such Sections, then to provide to the Trustee and the holders of the Notes:

(1) within 90 days after the end of each fiscal year of the Company, its audited consolidated balance sheet and related statements of operations, stockholders' equity and cash flows as of the end of and for such year, setting forth in each case in comparative form the figures for the previous fiscal year, all reported on by independent public accountants of recognized national standing to the effect that such consolidated financial statements present fairly in all material respects the financial condition and results of operations of the Company and its Subsidiaries on a consolidated basis in accordance with GAAP; and

(2) within 45 days after the end of each fiscal quarter of the Company not corresponding with the fiscal year end, its unaudited consolidated balance sheet and related statements of operations, stockholders' equity and cash flows as of the end of and for such fiscal quarter and the then elapsed portion of the fiscal year, setting forth in each case in comparative form the figures for the corresponding period or periods of (or, in the case of the balance sheet, as of the end of) the previous fiscal year, all certified by its chief financial officer as presenting fairly in all material respects the financial condition and results of operations of the Company and its consolidated Subsidiaries on a consolidated basis in accordance with GAAP, subject to normal year end audit adjustments and the absence of footnotes, and accompanied by a statement by the directors of the Company commenting on the performance of the Company and its subsidiaries for the quarter to which the financial statements relate and any material developments or proposals affecting the Company or business.

The requirement for the Company to provide information may be satisfied by filing of such reports, documents and information via the Commission's EDGAR system (or any successor electronic filing system) or posting such reports, documents and information on its website, in each case within the time periods specified herein, it being understood that the Trustee shall have no responsibility whatsoever to determine if such filings have been made, and that the Trustee shall not be deemed to have knowledge of the information contained therein. To the extent any information is not provided within the time periods specified in the immediately preceding paragraph and such information is subsequently provided, the Company will be deemed to have satisfied its obligations with respect thereto at such time and any default or event of default with respect thereto shall be deemed to have been cured.

At any time when the Notes are "restricted securities" under Rule 144 under the Securities Act, the Company will furnish to the holders of the Notes and prospective investors, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

Certain Definitions

As used in this "Description of Notes" section, the following terms have the meanings set forth below.

"Adjusted EBITDA" means, for any period, the total of the following calculated without duplication for such period:

(1) the Consolidated EBITDA of the Company and its Subsidiaries; *plus*

(2) the pro forma Consolidated EBITDA (as adjusted by any increases pursuant to clauses (3) and (4) below) and cash distributions of any Person (or, as applicable, the Consolidated EBITDA and such cash distributions of any such Person attributable to the assets acquired from such Person), for any portion of the Measurement Period occurring prior to the date of the acquisition of such Person (or the related assets, as the case may be); *plus*

(3) extraordinary, unusual or non-recurring items; *plus*

(4) restructuring charges and related charges, accruals or reserves; costs, charges, accruals, reserves or expenses attributable to the undertaking and/or implementation of cost savings initiatives, operating expense reductions, operating improvements, business optimization, synergies and similar initiatives, including costs related to the opening, closure and/or consolidation of offices and facilities and the termination of distributor and joint venture arrangements (including the termination or discontinuance of activities constituting a business), retention charges, contract termination costs, recruiting and signing bonuses and expenses, systems establishment costs, severance expenses and any cost associated with any modification to any pension and post-retirement employee benefit plan, software and other systems development, establishment and implementation costs, costs relating to entry into a new market, project startup costs, costs relating to any strategic initiative or new operations or conversion costs and any business development, consulting fees or legal fees or costs relating to the foregoing; *plus*

(5) (i) all fees, commissions, costs and expenses incurred or paid by the Company and its Subsidiaries and (ii) transaction separation and integrations costs, in each case in connection with the Original Transactions, the Transactions and any acquisition; *plus*

(6) pro forma cost savings, operating expense reductions and synergies related to, and net of the amount of actual benefits realized during such Measurement Period from, Specified Transactions, restructurings and cost savings initiatives or other similar initiatives that are reasonably identifiable, factually supportable and projected by the Company in good faith to result from actions that have been taken or with respect to which substantial steps have been taken, committed to be taken or are expected to be taken (in the good faith determination of the Company), in each case within twenty four (24) months after such Specified Transaction, restructuring, cost savings initiative or other initiative; *plus*

(7) pro forma cost savings, operating expense reductions and synergies related to, and net of the amount of actual benefits realized during such Measurement Period from, the Original Transactions that are reasonably identifiable, factually supportable and projected by the Company in good faith to be realized, and to result from actions that have been taken, committed to be taken or with respect to which substantial steps have been taken or are expected to be taken (in the good faith determination of the Company); *provided* that such pro forma cost savings, operating expense reductions and synergies shall not exceed, for (x) the Measurement Periods ending on or prior to June 30, 2019, \$375,000,000, (y) the Measurement Periods ending September 30, 2019, December 31, 2019, March 31, 2020 and June 30, 2020, \$150,000,000 and (z) for each Measurement Period thereafter, zero; *plus*

(8) the amount of any charge, cost or expense in connection with a single or one-time event, including, without limitation, in connection with (x) any acquisition or other investment consummated before or after the Issue Date and (y) the consolidation, closing or reconfiguration of any facility during such Measurement Period; *minus*

(9) the Consolidated EBITDA of any Subsidiary (a "Prior Company"), all of whose Equity Interests, or all or substantially all of whose assets have been disposed of, in a transaction permitted by the Indenture and, as applicable but without duplication, the Consolidated EBITDA of the Company and each of its Subsidiaries attributable to all assets ("Prior Assets") comprising a division or branch of the Company or a Subsidiary disposed of in a transaction permitted by the Indenture which would not make the seller a Prior Company, in each case for any portion of such Measurement Period occurring prior to the date of the disposal of such Prior Company or Prior Assets.

"Affiliate" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, "control" (including, with correlative meanings, the terms "controlling," "controlled by" and "under common control with"), as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise.

"Applicable Premium" means,

(i) with respect to any 2026 Dollar Note on any redemption date and as calculated by the Company, the greater of:

(1) 1.0% of the principal amount of such 2026 Dollar Note; and

(2) the excess, if any, of (a) the present value at such redemption date of (i) the redemption price of such 2026 Dollar Note that would apply if such 2026 Dollar Note were redeemed on , 2021 (such redemption price (expressed in percentage of principal amount) being set forth in the relevant table appearing above under "—Optional Redemption—2026 Dollar Notes"), plus (ii) all remaining scheduled payments of interest due on such 2026 Dollar Note to and including , 2021 (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 as of such redemption date plus basis points; over (b) the principal amount of such 2026 Dollar Note;

(ii) with respect to any 2028 Dollar Note on any redemption date and as calculated by the Company, the greater of:

(1) 1.0% of the principal amount of such 2028 Dollar Note; and

(2) the excess, if any, of (a) the present value at such redemption date of (i) the redemption price of such 2028 Dollar Note that would apply if such 2028 Dollar Note were redeemed on , 2023 (such redemption price (expressed in percentage of principal amount) being set forth in the relevant table appearing above under "—Optional Redemption—2028 Dollar Notes"), plus (ii) all remaining scheduled payments of interest due on such 2028 Dollar Note to and including , 2023 (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 as of such redemption date plus basis points; over (b) the principal amount of such 2028 Dollar Note;

(iii) with respect to any 2023 Euro Note on any redemption date and as calculated by the Company, the greater of:

(1) 1.0% of the principal amount of such 2023 Euro Note; and

(2) the excess, if any, of (a) the present value at such redemption date of (i) the redemption price of such 2023 Euro Note that would apply if such 2023 Euro Note

were redeemed on , 2020 (such redemption price (expressed in percentage of principal amount) being set forth in the relevant table appearing above under "—Optional Redemption—2023 Euro Notes"), plus (ii) all remaining scheduled payments of interest due on such 2023 Euro Note to and including , 2020 (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 Bund Rate as of such redemption date plus basis points; over (b) the principal amount of such 2023 Euro Note; and

(iv) with respect to any 2026 Euro Note on any redemption date and as calculated by the Company, the greater of:

(1) 1.0% of the principal amount of such 2026 Euro Note; and

(2) the excess, if any, of (a) the present value at such redemption date of (i) the redemption price of such 2026 Euro Note that would apply if such 2026 Euro Note were redeemed on , 2021 (such redemption price (expressed in percentage of principal amount) being set forth in the relevant table appearing above under "—Optional Redemption—2026 Euro Notes"), plus (ii) all remaining scheduled payments of interest due on such 2026 Euro Note to and including , 2021 (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 Bund Rate as of such redemption date plus basis points; over (b) the principal amount of such 2026 Euro Note.

"Attributable Indebtedness" means, with respect to any Sale and Leaseback Transaction, at the time of determination, the lesser of (1) the sale price of the property so leased multiplied by a fraction the numerator of which is the remaining portion of the base term of the lease included in such transaction and the denominator of which is the base term of such lease, and (2) the total obligation (discounted to the present value at the implicit interest factor, determined in accordance with GAAP, included in the rental payments) of the lessee for rental payments (other than amounts required to be paid, whether or not designated as rent or additional rent, on account of taxes as well as maintenance, repairs, insurance, water rates, assessments and similar charges and other items which do not constitute payments for property rights) during the remaining portion of the base term of the lease included in such transaction. In the case of any lease which is terminable by the lessee upon the payment of a penalty, such net amount may, if we so elect, also include the amount of such penalty, in which case no rent shall be considered as required to be paid under such lease subsequent to the first date upon which it may be so terminated.

"Board of Directors" means the Board of Directors of the Company (including any committee thereof duly authorized to act on behalf of the Board of Directors).

"Bund Rate" means, with respect to any relevant date, the rate per annum equal to the equivalent yield to maturity as of such date of the Comparable German Bund Issue, assuming a price for the Comparable German Bund Issue (expressed as a percentage of its principal amount) equal to the Comparable German Bund Price for such relevant date, where:

(1) *"Comparable German Bund Issue"* means the German Bundesanleihe security selected by any Reference German Bund Dealer as having a fixed maturity most nearly equal to the period from the applicable redemption date to , 2020, in the case of the 2023 Euro Notes, and , 2021, in the case of the 2026 Euro Notes, and that would be utilized at the time of selection and in accordance with customary financial practice, in pricing new issues of euro denominated corporate debt securities in a principal amount approximately equal to the then outstanding principal amount of the 2023 Euro Notes or 2026 Euro Notes, as applicable, and of a maturity most nearly equal to the 2023 Euro Notes or 2026 Euro Notes, as applicable; provided, however, that, if the period from the applicable redemption date to , 2020, in the case of the 2023 Euro Notes, or , 2021, in the case of the 2026 Euro Notes, is less than one year, a fixed maturity of one year shall be used;

(2) *"Comparable German Bund Price"* means, with respect to any redemption date, the average of all Reference German Bund Dealer Quotations for such date (which, in any event, must include at least two such quotations), after excluding the highest and lowest such Reference German Bund Dealer Quotations, or if the Company obtains fewer than four such Reference German Bund Dealer Quotations, the average of all such quotations;

(3) *"Reference German Bund Dealer"* means any dealer of German Bundesanleihe securities appointed by the Company in good faith; and

(4) *"Reference German Bund Dealer Quotations"* means, with respect to each Reference German Bund Dealer and any redemption date, the average as determined by the Company of the bid and offered prices for the Comparable German Bund Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Company by such Reference German Bund Dealer at 3:30 p.m. Frankfurt, Germany, time on the third Business Day preceding such redemption date;

provided, *however*, that in no case for any purposes under the Indenture shall the Bund Rate be less than 0.00%.

"Business Day" means (i) with respect to each series of Dollar Notes, each day that is not a Saturday, Sunday or other day on which banking institutions in New York, New York or in the place of payment are authorized or required by law to close and (ii) with respect to each series of Euro Notes, each day that is not a Saturday, Sunday or other day on which banking institutions in New York, New York or London or in the place of payment are authorized or required by law to close and on which the Trans-European Automated Real-time Gross Settlement Express Transfer system (the TARGET2 system), or any successor thereto, operates.

"Capital Lease" means any Indebtedness represented by a lease obligation of a Person incurred with respect to real property or equipment acquired or leased by such Person and used in its business that is required to be recorded as a capital lease on such Person's balance sheet in accordance with GAAP as in effect on the Issue Date, and the amount of such obligations shall be the capitalized amount thereto; *provided*, *however*, that all obligations of any Person that are or would have been treated as operating leases (including for avoidance of doubt, any network lease or any operating indefeasible right of use) for purposes of GAAP prior to the issuance by the Financial Accounting Standards Board on February 25, 2016 of an Accounting Standards Update (the "ASU") shall continue to be accounted for as operating leases for purposes of all financial definitions and calculations for purpose of the Indenture (whether or not such operating lease obligations were in effect on such date) notwithstanding the fact that such obligations are required in accordance with the ASU (on a prospective or retroactive basis or otherwise) to be treated as a Capital Lease in any financial statements to be delivered pursuant to "—Provision of Financial Information."

"Capital Stock" means:

(1) in case of a corporation, capital stock, shares or share capital;

(2) in the case of an association or business entity, and all shares, interests, participations, rights or other equivalents (however designated) of capital stock;

(3) in the case of a partnership or limited liability company, partnership or membership interests (whether general or limited); and

(4) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person.

"Captive Insurance Subsidiary" means any Subsidiary of the Company that is subject to regulation as an insurance company (or any Subsidiary thereof).

"CFC" means a "controlled foreign corporation" within the meaning of Section 957(a) of the Code.

"CFC Holdco" means a Domestic Subsidiary substantially all of whose assets consist (directly or indirectly through entities that are disregarded for United States federal income tax purposes) of the Equity Interests and/or Indebtedness of one or more CFCs.

"Change of Control" means the occurrence of any of the following:

(1) the sale, lease, transfer or other conveyance, in one or a series of related transactions, of all or substantially all of the assets of the Company and its Subsidiaries, taken as a whole, to any Person (other than the Company or any of its Subsidiaries), other than any such merger or consolidation where the shares of the Company's Voting Stock outstanding immediately prior to such transaction constitute, or are converted into or exchanged for, a majority of the Voting Stock of the surviving person or parent entity thereof immediately after giving effect to such transaction; or

(2) the consummation of any transaction that result of which is that any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act), other than the Company, its Subsidiaries or any employee benefit plan of the Company or its Subsidiaries or the Owner Group or any "group" that is controlled by the Owner Group, files a Schedule 13D or Schedule TO (or any successor schedule, form or report) pursuant to the Exchange Act disclosing that such person has become the direct or indirect "beneficial owner" (as such term is used in Rules 13d-3 and 13d-5 under the Exchange Act), in a single transaction or in a related series of transactions, by way of merger, consolidation or other business combination or purchase of beneficial ownership, directly or indirectly, of more than 50% of the total voting power of the Voting Stock of the Company or any entity of which it is a Subsidiary; *provided*, *however*, that a transaction will not be deemed to involve a Change of Control under this clause (2) if (a) the Company becomes a direct or indirect wholly owned subsidiary of a holding company, and (b)(i) the direct or indirect holders of the Voting Stock of such holding company immediately following that transaction are substantially the same as the holders of the Company's Voting Stock immediately prior to that transaction or (ii) immediately following that transaction no "person" or "group" (other than a holding company satisfying the requirements of this sentence) is the beneficial owner, directly or indirectly, of more than 50% of the Voting Stock of such holding company.

"Change of Control Triggering Event" means, with respect to a series of Notes, the occurrence of (1) a Change of Control that is accompanied or followed by a downgrade of the Notes of such series within the Ratings Decline Period for such Change of Control by each of Moody's and S&P (or, in the event Moody's or S&P or both shall cease rating the Notes of such series (for reasons outside the control of the Company) and the Company shall select any other nationally recognized rating agency, the equivalent of such ratings by such other nationally recognized rating agency) and (2) the rating of the Notes of such series on any day during such Ratings Decline Period is below the lower of the rating by such nationally recognized rating agency in effect (a) immediately preceding the first public announcement of the Change of Control (or occurrence thereof if such Change of Control occurs prior to public announcement) and (b) on the Issue Date. Notwithstanding the foregoing, no Change of Control Triggering Event will be deemed to have occurred in connection with (i) any particular Change of Control unless and until such Change of Control has actually been consummated or (ii) any reduction in rating if the rating agencies making the reduction in rating to which this definition would otherwise apply do not announce or publicly confirm or inform the Trustee in writing at its request that the reduction was the result, in whole or in part, of any event or circumstance comprised of or arising as a result of, or in respect of, a Change of Control (whether or not the Change of Control shall have occurred at the time of the reduction in rating).

"Commission" means the U.S. Securities and Exchange Commission.

"Consolidated EBITDA" means, with respect to any Person for any Measurement Period, Consolidated Net Income for such period, *plus* the following (without duplication) to the extent deducted or otherwise excluded in calculating Consolidated Net Income in such Measurement Period:

(1) Consolidated Non-cash Charges;

(2) Consolidated Interest Expense;

(3) Consolidated Income Tax Expense;

(4) the amount of any fee, cost, expense or reserve to the extent actually reimbursed or reimbursable by third parties pursuant to indemnification or reimbursement provisions or similar agreements or insurance, *provided* that, such Person in good faith expects to receive reimbursement for such fee, cost, expense or reserve within the next four fiscal quarters (it being understood that to the extent not actually received within such fiscal quarters, such reimbursement amounts shall be deducted in calculating Consolidated EBITDA for such fiscal quarters);

(5) the amount of any expense or deduction associated with any subsidiary of such Person attributable to non-controlling interests or minority interests of third parties;

(6) the amount of loss on sales of receivables and related assets to the Company or any Subsidiary in connection with a permitted receivables financing;

(7) proceeds of business interruption insurance in an amount representing the earnings for the applicable Measurement Period where such proceeds are intended to replace (whether or not received so long as such Person in good faith expects to receive the same within the next four fiscal quarters (it being understood that to the extent not actually received within such fiscal quarters, such proceeds shall be deducted in calculating Consolidated EBITDA for such fiscal quarters));

(8) any earn-out obligation and contingent consideration obligations (including adjustments thereof and purchase price adjustments) incurred in connection with any investment, including any investment consummated prior to the Issue Date, which is paid or accrued during such period.

"Consolidated Income Tax Expense" means, with respect to any Person for any period, the provision for (or benefit of) federal, state, local and foreign income and franchise taxes of such Person and its Subsidiaries for such period as determined on a consolidated basis in accordance with GAAP, including any penalties and interest related to such taxes or arising from any tax examinations, to the extent the same were deducted (or added back, in the case of income tax benefit) in computing Consolidated Net Income.

"Consolidated Interest Expense" means, with respect to any Person for any period, without duplication, the total interest expense (including the interest portion of obligations under Capital Leases) of such Person and its Subsidiaries for such period as determined on a consolidated basis in accordance with GAAP to the extent deducted in calculating Consolidated Net Income, of such Person and its Subsidiaries.

"Consolidated Net Income" means, with respect to any Person, for any period, the consolidated net income (or loss) of such Person and its Subsidiaries, after deduction of net income (or loss) attributable to non-controlling interests, for such period as determined in accordance with GAAP, adjusted, to the extent included in calculating such net income, by excluding, without duplication, the following (or, to the extent attributable to a non-wholly owned consolidated entity, a portion of the following amounts proportionate to the Subject Person's allocable ownership interest in such entity):

(1) all extraordinary, non-recurring, non-operating or unusual gains, charges or losses and/or any non-cash gains, charges or losses (including (x) costs and payments in connection with actual or prospective litigation, legal settlements, fines, judgments or orders, (y) costs of, and payments of, corporate reorganizations and (z) gains, income, losses, expenses or charges (less all fees and expenses chargeable thereto) attributable to any sales or dispositions of Equity Interests or assets (including asset retirement costs) or returned surplus assets of any employee benefit plan outside of the ordinary course of business);

(2) the income (or loss) of (1) any other Person that is not a Subsidiary but whose accounts would be consolidated with those of such Person in such Person's consolidated financial statements in accordance with GAAP or (2) any other Person (other than a Subsidiary) in which such Person or a Subsidiary has an ownership interest (including any Joint Venture); *provided*, *however*, that Consolidated Net Income shall include amounts in respect of the

income of such other Person when actually received in cash or cash equivalents by such Person or such Subsidiary in the form of dividends or similar distributions;

(3) the income (or loss) of any Person acquired by such Person or a Subsidiary for any period prior to the date of such acquisition (*provided* such income or loss may be included in the calculation of Adjusted EBITDA to the extent provided in the definition thereof);

(4) the cumulative effect of any change in accounting principles or policies in accordance with GAAP during such period;

(5) any net gains, income, charges, losses, expenses or charges with respect to (x) disposed, abandoned, closed and discontinued operations (other than assets held for sale) and any accretion or accrual of discounted liabilities and on the disposal of disposed, abandoned, and discontinued operations and (y) facilities, plants or distribution centers that have been closed during the relevant Measurement Period;

(6) effects of adjustments (including the effects of such adjustments pushed down to such Person) in such Person's consolidated financial statements pursuant to GAAP (including in the inventory, property and equipment, software, goodwill, intangible assets, in-process research and development, deferred revenue, deferred rent and debt line items thereof) resulting from the application of recapitalization accounting or acquisition accounting, as the case may be, in relation to the Original Transactions or any consummated recapitalization or acquisition transaction or similar investment or the amortization or write-off of any amounts thereof;

(7) any net income or loss (less all fees and expenses or charges related thereto) attributable to the early extinguishment of Indebtedness (and the termination of any associated Hedging Obligations);

(8) any (x) write-off or amortization made in the relevant Measurement Period of deferred financing costs and premiums paid or other expenses incurred directly in connection with any early extinguishment of Indebtedness, (y) good will or other asset impairment charges, write-offs or write-downs or (z) amortization of intangible assets;

(9) any non-cash compensation charge, cost, expense, accrual or reserve, including any such charge, cost, expense, accrual or reserve arising from the grant of stock appreciation or similar rights, stock options, restricted stock or other management equity plan, profits interest plan, pension plan, employee benefit plan, deferred compensation arrangement, distributor equity plan or any other equity incentive programs, plans, arrangements or schemes (including any compensation charge and any charge related to any repricing, amendment or other change thereto) and any cash charges associated with the rollover, acceleration or payment of management equity;

(10) any fees, costs, commissions and expenses incurred or paid by such Person (or any JAB Affiliate) during the relevant Measurement Period (including rationalization, legal, tax and structuring fees, costs and expenses), or any amortization or write-off thereof for such period in connection with or pursuant to (i) the Original Transactions or the Transactions (including shared costs and tax formation costs, in each case, relating solely to the consummation of the Transactions, whether incurred before or after the Issue Date) or the documents related to the Credit Agreement and (ii) any transaction (other than any transaction among the Company and its Subsidiaries in the ordinary course of operations), including any acquisition, investment, disposition, recapitalization, incurrence or repayment of Indebtedness (other than the incurrence or repayment of Indebtedness among the Company and its Subsidiaries in the ordinary course of operations), issuance of Equity Interests, refinancing transaction or amendment, waiver or modification of any Indebtedness (in each case, including any such transaction consummated prior to the Issue Date and any such transaction undertaken but not completed) and any charges or non-recurring merger, consolidation or amalgamation costs incurred during such Measurement Period as a result of any such transaction;

(11) accruals and reserves that are established or adjusted after the Issue Date that are so required to be established or adjusted during such period as a result of the adoption or modification of accounting policies;

(12) any unrealized or realized net foreign currency translation gains or losses and unrealized net foreign currency transaction gains or losses, in each case impacting net income (including currency re-measurements of Indebtedness, any applicable net gains or losses resulting from Hedging Obligations for currency exchange risk associated with the above or any other currency related risk and those resulting from intercompany Indebtedness); and

(13) unrealized net losses, charges or expenses and unrealized net gains in the fair market value of any arrangements under Hedging Obligations.

"Consolidated Non-cash Charges" means, with respect to any Person for any period determined on a consolidated basis in accordance with GAAP, the aggregate (i) depreciation, (ii) amortization (including amortization of goodwill, other intangibles, deferred financing fees, debt issuance costs, commissions, fees and expenses), (iii) non-cash compensation charge, cost, expense, accrual or reserve, including any such charge, cost, expense, accrual or reserve arising from the issuance of Equity Interests or the grant of stock appreciation or similar rights, stock options, restricted stock or other equity incentive programs to any director, officer, employee or consultant of such Person or any Subsidiary; and other non-cash charge, cost, expense, accrual or reserve of such Person and its Subsidiaries reducing Consolidated Net Income of such Person and its Subsidiaries for such period (excluding any such charge which requires an accrual of or a reserve for cash charges for any future period).

"Consolidated Senior Secured First Lien Debt Ratio" means, as of any date of determination, the ratio of (a) consolidated Indebtedness of the Company and its Subsidiaries on such date that is secured by a Lien on any asset or property of the Company and its Subsidiaries that is not subordinated to the Liens securing the obligations of the Company and its Subsidiaries under the Credit Agreement (other than Indebtedness in respect of (i) unreimbursed obligations in respect of drawn letters of credit until five days after such amount is drawn, and (ii) if, upon or prior to the maturity thereof, such Person has irrevocably deposited with the proper Person in trust or escrow the necessary funds (or evidences of Indebtedness) for the payment, redemption or satisfaction of such Indebtedness, and thereafter such funds and evidences of such obligation, liability or indebtedness or other security so deposited are not included in the calculation of unrestricted cash), *less* unrestricted cash and cash equivalents (or cash and cash equivalents that would be unrestricted but for Liens thereon pursuant to a Permitted Lien) that would be stated on the balance sheet of the Company and its Subsidiaries and held by the Company and its Subsidiaries as of such date of determination, as determined in accordance with GAAP, to (b) Adjusted EBITDA of the Company and its Subsidiaries for the relevant Measurement Period.

For purposes of this definition, (x) a Sale and Leaseback Transaction under clause (ii) of "Certain Covenants—Limitation on Sale and Leaseback Transactions" shall be deemed to be Indebtedness that is secured by a Lien on any asset or property of the Company and its Subsidiaries that is not subordinated to the Liens securing the obligations of the Company and its Subsidiaries under the Credit Agreement, (y) Consolidated Senior Secured First Lien Debt Ratio, Adjusted EBITDA and Consolidated EBITDA shall be calculated after giving effect on a pro forma basis for the applicable Measurement Period to any Specified Transactions that have occurred during such Measurement Period or at any time subsequent to the last day of such Measurement Period and on or prior to the date of the transaction in respect of which Adjusted EBITDA or Consolidated EBITDA is being determined as if such Specified Transaction occurred on the first day of such Measurement Period and (z) pro forma calculations shall be made in good faith by a responsible financial or accounting officer of the Company; *provided* that such pro forma calculations may include cost savings, operating expense reductions and synergies for such period resulting from the transaction that is being given pro forma effect that are reasonably identifiable and factually supportable (in the good faith determination of the Company) and have been realized or for which the steps necessary for realization have been taken or committed or have been identified and are reasonably expected to be taken within 24 months following any such transaction; *provided* that the

Company shall not be required to give pro forma effect to any transaction that it does not in good faith deem material. If any Indebtedness bears a floating rate of interest and is being given pro forma effect, the interest on such Indebtedness shall be calculated as if the rate in effect on the date such calculation is being made had been the applicable rate for the entire period (taking into account any Hedging Obligations applicable to such Indebtedness). Interest on obligations with respect to Capital Leases shall be deemed to accrue at an interest rate determined in good faith by a responsible financial or accounting officer of the Company to be the rate of interest implicit in such Capital Lease in accordance with GAAP. Interest on Indebtedness that may optionally be determined at an interest rate based upon a factor of a prime or similar rate, a eurocurrency rate, or other rate, shall be deemed to have been based upon the rate actually chosen, or, if none, then based upon such optional rate chosen as the Company may designate.

With respect to any transaction that requires the calculation of Consolidated Senior Secured First Lien Debt Ratio, Adjusted EBITDA or Consolidated EBITDA, the Company may, at its option, use the date that the definitive agreement (or other relevant definitive documentation) for such transaction is entered into (the "Agreement Date") as the applicable date of determination of such calculations, in each case with such pro forma adjustments as are appropriate and consistent with the provisions set forth in the above paragraphs to this definition. For the avoidance of doubt, if the Company elects to use the Agreement Date as the applicable date of determination in accordance with the foregoing, any fluctuation or change in the applicable ratio, Adjusted EBITDA or Consolidated EBITDA of the Company or its Subsidiaries occurring at or prior to the consummation of the relevant transaction will not be taken into account for purposes of determining compliance of the transaction with the Indenture.

"Credit Agreement" means that certain Credit Agreement described under the heading "Description of New Credit Facilities," to be dated on or about the Issue Date, among the Company, Coty B.V., a private company with limited liability (besloten vennootschap met beperkte aansprakelijkheid) incorporated under the laws of the Netherlands, the lenders and other parties party thereto from time to time and JPMorgan Chase Bank, N.A., as Administrative Agent and as Collateral Agent, including any related notes, guarantees, collateral documents, instruments and agreements executed in connection therewith, as amended, restated, supplemented, modified, renewed, refunded, replaced (whether at maturity or thereafter) or refinanced from time to time in one or more agreements or indentures (in each case with the same or new lenders or institutional investors), including any agreement adding or changing the borrower or guarantor or extending the maturity thereof or otherwise restructuring all or any portion of the Indebtedness thereunder or increasing the amount loaned or issued thereunder or altering the maturity thereof.

"Credit Facilities" means, with respect to the Company or any of its Subsidiaries, one or more debt facilities, including the Credit Agreement or other financing arrangements (including commercial paper facilities, indentures and Sale and Leaseback Transactions) providing for revolving credit loans, term loans, letters of credit or other long-term indebtedness, including any notes, mortgages, guarantees, collateral documents, instruments and agreements executed in connection therewith, and any amendments, supplements, modifications, extensions, renewals, restatements or refundings thereof, in whole or in part, and any indentures or credit facilities or commercial paper facilities that replace, refund, supplement or refinance any part of the loans, notes, other credit facilities or commitments thereunder, including any such replacement, refunding, supplemental or refinancing facility, arrangement or indenture that increases the amount permitted to be borrowed or issued thereunder or alters the maturity thereof or adds Subsidiaries as additional borrowers or guarantors thereunder and whether by the same or any other agent, trustee, lender or group of lenders or holders.

"Default" means any event that is, or with the passage of time or the giving of notice or both would be, an Event of Default.

"Disqualified Stock" means, with respect to any Person, any Capital Stock of such Person which, by its terms (or by the terms of any security into which it is convertible or for which it is putable or exchangeable), or upon the happening of any event, matures or is mandatorily redeemable (other than as a result of a change of control or asset sale), pursuant to a sinking fund obligation or

otherwise, or is redeemable at the option of the holder thereof (other than as a result of a change of control or asset sale), in whole or in part, in each case prior to the date that is 91 days after the earlier of the final maturity date of the Notes or the date the Notes are no longer outstanding; *provided*, *however*, that (1) that any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to require such Person to purchase or redeem such Capital Stock upon the occurrence of a "change of control" occurring prior to the date that is 91 days after the earlier of the final maturity date of the Notes or the date the Notes are no longer outstanding shall not constitute Disqualified Stock if the "change of control" provisions applicable to such Capital Stock are not more favorable to the holders of such Capital Stock than the terms applicable to such series of Notes and described above under "Repurchase of Notes Upon a Change of Control Triggering Event," (2) if such Capital Stock is issued to any plan for the benefit of directors, officers, employees, managers, members of management or consultants of the Company or any of its Subsidiaries or transferred by any such plan to such directors, officers, employees, managers, members of management or consultants, such Capital Stock shall not constitute Disqualified Stock solely because it may be required to be repurchased by the Company or any of its Subsidiaries in order to satisfy applicable statutory or regulatory obligations, and (3) no Capital Stock held by any future, present or former director, officer, employee, manager, member of management or consultant (or their respective Affiliates or immediate family members) of the Company or any of its Subsidiaries shall be considered Disqualified Stock because such stock is redeemable or subject to repurchase pursuant to any management equity subscription agreement, stock option, stock appreciation right or other stock award agreement, stock ownership plan, put agreement, stockholder agreement or similar agreement that may be in effect from time to time.

"Domestic Subsidiary" means, with respect to any Person, any Subsidiary of such Person that is not a Foreign Subsidiary.

"Equity Interests" means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock).

"Equity Offering" means a public or private offering for cash by the Company, or any direct or indirect parent of the Company, of Capital Stock or options, warrants or rights with respect to the Capital Stock (in the case of an offering by any direct or indirect parent of the Company, to the extent such cash proceeds are contributed to the Company), other than (1) public offerings registered on Form S-8, (2) an issuance to any Subsidiary or other affiliate or (3) Disqualified Stock.

"Euro Government Obligations" means any security that is (i) a direct obligation of Ireland, Belgium, the Netherlands, France, Germany or any country that is a member of the European Monetary Union on the Issue Date, for the payment of which the full faith and credit of such country is pledged or (ii) an obligation of a person controlled or supervised by and acting as an agency or instrumentality of any such country the payment of which is unconditionally guaranteed as a full faith and credit obligation by such country, which, in either case under the preceding clause (i) or (ii), is not callable or redeemable at the option of the issuer thereof.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Commission promulgated thereunder.

"Excluded Subsidiary" means, with respect to the Company, (a) any Domestic Subsidiary (i) that is a direct or indirect subsidiary of a Foreign Subsidiary or CFC Holdco or (ii) that is a CFC Holdco, (b) any Subsidiary, including any regulated entity that is subject to net worth or net capital or similar capital and surplus restrictions, that is prohibited or restricted by applicable law, accounting policies or by contractual obligation existing on the Issue Date (or, with respect to any Subsidiary acquired by the Company or a Subsidiary after the Issue Date (and so long as such contractual obligation was not incurred in contemplation of such acquisition, on the date such Subsidiary is so acquired) from providing a Guarantee, or if such Guarantee would require governmental (including regulatory) or third party consent, approval, license or authorization, (c) any special purpose securitization vehicle (or similar entity), (d) any Captive Insurance Subsidiary, (e) any not for profit Subsidiary, (f) any Immaterial Subsidiary, (g) any Subsidiary acquired with Indebtedness assumed pursuant to the terms of the Indenture to the extent such

Subsidiary would be prohibited from providing the Guarantee, or consent would be required (that has not been obtained), pursuant to the terms of such Indebtedness, (h) any Subsidiary with respect to which the Guarantee would result in material adverse tax consequences as reasonably determined by the Company and (i) any other Subsidiary with respect to which the Company reasonably concludes that the burden or cost of providing the Guarantee outweighs the benefits to be obtained by the holders of the Notes therefrom.

"Existing Coty Credit Agreement" means that certain Credit Agreement, dated as of October 27, 2015 (as amended restated, amended and restated, supplemented or otherwise modified from time to time prior to the Issue Date), by and among the Company, the financial institutions party thereto from time to time as lenders and JPMorgan Chase Bank, N.A., as Administrative Agent and as Collateral Agent.

"Existing Credit Agreements" means both the Existing Coty Credit Agreement and the Existing Galleria Credit Agreement.

"Existing Galleria Credit Agreement" means that certain Credit Agreement, dated as of January 26, 2016 (as amended restated, amended and restated, supplemented or otherwise modified from time to time prior to the Issue Date, by and among Galleria Co., a Delaware corporation, the financial institutions party thereto from time to time as lenders and JPMorgan Chase Bank, N.A., as Administrative Agent and as Collateral Agent.

"Foreign Subsidiary" means, with respect to any Person, (i) any Subsidiary of such Person that is not organized or existing under the laws of the United States, any state thereof or the District of Columbia, (ii) any direct or indirect Subsidiary of such Person if substantially all of its assets consists of Equity Interests of one or more direct or indirect Subsidiaries described in clause (i) of this definition and (iii) any Subsidiary of a Subsidiary described in clauses (i) or (ii) of this definition.

"GAAP" means generally accepted accounting principles in the United States.

"Guarantee" means a guarantee other than by endorsement of negotiable instruments for collection in the ordinary course of business, direct or indirect, in any manner including, without limitation, through letters of credit or reimbursement agreements in respect thereof, of all or any part of any Indebtedness or other obligations. When used as a verb, "Guarantee" shall have a corresponding meaning. The amount of Indebtedness or other obligations of another Person Guaranteed by the specified Person or one or more of such Persons as of any date shall be equal to the lesser of: (a) the principal amount of such Indebtedness of such other Person and (b) the maximum amount of such Indebtedness payable under the Guarantee or Guarantees (without duplication in the case of one or more Guarantees of the same Indebtedness by Subsidiaries).

"Guarantor" means any Person that provides a Note Guarantee, either on the Issue Date or after the Issue Date in accordance with the terms of the Indenture; *provided* that upon the release and discharge of such Person from its Note Guarantee in accordance with the Indenture, such Person shall cease to be a Guarantor.

"Hedging Obligations" means, with respect to any Person, the obligations of such Person under:

(1) currency exchange, interest rate or commodity swap agreements, currency exchange, interest rate or commodity cap agreements and currency exchange, interest rate or commodity collar agreements; and

(2) other agreements or arrangements designed to manage, hedge or protect such Person with respect to fluctuations in currency exchange, interest rates or commodity prices.

"Immaterial Subsidiary" means, any Subsidiary of the Company designated by the Company from time to time as an "Immaterial Subsidiary" pursuant to an Officer's Certificate delivered to the Trustee; *provided*, that for the most recently ended Measurement Period prior to such date, (a) the revenue of any Immaterial Subsidiary shall not exceed 5% of the revenue of the Company and its Subsidiaries and (b) the gross assets of any Immaterial Subsidiary (after eliminating intercompany obligations) shall not exceed 5% or more of the total assets of the Company and its Subsidiaries; *provided*, *further*, that for the most recently ended Measurement Period prior to such date, the combined (a) revenue of all Immaterial Subsidiaries shall not exceed 7.5% or more of the revenue

of the Company and its Subsidiaries or (b) gross assets of all Immaterial Subsidiaries (after eliminating intercompany obligations) shall not exceed 7.5% or more of the total assets of the Company and its Subsidiaries.

"Indebtedness" of any specified Person means any obligation for borrowed money. For the avoidance of doubt, with respect to any Person, Indebtedness includes only indebtedness for the repayment of money provided to such Person, and does not include any other kind of indebtedness or obligation notwithstanding that such other indebtedness or obligation may be evidenced by a note, bond, debenture or other similar instrument, may be in the nature of a financing transaction, or may be an obligation that under GAAP is classified as "debt" or another type of liability, whether required to be reflected on the balance sheet of such Person or otherwise.

The amount of any Indebtedness outstanding as of any date will be:

(1) the accreted value of the Indebtedness, in the case of any Indebtedness that does not require the current payment of interest; and

(2) the principal amount of the Indebtedness, in the case of any other Indebtedness.

In addition, accrual of interest and accretion or amortization of original issue discount will not be deemed to be an incurrence of Indebtedness for any purpose under the Indenture.

"Issue Date" means the date of original issuance of the Notes under the Indenture.

"JAB Affiliate" means (i) any JAB Entity and (ii) any Person that (a) is organized by a JAB Entity or an Affiliate of a JAB Entity, and (b), directly or indirectly, is controlled by the JAB Entities, but excluding any operating portfolio companies of the foregoing.

"JAB Entity" means each of JAB Holding Company S.a.r.l and JAB Consumer Fund SCA SICAR.

"Joint Venture" means, with respect to any Person, any partnership, corporation or other entity in which up to and including 50% of the Equity Interests is owned, directly or indirectly, by such Person or one or more of its Subsidiaries. A Joint Venture shall not be treated as a Subsidiary.

"Lien" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or similar encumbrance; *provided* that in no event shall an operating lease (determined in accordance with GAAP) be deemed to constitute a Lien.

"Material Indebtedness" means (i) Indebtedness incurred under the Credit Agreement and (ii) any other Indebtedness of the Company or any of its Subsidiaries (other than any Excluded Subsidiary) incurred under a Credit Facility that has an aggregate principal amount or committed amount of at least $150.0 million; *provided* that in the case of clauses (i) and (ii) above, in no event shall Material Indebtedness include Indebtedness incurred by a Foreign Subsidiary of the Company that does not Guarantee, or become an obligor under, any Indebtedness of the Company or any of its Subsidiaries that is not a Foreign Subsidiary or an Excluded Subsidiary.

"Measurement Period" means, at any date of determination, the most recently completed four fiscal quarters of the Company for which financial statements have been filed with the Commission, or in the event that, at any date of determination, the Company is not subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, the most recently completed four fiscal quarters of the Company for which internal financial statements are available.

"Moody's" means Moody's Investors Service, Inc. and any successor to its rating agency business.

"Note Guarantee" means any Guarantee of the obligations of the Company under the Indenture and the Notes issued thereunder by a Guarantor in accordance with the provisions of the Indenture.

"Officer" means the Chairman of the Board, the Chief Executive Officer, the President, the Chief Financial Officer, the Chief Accounting Officer, any Executive Vice President, Senior Vice President or Vice President, the Treasurer or any Assistant Treasurer or the Secretary or any Assistant Secretary, or any equivalent, of the Company.

"Officer's Certificate" means a certificate signed on behalf of the Company by an Officer of the Company who shall be the Chairman of the Board of Directors, the Chief Executive Officer, the

Chief Financial Officer, the Treasurer or the Chief Accounting Officer, or the equivalent, of the Company.

"Original Transactions" shall have the meaning provided to "Transactions" in each of the Existing Credit Agreements.

"Owner Group" means the collective reference to the JAB Entities and their JAB Affiliates.

"Permitted Liens" means:

- Liens securing any Indebtedness of the Company or any Subsidiary of the Company pursuant to one or more Credit Facilities (including the Credit Agreement) in an aggregate principal amount at any time outstanding and secured pursuant to this bullet not to exceed the greater of (i) $11.0 billion and (ii) an amount that would cause the Consolidated Senior Secured First Lien Debt Ratio for the relevant Measurement Period to be greater than 3.75 to 1.00, calculated on a pro forma basis after giving effect to the creation, incurrence or assumption of such Lien but excluding (x) any Permitted Liens referred to in the below bullet points (other than the penultimate bullet of this definition) and (y) any Sale and Leaseback Transaction permitted under clauses (i), (iii) or (iv) of "—Certain Covenants—Limitation on Sale and Leaseback Transactions";
- Liens existing as of the Issue Date (other than Liens referred to in the immediately preceding bullet);
- Liens granted after the Issue Date created in favor of the holders of the Notes;
- Liens on any assets created solely to secure obligations incurred to finance the replacement, repair, refurbishment, improvement or construction of such asset, which obligations are incurred prior to or no later than 12 months after completion of such replacement, repair, refurbishment, improvement or construction, and all amendments, medications, renewals, extensions, refinancings, replacements or refundings of such obligations;
- Liens given to secure the payment of the purchase price or other acquisition, installation or construction costs incurred in connection with the acquisition (including acquisition through merger or consolidation) of any property, including Capital Lease transactions in connection with any such acquisition and including any purchase money Liens; *provided* that the Liens shall be given prior to or no later than 12 months after such acquisition and shall attach solely to the property acquired or purchased and any improvements then or thereafter placed thereon and any proceeds or products thereof and after-acquired property subjected to a Lien pursuant to the terms existing at the time of such acquisition;
- Liens given to secure the payment of or financing of all or any part of the purchase price or other acquisition, installation, construction, alteration, improvement or repair costs incurred in connection with the acquisition (including acquisition through merger or consolidation) of any property, including Capital Lease transactions in connection with any such acquisition and including any purchase money Liens; *provided* that the Liens shall be given within 12 months after the later of (i) such acquisition and/or the completion of any construction, alteration, improvement or repair, whichever is later, and (ii) the placing into commercial operation of such property after such acquisition or completion of any construction, alteration, improvement or repair, and shall attach solely to the property acquired or purchased and any additions, accessions or improvements then or thereafter placed thereon and any proceeds thereof;
- Liens existing on any property at the time of acquisition of such property or Liens existing on equipment, fixtures, real property or other assets of a Person and its Subsidiaries on or prior to the time such Person becomes a Subsidiary (including, in each case, acquisition through merger or consolidation) or at the time of such acquisition by the Company or any Subsidiary of the Company whether or not such existing Liens were given to secure the payment of the purchase price other acquisition, installation or construction costs of the property or assets to which they attach; *provided* that such Liens do not extend to other assets of the Company or its other Subsidiaries (other than any improvements then or thereafter placed thereon and any

proceeds or products thereof and after-acquired property subjected to a Lien pursuant to the terms existing at the time of such acquisition);

- Liens in favor of the Company or a Subsidiary of the Company;
- Liens on any property in favor of the United States of America or any State thereof (or the District of Columbia) or any other country or any department, agency, instrumentality or political subdivision thereof to secure progress or other payments or to secure Indebtedness incurred for the purpose of financing the cost of acquiring, replacing, constructing, installing, improving, altering, refurbishing, or repairing such property;
- Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods and Liens deemed to exist in connection with investments in repurchase agreements;
- (i) Liens imposed by law, such as carriers', warehousemen's, mechanic's, materialmen's, repairmen's and landlord's Liens and other similar Liens arising in the ordinary course of business, (ii) Liens in connection with legal proceedings and in respect of judgements, awards, attachments and/or decrees and notices of *lis pendens* and associated rights related to legal proceedings being contested and (iii) Liens arising solely by virtue of any statutory or common law provision relating to banker's Liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a creditor depository institution;
- Liens for taxes, assessments or other governmental charges not yet overdue for a period of more than 30 days or subject to penalties for non-payment or which are being contested in good faith by appropriate proceedings;
- Liens to secure the performance of, or granted in lieu of, bids, trade or commercial contracts, government contracts, purchase, construction, sales and servicing contracts (including utility contracts), leases, statutory obligations, surety, stay, customs and appeal bonds, performance bonds, performance and completion guarantees, and other obligations of a like nature, in each case in the ordinary course of business or consistent with industry practice and to secure letters of credit, Guarantees, bonds or other sureties given in connection with the foregoing or in connection with pension obligations that arise in the ordinary course of business, workers' compensation, health, disability or other employee benefits, unemployment insurance or other types of social security or similar laws and regulations, property, casualty or liability insurance or premiums related thereto or self-insurance obligations;
- (i) Leases, subleases, licenses or sublicenses (including with respect to intellectual property and software of the Company and its Subsidiaries) granted to others in the ordinary course of business and any interest of co-sponsors, co-owners or co-developers of intellectual property (or other agreements under which the Company or any of its Subsidiaries has granted rights to end users to access and use the Company's or any of its Subsidiary's product, technologies or services in the ordinary course of business) and (ii) the rights reserved to or vested in any Person by the terms of any lease, license, franchise, grant or permit held by the Company or any of its Subsidiaries or by a statutory provision to terminate any such lease, license, franchise, grant or permit or to require periodic payments as a condition to the continuation thereof;
- Liens to secure any Indebtedness incurred by Foreign Subsidiaries or Excluded Subsidiaries;
- Liens upon specific items of inventory or other goods and proceeds of any Person securing such Person's obligation in respect of banker's acceptances or letters of credit issued or created in the ordinary course of business for the account of such Person to facilitate the purchase, shipment, or storage of such inventory or other goods;
- Liens to secure Qualified Securitization Financings;
- Liens on stock, partnership or other equity interests in any Joint Venture of the Company or any of its Subsidiaries or in any Subsidiary of the Company that owns an equity interest in a Joint Venture to secure Indebtedness contributed or advanced solely to that Joint Venture;

provided that, in each case, the Indebtedness secured by such Lien is not secured by a Lien on any other property of the Company or any Subsidiary of the Company;

- Liens (i) and deposits securing netting services, business credit card programs, overdraft protection and other treasury, depository and cash management services, (ii) of a collection bank arising under Section 4-208 of the Uniform Commercial Code or other similar provision of applicable laws on items in the course of collection, (iii) encumbering reasonable customary initial deposits and margin deposits, (iv) granted in the ordinary course of business by the Company or any of its Subsidiaries to any bank with whom it maintains accounts to the extent required by the relevant bank's (or custodian's or trustee's, as applicable) standard terms and conditions, in each case, which are within the general parameters customary in the banking industry or (v) incurred in connection with any automated clearing-house transfers of funds or other fund transfer or payment processing services;
- Liens on, and consisting of, deposits made by the Company to discharge or defease the Notes and the Indenture, or any other Indebtedness;
- Liens (i) on insurance policies and the proceeds thereof incurred in connection with the financing of insurance premiums, (ii) on liabilities in respect of indemnification obligations under leases or other provisions of any security issued by the Company or its Subsidiaries or any agreement, instrument or other undertaking to which such Person is a party or by which it or any of its property is bound, and (iii) to secure letters of credit, Guarantees, bonds or other sureties given in connection with the foregoing;
- Liens securing Hedging Obligations;
- Liens arising from Uniform Commercial Code (or similar law of any jurisdiction) financing statement filings or similar public filings, registrations or agreements in any foreign jurisdiction regarding leases and consignment or bailee arrangements entered into by the Company and its Subsidiaries in the ordinary course of business and Liens securing liabilities in respect of indemnification obligations thereunder as long as each such Lien only encumbers the assets that are the subject of the related lease (or contained in such leasehold) or consignment or bailee, and other precautionary statements, filings or agreements;
- easements, rights of way, minor encroachments, protrusions, municipal and zoning and building ordinances and similar charges, encumbrances, title defects or other irregularities, governmental restrictions on the use of property or conduct of business, and Liens in favor of governmental authorities and public utilities, that do not materially interfere with the ordinary course of business of the Company and its Subsidiaries, taken as a whole;
- Liens (i) on advances of cash or cash equivalents in favor of the seller of any property to be acquired by the Company or its Subsidiaries to be applied against the purchase price for such acquisition, (ii) consisting of an agreement to dispose of any property in a disposition permitted by the Indenture and (iii) on cash earnest money deposits made by the Company or any of its Subsidiaries in connection with any letter of intent or purchase agreement;
- Liens on (i) deposits or other amounts held in escrow to secure contractual payments (contingent or otherwise) payable by the Company or any of its Subsidiaries to a seller after consummation of an acquisition and (ii) Indebtedness incurred in connection with any transaction not restricted by the Indenture for so long as the proceeds thereof have been deposited in an escrow account on customary terms to secure such Indebtedness pending the application of such proceeds to fund such transaction;
- Liens in favor of a commodity, brokerage, futures or security intermediary who holds a commodity, brokerage or, as applicable, a futures or security account on behalf of the Company or any of its Subsidiaries; *provided* such Lien encumbers only the related account and the property held therein;
- Liens that are contractual rights of set-off relating to purchase orders and other similar agreements entered into in the ordinary course of business;

- Liens representing the interest of a purchaser of goods sold by the Company or any of its Subsidiaries in the ordinary course of business under conditional sale, title retention and extended title retention, consignment, bailee or similar arrangements; *provided* that such Liens arise only under the applicable conditional sale, title retention, consignment, bailee or similar arrangements and such Liens only encumber the good so sold thereunder;
- (i) deposits of cash with the owner or lessor of premises leased or operated by the Company or any of its Subsidiaries and (ii) cash collateral on deposit with banks or other financial institutions issuing letters of credit (or backstopping such letters of credit) or other equivalent bank guarantees issued naming as beneficiaries the owners or lessors of premises leased or operated by the Company or any of its Subsidiaries, in each case in the ordinary course of business of the Company and such Subsidiaries to secure the performance of the Company's or such Subsidiary's obligations under the terms of the lease for such premises;
- Liens given to a public utility or any municipality or governmental or other public authority when required by such utility or other authority; provided that such Liens do not interfere in any material respect with the business of the Company and its Subsidiaries, taken as a whole;
- other Liens securing Indebtedness in an aggregate principal amount not to exceed the greater of $425,000,000 and 25.0% of Adjusted EBITDA (determined at the time of incurrence of any such Lien (calculated on a pro forma basis) as of the last day of the most recently ended Measurement Period on or prior to the date of determination) at any time outstanding; and
- any amendment, modification, extension, renewal, substitution or replacement (or successive amendments, modifications, extensions, renewals, substitutions or replacements), in whole or in part, of any Lien referred to in this or the preceding bullet points, or any Liens that secure an amendment, modification, extension, renewal, replacement, refinancing or refunding (including any successive amendments, modifications, extensions, renewals, replacements, refinancings or refundings) of any Indebtedness within 12 months of the maturity, retirement or other repayment or prepayment of the Indebtedness (including any such repayment pursuant to amortization obligations with respect to such Indebtedness) being amended, modified, extended, renewed, substituted, replaced, refinanced or refunded, which Indebtedness is or was secured by a Lien referred to in this or the preceding bullet points.

"Person" means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization, limited liability company or government or other entity.

"Qualified Securitization Financing" means any Securitization Financing of a Securitization Subsidiary that meets the following conditions: (i) the senior management of the Company shall have determined in good faith that such Qualified Securitization Financing (including financing terms, covenants, termination events and other provisions) is in the aggregate economically fair and reasonable to the Company and the Securitization Subsidiary, (ii) all sales of Securitization Assets and related assets to the Securitization Subsidiary are made at fair market value (as determined in good faith by the Company) and (iii) the financing terms, covenants, termination events and other provisions thereof shall be market terms (as determined in good faith by the Company) and may include Standard Securitization Undertakings. The grant of a security interest in any Securitization Assets of the Company or any of its Subsidiaries (other than a Securitization Subsidiary) to secure Indebtedness under the Credit Agreement and any refinancing Indebtedness with respect thereto shall not be deemed a Qualified Securitization Financing.

"Ratings Decline Period" means, with respect to any Change of Control, the period that (1) begins on the earlier of (a) the date of the first public announcement of the occurrence of such Change of Control or of the intention by the Company to effect such Change of Control or (b) the occurrence of such Change of Control and (2) ends on the 60th calendar day following consummation of such Change of Control; *provided*, *however*, that such period shall be extended for so long as the rating of the relevant series of Notes, as noted by the applicable rating agency, is under publicly announced consideration for downgrade by the applicable rating agency.

"Sale and Leaseback Transaction" means any arrangement providing for the leasing for a period of more than three years by the Company or any of its Subsidiaries of any property, which property

has been or is to be sold or transferred by the Company or such Subsidiary to a third Person in contemplation of such leasing, other than leases between the Company and a Subsidiary or between Subsidiaries or leases that may be terminated by the Company or the Subsidiary within a period of not more than three years.

"S&P" means S&P Global Ratings, a division of S&P Global Inc., and any successor to its rating agency business.

"Securities Act" means the Securities Act of 1933, as amended, and the rules and regulations of the Commission promulgated thereunder.

"Securitization Assets" means any accounts receivable or other revenue streams subject to a Qualified Securitization Financing.

"Securitization Financing" means any transaction or series of transactions that may be entered into by the Company or any of its Subsidiaries pursuant to which the Company or any of its Subsidiaries may sell, convey or otherwise transfer to (a) a Securitization Subsidiary (in the case of a transfer by the Company or any of its Subsidiaries) and (b) any other Person (in the case of a transfer by a Securitization Subsidiary), or may grant a security interest in, any Securitization Assets (whether now existing or arising in the future) of the Company or any of its Subsidiaries, and any assets related thereto including, without limitation, all collateral securing such Securitization Assets, all contracts and all guarantees or other obligations in respect of such Securitization Assets, proceeds of such Securitization Assets and other assets which are customarily transferred or in respect of which security interests are customarily granted in connection with asset securitization transactions involving Securitization Assets and any Hedging Obligations entered into by the Company or any such Subsidiary in connection with such Securitization Assets.

"Securitization Repurchase Obligation" means any obligation of a seller of Securitization Assets in a Qualified Securitization Financing to repurchase Securitization Assets arising as a result of a breach of a representation, warranty or covenant or otherwise, including, without limitation, as a result of a receivable or portion thereof becoming subject to any asserted defense, dispute, off set or counterclaim of any kind as a result of any action taken by, any failure to take action by or any other event relating to the seller.

"Securitization Subsidiary" means any Subsidiary of the Company (or another Person) formed for the purposes of engaging in one or more Qualified Securitization Financings and other activities reasonably related thereto.

"Significant Subsidiary" means any Subsidiary that would be a "significant subsidiary" as defined under clauses (1) or (2) of Rule 1-02(w) of Regulation S-X, promulgated pursuant to the Securities Act, as such Regulation is in effect on the date hereof (except, with respect to each test contained therein, substituting 20 percent instead of 10 percent as the applicable threshold).

"Specified Transactions" means any asset sales or other dispositions or acquisitions, investment, mergers, consolidations, amalgamations and discontinued operations by the Company and its Subsidiaries, or any incurrence or repayment (including by repurchase, redemption, repayment, retirement or extinguishment) of Indebtedness (other than Indebtedness incurred or repaid under any revolving credit facility in the ordinary course of business for working capital purposes) or other event that by the terms of the Indenture requires Adjusted EBITDA, Consolidated EBITDA or a financial ratio or test to be calculated on a pro forma basis.

"Standard Securitization Undertakings" means representations, warranties, covenants and indemnities entered into by the Company or any Subsidiary of the Company which the Company has determined in good faith to be customary in a Securitization Financing, including, without limitation, those relating to the servicing of the assets of a Securitization Subsidiary, it being understood that any Securitization Repurchase Obligation shall be deemed to be a Standard Securitization Undertaking.

"Subsidiary" means, with respect to any specified Person:

(1) any corporation, association or other business entity, of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any

contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person (or a combination thereof); and

(2) any partnership, joint venture, limited liability company or similar entity of which (x) more than 50% of the capital accounts, distribution rights, total equity and voting interests or general or limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof whether in the form of membership, general, special or limited partnership or otherwise and (y) such Person or any Wholly Owned Subsidiary of such Person is a controlling general partner or otherwise controls such entity.

"Transactions" means (a) the execution and delivery of the Credit Agreement and other related documents and the funding of the loans thereunder on or about the Issue Date, (b) the repayment in full of all obligations (other than contingent obligations) outstanding under the Existing Galleria Credit Agreement and the termination and release of all liens and guarantees with respect to such obligations and (c) the transactions related to the foregoing, including the issuance of the Notes and the payment of all fees, costs and expenses incurred in connection therewith and with the transactions described in the foregoing provisions of this definition.

"Treasury Rate" means, as of the applicable redemption date, the yield to maturity at the time of computation of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 which has become publicly available at least two Business Days prior to the date fixed for prepayment (or, if such Statistical Release is no longer published, any publicly available source for similar market data)) most nearly equal to the period from the redemption date to , 2021(in the case of the 2026 Dollar Notes) or , 2023 (in the case of the 2028 Dollar Notes), as applicable; *provided, however*, that if the period from the redemption date to , 2021 (in the case of the 2026 Dollar Notes) or , 2023 (in the case of the 2028 Dollar Notes), as applicable, is not equal to the constant maturity of a United States Treasury security for which a weekly average yield is given, the Treasury Rate will be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of United States Treasury securities for which such yields are given, except that if the period from the redemption date to , 2021 (in the case of the 2026 Dollar Notes) and , 2023 (in the case of the 2028 Dollar Notes), as applicable, is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

"U.S. Government Securities" means securities that are

(i) direct obligations of the United States of America for the timely payment of which its full faith and credit is pledged; or

(ii) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America, the timely payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States of America,

which, in either case, are not callable or redeemable at the option of the issuers thereof, and shall also include a depository receipt issued by a bank (as defined in Section 3(a)(2) of the Securities Act), as custodian with respect to any such U.S. Government Securities or a specific payment of principal of or interest on any such U.S. Government Securities held by such custodian for the account of the holder of such depository receipt; *provided* that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.S. Government Securities or the specific payment of principal of or interest on the U.S. Government Securities evidenced by such depository receipt.

"Voting Stock" of any Person as of any date means the Capital Stock of such Person that is at the time ordinarily entitled to vote in the election of the Board of Directors of such Person.

"Wholly Owned Domestic Subsidiary" of any Person means a Wholly Owned Subsidiary of such Person that is not a Foreign Subsidiary.

"Wholly Owned Subsidiary" of any Person means a Subsidiary of such Person, 100% of the outstanding Capital Stock or other ownership interests of which (other than directors' qualifying shares and shares issued to foreign nationals under applicable law) shall at the time be owned by such Person or by one or more Wholly Owned Subsidiaries of such Person or by such Person and one or more Wholly Owned Subsidiaries of such Person.

Events of Default

Under the Indenture, an Event of Default with respect to the Notes of a series is defined as any of the following:

(1) the Company defaults in payment when due and payable, upon redemption, acceleration or otherwise, of principal of, or premium, if any, on the Notes of such series;

(2) the Company defaults in the payment when due of interest, on or with respect to the Notes of such series and such default continues for a period of 30 days;

(3) the Company defaults in the performance of, or breaches any covenant, warranty or other agreement contained in, the Indenture (other than a default in the performance or breach of a covenant, warranty or agreement which is specifically dealt with in clauses (1) or (2) above) and such default or breach continues for a period of 60 days after either the Trustee or holders of at least 25% in aggregate principal amount of the outstanding Notes of such series have given the Company (with a copy to the Trustee if given by the holders) written notice of the breach in the manner required by the Indenture;

(4) the Company fails to make any payment at maturity, after giving effect to any applicable grace period, on any Indebtedness in a principal amount in excess of $150.0 million and continuance of this failure to pay or (b) the Company defaults on any Indebtedness which default results in the acceleration of Indebtedness in a principal amount in excess of $150.0 million without such Indebtedness having been discharged or the acceleration having been cured, waived, rescinded or annulled, for a period of, in the case of clause (a) or (b) above, 30 days or more after the Company receives written notice from the Trustee or the Trustee receives written notice from the holders of at least 25% in aggregate principal amount of the Notes of such series then outstanding; *provided*, *however*, that if the failure, default or acceleration referred to in clause (a) or (b) above shall cease or be cured, waived, rescinded or annulled, then the Event of Default (and the consequences thereof) shall be deemed cured, annulled and cease to exist;

(5) certain events of bankruptcy affecting the Company or any Significant Subsidiary; or

(6) the Note Guarantee of a Significant Subsidiary or any group of Subsidiaries that, taken together as of the date of the most recent audited financial statements of the Company, would constitute a Significant Subsidiary ceases to be in full force and effect (except as contemplated by the terms of the Indenture) or any Guarantor denies or disaffirms its obligations under the Indenture or any Note Guarantee, other than by reason of the release of such Guarantee in accordance with the terms of the Indenture.

If an Event of Default under the Indenture (other than an Event of Default specified in clause (5) above with respect to the Company) shall occur and be continuing, the Trustee or the holders of at least 25% in principal amount of outstanding Notes of a series under the Indenture may declare the principal of, premium, if any, and accrued interest on the Notes of such series to be immediately due and payable by notice in writing to the Company and the Trustee (if given by the holders) specifying the respective Event of Default and that it is a "notice of acceleration" (the "Acceleration Notice"), and the same shall become immediately due and payable.

If an Event of Default specified in clause (5) above with respect to the Company occurs and is continuing, then all unpaid principal of, and premium, if any, and accrued and unpaid interest on all of the outstanding Notes of each series issued under the Indenture shall *ipso facto* become and be immediately due and payable without any declaration or other act on the part of the Trustee or any holder of the Notes of such series.

Notwithstanding the foregoing, if the Company so elects in writing to the Trustee, the sole remedy of the holders for a failure to comply with the covenant described in "—Provision of Financial Information," will for the first 180 days after the occurrence of such failure consist exclusively of the right to receive additional interest ("Additional Interest") on the Notes of a series at a rate per annum equal to 0.25% for the first 180 days after the occurrence of such failure. The Additional Interest will accrue on all outstanding Notes of such series from and including the date on which such failure first occurs until such violation is cured or waived and shall be payable on each interest payment date to holders of record on the regular record date immediately preceding the interest payment date. On the 181st day after such failure (if such violation is not cured or waived prior to such 181st day), such failure will then constitute an Event of Default without any further notice or lapse of time and the Notes of such series will be subject to acceleration as provided above.

The Indenture will provide that (i) if a Default for a failure to report or failure to deliver a required certificate in connection with another default (the "Initial Default") occurs, then at the time such Initial Default is cured, such Default for a failure to report or failure to deliver a required certificate in connection with another default that resulted solely because of that Initial Default will also be cured without any further action and (ii) any Default or Event of Default for the failure to comply with the time periods prescribed in the covenant entitled "Provision of Financial Information" or otherwise to deliver any notice or certificate pursuant to any other provision of the Indenture shall be deemed to be cured upon the delivery of any such report required by such covenant or such notice or certificate, as applicable, even though such delivery is not within the prescribed period specified in the Indenture.

The Indenture will provide that, at any time after a declaration of acceleration with respect to the Notes of a series, the holders of a majority in aggregate principal amount of the then outstanding Notes of such series may rescind and cancel such declaration and its consequences:

(1) if the rescission would not conflict with any judgment or decree;

(2) if all existing Events of Default have been cured or waived except nonpayment of principal, premium, if any, or accrued interest that has become due solely because of the acceleration;

(3) to the extent the payment of such interest is lawful, interest on overdue installments of interest and overdue principal, which has become due otherwise than by such declaration of acceleration, has been paid;

(4) if the Company has paid the Trustee its reasonable compensation and reimbursed the Trustee for its expenses (including fees and expenses of counsel), disbursements and advances; and

(5) in the event of the cure or waiver of an Event of Default under the Indenture of the type described in clause (4) of the description above of Events of Default, the Trustee shall have received an Officer's Certificate that such Event of Default has been cured or waived.

No such rescission shall affect any subsequent Default under the Indenture or impair any right consequent thereto.

The holders of a majority in aggregate principal amount of the Notes of a series issued and then outstanding under the Indenture may waive any existing Default or Event of Default under the Indenture, and its consequences, except a default in the payment of the principal of, premium, if any, or interest on the Notes of such series or a covenant or provision of the Indenture which cannot be modified or amended without the consent of the holder of each outstanding Note affected.

Holders of the Notes of a series may not enforce the Indenture or the Notes of such series except as provided in the Indenture. The Trustee is under no obligation to exercise any of its rights or powers under the Indenture at the request, order or direction of any of the holders of the Notes of such series, unless such holders have offered to the Trustee indemnity or security satisfactory to the Trustee. Subject to all provisions of the Indenture and applicable law, the holders of a majority in aggregate principal amount of the then outstanding Notes of a series have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee. The Trustee may withhold from holders of the Notes notice of any continuing Default or Event of Default if it determines that withholding notice is in their interest, except a Default or Event of Default relating to the payment of the principal of, premium, if any, or interest on the Notes.

The Company is required to deliver to the Trustee annually a statement regarding compliance with the Indenture. Upon becoming aware of any Default or Event of Default under the Indenture, the Company is required to deliver to the Trustee an Officer's Certificate specifying such Default or Event of Default and the remedial action the Company proposes to take in connection therewith.

Modification and Waiver

Except as provided in the next two succeeding paragraphs, the Indenture, a series of Notes issued thereunder or the Note Guarantees provided thereunder may be amended or supplemented with the consent of the holders of a majority in aggregate principal amount of the Notes of such series then outstanding (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, such Notes), and any existing default or compliance with any provision of the Indenture or the Notes of such series issued thereunder may be waived (except a default in respect of the payment of principal or interest on the Notes) with the consent of the holders of a majority in aggregate principal amount of the then outstanding Notes of such series issued thereunder (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, such Notes).

Without the consent of each holder of an outstanding Note of a series affected, an amendment or waiver of the Indenture, Notes of such series or Note Guarantees may not:

(1) reduce the principal amount of Notes of such series issued thereunder whose holders must consent to an amendment, supplement or waiver;

(2) reduce the principal of or change the fixed maturity of any Note of such series issued thereunder or alter the provisions with respect to the redemption of the outstanding Notes of such series issued thereunder (other than provisions relating to the covenants described above under the caption "—Repurchase of Notes upon a Change of Control Triggering Event" except as set forth in item (10) below);

(3) reduce the rate of or change the time for payment of interest on any Note of such series issued thereunder;

(4) waive a Default or Event of Default in the payment of principal of, or interest or premium, if any, on the outstanding Notes of such series issued thereunder (except a rescission of acceleration of the Notes of such series issued thereunder by the holders of a majority in aggregate principal amount of the then outstanding Notes of such series with respect to a nonpayment default and a waiver of the payment default that resulted from such acceleration);

(5) make any Note of such series payable in money other than that stated in the Notes of such series (subject, in the case of the Euro Notes, to the provisions set forth in the second paragraph following this paragraph);

(6) make any change in the provisions of the Indenture relating to waivers of past Defaults or the rights of holders of Notes of such series issued thereunder to receive payments of principal of, or interest or premium, if any, on the Notes of such series or impair the right of any holder of the Notes of such series to institute suit for the enforcement of any payment on or with respect to the Notes of such series;

(7) waive a redemption payment with respect to any Note of such series issued thereunder (other than a payment required by one of the covenants described above under the caption

"—Repurchase of Notes upon a Change of Control Triggering Event" except as set forth in item (10) below);

(8) make any change in the ranking or priority in right of payment of any Note of such series issued thereunder that would adversely affect the holders of the Notes of such series thereunder (other than with respect to provisions relating to the covenant described above under the caption "—Certain Covenants—Limitation on Liens");

(9) modify the Note Guarantees in any manner adverse to the holders of the Notes of such series;

(10) amend, change or modify in any material respect the obligation of the Company to make and consummate a Change of Control Offer with respect to the Notes of such series in respect of a Change of Control that has occurred; or

(11) make any change in the preceding amendment and waiver provisions.

Notwithstanding the preceding, without the consent of any holder of the Notes of a series, the Company, the Guarantors and the Trustee may amend or supplement the Indenture, the Notes of such series or the Note Guarantees:

(1) to cure any ambiguity, mistake, defect or inconsistency;

(2) to provide for uncertificated Notes in addition to or in place of certificated Notes of such series;

(3) to provide for the assumption by a Successor Company or a successor company of a Guarantor, as applicable, of the Company's or such Guarantor's obligations under the Indenture;

(4) to make any change that would provide any additional rights or benefits to the holders of the Notes of such series or that does not adversely affect the legal rights under the Indenture of any such holder in any material respect;

(5) to secure the Notes of such series;

(6) to add a Note Guarantee;

(7) to conform the text of the Indenture or the Notes of such series (including the related Note Guarantees) to any provision of this Description of Notes;

(8) to provide for the issuance of additional Notes of such series in accordance with the provisions set forth in the Indenture;

(9) to release a Guarantor from its Note Guarantee; *provided* that such release is in accordance with the applicable provisions of the Indenture;

(10) to evidence and provide for the acceptance of appointment by a successor trustee; or

(11) to release any Lien granted in favor of the holders of the Notes of a series pursuant to the covenant described in "Certain Covenants—Limitation on Liens" upon release of the Lien securing the underlying obligation that gave rise to such Lien.

Notwithstanding the foregoing, if the euro, in the case of the Euro Notes, is unavailable to the Company due to the imposition of exchange controls or other circumstances beyond the Company's control (including the dissolution of the euro) or if the euro is no longer being used by the then member states of the European Monetary Union that have adopted the euro as their currency or for the settlement of transactions by public institutions of or within the international banking community, the Company and the Trustee shall be permitted, without the consent of any other Person, to amend the terms of the Indenture and the Euro Notes to change the currency in which the obligations of the Company hereunder are payable in a manner consistent with then-prevailing market practice for similarly situated issuers.

The consent of the holders is not necessary under the Indenture to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment.

After an amendment under the Indenture becomes effective, the Company will be required to deliver to holders a notice briefly describing such amendment. However, the failure to give such notice to all holders, or any defect therein, will not impair or affect the validity of the amendment.

Defeasance

The Company may, at its option and at any time, elect to have all of its obligations and the obligations of the Guarantors released with respect to the outstanding Notes of a series issued under the Indenture ("Legal Defeasance") except for:

(1) the rights of holders of outstanding Notes of such series issued thereunder to receive payments in respect of the principal of, or interest or premium, if any, on the Notes of such series when such payments are due from the trust referred to below;

(2) the Company's obligations with respect to the Notes of such series issued thereunder concerning issuing temporary Notes, registration of Notes, mutilated, destroyed, lost or stolen Notes and the maintenance of an office or agency for payment;

(3) the rights, powers, trusts, duties and immunities of the Trustee, and the obligations of the Company and the Guarantors in connection therewith; and

(4) the Legal Defeasance provisions of the Indenture.

In addition, the Company may, at its option and at any time, elect to have its obligations and the obligations of the Guarantors released with respect to certain covenants (including its obligation to make Change of Control Offers) with respect to the Notes of a series that are described in the Indenture ("Covenant Defeasance") and thereafter any omission to comply with those covenants will not constitute a Default or Event of Default with respect to the Notes of such series issued thereunder. In the event that a Covenant Defeasance occurs, certain events (not including nonpayment, bankruptcy, receivership, rehabilitation and insolvency events of the Company) described under "—Events of Default" will no longer constitute an Event of Default with respect to the Notes of such series issued under the Indenture.

In order to exercise either Legal Defeasance or Covenant Defeasance under the Indenture:

(1) the Company must irrevocably deposit with the Trustee, in trust, for the benefit of the holders of the Notes of the relevant series issued thereunder, (x) cash in U.S. dollars, non-callable U.S. Government Securities, or a combination of cash in U.S. dollars and non-callable U.S. Government Securities (in the case of Dollar Notes) or (y) cash in euro, non-callable Euro Government Obligations, or a combination of cash in euro and non-callable Euro Government Obligations (in the case of Euro Notes), as applicable, in either case in amounts as will be sufficient, in the opinion of a nationally recognized investment bank, appraisal firm or firm of independent public accountants delivered to the Trustee, to pay the principal of, or interest and premium, if any, on the outstanding Notes of such series issued thereunder on the stated maturity or on the applicable redemption date, as the case may be, and the Company must specify whether the Notes of such series are being defeased to maturity or to a particular redemption date;

(2) in the case of Legal Defeasance, the Company has delivered to the Trustee an opinion of counsel confirming that (a) the Company has received from, or there has been published by, the Internal Revenue Service a ruling or (b) since the Issue Date, there has been a change in the applicable U.S. federal income tax law, in either case to the effect that, and based thereon such opinion of counsel will confirm that, the beneficial owners of the outstanding Notes of such series will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Legal Defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(3) in the case of Covenant Defeasance, the Company has delivered to the Trustee an opinion of counsel confirming that the beneficial owners of the outstanding Notes of such series will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such

Covenant Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(4) no Default or Event of Default has occurred and is continuing under the Indenture on the date of such deposit (other than a Default or Event of Default resulting from or arising in connection with the borrowing of funds to be applied to such deposit and the grant of any Lien securing such borrowings);

(5) such Legal Defeasance or Covenant Defeasance will not result in a breach or violation of, or constitute a default under any material agreement or instrument (other than the Indenture) to which the Company or any Guarantor is a party or by which the Company or any Guarantor is bound;

(6) the Company must deliver to the Trustee an Officer's Certificate stating that the deposit referred to in clause (1) was not made by the Company with the intent of preferring the holders of the Notes of such series over the other creditors of the Company or any Guarantor or with the intent of defeating, hindering, delaying or defrauding creditors of the Company or any Guarantor or others; and

(7) the Company must deliver to the Trustee an Officer's Certificate and an opinion of counsel, each stating that all conditions precedent relating to the Legal Defeasance or the Covenant Defeasance of the Notes have been complied with.

Notwithstanding the foregoing, the opinion of counsel required by clauses (2) and (3) above with respect to a Legal Defeasance or a Covenant Defeasance, as applicable, need not be delivered if all the Notes of such series not theretofore delivered to the Trustee for cancellation (x) have become due and payable or (y) will become due and payable on the maturity date within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Company.

Satisfaction and Discharge

The Indenture will be discharged and will cease to be of further effect as to all Notes of a series issued thereunder, when:

(1) either:

  (a) all the Notes of such series that have been authenticated, except lost, stolen or destroyed Notes of such series that have been replaced or paid and Notes of such series for whose payment money has theretofore been deposited in trust or segregated and held in trust by the Company and thereafter repaid to the Company, have been delivered to the Trustee for cancellation; or

  (b) all the Notes of such series that have not been delivered to the Trustee for cancellation have become due and payable by reason of the giving of a notice of redemption or otherwise or will become due and payable by reason of the giving of a notice of redemption or otherwise within one year and the Company has irrevocably deposited or caused to be deposited with the Trustee as trust funds in trust solely for the benefit of the holders of the Notes of such series, cash in U.S. dollars, non-callable U.S. Government Securities or a combination thereof (in the case of Dollar Notes) or cash in euro, non-callable Euro Government Obligations or a combination thereof (in the case of Euro Notes), in either case, in amounts as will be sufficient, without consideration of any reinvestment of interest, in the opinion of a nationally recognized investment bank, appraisal firm or firm of independent public accountants, to pay and discharge the entire Indebtedness on the Notes of such series not delivered to the Trustee for cancellation for principal, premium, if any, and accrued interest to the date of maturity or redemption;

(2) in the case of subclause (1)(b) above, no Default or Event of Default has occurred and is continuing under the Indenture on the date of the deposit or will occur as a result of the

deposit (other than a Default or Event of Default resulting from or arising in connection with borrowing of funds to be applied to such deposit and the grant of any Lien securing such borrowing) and the deposit will not result in a breach or violation of, or constitute a default under, any other material instrument to which the Company is a party or by which the Company is bound;

(3) the Company has paid or caused to be paid all sums payable by it under the Indenture; and

(4) the Company has delivered irrevocable instructions to the Trustee under the Indenture to apply the deposited money toward the payment of the Notes issued thereunder at maturity or the redemption date, as the case may be.

In addition, the Company must deliver an Officer's Certificate and an opinion of counsel to the Trustee stating that all conditions precedent to satisfaction and discharge have been satisfied.

Governing Law

New York law will govern the Indenture, the Notes and the Note Guarantees.

Concerning the Trustee

Deutsche Bank Trust Company Americas will be the Trustee under the Indenture. If the Trustee becomes a creditor of the Company, the Indenture limits its right to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The Trustee will be permitted to engage in other transactions; however, if it acquires any conflicting interest it must eliminate such conflict within 90 days.

Notices

All notices shall be deemed to have been given (i) if to the holder of a non-global Note, upon the mailing by first class mail, postage prepaid, of such notices to the holder at its registered address as recorded in the Notes register, and (ii) if to the holder of a Global Note, upon delivery of such notices to the depositary in accordance with its applicable procedures, in each case, not later than the latest date, and not earlier than the earliest date, prescribed in the Notes for the giving of such notice.

Neither the failure to give any notice to a particular holder, nor any defect in a notice given to a particular holder, will affect the sufficiency of any notice given to another holder.

Jurisdiction

The Company and the Guarantors will consent to the non-exclusive jurisdiction of any court of the State of New York or any U.S. federal court, in each case, sitting in the Borough of Manhattan, The City of New York, New York, United States, and any appellate court from any thereof.

Form and Registration

The Notes will be issued in registered form without interest coupons. No Notes will be issued in bearer form.

Book Entry, Settlement and Clearance

The Global Notes

The Notes will be issued in the form of several registered notes in global form, without interest coupons, as follows: notes sold to qualified institutional buyers under Rule 144A will be represented by the Rule 144A global notes (the "Rule 144A Global Notes"); notes sold in offshore transactions to non-U.S. persons in reliance on Regulation S will be represented by the Regulation S global notes initially to be represented by the temporary Regulation S global notes and, after completion of the global note exchange described below, by the permanent Regulation S global notes (the "Regulation S Global Notes" and, together with the Rule 144A Global Notes, the "Global Notes") and any notes sold in the secondary market to institutional accredited investors will be represented by the Institutional Accredited Investor global notes. Upon issuance, the Global Notes representing the Dollar Notes (the "Dollar Global Notes") will be deposited with the Trustee as custodian for DTC and registered in the name of Cede & Co., as nominee of DTC. Upon issuance, the Global Notes representing the Euro Notes (the "Euro Global Notes") will be deposited with, on or behalf of, the common depositary (the "Common Depositary") for the accounts of Euroclear Bank, SA./NV ("Euroclear") and Clearstream Banking, S.A. ("Clearstream") and registered in the name of the nominee of the Common Depositary.

Exchanges Among the Global Notes

References in this paragraph to the "global note" shall refer to the Dollar Global Notes with respect to the Dollar Notes, and Euro Global Notes with respect to the Euro Notes. The Distribution Compliance Period will begin on the closing date of this offering and end 40 days after the closing date (the "Distribution Compliance Period"). During the Distribution Compliance Period, beneficial interests in the Regulation S Global Notes may be transferred only to non-U.S. persons under Regulation S, qualified institutional buyers under Rule 144A or institutional accredited investors. Beneficial interests in one global note may generally be exchanged for interests in another global note. Depending on whether the transfer is being made during or after the Distribution Compliance Period, and to which global note the transfer is being made, the Trustee may require the seller to provide certain written certifications in the form provided in the Indenture. In addition, in the case of a transfer of interests to the Institutional Accredited Investor global note, the Trustee may require the buyer to deliver a representation letter in the form provided in the Indenture that states, among other things, that the buyer is not acquiring notes with a view to distributing them in violation of the Securities Act.

A beneficial interest in a Dollar Global Note or a Euro Global Note, as the case may be, that is transferred to a person who takes delivery through another Dollar Global Note or Euro Global Note, respectively, will, upon transfer, become subject to any transfer restrictions and other procedures applicable to beneficial interests in the other global note.

During the Distribution Compliance Period, beneficial interests in the temporary Regulation S Global Notes and Rule 144A Global Notes may be transferred only to non-U.S. persons under Regulation S, qualified institutional buyers under Rule 144A or institutional accredited investors. After the Distribution Compliance Period ends, beneficial interests in the temporary Regulation S Global Notes and Rule 144A Global Notes may be exchanged for beneficial interests in the permanent Regulation S Global Notes and Rule 144A Global Notes, respectively, upon certification that those interests are owned either by non-U.S. persons or by U.S. persons who purchased those interests pursuant to an exemption from, or in transactions not subject to, the registration requirements of the Securities Act. Beneficial interests in the global notes may not be exchanged for notes in physical, certificated form except in the limited circumstances described below. Each global note and beneficial interests in each global note will be subject to restrictions on transfer as described in the section titled "Transfer Restrictions."

Book-Entry Procedures for the Global Notes

All interests in the global notes will be subject to the operations and procedures of DTC, Euroclear and Clearstream, as applicable. The Company provides the following summaries of those operations and procedures solely for the convenience of investors. The operations and procedures of each settlement system are controlled by that settlement system and may be changed at any time. Neither the Company, the Trustee, nor the initial purchasers take any responsibility for those operations or procedures, and the Company and the initial purchasers urge investors to contact the system or their participants directly to discuss these matters.

DTC, Euroclear and Clearstream have established procedures to facilitate transfers of interests in the global notes among participants in those settlement systems. However, the settlement systems are not obligated to perform these procedures and may discontinue or change these procedures at any time. Neither the Company nor the Trustee will have any responsibility for the performance by DTC, Euroclear or Clearstream or their participants or indirect participants of their obligations under the rules and procedures governing their operations.

Dollar Global Notes

DTC has advised the Company that it is: a limited purpose trust company organized under the laws of the State of New York; a "banking organization" within the meaning of the New York Banking Law; a member of the Federal Reserve System; a "clearing corporation" within the meaning of the New York Uniform Commercial Code; and a "clearing agency" registered under Section 17A of the Exchange Act. DTC was created to hold securities for its participants and to facilitate the clearance and settlement of securities transactions between its participants through electronic book-entry changes to the accounts of its participants. Persons who have accounts with DTC ("DTC participants") include securities brokers and dealers, including the initial purchasers; banks and trust companies; clearing corporations and other organizations. Indirect access to DTC's system is also available to others such as banks, brokers, dealers and trust companies; these indirect participants clear through or maintain a custodial relationship with a DTC participant, either directly or indirectly. Investors who are not DTC participants may beneficially own securities held by or on behalf of DTC only through DTC participants or indirect participants in DTC.

So long as DTC's nominee is the registered owner of a Dollar Global Note, that nominee will be considered the sole owner or holder of the notes represented by that Dollar Global Note for all purposes under the Indenture. Except as provided below, owners of beneficial interests in a Dollar Global Note: will not be entitled to have notes represented by the Dollar Global Note registered in their names; will not receive or be entitled to receive physical, certificated notes; and will not be considered the owners or holders of notes under the Indenture for any purpose, including with respect to the giving of any direction, instruction or approval to the Trustee under such Indenture. As a result, each investor who owns a beneficial interest in a Dollar Global Note must rely on the procedures of DTC to exercise any rights of a holder of Notes under the Indenture (and, if the investor is not a participant or an indirect participant in DTC, on the procedures of the DTC participant through which the investor owns its interest).

Ownership of beneficial interests in each Dollar Global Note will be limited to DTC participants or persons who hold interests through DTC participants. The Company expects that under procedures established by DTC: upon deposit of each Dollar Global Note with DTC's custodian, DTC will credit portions of the principal amount of the Dollar Global Note to the accounts of the DTC participants designated by the initial purchasers; and ownership of beneficial interests in each Dollar Global Note will be shown on, and transfer of ownership of those interests will be effected only through, records maintained by DTC (with respect to interests of DTC participants) and the records of DTC participants (with respect to other owners of beneficial interests in the global note). Beneficial interests in the Regulation S Global Note representing the dollar notes (the "Regulation S Dollar Global Note") will initially be credited within DTC to Euroclear and Clearstream on behalf of the owners of such interests.

Investors may hold their interests in the Regulation S Dollar Global Notes directly through Euroclear or Clearstream, if they are participants in those systems, or indirectly through organizations that are participants in those systems. Investors may also hold their interests in the Regulation S Dollar Global Notes through organizations other than Euroclear or Clearstream that are DTC participants. Each of Euroclear and Clearstream will appoint a DTC participant to act as its depositary for the interests in the Regulation S Dollar Global Notes that are held within DTC for the account of each settlement system on behalf of its participant.

Payments of principal, premium (if any) and interest with respect to the notes represented by a Dollar Global Note will be made by the Trustee to DTC's nominee as the registered holder of the Dollar Global Note. Neither the Company, nor the Trustee will have any responsibility or liability for the payment of amounts to owners of beneficial interests in a Dollar Global Note, for any aspect of the records relating to or payments made on account of those interests by DTC, or for maintaining, supervising or reviewing any records of DTC relating to those interests.

Payments by participants and indirect participants in DTC to the owners of beneficial interests in a Dollar Global Note will be governed by standing instructions and customary industry practice and will be the responsibility of those participants or indirect participants and DTC. Transfers between participants in DTC will be effected under DTC's procedures and will be settled in same-day funds. Transfers between participants in Euroclear or Clearstream will be effected in the ordinary way under the rules and operating procedures of those systems. Cross-market transfers between DTC participants, on the one hand, and Euroclear or Clearstream participants, on the other hand, will be effected within DTC through the DTC participants that are acting as depositaries for Euroclear and Clearstream. To deliver or receive an interest in a Dollar Global Note held in a Euroclear or Clearstream account, an investor must send transfer instructions to Euroclear or Clearstream, as the case may be, under the rules and procedures of that system and within the established deadlines of that system. If the transaction meets its settlement requirements, Euroclear or Clearstream, as the case may be, will send instructions to its DTC depositary to take action to effect final settlement by delivering or receiving interests in the relevant global notes in DTC, and making or receiving payment under normal procedures for same-day funds settlement applicable to DTC. Euroclear and Clearstream participants may not deliver instructions directly to the DTC depositaries that are acting for Euroclear or Clearstream.

Because of time zone differences, the securities account of a Euroclear or Clearstream participant that purchases an interest in a Dollar Global Note from a DTC participant will be credited on the business day for Euroclear or Clearstream immediately following the DTC settlement date. Cash received in Euroclear or Clearstream from the sale of an interest in a Dollar Global Note to a DTC participant will be received with value on the DTC settlement date but will be available in the relevant Euroclear or Clearstream cash account as of the business day for Euroclear or Clearstream following the DTC settlement date.

Euro Global Notes

Euroclear has advised us that it was created in 1968 to hold securities for its participants and to clear and settle transactions between Euroclear participants through simultaneous electronic book-entry delivery against payment, thereby eliminating the need for physical movement of certificates and any risk from lack of simultaneous transfers of securities and cash. Euroclear provides various other services, including securities lending and borrowing and interfaces with domestic markets in several countries. All operations are conducted by Euroclear Bank, SA/ NV and all Euroclear securities clearance accounts and Euroclear cash accounts are accounts with Euroclear Bank, not Euroclear Clearance Systems S.C. (the "Cooperative"). The Cooperative establishes policy for Euroclear on behalf of Euroclear participants. Euroclear participants include banks (including central banks), securities brokers and dealers and other professional financial intermediaries and may include the underwriters. Indirect access to Euroclear is also available to other firms that clear through or maintain a custodial relationship with a Euroclear participant, either directly or indirectly.

Securities clearance accounts and cash accounts with Euroclear Bank are governed by the Terms and Conditions Governing Use of Euroclear and the related Operating Procedures of the Euroclear System, and applicable Belgian laws (collectively, the "Euroclear Terms and Conditions"). The

Euroclear Terms and Conditions govern transfers of securities and cash within Euroclear, withdrawals of securities and cash from Euroclear and receipts of payment with respect to securities in Euroclear. All securities in Euroclear are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts. Euroclear Bank acts under the Euroclear Terms and Conditions only on behalf of Euroclear participants and has no record of or relationship with persons holding through Euroclear participants.

Distributions with respect to Euro Notes held beneficially through Euroclear will be credited to the cash accounts of Euroclear participants in accordance with the Euroclear Terms and Conditions, to the extent received by the Euroclear Bank and by Euroclear.

Clearstream is incorporated under the laws of Luxembourg as a professional depository. Clearstream holds securities for Clearstream participants and facilitates the clearance and settlement of securities transactions between Clearstream participants through electronic bookentry changes in accounts of Clearstream participants, thereby eliminating the need for physical movement of certificates. Clearstream provides to its participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream also deals with domestic securities markets in several countries. As a professional depository, Clearstream is subject to regulation by the Luxembourg Monetary Institute. Clearstream participants are financial institutions around the world including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations and certain other organizations and may include the initial purchasers. Indirect access to Clearstream is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Clearstream participant either directly or indirectly.

Distributions with respect to Euro Notes held beneficially through Clearstream will be credited to cash accounts of Clearstream participants in accordance with its rules and procedures, to the extent received by Clearstream.

Certificated Notes

Notes in physical, certificated form will be issued and delivered to each person that DTC identifies as a beneficial owner of the related notes only if: (i) DTC or Euroclear and Clearstream, as applicable, notifies the Company at any time that it is unwilling or unable to continue as depositary for the Global Notes and a successor depositary is not appointed; (ii) DTC or Euroclear and Clearstream, as applicable, ceases to be registered as a clearing agency under the Exchange Act and a successor depositary is not appointed; or (iii) certain other events provided in the Indenture should occur.

Other Information

Coty Inc.'s legal entity identifier (LEI) is 549300BO9IWPF3S48F93.

U.S. Federal Income Tax Considerations

The following discussion is a summary of U.S. federal income tax considerations generally applicable to the ownership, sale or other disposition of the Notes by investors who acquire Notes pursuant to this offering at the "issue price" for such Notes (the first price at which a substantial amount of Notes is sold for money to investors, not including bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). This summary is based upon the Code, Treasury Regulations promulgated thereunder, administrative rulings and judicial decisions, all in effect as of the date hereof, all of which are subject to change or differing interpretations, possibly with retroactive effect. This summary does not discuss all aspects of U.S. federal income taxation that may be important to particular investors in light of their individual circumstances, such as investors subject to special tax rules (e.g., former citizens and former long-term residents of the United States, "controlled foreign corporations," "passive foreign investment companies," and banks, insurance companies, or other financial institutions), investors that will hold the Notes as a part of a straddle, hedge, conversion, synthetic security, constructive ownership transaction or other integrated transaction for U.S. federal income tax purposes, or entities that are treated as partnerships for U.S. federal income tax purposes and partners of such partnerships, all of whom may be subject to tax rules that differ materially from those summarized below. In addition, this summary does not discuss other U.S. federal tax consequences (e.g., estate or gift tax or the Medicare tax on certain investment income) or any state, local, or non-U.S. tax considerations. This summary is written for investors that will hold the Notes offered hereby as "capital assets" (generally, property held for investment) under the Code.

The U.S. federal income tax treatment of the holders of the Notes depends in some instances on determinations of facts and interpretations of complex provisions of U.S. federal income tax law for which no clear precedent or authority may be available. In addition, the tax consequences to any particular holder of the Notes will depend upon the holder's particular tax circumstances. Each investor is urged to consult its tax advisors regarding the U.S. federal, state, local, estate and gift and non-U.S. income and other tax considerations applicable to it, in light of its particular circumstances, of acquiring, holding, exchanging, or otherwise disposing of the Notes.

If any entity or arrangement treated as a partnership for U.S. federal income tax purposes holds the Notes, the treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership and certain determinations made at the partner level. Investors that are partnerships and partners in such partnerships are urged to consult their tax advisors about the U.S. federal income tax consequences of purchasing, holding and disposing of Notes.

Additional Payments

In certain circumstances, we will be required to pay amounts on the Notes in excess of the stated interest and principal payable on the Notes or will be required to pay amounts prior to the normally scheduled payment dates. For example, with respect to a series of Notes, we will be required to offer to repurchase all or part of the Notes of such series at 101% of their principal amount, plus accrued and unpaid interest, if any, to but excluding the date of redemption (see "Description of Notes—Repurchase of Notes Upon a Change of Control Triggering Event"), We intend to take the position that such circumstances are a remote possibility and therefore do not intend to treat the Notes as subject to the special rules governing certain contingent payment debt instruments (which, if applicable, would affect the timing, amount and character of income with respect to a Note). Our determination in this regard is not, however, binding on the IRS. The following discussion assumes that the Notes will not be treated as contingent payment debt instruments for U.S. federal income tax purposes.

U.S. Federal Income Tax Consequences to U.S. Holders

For purposes of this summary, a "U.S. Holder" is a beneficial owner of a Note that, for U.S. federal income tax purposes, is an individual, corporation, estate or trust and is (i) an individual who is a U.S. citizen or a resident of the United States, (ii) a corporation or other entity treated as a corporation for U.S. federal income tax purposes, created in or organized under the law of the United States, any state thereof or the District of Columbia, (iii) an estate the income of which is includible in gross income for U.S. federal income tax purposes regardless of its source, or (iv) a trust (A) the administration of which is subject to the primary supervision of a U.S. court and with respect to which one or more "United States persons" (within the meaning of the Code) have the authority to control all substantial decisions of the trust or (B) that has in effect a valid election under applicable United States Department of the Treasury regulations to be treated as a United States person.

Under the Tax Act, U.S. Holders that use an accrual method of accounting for tax purposes generally will be required to include certain amounts in income no later than the time such amounts are reflected on certain financial statements. The application of this rule thus may require the accrual of income earlier than would be the case under the general tax rules described below, although the precise application of this rule is unclear at this time. This rule is effective for tax years beginning after December 31, 2017 or, for debt instruments issued with original issue discount, for tax years beginning after December 31, 2018. U.S. Holders that use an accrual method of accounting should consult with their tax advisors regarding the potential applicability of this legislation to their particular situation.

Interest. Interest paid on a Note will be taxable to a U.S. Holder as ordinary interest income at the time it accrues or is received in accordance with the U.S. Holder's method of accounting for U.S. federal income tax purposes.

Disposition of the Notes. Upon a sale, exchange, retirement, redemption or other taxable disposition of a Note, a U.S. Holder will recognize taxable gain or loss equal to the difference between the amount realized on the disposition and the U.S. Holder's adjusted tax basis in the Note, which will generally equal the cost of the Note. For these purposes, the amount realized does not include any amount attributable to accrued interest. Amounts attributable to accrued interest are treated as interest as described under "—Interest" above.

Except with respect to the foreign currency rules discussed below, gain or loss realized on the sale, exchange, retirement, redemption or other taxable disposition of a Note will generally be capital gain or loss and will be long-term capital gain or loss if at the time of the disposition the Note has been held for more than one year. Long-term capital gains recognized by non-corporate taxpayers are subject to reduced tax rates. The deductibility of capital losses is subject to limitations.

Information reporting and backup withholding. Information returns generally will be filed with the IRS in connection with payments on the Notes and the proceeds from a sale or other disposition of the Notes. A U.S. Holder will be subject to backup withholding on these payments if the U.S. Holder fails to provide its correct taxpayer identification number to the applicable withholding agent and comply with certain certification procedures or otherwise establish an exemption from backup withholding. Backup withholding is not an additional tax. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against the U.S. Holder's U.S. federal income tax liability and may entitle the U.S. Holder to a refund, provided that the required information is timely furnished to the IRS.

Foreign Currency Issues. The following discussion describes certain special rules applicable to U.S. Holders that hold debt instruments that are denominated in a currency other than the U.S. dollar (such as the Euro Notes). The rules applicable to the Euro Notes could require some or all of the gain or loss on the sale, exchange or other disposition of the Euro Notes to be recharacterized as ordinary income or loss. The rules applicable to the Euro Notes are complex, and their application may depend on a U.S. Holder's particular U.S. federal income tax situation. U.S. Holders should consult their tax advisors regarding the U.S. federal income tax consequences of the ownership and disposition of the Euro Notes.

Payments of Interest on Euro Notes. U.S. Holders using the cash method of accounting for U.S. federal income tax purposes will be required to include in income the U.S. dollar value of the foreign currency payment on a Euro Note when the payment of interest is received (including a payment attributable to accrued but unpaid interest upon the sale, exchange, redemption, repurchase or other taxable disposition of a Euro Note). The U.S. dollar value of the foreign currency payment is determined by translating the foreign currency received at the spot rate for such foreign currency on the date the payment is received, regardless of whether the payment is in fact converted to U.S. dollars at that time. The U.S. dollar value will be the U.S. Holder's tax basis in the foreign currency received. A U.S. Holder will not recognize foreign currency exchange gain or loss with respect to the receipt of such payment.

U.S. Holders using the accrual method of accounting for U.S. federal income tax purposes will be required to include in income the U.S. dollar value of the amount of interest income that has accrued and is otherwise required to be taken into account with respect to a Euro Note during an accrual period. The U.S. dollar value of the accrued income will be determined by translating the income at the average rate of exchange for the accrual period or, with respect to an accrual period that spans two taxable years, at the average rate for the partial period within the taxable year. A U.S. Holder may elect, however, to translate the accrued interest income using the spot rate on the last day of the accrual period or, with respect to an accrual period that spans two taxable years, using the exchange rate on the last day of the taxable year. If the last day of an accrual period is within five business days of the date of receipt of the accrued interest, a U.S. Holder may translate the interest using the spot rate on the date of receipt. The above election will apply to all other debt obligations held by the U.S. Holder and may not be changed without the consent of the IRS. U.S. Holders should consult their own tax advisors before making the above election. Upon receipt of an interest payment (including, upon the sale, exchange, redemption or other taxable disposition of the notes, the receipt of proceeds which include amounts attributable to accrued interest previously included in income), the holder will recognize foreign currency exchange gain or loss in an amount equal to the difference between the U.S. dollar value of such payment (determined by translating the foreign currency received at the spot rate for such foreign currency on the date such payment is received) and the U.S. dollar value of the interest income previously included in income with respect to such payment. This gain or loss will be treated as ordinary income or loss.

If a U.S. Holder purchases a Euro Note with previously owned foreign currency, foreign currency exchange gain or loss (which will be treated as ordinary income or loss) will be recognized in an amount equal to the difference, if any, between the tax basis in the foreign currency and the U.S. dollar fair market value of the foreign currency used to purchase the Euro Note, determined on the date of purchase.

The tax basis in foreign currency received as interest on a Euro Note will be the U.S. dollar value of the foreign currency determined at the spot rate in effect on the date the foreign currency is received. Any gain or loss recognized on a sale, exchange, retirement, redemption, or other taxable disposition of foreign currency (including its exchange for U.S. dollars or its use to purchase debt securities) will be U.S. source ordinary income or loss.

Disposition of the Euro Notes. Upon a sale, exchange, retirement, redemption or other taxable disposition of a Euro Note, a U.S. Holder will recognize taxable gain or loss equal to the difference between the amount realized on the disposition and the U.S. Holder's adjusted tax basis in the Euro Note, which will generally equal the cost of the Euro Note. The amount realized will be equal to the U.S. dollar value of the foreign currency on the date the payment is received or the Euro Notes are disposed of (or deemed disposed of as a result of a material change in the terms of the Euro Notes), less any portion allocable to any accrued and unpaid stated interest, which portion will be taxed as ordinary interest income. The amount of any payment in or adjustments measured by foreign currency will be equal to the U.S. dollar value of the foreign currency on the date of the purchase or adjustment. If, however, a Euro Note is traded on an established securities market, and the U.S. Holder uses the cash basis method of tax accounting, the U.S. dollar value of the amount realized will be determined by translating the foreign currency payment at the spot rate of exchange on the settlement date of the sale, exchange, retirement, redemption or other taxable disposition. A U.S. Holder that uses the accrual basis method of tax accounting may elect the same treatment with respect to the sale, exchange, retirement, redemption or other taxable disposition of Euro Notes traded on an established securities market, provided that the election is applied consistently.

Except with respect to the foreign currency rules discussed below, gain or loss realized on the sale, exchange, retirement, redemption or other taxable disposition of a Euro Note will generally be capital gain or loss and will be long-term capital gain or loss if at the time of the disposition the Euro Note has been held for more than one year. Long-term capital gains recognized by non-corporate taxpayers are subject to reduced tax rates. The deductibility of capital losses is subject to limitations.

A portion of the gain or loss with respect to the principal amount of a Euro Note may be treated as foreign currency exchange gain or loss. Foreign currency exchange gain or loss will be treated as ordinary income or loss. For these purposes, the principal amount of the Euro Notes is the purchase price for the notes calculated in the foreign currency on the date of purchase, and the amount of exchange gain or loss recognized is equal to the difference between (i) the U.S. dollar value of the principal amount determined on the date of the sale, exchange, retirement, redemption or other taxable disposition of the Euro Note and (ii) the U.S. dollar value of the principal amount determined on the date the Euro Note was purchased. The amount of foreign currency exchange gain or loss will be limited to the amount of overall gain or loss realized on the disposition of the notes.

The tax basis in foreign currency received on the sale, exchange, retirement, or other disposition of a Euro Note will be equal to the U.S. dollar value of the foreign currency, determined at the time of the sale, exchange, retirement, redemption or other taxable disposition. As discussed above, if the Euro Notes are traded on an established securities market, a cash basis U.S. Holder (or, upon election, an accrual basis U.S. Holder) will determine the U.S. dollar value of the foreign currency by translating the foreign currency received at the spot rate of exchange on the settlement date of the sale, exchange, retirement, redemption, or other taxable disposition. Accordingly, in such case, no foreign currency exchange gain or loss will result from currency fluctuations between the trade date and settlement date of a sale, exchange, retirement, redemption, or other taxable disposition. Any gain or loss recognized on a sale, exchange, retirement, redemption, or other taxable disposition of foreign currency (including its exchange for U.S. dollars or its use to purchase debt securities) will be ordinary income or loss.

U.S. Federal Income Tax Consequences to Non-U.S. Holders

For purposes of this summary, a "Non-U.S. Holder" is a beneficial owner of a Note that is not a U.S. Holder.

Interest. Subject to any backup withholding or withholding under FATCA (as defined below), in each case as discussed below, all payments of interest to a Non-U.S. Holder will be exempt from U.S. federal income and withholding tax, provided that: (i) such Non-U.S. Holder does not own, actually or constructively, 10% or more of the total combined voting power of all classes of our stock entitled to vote; (ii) such Non-U.S. Holder is not a controlled foreign corporation related, directly or indirectly, to us through sufficient stock ownership; (iii) such interest is not effectively connected with such Non-U.S. Holder's conduct of a U.S. trade or business; (iv) such Non-U.S. Holder is not a bank receiving interest described in section 881(c)(3)(A) of the Code; and (v) such Non-U.S. Holder certifies, under penalties of perjury, to the applicable withholding agent on IRS Form W-8BEN or W-8BEN-E (or appropriate substitute form) that it is not a United States person and provides its name, address and certain other required information, or certain other certification requirements are satisfied.

If a Non-U.S. Holder cannot satisfy the requirements described above, payments of interest will be subject to the 30% U.S. federal withholding tax, unless such Non-U.S. Holder provides the applicable withholding agent with a properly executed (i) IRS Form W-8BEN or W-8BEN-E (or appropriate substitute form) claiming an exemption from or reduction in withholding tax under the benefit of an applicable income tax treaty or (ii) IRS Form W-8ECI (or appropriate substitute form) stating that interest paid or accrued on the Notes is not subject to withholding tax because it is effectively connected with the conduct of a trade or business in the United States.

If a Non-U.S. Holder is engaged in a trade or business in the United States, and if interest on the Notes is effectively connected with the conduct of such trade or business (and, if a tax treaty applies, is attributable to permanent establishment), the Non-U.S. Holder will generally be subject to U.S. federal income tax on a net income basis on such interest in the same manner as if the

Non-U.S. Holder were a United States person, unless an applicable income tax treaty provides otherwise. In addition, if such a Non-U.S. Holder is a corporation for U.S. federal income tax purposes, such holder may also be subject to a branch profits tax equal to 30% (or such lower rate provided by an applicable treaty) of its effectively connected earnings and profits for the taxable year, subject to certain adjustments.

Disposition of the Notes. Subject to any backup withholding or withholding under FATCA (as defined below), in each case as discussed below, and except with respect to accrued but unpaid interest, which will be taxable as described above under "—Interest," a Non-U.S. Holder will generally not be subject to U.S. federal income or withholding tax on the receipt of payments of principal on a Note, or on any gain recognized upon the sale, exchange, retirement, redemption or other taxable disposition of a Note, unless in the case of gain (i) such gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business within the United States (in which case such gain will be taxed as discussed below) or (ii) such Non-U.S. Holder is an individual who is present in the United States for 183 days or more in the taxable year of disposition, and certain other conditions are met (in which case such Non-U.S. Holder will be subject to a flat 30% tax on the gain derived from the sale, which may be offset by U.S.-source capital losses).

If a Non-U.S. Holder is engaged in a trade or business in the United States, and if gain recognized on the sale, exchange, retirement, redemption or other taxable disposition of the Notes, is effectively connected with the conduct of such trade or business (and, if a tax treaty applies, is attributable to a permanent establishment), the Non-U.S. Holder will generally be subject to U.S. federal income tax on a net income basis on such gain in the same manner as if the Non-U.S. Holder were a United States person, unless an applicable income tax treaty provides otherwise. In addition, if such a Non-U.S. Holder is a corporation for U.S. federal income tax purposes, such holder may also be subject to a branch profits tax equal to 30% (or such lower rate provided by an applicable treaty) of its effectively connected earnings and profits for the taxable year, subject to certain adjustments.

Information reporting and backup withholding. A Non-U.S. Holder may be required to comply with certain certification procedures to establish that the holder is not a United States person in order to avoid backup withholding with respect to our payments of principal and interest on, or the proceeds of the sale or other disposition of, a Note. Such requirements are generally satisfied by providing a properly executed IRS Form W-8BEN or W-8BEN-E (or appropriate substitute form), as described above. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against that Non-U.S. Holder's U.S. federal income tax liability provided the required information is furnished to the IRS. In certain circumstances, the name and address of the Non-U.S. Holder and the amount of interest paid on the Non-U.S. Holder's Note, as well as the amount, if any, of tax withheld, may be reported to the IRS. Copies of these information returns generally may also be made available under the provisions of a specific treaty or agreement to the tax authorities of the country in which the Non-U.S. Holder resides.

Foreign Account Tax Compliance Act. Sections 1471 through 1474 of the Code and the Treasury Regulations and administrative guidance promulgated thereunder ("FATCA") generally impose withholding at a rate of 30% in certain circumstances on (i) interest payable on, and (ii) after December 31, 2018, gross proceeds from the disposition (including a redemption or retirement) of, the Notes held by or through certain financial institutions (including investment funds), unless such institution (y) enters into, and complies with, an agreement with the IRS to report, on an annual basis, information with respect to interests in, and accounts maintained by, the institution that are owned by certain U.S. persons or by certain non-U.S. entities that are wholly or partially owned by U.S. persons and to withhold on certain payments, or (z) if required under an intergovernmental agreement between the United States and an applicable foreign country, reports such information to its local tax authority, which will then exchange such information with the U.S. authorities. An intergovernmental agreement between the United States and applicable foreign country may modify these requirements. Accordingly, the entity through which the Notes are held will affect the determination of whether such withholding is required. Similarly, (i) interest payable on, and (ii) after December 31, 2018, gross proceeds from the disposition (including redemption or retirement) of, the Notes held by or through an entity that is a non-financial non-U.S. entity that does not qualify under certain exemptions generally will be subject to withholding at a rate of 30%, unless such entity either (y) certifies that such entity does not have any "substantial United States owners" or (z) provides certain information regarding the entity's "substantial United States owners," which we will in turn provide to the United States Department of the Treasury. If withholding under FATCA is required on any payment related to the Notes, investors not otherwise subject to withholding (or that otherwise would be entitled to a reduced rate of withholding) on such payment may be required to seek a refund or credit from the IRS to obtain the benefit of such exemption (or reduction). Prospective investors should consult their tax advisors regarding the possible implications of FATCA on an investment in the Notes.

ERISA and Other Plan Considerations

Sections 404 and 406 of The Employee Retirement Income Security Act of 1974, as amended (ERISA) and Section 4975 of the Code impose certain duties on and restrict certain transactions by employee benefit plans that are subject to the fiduciary responsibility provisions of Title I of ERISA, plans subject to Section 4975 of the Code, and entities the underlying assets of which are deemed to include assets of any such plan (collectively, "Plans") and on persons who are fiduciaries of such Plans with respect to the investment of Plan assets. Certain employee benefit plans, including governmental plans (as defined in Section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA) and non-U.S. plans (as described in Section 4(b)(4) of ERISA), are not subject to the fiduciary responsibility provisions of Title I of ERISA or Section 4975 of the Code, but may be subject to state, local, federal or other laws or regulations substantively similar to Section 406 of ERISA or Section 4975 of the Code ("Similar Law"). Any fiduciary or other person making a decision to invest assets of a Plan or a plan subject to Similar Law in the Notes should review carefully with their legal advisers whether the acquisition, holding or disposition of the Notes (or any interest in a Note) could constitute or give rise to a non-exempt prohibited transaction under ERISA or the Code, a violation of ERISA fiduciary duties, or a non-exempt violation of Similar Law, as discussed below. A violation of the prohibited transaction rules may result, among other possible effects, in imposition of an excise tax or other penalties or liabilities under ERISA and the Code.

Section 406 of ERISA prohibits Plans to which it applies from engaging in transactions described therein, and Section 4975 of the Code imposes excise taxes with respect to transactions described in Section 4975(c) of the Code ("Prohibited Transactions") unless an exception or exemption applies. The Prohibited Transactions described in these provisions are transactions that involve the assets of a Plan, and persons that have certain relationships to the Plan (a "party in interest" as defined in ERISA or a "disqualified person" as defined in the Code) is a party.

The acquisition or holding of the Notes (or any interest in a Note) by or on behalf of a Plan could give rise to a prohibited transaction if the transaction is with a party in interest or disqualified person with respect to that Plan. For example, the acquisition or holding of the Notes (or any interest in a Note) by or on behalf of a Plan could be considered to constitute or give rise to a prohibited transaction if persons such as the Issuer, an initial purchaser, the Owner Trustee or the Indenture Trustee is or becomes a party in interest or disqualified person with respect to the Plan. Certain exemptions from the prohibited transaction rules could be applicable to the acquisition and holding of the Notes (or any interest in a Note) by a Plan, depending on the circumstances and the Plan fiduciary making the decision to acquire a Note. Included among these prohibited transaction exemptions are: the statutory exemption under Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code, regarding transactions with certain non-fiduciary service providers to Plans; prohibited transaction class exemption ("PTCE") 90-1, regarding investments by insurance company pooled separate accounts; PTCE 95-60, as amended by PTCE 2002-13, regarding investments by insurance company general accounts; PTCE 91-38, as amended by PTCE 2002-13, regarding investments by bank collective investment funds; PTCE 96-23, regarding transactions effected by in-house asset managers; and PTCE 84-14, as amended by PTCE 2002-13, regarding transactions effected by "qualified professional asset managers." However, the scope of relief under these prohibited transaction exemptions might not cover all acts that could be considered Prohibited Transactions, including Prohibited Transactions that might arise in connection with the operation of the Issuer. No assurance can be given that any of the above exemptions or exceptions, or any other exemptions, would cover any or all acts or conditions arising in connection with the Plan's acquisition and holding of any interest in a Note.

Accordingly, each purchaser or transferee of the Notes (or any interest in a Note) will be deemed to represent and warrant that either (i) it is not, and is not directly or indirectly acquiring the Notes (or any interest in a Note) for, on behalf of or with any assets of, a Plan or a plan subject to Similar Law or (ii) its acquisition, holding and disposition of the Notes (or any interest in a Note) will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a non-exempt violation of Similar Law.

In addition, if the purchaser is a Plan, it and its fiduciary responsible for such investment (the "Plan Fiduciary") will be deemed to represent as long as it holds a Note (including any interest in a Note) that : (1) the decision to invest in such Note is made by the Plan's Fiduciary; (2) neither we, any initial purchaser or any of our or their affiliates or agents ("Transaction Parties") have provided nor will provide advice with respect to the acquisition of and investment in the Notes by the Plan; (3) the Plan Fiduciary is either (a) a bank as defined in Section 202 of the Investment Advisers Act of 1940 (the "Advisers Act"), or similar institution that is regulated and supervised and subject to periodic examination by a U.S. State or U.S. federal agency, (b) an insurance carrier which is qualified under the laws of more than one U.S. State to perform the services of managing, acquiring or disposing of assets of an ERISA Plan; (c) an investment adviser registered under the Advisers Act, or, if not registered as an investment adviser under the Advisers Act by reason of paragraph (1) of Section 203A of the Advisers Act, is registered as an investment adviser under the laws of the U.S. state in which it maintains its principal office and place of business; (d) a broker-dealer registered under the U.S. Securities Exchange Act of 1934, as amended; or (e) an independent fiduciary that holds, or has under its management or control, total assets of at least $50 million (provided that this clause (e) shall not be satisfied if the Plan Fiduciary is an individual directing his or her own individual retirement account or a relative of such individual); (3) the Plan Fiduciary is capable of evaluating investment risks independently, both in general and with respect to particular transactions and investment strategies, including the acquisition by the ERISA Plan of the notes; (4) the Plan Fiduciary is a "fiduciary" with respect to the Plan within the meaning of Section 3(21) of ERISA or Section 4975 of the Code, or both, and is responsible for exercising independent judgment in evaluating the Plan's acquisition of the notes; (5) none of the Transaction Parties has exercised any authority to cause the Plan to invest in the Notes or to negotiate the terms of the ERISA Plan's investment in the Notes(e) neither it nor the Independent Fiduciary is paying or has paid any fee or other compensation directly to any of the Transaction Parties for investment advice (as opposed to other services) in connection with its acquisition or holding of Notes; (6) neither it nor the Plan Fiduciary is paying or has paid any fee or other compensation directly to any of the Transaction Parties for investment advice (as opposed to other services) in connection with purchaser's investment in Notes; and (7) the Plan Fiduciary (A) has been informed by the Transaction Parties that none of the Transaction Parties are undertaking to provide impartial investment advice or to give advice in a fiduciary capacity, and that no such party has given investment advice or otherwise made a recommendation, in connection with the Plan's investment in the Notes; and (B) understands the existence and nature of the Transaction Parties financial interests with respect to the Notes. The above representations in this paragraph are intended to comply with the Department of Labor's regulation Sections 29 C.F.R. 2510.3-21(a) and (c)(1) as promulgated on April 8, 2016 (81 Fed. Reg. 20,997). If these regulations are revoked, repealed or no longer effective, these representations shall be deemed to be no longer in effect.

Each purchaser and holder of the Notes has the exclusive responsibility for ensuring that its purchase, holding and subsequent disposition of the Notes do not violate the fiduciary or prohibited transaction rules of ERISA, the Code or any applicable Similar Laws. The sale of any Notes to any Plan or any plan subject to Similar Law is in no respect a representation by us or any of our affiliates or representatives that such an investment is appropriate for, or meets all relevant legal requirements with respect to investments by, Plans or plans subject to Similar Laws generally or any particular Plan or plan subject to Similar Law.

European Union Savings Directive and Proposed Financial Transactions Tax

EU Savings Directive and Directive on Administrative Cooperation in the Field of Taxation

Under European Council Directive 2003/48/EC on the taxation of savings income (the "Savings Directive"), Member States were required to provide to the tax authorities of other Member States details of certain payments of interest or similar income paid or secured by a person established in a Member State to or for the benefit of an individual resident in another Member State or certain limited types of entities established in another Member State. The Savings Directive was repealed entirely from January 1, 2017 in order to avoid overlap with European Council Directive 2011/16/EU on administrative cooperation in the field of taxation (as amended by European Council Directive 2014/107/EU) (commonly referred to as the "Directive on Administrative Cooperation" or the "DAC"), which implements in the EU the Organization for Economic Cooperation and Development's (the "OECD") July 2014 Common Reporting Standard ("CRS") on the automatic exchange of financial account information. The DAC requires Member States to apply new measures on mandatory automatic exchange of information with effect from January 1, 2016. The CRS covers not only interest income, but also dividends and other types of capital income, and the annual balance of the accounts producing such items of income. The DAC is therefore broader in scope than the Savings Directive, although it does not impose withholding taxes.

The CRS has also been implemented outside of the EU: as of November 2017, 146 jurisdictions had committed to exchanging information under the CRS. The United States has not to date committed to exchanging information under the CRS.

The Proposed Financial Transactions Tax ("FTT")

On February 14, 2013, the European Commission published a proposal (the "Commission's Proposal") for a Directive for a common proposed Financial Transactions Tax ("FTT") in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "participating Member States"). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementations, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

Plan of Distribution

Under the terms and conditions contained in a purchase agreement dated as of the date hereof, Morgan Stanley & Co. LLC is acting as representative of the several initial purchasers of the Dollar Notes, and BNP Paribas is acting as representative of the several initial purchasers of the Euro Notes. We have agreed to sell to the initial purchasers, and the initial purchasers have agreed to purchase from us, the following principal amounts of Notes set forth opposite their names below.

Dollar Notes

Dollar Initial Purchasers	Principal Amount of 2026 Dollar Notes	Principal Amount of 2028 Dollar Notes
Morgan Stanley & Co. LLC	$	$
BNP Paribas Securities Corp		
Credit Agricole Securities (USA) Inc.		
Deutsche Bank Securities Inc.		
HSBC Securities (USA) Inc.		
ING Financial Markets LLC		
J.P. Morgan Securities LLC		
Merrill Lynch, Pierce, Fenner & Smith Incorporated		
Mizuho Securities USA LLC		
RBC Capital Markets LLC		
UniCredit Bank AG		
BBVA Securities Inc.		
Banca IMI S.p.A.		
Scotia Capital (USA) Inc.		
SMBC Nikko Securities America, Inc.		
Total	$	$

Euro Notes

Euro Initial Purchasers	Principal Amount of 2023 Euro Notes	Principal Amount of 2026 Euro Notes
BNP Paribas	€	€
Crédit Agricole Corporate and Investment Bank		
Deutsche Bank AG, London Branch		
HSBC Securities (USA) Inc.		
Merrill Lynch International		
UniCredit Bank AG		
ING Financial Markets LLC		
J.P. Morgan Securities plc		
Mizuho International plc		
Morgan Stanley & Co. International plc		
RBC Capital Markets LLC		
Banco Bilbao Vizcaya Argentaria, S.A.		
Banca IMI S.p.A.		
Scotiabank Europe plc		
SMBC Nikko Capital Markets Limited		
Total	€	€

The purchase agreement provides that the initial purchasers of the Dollar Notes are obligated to purchase all of such series of Dollar Notes if any are purchased. The purchase agreement provides that the initial purchasers of the Euro Notes are obligated to purchase all of the Euro Notes if any are purchased. The purchase agreement also provides that if an initial purchaser of the Dollar Notes defaults, the purchase commitments of non-defaulting initial purchasers of the Dollar Notes may be increased or the offering may be terminated. The purchase agreement also provides that if an initial purchaser of the Euro Notes defaults, the purchase commitments of non-defaulting initial purchasers of the Euro Notes may be increased or the offering may be terminated. We have agreed in the purchase agreement that we will not offer or sell any of our debt securities (other than the Notes) for a period of 60 days after the date of this offering memorandum without the prior consent of the representative for each of the Dollar Notes and the Euro Notes.

The initial purchasers propose to offer the Notes initially at the relevant offering price on the cover page of this offering memorandum. After the initial offering, the offering price may be changed. The initial purchasers may offer and sell notes through certain of their affiliates. In addition, one or more of the initial purchasers may not be U.S.-registered broker-dealers. All sales of the Notes in the United States will be made by or through U.S.-registered broker-dealers, which may include such affiliates of one or more of the initial purchasers.

The Notes have not been registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except to persons reasonably believed to be qualified institutional buyers in reliance on Rule 144A and to persons in offshore transactions in reliance on Regulation S. Each of the initial purchasers has agreed that, except as permitted by the purchase agreement, it will not offer, sell or deliver the Notes (i) as part of its distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the closing date, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each broker/dealer to which it sells Notes in reliance on Regulation S during such 40-day period a confirmation or other notice detailing the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act. Resales of the Notes are restricted as described under "Transfer Restrictions."

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by a broker/dealer (whether or not it is participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than pursuant to Rule 144A.

We and the guarantors have agreed to indemnify the initial purchasers against liabilities or to contribute to payments that they may be required to make in that respect.

The Notes of each series are a new issue of securities for which there currently is no market. In addition, the Notes are subject to certain restrictions on resale and transfer as described under "Transfer Restrictions." We do not intend to apply for any of the Notes to be listed on any securities exchange or to arrange for the Notes to be quoted on any quotation system. The initial purchasers have advised us that they intend to make a market in the Notes as permitted by applicable law. They are not obligated, however, to make a market in the Notes, and any market-making may be discontinued with respect to any or all series at any time at their sole discretion. Accordingly, no assurance can be given as to the development or liquidity of any market for the Notes.

You should be aware that the laws and practices of certain countries require investors to pay stamp taxes and other charges in connection with purchases of securities.

In relation to the Dollar Notes, the initial purchasers may engage in over-allotment, stabilizing transactions, covering transactions and penalty bids in accordance with Regulation M under the Exchange Act.

- Over-allotment involves sales in excess of the offering size, which creates a short position for the initial purchasers.
- Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum.
- Covering transactions involve purchases of the Notes in the open market after the distribution has been completed in order to cover short positions.

* Penalty bids permit the initial purchasers to reclaim a selling concession from a broker/dealer when the Notes originally sold by such broker/dealer are purchased in a stabilizing or covering transaction to cover short positions.

In connection with the issue of the 2023 Euro Notes and the 2026 Euro Notes, BNP Paribas (the "Stabilization Manager") (or persons acting on behalf of the Stabilization Manager) may over allot the Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilization Manager (or persons acting on behalf of a Stabilization Manager) will undertake stabilization action. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilization action or over-allotment must be conducted by the Stabilization Manager (or persons acting on behalf of the Stabilization Manager) in accordance with all applicable laws and rules.

These stabilizing transactions, covering transactions and penalty bids may cause the price of the Notes to be higher than it would otherwise be in the absence of these transactions. These transactions, if commenced, may be discontinued at any time.

In the ordinary course of their respective businesses, the initial purchasers and certain of their respective affiliates have in the past and may in the future engage in commercial or investment banking or other transactions of a financial nature with us, including the provision of certain advisory services and the making of loans to us and our affiliates, for which they have received (or will receive) customary compensation. In particular, we expect that affiliates of certain of the initial purchasers will act as administrative agent and as lenders under our new revolving credit facility and term loans. Affiliates of certain of the initial purchasers act as lenders under our Existing Credit Facilities, which are expected to be prepaid with the proceeds of the offering of the Notes and the New Credit Facilities described herein. As a result, certain of the initial purchasers or their affiliates may receive a portion of the net proceeds from this offering, and/or customary compensation for acting in such capacities. See "Description of New Credit Facilities" and "Use of Proceeds" for more information.

In addition, in the ordinary course of their business activities, the initial purchasers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates (including the Notes). Certain of the initial purchasers or their affiliates that have a lending relationship with us or our affiliates routinely hedge, and certain other of those initial purchases or their affiliates are likely to hedge, their credit exposure to us and/or our affiliates consistent with their customary risk management policies. Typically, such initial purchaser and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities (including potentially the Notes). Any such credit default swaps or short positions could adversely affect future trading prices of the Notes. The initial purchasers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

PRIIPS Regulation/Prospectus Directive/Prohibition of Sales to EEA retail investors

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); or (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the "Insurance Mediation Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the "Prospectus Directive"). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.

Notice to Prospective Investors in the United Kingdom

Each of the initial purchasers has agreed that:

- it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (FSMA)) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the company or the guarantors; and
- it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Notice to Prospective Investors in Canada

The Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this offering memorandum (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the initial purchasers are not required to comply with the disclosure requirements of NI 33-105 regarding initial purchaser conflicts of interest in connection with this offering.

Notice to Prospective Investors in France

Neither this offering memorandum nor any other offering material relating to the Notes described in this offering memorandum has been submitted to the clearance procedures of the *Autorité des Marchés Financiers* or of the competent authority of another member state of the European Economic Area and notified to the *Autorité des Marchés Financiers*. The Notes have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in France. Neither this offering memorandum nor any other offering material relating to the Notes has been or will be:

- released, issued, distributed or caused to be released, issued or distributed to the public in France; or
- used in connection with any offer for subscription or sale of the Notes to the public in France.

Such offers, sales and distributions will be made in France only:

- to qualified investors (*investisseurs qualifiés*) and/or to a restricted circle of investors (*cercle restreint d'investisseurs*), in each case investing for their own account, all as defined in, and in accordance with, articles L.411-2, D.411-1, D.411-2, D.734-1, D.744-1, D.754-1 and D.764-1 of the French *Code monétaire et financier*;

- to investment services providers authorized to engage in portfolio management on behalf of third parties; or
- in a transaction that, in accordance with article L.411-2-II-1°-or-2°-or 3° of the French *Code monétaire et financier* and article 211-2 of the General Regulations (*Règlement Général*) of the *Autorité des Marchés Financiers*, does not constitute a public offer (*appel public à l'épargne*).

The Notes may be resold directly or indirectly, only in compliance with articles L.411-1, L.411-2, L.412-1 and L.621-8 through L.621-8-3 of the French *Code monétaire et financier*.

Notice to Prospective Investors in Hong Kong

The Notes may not be offered or sold in Hong Kong by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong), or (ii) to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a "prospectus" within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong) and no advertisement, invitation or document relating to the Notes may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

Notice to Prospective Investors in Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (the "Financial Instruments and Exchange Law") and each initial purchaser has agreed that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

Notice to Prospective Investors in Singapore

This offering memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this offering memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA, in each case subject to compliance with conditions set forth in the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

- a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:
- to an institutional investor (for corporations, under Section 274 of the SFA) or to a relevant person defined in Section 275(2) of the SFA, or to any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights and interest in that trust are acquired at a consideration of not less than S$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets, and further for corporations, in accordance with the conditions specified in Section 275 of the SFA;
- where no consideration is or will be given for the transfer; or
- where the transfer is by operation of law.

Transfer Restrictions

Offer and Sale of the Notes

The Notes have not been registered under the Securities Act or any securities laws of any other jurisdiction, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Notes are being offered hereby only (1) to QIBs, in compliance with, and reliance on, the exemption from the registration requirements of the Securities Act provided by Rule 144A and (2) pursuant to offers and sales to non-U.S. persons that occur outside of the United States in reliance upon Regulation S. Because of these restrictions and those described below, purchasers are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of the Notes offered hereby. As used in this section, the terms "United States" and "U.S. person" have the respective meanings given to them in Regulation S.

Investor Representations and Restrictions on Resale

Each purchaser of Notes will be deemed to have acknowledged, represented to, and agreed with us and the initial purchasers as follows:

(1) It is purchasing the Notes for its own account or an account with respect to which it exercises sole investment discretion and that it and any such account is either:

  (A) a QIB and such purchaser and each such account is aware that the sale to it is being made in reliance on Rule 144A, or

  (B) a non-U.S. person outside of the United States acquiring such Notes in reliance upon and in compliance with Regulation S.

(2) It acknowledges that the Notes have not been registered under the Securities Act or any securities laws of any other jurisdiction, and that they may not be offered, sold, pledged or otherwise transferred except as set forth below.

(3) It shall not offer, resell, pledge or otherwise transfer any of the Notes after the original issuance of the Notes except:

  (A) to the Issuer;

  (B) so long as the Notes are eligible for resale pursuant to Rule 144A, in compliance with Rule 144A to a person whom the seller reasonably believes is a QIB purchasing for its own account or for the account of another QIB to which notice is given that the transfer is being made in reliance on Rule 144A;

  (C) outside the United States to a non-U.S. person in compliance with Regulation S;

  (D) pursuant to the exemption from registration provided by Rule 144 (if available);

  (E) to an institutional accredited investor (as defined in Rule 501(a)(1), (2), (3) or (7) of the Securities Act) that, prior to such transfer, furnishes the Trustee a signed letter containing certain representations and agreements and, if such transfer is in an aggregate principal amount of less than $250,000, an opinion of counsel acceptable to us that such transfer is in compliance with the Securities Act;

  (F) in accordance with another exemption, if any, from the registration requirements of the Securities Act (and based on an opinion of counsel acceptable to us and such certifications and other documents that we may reasonably require); or

  (G) pursuant to an effective registration statement under the Securities Act;

  and, in each case, in compliance with all applicable securities laws of any U.S. state or other applicable jurisdiction, subject in each of the foregoing cases to any requirement of law that the disposition of its property or the property of any such investor account or accounts be at all times within its or their control.

(4) It agrees that it will give to each person to whom it transfers the Notes notice of the restrictions on transfer of such Notes, including those described in the applicable Indenture and in this offering memorandum, and it acknowledges that no representation is being made as to the availability of the exemption provided by Rule 144 under the Securities Act for resales of the Notes.

(5) It understands that all of the Notes will bear a legend substantially to the following effect, unless otherwise agreed by us and the holder thereof:

"THE SECURITY (OR ITS PREDECESSOR) EVIDENCED HEREBY WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER SECTION 5 OF THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND THE SECURITY EVIDENCED HEREBY MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. EACH PURCHASER OF THE SECURITY EVIDENCED HEREBY IS HEREBY NOTIFIED THAT THE SELLER MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER. THE HOLDER OF THE SECURITY EVIDENCED HEREBY AGREES FOR THE BENEFIT OF THE ISSUER THAT:

(A) SUCH SECURITY MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY:

(i)(a) TO A PERSON WHO THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE SECURITIES ACT, (b) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144 UNDER THE SECURITIES ACT, (c) OUTSIDE THE UNITED STATES TO A NON-U.S. PERSON IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 903 OR 904 UNDER THE SECURITIES ACT, (d) TO AN INSTITUTIONAL "ACCREDITED INVESTOR" (AS DEFINED IN RULE 501(a)(1),(2),(3) OR (7) OF THE SECURITIES ACT (AN "INSTITUTIONAL ACCREDITED INVESTOR")) THAT, PRIOR TO SUCH TRANSFER, FURNISHES THE TRUSTEE WITH A SIGNED LETTER CONTAINING CERTAIN REPRESENTATIONS AND AGREEMENTS (THE FORM OF WHICH CAN BE OBTAINED FROM THE TRUSTEE) AND, IF SUCH TRANSFER IS IN RESPECT OF AN AGGREGATE PRINCIPAL AMOUNT OF NOTES LESS THAN $250,000, AN OPINION OF COUNSEL ACCEPTABLE TO THE ISSUER THAT SUCH TRANSFER IS IN COMPLIANCE WITH THE SECURITIES ACT, OR (e) IN ACCORDANCE WITH ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT (AND BASED UPON AN OPINION OF COUNSEL AND OTHER CERTIFICATIONS AND DOCUMENTS IF THE ISSUER SO REQUESTS);

(ii) TO THE ISSUER; OR

(iii) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT

AND, IN EACH CASE, IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER APPLICABLE JURISDICTION AND IN EACH CASE SUBJECT TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF THIS SECURITY BY THE HOLDER OR BY ANY INVESTOR ACCOUNT OR ACCOUNTS BE AT ALL TIMES WITHIN ITS OR THEIR CONTROL; AND

(B) THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER FROM IT OF THE SECURITY EVIDENCED HEREBY OF THE RESALE RESTRICTIONS SET FORTH IN (A) ABOVE.

THIS SECURITY MAY NOT BE ACQUIRED OR HELD WITH THE ASSETS OF (I) AN "EMPLOYEE BENEFIT PLAN" (AS DEFINED IN SECTION 3(3) OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA")) THAT IS SUBJECT TO ERISA, (II) A "PLAN" WHICH IS SUBJECT TO SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), (III) ANY ENTITY DEEMED UNDER ERISA TO HOLD "PLAN ASSETS" OF ANY OF THE FOREGOING BY REASON OF AN EMPLOYEE BENEFIT PLAN'S OR PLAN'S INVESTMENT IN SUCH ENTITY (A PLAN OR ENTITY DESCRIBED IN (I), (II) AND (III) EACH, AN "ERISA PLAN"), OR (IV) A GOVERNMENTAL PLAN, CHURCH PLAN OR NON-U.S. PLAN SUBJECT TO APPLICABLE LAW THAT IS SIMILAR IN PURPOSE OR EFFECT TO THE FIDUCIARY RESPONSIBILITY OR PROHIBITED TRANSACTION PROVISIONS OF ERISA OR SECTION 4975 OF THE CODE ("SIMILAR LAW"), UNLESS THE ACQUISITION AND HOLDING OF THIS SECURITY BY THE PURCHASER OR TRANSFEREE, THROUGHOUT THE PERIOD THAT IT HOLDS THIS SECURITY, WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR A VIOLATION UNDER ANY APPLICABLE SIMILAR LAW. BY ITS ACQUISITION OR HOLDING OF THIS SECURITY, EACH PURCHASER AND TRANSFEREE WILL BE DEEMED TO HAVE REPRESENTED AND WARRANTED THAT THE FOREGOING REQUIREMENTS HAVE BEEN SATISFIED.

IN ADDITION, WITHOUT LIMITING THE FOREGOING, BY ACQUIRING A NOTE (INCLUDING ANY INTEREST IN A NOTE) EACH PURCHASER AND TRANSFEREE OF A NOTE (OR INTEREST IN A NOTE) THAT IS AN ERISA PLAN, INCLUDING THE PLAN'S FIDUCIARY RESPONSIBLE AT ANY TIME FOR THE INVESTMENT ("PLAN FIDUCIARY") WILL BE DEEMED TO REPRESENT AND WARRANT, AND ACKNOWLEDGE, AS APPLICABLE, AS LONG AS IT HOLDS SUCH INVESTMENT THAT: (1) THE DECISION TO INVEST IN SUCH NOTE HAS BEEN MADE BY AN INDEPENDENT PLAN FIDUCIARY; (2) NEITHER WE NOR ANY INITIAL PURCHASER, NOR ANY OF OUR OR THEIR AFFILIATES OR AGENTS ("TRANSACTION PARTIES") HAVE PROVIDED NOR WILL PROVIDE ADVICE WITH RESPECT TO THE ACQUISITION OF AND INVESTMENT IN THE NOTES BY THE ERISA PLAN; (3) THE PLAN FIDUCIARY IS EITHER (A) A BANK AS DEFINED IN SECTION 202 OF THE INVESTMENT ADVISERS ACT OF 1940 (THE "ADVISERS ACT"), OR SIMILAR INSTITUTION THAT IS REGULATED AND SUPERVISED AND SUBJECT TO PERIODIC EXAMINATION BY A U.S. STATE OR U.S. FEDERAL AGENCY, (B) AN INSURANCE CARRIER WHICH IS QUALIFIED UNDER THE LAWS OF MORE THAN ONE U.S. STATE TO PERFORM THE SERVICES OF MANAGING, ACQUIRING OR DISPOSING OF ASSETS OF AN ERISA PLAN; (C) AN INVESTMENT ADVISER REGISTERED UNDER THE ADVISERS ACT, OR, IF NOT REGISTERED AS AN INVESTMENT ADVISER UNDER THE ADVISERS ACT BY REASON OF PARAGRAPH (1) OF SECTION 203A OF THE ADVISERS ACT, IS REGISTERED AS AN INVESTMENT ADVISER UNDER THE LAWS OF THE U.S. STATE IN WHICH IT MAINTAINS ITS PRINCIPAL OFFICE AND PLACE OF BUSINESS; (D) A BROKER-DEALER REGISTERED UNDER THE U.S. SECURITIES EXCHANGE ACT OF 1934, AS AMENDED; OR (E) AN INDEPENDENT FIDUCIARY THAT HOLDS, OR HAS UNDER ITS MANAGEMENT OR CONTROL, TOTAL ASSETS OF AT LEAST $50 MILLION

(*PROVIDED* THAT THIS CLAUSE (E) SHALL NOT BE SATISFIED IF THE PLAN FIDUCIARY IS AN INDIVIDUAL DIRECTING HIS OR HER OWN INDIVIDUAL RETIREMENT ACCOUNT OR A RELATIVE OF SUCH INDIVIDUAL); (3) THE PLAN FIDUCIARY IS CAPABLE OF EVALUATING INVESTMENT RISKS INDEPENDENTLY, BOTH IN GENERAL AND WITH RESPECT TO PARTICULAR TRANSACTIONS AND INVESTMENT STRATEGIES, INCLUDING THE INVESTMENT BY THE ERISA PLAN IN THE NOTES; (4) THE PLAN FIDUCIARY IS A "FIDUCIARY" WITH RESPECT TO THE ERISA PLAN WITHIN THE MEANING OF SECTION 3(21) OF ERISA OR SECTION 4975 OF THE CODE, OR BOTH, AND IS RESPONSIBLE FOR EXERCISING INDEPENDENT JUDGMENT IN EVALUATING THE ERISA PLAN'S ACQUISITION OF THE NOTES; (5) NONE OF THE TRANSACTION PARTIES HAS EXERCISED ANY AUTHORITY TO CAUSE THE ERISA PLAN TO INVEST IN THE NOTES OR TO NEGOTIATE THE TERMS OF THE ERISA PLAN'S INVESTMENT IN THE NOTES, (6) NEITHER IT NOR THE PLAN FIDUCIARY IS PAYING OR HAS PAID ANY FEE OR OTHER COMPENSATION DIRECTLY TO ANY OF THE TRANSACTION PARTIES FOR INVESTMENT ADVICE (AS OPPOSED TO OTHER SERVICES) IN CONNECTION WITH PURCHASER'S INVESTMENT IN NOTES; AND (7) THE PLAN FIDUCIARY (A) HAS BEEN INFORMED BY THE TRANSACTION PARTIES THAT NONE OF THE TRANSACTION PARTIES ARE UNDERTAKING OR WILL UNDERTAKE TO PROVIDE IMPARTIAL INVESTMENT ADVICE OR TO GIVE ADVICE IN A FIDUCIARY CAPACITY, AND THAT NO SUCH PARTY HAS GIVEN INVESTMENT ADVICE OR OTHERWISE MADE A RECOMMENDATION, IN CONNECTION WITH THE ERISA PLAN'S INVESTMENT IN THE NOTES; AND (B) UNDERSTANDS THE EXISTENCE AND NATURE OF THE TRANSACTION PARTIES FINANCIAL INTERESTS WITH RESPECT TO THE NOTES, THE ABOVE REPRESENTATIONS IN THIS PARAGRAPH ARE INTENDED TO COMPLY WITH THE DEPARTMENT OF LABOR'S REGULATION SECTIONS 29 C.F.R. 2510.3-21(A) AND (C)(1) AS PROMULGATED ON APRIL 8, 2016 (81 FED. REG. 20,997). IF THESE REGULATIONS ARE REVOKED, REPEALED OR NO LONGER EFFECTIVE, THESE REPRESENTATIONS SHALL BE DEEMED TO BE NO LONGER IN EFFECT."

(6) Either (i) the purchaser is not acquiring or holding the Notes (including any interest in a Note) with the assets of (A) an "employee benefit plan" (as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA")) that is subject to ERISA, (B) a "plan" which is subject to Section 4975 of the Code, (C) any entity deemed under ERISA to hold "plan assets" of any of the foregoing by reason of an employee benefit plan's or plan's investment in such entity (each of the foregoing, an "ERISA Plan"), or (D) a governmental plan, church plan or non-U.S. plan subject to applicable law that is similar in purpose or effect to the fiduciary responsibility or prohibited transaction provisions of ERISA or Section 4975 of the Code ("Similar Law"); or (ii) the acquisition and holding of the Notes by the purchaser, throughout the period that it holds the Notes will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a violation under any applicable Similar Law.

(7) If the Purchaser is an ERISA Plan as long as it holds a Note (including any interest in a Note): (1) the decision to invest in such Note is made by an independent fiduciary of the ERISA Plan (the "Plan Fiduciary"); (2) neither we, any initial purchaser or any of our or their affiliates or agents ("Transaction Parties") have provided nor will provide advice with respect to the acquisition of and investment in the Notes by the ERISA Plan; (3) the Plan Fiduciary is either (a) a bank as defined in Section 202 of the Investment Advisers Act of 1940 (the "Advisers Act"), or similar institution that is regulated and supervised and

subject to periodic examination by a U.S. State or U.S. federal agency, (b) an insurance carrier which is qualified under the laws of more than one U.S. State to perform the services of managing, acquiring or disposing of assets of an ERISA Plan; (c) an investment adviser registered under the Advisers Act, or, if not registered as an investment adviser under the Advisers Act by reason of paragraph (1) of Section 203A of the Advisers Act, is registered as an investment adviser under the laws of the U.S. state in which it maintains its principal office and place of business; (d) a broker-dealer registered under the U.S. Securities Exchange Act of 1934, as amended; or (e) an independent fiduciary that holds, or has under its management or control, total assets of at least $50 million (*provided* that this clause (e) shall not be satisfied if the Plan Fiduciary is an individual directing his or her own individual retirement account or a relative of such individual); (3) the Plan Fiduciary is capable of evaluating investment risks independently, both in general and with respect to particular transactions and investment strategies, including the acquisition by the ERISA Plan of the notes; (4) the Plan Fiduciary is a "fiduciary" with respect to the ERISA Plan within the meaning of Section 3(21) of ERISA or Section 4975 of the Code, or both, and is responsible for exercising independent judgment in evaluating the ERISA Plan's acquisition of the notes; (5) none of the Transaction Parties has exercised any authority to cause the ERISA Plan to invest in the Notes or to negotiate the terms of the ERISA Plan's investment in the Notes(e) neither it nor the Independent Fiduciary is paying or has paid any fee or other compensation directly to any of the Transaction Parties for investment advice (as opposed to other services) in connection with its acquisition or holding of Notes; (6) neither it nor the Plan Fiduciary is paying or has paid any fee or other compensation directly to any of the Transaction Parties for investment advice (as opposed to other services) in connection with purchaser's investment in Notes; and (7) the Plan Fiduciary (A) has been informed by the Transaction Parties that none of the Transaction Parties are undertaking to provide impartial investment advice or to give advice in a fiduciary capacity, and that no such party has given investment advice or otherwise made a recommendation, in connection with the ERISA Plan's investment in the Notes; and (B) understands the existence and nature of the Transaction Parties financial interests with respect to the Notes. The above representations in this paragraph are intended to comply with the Department of Labor's regulation Sections 29 C.F.R. 2510.3-21(a) and (c)(1) as promulgated on April 8, 2016 (81 Fed. Reg. 20,997). If these regulations are revoked, repealed or no longer effective, these representations shall be deemed to be no longer in effect.

(8) It acknowledges that the Trustee will not be required to accept for registration of transfer any Notes acquired by it, except upon presentation of evidence satisfactory to us and the Trustee that the restrictions set forth herein have been complied with.

(9) It acknowledges that we, the initial purchasers and others will rely on the truth and accuracy of the foregoing representations and agreements and agrees that, if any of the representations or agreements deemed to have been made by its purchase of the Notes are no longer accurate, it shall promptly notify us and the initial purchasers. If it is acquiring the Notes as a fiduciary or agent for one or more qualified investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing representations and agreements on behalf of each account and has notified such accounts that the Notes may be sold pursuant to Rule 144A.

(10) It acknowledges that, prior to any proposed transfer of any Note in certificated form or of beneficial interests in a Note in global form (in each case other than pursuant to an effective registration statement), as applicable, the holder of the Notes or the holder of beneficial interests in a global note, as the case may be, may be required to provide certifications and other documentation relating to the manner of such transfer and submit such certifications and other documentation as provided in the applicable indenture governing the applicable series of Notes.

Legal Matters

Certain legal matters with respect to the validity of the Notes and the guarantees being issued in this offering are being passed by Skadden, Arps, Slate, Meagher & Flom LLP, New York, New York. Certain legal matters with respect to the taxation of the Notes being issued in this offering are being passed upon by McDermott Will & Emery LLP, Washington, DC. Certain legal matters will be passed upon for the initial purchasers by Davis Polk & Wardwell LLP, New York, New York.

Independent Registered Public Accounting Firm

The consolidated financial statements of Coty Inc. and its subsidiaries as of June 30, 2017 and for each of the three years ended in the period ended June 30, 2017, and the related financial statement schedule, included and incorporated by reference in this offering memorandum, have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report incorporated herein.

The combined financial statements of P&G Beauty Brands as of June 30, 2016, and for each of the three years in the period ended June 30, 2016, incorporated by reference in this offering memorandum, have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as set forth in their report incorporated herein (which report expresses an unqualified opinion on the combined financial statements and includes an explanatory paragraph relating to the allocation of P&G costs).

The combined financial statements of Younique as of December 31, 2016, and for the year ended December 31, 2016, incorporated by reference in this offering memorandum, have been audited by Squire & Company, PC, an independent registered public accounting firm, as set forth in their report incorporated herein.

Where You Can Find More Information; Incorporation By Reference

We file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any document we file at the SEC's Public Reference Room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the Public Reference Room. The SEC also maintains a website at, www.sec.gov, that contains reports, proxy statements and other information regarding issuers that file electronically with the SEC, including the Company. These reports, proxy statements and other information can also be read through the investor relations section of our website at http://investors.coty.com. Information on our website does not constitute part of this offering memorandum and should not be relied upon in connection with making any investment decision with respect to our securities.

We incorporate by reference into this offering memorandum the documents listed below, and any future documents that we file with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Exchange Act prior to the completion of this offering:

- our Annual Report on Form 10-K for the fiscal year ended June 30, 2017 (as filed with the SEC on August 23, 2017);
- the portions of our Definitive Proxy Statement on Schedule 14A, filed September 28, 2017, that are incorporated by reference into our Annual Report on Form 10-K for the fiscal year ended June 30, 2017;
- our Quarterly Reports on Form 10-Q for the period ended September 30, 2017 (as filed with the SEC on November 9, 2017), and the period ended December 31, 2017 (as filed with the SEC on February 8, 2018);
- our Current Reports on Form 8-K/A filed with the SEC on November 09, 2016 (Film No. 161984426) (solely with respect to Exhibit 99.1 thereto), and April 13, 2017 (solely with respect to Exhibit 99.1 thereto); and
- our Current Reports on Form 8-K filed with the SEC on November 14, 2017, and March 22, 2018 (solely with respect to Item 8.01 thereto).

Information furnished under Items 2.02 or 7.01 in any future current report on Form 8-K that we file with the SEC (or corresponding information furnished under Item 9.01 or included as an exhibit), unless otherwise specified in such report, is not incorporated by reference in this offering memorandum, nor are any other documents or information that is deemed to have been “furnished” and not “filed” with the SEC.

Except as provided above, no other information, including information on our website, is incorporated by reference in this offering memorandum.

We will provide to each person to whom an offering memorandum is delivered, upon written or oral request and without charge, a copy of the documents referred to above that we have incorporated by reference into this offering memorandum. You can request copies of such documents if you write or call us at the following address or telephone number: Investor Relations, Coty Inc., 350 Fifth Avenue, New York, New York 10018, (212) 389-7300, or you may visit the investor relations section of our website at http://investors.coty.com for copies of any such documents. Information on our website does not constitute part of this offering memorandum and should not be relied upon in connection with making any investment decision with respect to our securities.

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Index to 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,	
	2017	**2016**	**2017**	**2016**
Net revenues	**$2,637.6**	**$2,296.7**	**$4,875.9**	**$3,376.9**
Cost of sales	1,025.0	892.3	1,899.3	1,337.1
Gross profit	**1,612.6**	**1,404.4**	**2,976.6**	**2,039.8**
Selling, general and administrative expenses	1,319.9	1,170.2	2,511.7	1,649.1
Amortization expense	89.6	95.2	167.8	116.4
Restructuring costs	21.7	15.8	32.9	23.2
Acquisition-related costs	7.0	135.9	61.1	217.4
Operating income (loss)	**174.4**	**(12.7)**	**203.1**	**33.7**
Interest expense, net	60.3	57.9	126.7	98.3
Other expense (income), net	3.4	(0.6)	7.1	0.7
Income (loss) before income taxes	**110.7**	**(70.0)**	**69.3**	**(65.3)**
Benefit for income taxes	(7.9)	(122.1)	(33.2)	(127.2)
Net income	**118.6**	**52.1**	**102.5**	**61.9**
Net (loss) income attributable to noncontrolling interests	(1.9)	2.5	(4.1)	10.7
Net income attributable to redeemable noncontrolling interests	11.3	2.8	17.1	4.4
Net income attributable to Coty Inc.	**$ 109.2**	**$ 46.8**	**$ 89.5**	**$ 46.8**
Net income attributable to Coty Inc. per common share:				
Basic	$ 0.15	$ 0.06	$ 0.12	$ 0.09
Diluted	0.15	0.06	0.12	0.09
Weighted-average common shares outstanding:				
Basic	749.6	746.6	749.1	539.8
Diluted	752.7	752.4	752.5	545.8

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,	
	2017	2016	2017	2016
Net income	**$118.6**	**$ 52.1**	**$102.5**	**$ 61.9**
Other comprehensive income:				
Foreign currency translation adjustment	32.0	(90.4)	271.1	(96.3)
Net unrealized derivative gains on cash flow hedges, net of taxes of $(3.9) and $(8.8), and $(4.0) and $(8.7) during the three and six months ended, respectively	7.4	33.4	7.3	41.9
Pension and other post-employment benefits adjustment, net of tax of $0.0 and $(5.0), and $0.0 and $(5.8) during the three and six months ended, respectively	0.9	4.9	1.6	10.1
Total other comprehensive income (loss), net of tax	40.3	(52.1)	280.0	(44.3)
Comprehensive income	**158.9**	**—**	**382.5**	**17.6**
Comprehensive (loss) income attributable to noncontrolling interests:				
Net (loss) income	(1.9)	2.5	(4.1)	10.7
Foreign currency translation adjustment	(0.1)	(0.5)	0.5	(0.5)
Total comprehensive (loss) income attributable to noncontrolling interests	(2.0)	2.0	(3.6)	10.2
Comprehensive income attributable to redeemable noncontrolling interests:				
Net income	11.3	2.8	17.1	4.4
Foreign currency translation adjustment	—	—	—	—
Total comprehensive income attributable to redeemable noncontrolling interests	11.3	2.8	17.1	4.4
Comprehensive income (loss) attributable to Coty Inc.	**$149.6**	**$ (4.8)**	**$369.0**	**$ 3.0**

See notes to Condensed Consolidated Financial Statements.

COTY INC. & SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions, except per share data)
(Unaudited)

	December 31, 2017	June 30, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	$ 400.1	$ 535.4
Restricted cash	25.6	35.3
Trade receivables—less allowances of $90.6 and $58.5, respectively	1,743.9	1,470.3
Inventories	1,155.3	1,052.6
Prepaid expenses and other current assets	554.3	487.9
Total current assets	**3,879.2**	**3,581.5**
Property and equipment, net	1,647.3	1,632.1
Goodwill	8,864.9	8,555.5
Other intangible assets, net	8,550.7	8,425.2
Deferred income taxes	199.1	72.6
Other noncurrent assets	304.4	281.3
TOTAL ASSETS	**$23,445.6**	**$22,548.2**
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$ 1,758.6	$ 1,732.1
Accrued expenses and other current liabilities	2,007.3	1,796.4
Short-term debt and current portion of long-term debt	295.9	209.1
Income and other taxes payable	94.0	66.0
Total current liabilities	**4,155.8**	**3,803.6**
Long-term debt, net	7,145.8	6,928.3
Pension and other post-employment benefits	571.3	549.2
Deferred income taxes	933.9	924.9
Other noncurrent liabilities	572.0	473.4
Total liabilities	**13,378.8**	**12,679.4**
COMMITMENTS AND CONTINGENCIES (Note 17)		
REDEEMABLE NONCONTROLLING INTERESTS	**638.3**	**551.1**
EQUITY:		
Preferred Stock, $0.01 par value; 20.0 shares authorized, 5.2 and 4.2 issued and outstanding, respectively, at December 31, 2017 and June 30, 2017	—	—
Class A Common Stock, $0.01 par value; 1,000.0 shares authorized, 814.8 and 812.9 issued, respectively, and 749.8 and 747.9 outstanding, respectively, at December 31, 2017 and June 30, 2017	8.1	8.1
Additional paid-in capital	10,940.3	11,203.2
Accumulated deficit	(361.4)	(459.2)
Accumulated other comprehensive income	283.9	4.4
Treasury stock—at cost, shares: 65.0 at December 31, 2017 and June 30, 2017	(1,441.8)	(1,441.8)
Total Coty Inc. stockholders' equity	**9,429.1**	**9,314.7**
Noncontrolling interests	**(0.6)**	**3.0**
Total equity	**9,428.5**	**9,317.7**
TOTAL LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS AND EQUITY	**$23,445.6**	**$22,548.2**

See notes to Condensed Consolidated Financial Statements.

COTY INC. & SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF EQUITY AND REDEEMABLE NONCONTROLLING INTERESTS

For the Six Months Ended December 31, 2017
(In millions, except per share data)
(Unaudited)

	Preferred Stock		Class A Common Stock		Additional Paid-in Capital	(Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Treasury Stock		Total Coty Inc. Stockholders' Equity	Noncontrolling Interests	Total Equity	Redeemable Noncontrolling Interests
	Shares	Amount	Shares	Amount				Shares	Amount				
BALANCE as previously reported—July 1, 2017	**4.2**	**$—**	**812.9**	**$8.1**	**$11,203.2**	**$(459.2)**	**$ 4.4**	**65.0**	**$(1,441.8)**	**$9,314.7**	**$ 3.0**	**$9,317.7**	**$551.1**
Adjustment due to the adoption of ASU 2016-09 (see Note 2)						8.3				8.3		8.3	
BALANCE as adjusted—July 1, 2017	**4.2**	**$—**	**812.9**	**$8.1**	**$11,203.2**	**$(450.9)**	**$ 4.4**	**65.0**	**$(1,441.8)**	**$9,323.0**	**$ 3.0**	**$9,326.0**	**$551.1**
Issuance of Preferred Stock	1.0	—											
Exercise of employee stock options and restricted stock units			1.9	—	13.7					13.7		13.7	
Shares withheld for employee taxes					(3.4)					(3.4)		(3.4)	
Share-based compensation expense					17.1					17.1		17.1	
Dividends ($0.250 per Common Share)					(188.7)					(188.7)		(188.7)	
Net income (loss)						89.5				89.5	(4.1)	85.4	17.1
Other comprehensive income							279.5			279.5	0.5	280.0	
Distribution to noncontrolling interests, net										—		—	(31.7)
Dilution of redeemable noncontrolling interest due to additional contribution (See Note 16)					17.0					17.0		17.0	(17.0)
Additional redeemable noncontrolling interests due to employee grants (See Note 16)					(8.3)					(8.3)		(8.3)	8.3
Proceeds from redeemable noncontrolling interests										—		—	0.2
Adjustment of redeemable noncontrolling interests to redemption value					(110.3)					(110.3)		(110.3)	110.3
BALANCE—December 31, 2017	**5.2**	**$—**	**814.8**	**$8.1**	**$10,940.3**	**$(361.4)**	**$283.9**	**65.0**	**$(1,441.8)**	**$9,429.1**	**$(0.6)**	**$9,428.5**	**$638.3**

See notes to Condensed Consolidated Financial Statements.

COTY INC. & SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF EQUITY AND REDEEMABLE NONCONTROLLING INTERESTS—(Continued)

For the Six Months Ended December 31, 2016
(In millions, except per share data)
(Unaudited)

	Preferred Stock		Class A Common Stock		Class B Common Stock		Additional Paid-in Capital	(Accumulated Deficit)	Accumulated Other Comprehensive Loss	Treasury Stock		Total Coty Inc. Stockholders' Equity	Noncontrolling Interests	Total Equity	Redeemable Noncontrolling Interests
	Shares	Amount	Shares	Amount	Shares	Amount				Shares	Amount				
BALANCE—July 1, 2016	**1.7**	**—**	**138.7**	**$1.4**	**262.0**	**$ 2.6**	**$ 2,038.4**	**$(37.0)**	**$(239.7)**	**63.6**	**$(1,405.5)**	**$ 360.2**	**$ 6.9**	**$ 367.1**	**$73.3**
Issuance of Class A Common Stock for business combination			409.7	4.1			9,624.5					9,628.6		9,628.6	
Issuance of Preferred Stock	1.0	—													
Conversion of Class B to Class A Common Stock			262.0	2.6	(262.0)	(2.6)						—		—	
Purchase of Class A Common Stock										1.4	(36.3)	(36.3)		(36.3)	
Exercise of employee stock options and restricted stock units and related tax benefits			1.6	—			13.6					13.6		13.6	
Share-based compensation expense							8.9					8.9		8.9	
Dividends ($0.40 per common share)							(187.3)					(187.3)		(187.3)	
Net income								46.8				46.8	10.7	57.5	4.4
Other comprehensive loss									(43.8)			(43.8)	(0.5)	(44.3)	
Distribution to noncontrolling interests, net							—					—		—	(3.5)
Adjustment of redeemable noncontrolling interests to redemption value							2.4					2.4		2.4	(2.4)
Repurchase of redeemable noncontrolling interests															(0.9)
BALANCE—December 31, 2016	**2.7**	**—**	**812.0**	**$8.1**	**—**	**$ —**	**$11,500.5**	**$ 9.8**	**$(283.5)**	**65.0**	**$(1,441.8)**	**$9,793.1**	**$17.1**	**$9,810.2**	**$70.9**

See notes to Condensed Consolidated Financial Statements.

COTY INC. & SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)
(Unaudited)

	Six Months Ended December 31,	
	2017	**2016**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 102.5	$ 61.9
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	350.5	230.3
Deferred income taxes	(75.1)	(111.2)
Provision for bad debts	9.0	5.8
Provision for pension and other post-employment benefits	22.2	28.5
Share-based compensation	16.2	9.1
Other	(5.1)	(2.7)
Change in operating assets and liabilities, net of effects from purchase of acquired companies:		
Trade receivables	(246.6)	(293.7)
Inventories	(22.2)	103.3
Prepaid expenses and other current assets	(47.6)	22.6
Accounts payable	18.7	322.6
Accrued expenses and other current liabilities	185.6	369.8
Income and other taxes payable	19.5	(59.0)
Other noncurrent assets	(14.9)	11.4
Other noncurrent liabilities	(4.9)	(35.3)
Net cash provided by operating activities	**307.8**	**663.4**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(232.2)	(198.2)
Payment for business combinations, net of cash acquired	(264.6)	(143.8)
Proceeds from sale of asset	2.8	—
Net cash used in investing activities	**(494.0)**	**(342.0)**
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from short-term debt, original maturity more than three months	—	5.6
Repayments of short-term debt, original maturity more than three months	—	(5.8)
Net proceeds (repayments) of short-term debt, original maturity less than three months	71.5	(39.5)
Proceeds from revolving loan facilities	1,437.0	934.4
Repayments of revolving loan facilities	(1,166.4)	(1,384.4)
Proceeds from term loans	—	1,075.0
Repayments of term loans	(95.5)	(55.7)
Dividend payment	(188.1)	(185.8)
Net proceeds from issuance of Class A Common Stock and Series A Preferred Stock	13.7	13.6
Payments for employee taxes related to net settlement of equity awards (see Note 2)	(3.4)	—
Payments for purchases of Class A Common Stock held as Treasury Stock	—	(36.3)
Net proceeds from foreign currency contracts	8.2	14.8
Purchase of additional noncontrolling interests	—	(9.8)
Proceeds from noncontrolling interests	0.2	—
Distributions to noncontrolling interests, redeemable noncontrolling interests and mandatorily redeemable financial instruments	(40.0)	(3.5)
Payment of deferred financing fees	(4.0)	(23.4)
Net cash provided by financing activities	**33.2**	**299.2**
EFFECT OF EXCHANGE RATES ON CASH AND CASH EQUIVALENTS	**8.0**	**(28.8)**
NET (DECREASE) INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	**(145.0)**	**591.8**
CASH, CASH EQUIVALENTS AND RESTRICTED CASH—Beginning of period	**570.7**	**372.4**
CASH, CASH EQUIVALENTS AND RESTRICTED CASH—End of period	**$ 425.7**	**$ 964.2**
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:		
Cash paid during the period for interest	$ 129.4	$ 79.5
Cash paid during the period for income taxes, net of refunds received	57.5	38.4
SUPPLEMENTAL DISCLOSURE OF NONCASH FINANCING AND INVESTING ACTIVITIES:		
Accrued capital expenditure additions	$ 72.6	$ 56.2
Non-cash Common Stock issued for business combination	—	9,628.6
Non-cash debt assumed for business combination	—	1,941.8
Non-cash contingent consideration for business combination (see Note 4)	5.0	—

See notes to Condensed Consolidated Financial Statements.

1. DESCRIPTION OF BUSINESS

Coty Inc. and its subsidiaries (collectively, the "Company" or "Coty") manufacture, market, sell and distribute branded beauty products, including fragrances, color cosmetics, hair care products and skin & body related products. Coty is a global beauty company with a strategic vision to be a new global leader and challenger in the beauty industry.

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 2018" refer to the fiscal year ending June 30, 2018.

The Company's revenues generally increase during the second fiscal quarter as a result of increased demand associated with the holiday season. Working capital requirements, sales, and cash flows generally experience variability during the three to six months buildup preceding the holiday season. Product innovations, new product launches and the size and timing of certain orders from the Company's customers may also result in variability. The Company also generally experiences higher sales during its fourth fiscal quarter in its Professional Beauty segment as a result of higher demand prior to the summer holiday season.

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, 2017. 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, 2017 are not necessarily indicative of the results of operations to be expected for the full fiscal year ending June 30, 2018. All dollar amounts (other than per share amounts) in the following discussion are in millions of United States ("U.S.") dollars, unless otherwise indicated.

Use of Estimates

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

Tax Information

The effective income tax rate for the three months ended December 31, 2017 and 2016 was (7.1)% and 174.4%, respectively, and (47.9)% and 194.8% for the six months ended December 31, 2017 and 2016, respectively. The decrease in the effective tax rate as compared to the same periods in fiscal 2017 is primarily the result of (i) the resolution of foreign uncertain tax positions of approximately $43.0 ($41.8 in tax and $1.2 in interest) in the three and six months ended December 31, 2017 and (ii) the release of a valuation allowance of $111.2 in the U.S. in the three and six months ended December 31, 2016 as a result of The Procter & Gamble Company's ("P&G") Beauty Business acquisition.

The effective income tax rates vary from the U.S. federal statutory rate of approximately 28% 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 January 1, 2018, the U.S. federal statutory rate decreased from 35% to 21%. As the Company has a June 30 fiscal year-end, the lower rate will be phased in, resulting in a blended rate of approximately 28% for the fiscal year ending June 30, 2018.

On December 22, 2017, "H.R.1", formerly known as the "Tax Cuts and Jobs Act" ("Tax Act") was enacted. The Tax Act significantly revises the U.S. corporate income tax system by, amongst other things, reducing the federal tax rate on U.S. earnings to 21%, implementing a modified territorial tax system and imposing a one-time deemed repatriation tax on historical earnings generated by foreign subsidiaries that have not been repatriated to the U.S.

On December 22, 2017, the SEC issued Staff Accounting Bulletin No 118 ("SAB 118") which provides guidance on accounting for the tax effects of the Tax Act. SAB 118 provides a measurement period that should not extend beyond one year from the enactment date of the Tax Act for companies to complete the accounting under ASC 740. In accordance with SAB 118, a company must reflect the income tax effects of those aspects of the Tax Act for which accounting under ASC 740 is complete. To the extent that a company's accounting for certain income tax effects of the Tax Act is incomplete but it is able to determine a reasonable estimate, it must record a provisional estimate in the financial statements. If a company cannot determine a provisional estimate to be included in the financial statements, it should continue to apply ASC 740 on the basis of the provisions of the tax laws that were in effect immediately before the enactment of the Tax Act.

In connection with the Company's initial analysis of the impact of the Tax Act, the Company estimates the overall impact to be neutral from both a cash and financial statement perspective for fiscal 2018. The Company expects to fully offset the cash impact of the one-time deemed repatriation tax with tax attributes (e.g., net operating loss carryforwards, foreign tax credits, etc.). The expense in the financial statements as a result of utilizing these tax attributes of approximately $300.0 is expected to be offset by the tax benefit estimated on the revaluation of its deferred taxes of approximately $300.0. For various reasons that are discussed more fully below, the Company has not completed its accounting for the income tax effects of certain elements of the Tax Act. Where the Company was able to make reasonable estimates of the effects of elements for which the analysis is not yet complete, provisional adjustments were recorded. These provisional estimates may be affected by other elements related to the Tax Act, including, but not limited to, the state tax effect of adjustments made to federal temporary differences, confirming the amount of foreign earnings that have not been repatriated to the U.S., division of these earnings between cash and non-liquid assets, and validating the amount of tax attributes available.

As the Company finalizes the analysis of the impact of the Tax Act, additional adjustments may be recorded during the measurement period. The Company will reflect measurement period adjustments, if any, in the period in which the adjustments are recognized.

The Tax Act requires a U.S. shareholder of a foreign corporation to include in income its global intangible low-taxed income ("GILTI"). In general, GILTI is described as the excess of a U.S. shareholder's total net foreign income over a deemed return on tangible assets. As a result of recently released FASB guidance, an entity may choose to recognize deferred taxes for temporary differences expected to reverse as GILTI in future years or an entity can elect to treat GILTI as a period cost and include it in the tax expense of the year it is incurred. As such, the Company has elected to treat the tax on GILTI as a tax expense in the year it is incurred rather than recognizing deferred taxes.

As of December 31, 2017 and June 30, 2017, the gross amount of UTBs was $260.6 and $257.9, respectively. As of December 31, 2017, the total amount of UTBs that, if recognized, would impact the effective income tax rate is $224.0. As of December 31, 2017 and June 30, 2017, the liability associated with UTBs, including accrued interest and penalties, was $231.3 and $154.6, respectively, which was recorded in Income and other taxes payable and Other non-current liabilities in the Condensed Consolidated Balance Sheets. The total interest and penalties recorded in the Condensed Consolidated Statements of Operations related to UTBs was $1.0 and $0.8 for the three months ended December 31, 2017 and 2016, respectively, and $2.1 and $1.0 for the six months ended December 31, 2017 and 2016, respectively. The total gross accrued interest and penalties recorded in the Condensed Consolidated Balance Sheets as of December 31, 2017 and June 30, 2017 was $13.0 and $11.7, respectively. On the basis of the information available as of December 31, 2017, it is reasonably possible that a decrease of up to $8.8 in UTBs may occur within 12 months as a result of projected resolutions of global tax examinations and a potential lapse of the applicable statutes of limitations.

Recently Adopted Accounting Pronouncements

During the first quarter of fiscal 2018, the Company adopted the amended Financial Accounting Standard Board ("FASB") Accounting Standards Update ("ASU") No. 2016-09, *Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*, which simplifies several aspects of accounting for share-based payment transactions. The adoption of the ASU did not have a material impact on the Company's Condensed Consolidated Financial Statements. The primary impact of the new standard was the recognition of previously unrecognized excess tax benefits as an $8.3 cumulative-effect adjustment to Accumulated deficit as of July 1, 2017 to reflect a modified retrospective application. Prospectively, the excess tax benefits will be recorded as a component of Income tax expense as required, whereas they were previously recorded in Additional paid-in capital ("APIC"). Additionally, the ASU required that $3.4 related to shares withheld for employee taxes to be reported in Cash flows from financing activities for the six months ended December 31, 2017 with an insignificant impact to prior periods.

In July 2015, the FASB issued ASU No. 2015-11, *Inventory (Topic 330): Simplifying the Measurement of Inventory*, which simplifies the measurement of inventories by requiring inventory to be measured at the lower of cost and net realizable value, rather than at the lower of cost or market. Net realizable value is defined as the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. The Company adopted ASU No. 2015-11 during the first quarter of fiscal 2018. The adoption of this guidance did not have a material impact on the Company's Condensed Consolidated Financial Statements.

Recently Issued Accounting Pronouncements

In August 2017, the FASB issued ASU No. 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities*, which provided guidance for improvements to accounting for hedging activities under ASC 815. The amendments better align an entity's risk management activities and financial reporting for hedging relationships through changes to both the designation and measurement guidance for qualifying hedging relationships and the presentation of hedge results. The amendment will be effective for the Company in fiscal 2020 with early adoption permitted. The Company is evaluating the impact this guidance will have on the Company's Consolidated Financial Statements and related disclosures.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which implements a common revenue model that will enhance comparability across industries and require enhanced disclosures. The new standard introduces a five step principles based process to determine the timing and amount of revenue ultimately expected to be recorded. In March 2016, the FASB issued authoritative guidance amending certain portions of this standard to clarify the implementation guidance on principal versus agent considerations. In April 2016, the FASB issued authoritative guidance amending certain portions of this standard to clarify the considerations for identifying performance obligations and to clarify the implementation guidance for revenue recognized from licensing arrangements. In May 2016, the FASB issued authoritative guidance amending certain portions of the standard to narrow the scope over, or to provide practical expedients, for assessing pending collectibility, presentation of sales taxes, noncash consideration, and completed contracts and contract modifications at transition. The Company will adopt the standard on July 1, 2018 using the modified retrospective transition method of adoption. The Company's preliminary evaluation indicated that the adoption impact is expected to be primarily related to the timing of certain accruals associated with customer incentives and potential reclassifications of certain costs between Selling, general and administrative expenses and expenses recorded as a reduction of revenue resulting from changes in the accounting treatment of store fixtures under the new standard. The Company continues to finalize its assessment of the final impact of this ASU on the Company's Consolidated Financial Statements and related disclosures.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which requires that a lessee recognize the assets and liabilities that arise from operating leases. A lessee should recognize in its balance sheet a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. Lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The Company plans to adopt the standard on July 1, 2019. The Company is in the early stages of its evaluation of the standard and has an implementation team in place that is performing an evaluation of the impact this standard will have on the Company's Consolidated Financial Statements and related disclosures.

3. SEGMENT REPORTING

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

The Company has the following three divisions which represent its operating segments and reportable segments:

Luxury—primarily focused on prestige fragrances, premium skin care and premium cosmetics;

($ in millions, except per share data)

Consumer Beauty—primarily focused on color cosmetics, retail hair coloring and styling products, mass fragrance, mass skin care and body care;

Professional Beauty—primarily focused on hair and nail care products for professionals.

Certain revenues and shared costs and the results of corporate initiatives are managed outside of the three segments by Corporate. The items within Corporate relate to corporate-based responsibilities and decisions and are not used by the CODM to measure the underlying performance of the segments. Corporate primarily includes restructuring costs, costs related to acquisition activities and certain other expense items not attributable to ongoing operating activities of the segments.

With the exception of goodwill and acquired intangible assets, 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 and acquired intangible assets by segment is presented in Note 8—Goodwill and Other Intangible Assets, net.

	Three Months Ended December 31,		Six Months Ended December 31,	
SEGMENT DATA	**2017**	**2016**	**2017**	**2016**
Net revenues:				
Luxury	$ 951.2	$ 835.0	$1,715.6	$1,284.0
Consumer Beauty	1,138.6	1,001.7	2,182.0	1,573.6
Professional Beauty	547.8	460.0	978.3	519.3
Total	$2,637.6	$2,296.7	$4,875.9	$3,376.9
Operating income (loss):				
Luxury	$ 85.1	$ 66.6	$ 141.8	$ 142.7
Consumer Beauty	99.3	62.9	161.2	115.6
Professional Beauty	73.5	83.3	71.8	99.7
Corporate	(83.5)	(225.5)	(171.7)	(324.3)
Total	$ 174.4	$ (12.7)	$ 203.1	$ 33.7
Reconciliation:				
Operating income (loss)	$ 174.4	$ (12.7)	$ 203.1	$ 33.7
Interest expense, net	60.3	57.9	126.7	98.3
Other expense (income), net	3.4	(0.6)	7.1	0.7
Income (loss) before income taxes	$ 110.7	$ (70.0)	$ 69.3	$ (65.3)

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

	Three Months Ended December 31,		Six Months Ended December 31,	
PRODUCT CATEGORY	**2017**	**2016**	**2017**	**2016**
Fragrance	40.7%	40.8%	39.1%	42.3%
Color Cosmetics	24.1	24.3	26.3	27.3
Hair Care	24.5	23.8	24.2	16.3
Skin & Body Care	10.7	11.1	10.4	14.1
Total Coty Inc.	**100.0%**	**100.0%**	**100.0%**	**100.0%**

($ in millions, except per share data)

4. BUSINESS COMBINATIONS

P&G Beauty Business Acquisition

On October 1, 2016, the Company acquired the P&G Beauty Business in order to further strengthen the Company's position in the global beauty industry. The purchase price was $11,570.4 and consisted of $9,628.6 of total equity consideration and $1,941.8 of assumed debt.

The Company issued 409.7 million shares of common stock to the former holders of Galleria Co. ("Galleria") (which held the assets of the P&G Beauty Business) common stock, together with cash in lieu of fractional shares. Coty Inc. is considered to be the acquiring company for accounting purposes.

The Company has finalized the valuation of assets acquired and liabilities assumed for the P&G Beauty Business acquisition. The Company recognized certain measurement period adjustments as disclosed below during the quarter ended September 30, 2017. The measurement period for the P&G Beauty Business acquisition closed at the end of the first quarter of fiscal 2018.

The following table summarizes the allocation of the purchase price to the net assets of the P&G Beauty Business as of the October 1, 2016 acquisition date:

	Estimated fair value as previously reported[(a)]	Measurement period adjustments[(b)]	Final fair value as adjusted	Estimated useful life (in years)
Cash and cash equivalents	$ 387.6	$ —	$ 387.6	
Inventories	465.5	—	465.5	
Property, plant and equipment	742.9	(16.9)	726.0	3 - 40
Goodwill	5,528.4	35.5	5,563.9	Indefinite
Trademarks—indefinite	1,575.0	—	1,575.0	Indefinite
Trademarks—finite	747.7	—	747.7	10 - 30
Customer relationships	1,074.2	18.8	1,093.0	2 - 26
License agreements	2,299.0	12.0	2,311.0	4 - 30
Product formulations	183.8	(10.0)	173.8	5 - 28
Other net working capital	(23.2)	—	(23.2)	
Net other assets (liabilities)	64.6	(33.7)	30.9	
Unfavorable contract liabilities	(130.0)	—	(130.0)	
Pension liabilities	(404.1)	—	(404.1)	
Deferred tax liability, net	(941.0)	(5.7)	(946.7)	
Total purchase price	$11,570.4	$ —	$11,570.4	

(a) As previously reported in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2017. The business combination was completed in fiscal 2017.

(b) The Company recorded measurement period adjustments in the first quarter of fiscal 2018. The measurement period adjustments related to Customer relationships, License agreements and Product formulations, collectively, of $20.8, were a result of changes in assumptions that were used at the date of acquisition for valuation purposes including allocation of costs and synergies. The measurement period adjustments related to Property, plant and equipment and Net other assets of ($16.9) and ($33.7), respectively, primarily related to obtaining new facts and circumstances about acquired assets and liabilities that existed at the acquisition date. The decrease to Deferred tax liability, net was primarily a result of the change of the jurisdictional allocation of the tangible and intangible assets. All measurement period adjustments were offset against Goodwill.

($ in millions, except per share data)

Goodwill is primarily attributable to the anticipated company-specific synergies and economies of scale expected from the operations of the combined company. The synergies include certain cost savings, operating efficiencies, and leverage of the acquired brand recognition to be achieved as a result of the P&G Beauty Business acquisition. Goodwill is not expected to be deductible for tax purposes. Goodwill of $1,889.8, $3,188.1 and $486.0 is allocated to the Luxury, Consumer Beauty and Professional Beauty segments, respectively. The allocation of goodwill to segments was based on the relative fair values of expected future cash flows.

ghd Acquisition

On November 21, 2016, the Company completed the acquisition of 100% of the equity interest of Lion/Gloria Topco Limited which held the net assets of ghd ("ghd") which stands for "Good Hair Day", a premium brand in high-end hair styling appliances. The ghd acquisition further strengthens the Company's professional hair category and is included in the Professional Beauty segment's results after the acquisition date. The total cash consideration paid net of acquired cash and cash equivalents was £430.2 million, the equivalent of $531.5, at the time of closing.

The Company has finalized the valuation of assets acquired and liabilities assumed for the ghd acquisition. The Company recognized certain measurement period adjustments as disclosed below during the six months ended December 31, 2017. The measurement period for the ghd acquisition closed on November 21, 2017.

The following table summarizes the allocation of the purchase price to the net assets of ghd as of the November 21, 2016 acquisition date:

	Estimated fair value as previously reported[a]	Measurement period adjustments[b]	Final fair value as adjusted	Estimated useful life (in years)
Cash and cash equivalents	$ 7.1	$ —	$ 7.1	
Inventories	79.6	—	79.6	
Property, plant and equipment	10.0	—	10.0	3 - 10
Goodwill	174.4	24.6	199.0	Indefinite
Indefinite-lived other intangible assets	163.8	(14.8)	149.0	Indefinite
Customer relationships	36.6	(2.3)	34.3	11 - 25
Technology	146.6	(17.2)	129.4	11 - 17
Other net working capital	(16.6)	4.7	(11.9)	
Net other assets	0.9	(0.9)	—	
Deferred tax liability, net	(63.9)	5.9	(58.0)	
Total purchase price	$538.5	$ —	$538.5	

[a] As previously reported in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2017. The business combination was completed in fiscal 2017.

[b] The Company recorded measurement period adjustments in the first and second quarters of fiscal 2018. The measurement period adjustments related to decreases to Technology, Indefinite-lived other intangible assets and Customer relationships of $17.2, $14.8 and $2.3, respectively, and a decrease to the deferred tax liability of $5.9 were a result of changes in assumptions that were used at the date of acquisition for valuation purposes. The measurement period adjustments related to Other net working capital of $4.7 were a result of obtaining new facts and circumstances about acquired accrued expenses that existed as of the acquisition date. All measurement period adjustments were offset against Goodwill.

($ in millions, except per share data)

Goodwill is not expected to be deductible for tax purposes. The goodwill is attributable to expected synergies resulting from integrating ghd's products into the Company's existing sales channels. Goodwill of $49.0, $42.0 and $108.0 is allocated to the Luxury, Consumer Beauty and Professional Beauty segments, respectively. The allocation of goodwill to the segments were due to the reduction in corporate and regional overhead allocated to these segments due to the addition of the ghd acquisition.

Younique Acquisition

On February 1, 2017, the Company completed its acquisition of 60% of the membership interest in Foundation, LLC ("Foundation") which held the net assets of Younique, LLC, a Utah limited liability company ("Younique"), for cash consideration of $600.0, net of acquired cash and assumed debt, and an additional payment of $7.5 for working capital adjustments paid in the six months ended December 31, 2017. The existing Younique membership holders contributed their 100% membership interest in Younique to Foundation in exchange for a 40% membership interest in Foundation and $607.5 of cash consideration. Younique strengthens the Consumer Beauty segment's product offerings. The Company accounts for the noncontrolling interest portion of the acquisition as a redeemable noncontrolling interest.

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

The following table summarizes the estimated allocation of the purchase price to the net assets of Younique as of the February 1, 2017 acquisition date:

	Estimated fair value as previously reported[a]	Measurement period adjustments[b]	Estimated fair value as adjusted	Estimated useful life (in years)
Cash and cash equivalents	$ 17.5	$ —	$ 17.5	
Inventories	88.1	—	88.1	
Property, plant and equipment	67.1	—	67.1	3 - 8
Goodwill	575.3	(0.2)	575.1	Indefinite
Trademark—finite	123.0	—	123.0	20
Product formulations	0.6	—	0.6	5
Customer relationships	197.0	—	197.0	7 - 10
Other net working capital	(27.7)	0.2	(27.5)	
Short-term and long-term debt	(1.2)	—	(1.2)	
Total equity value	1,039.7	—	1,039.7	
Redeemable noncontrolling interest	415.9	—	415.9	
Net cash and debt acquired	16.3	—	16.3	
Total purchase price	$ 607.5	$ —	$ 607.5	

(a) As previously reported in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2017. The business combination was completed in fiscal 2017.

($ in millions, except per share data)

[b] The Company recorded measurement period adjustments in the first and second quarters of fiscal 2018 to account for an increase in the estimated other net working capital of $0.2 as of the February 1, 2017 acquisition date. This adjustment is offset against Goodwill.

Goodwill is expected to be deductible for tax purposes. The goodwill is attributable to expected synergies resulting from certain manufacturing and supply chain cost savings. Goodwill of $95.0, $420.1 and $60.0 is allocated to the Luxury, Consumer Beauty and Professional Beauty segments, respectively. The allocation of goodwill to the segments were due to the reduction in corporate and regional overhead allocated to these segments due to the addition of the Younique acquisition.

Burberry Beauty Business Acquisition

On October 2, 2017, the Company acquired the exclusive global license rights and other related assets for the Burberry Limited ("Burberry") luxury fragrances, cosmetics and skincare business (the "Burberry Beauty Business"). The Burberry Beauty Business acquisition is expected to further strengthen the Company's position in the global beauty industry. Total purchase consideration, after post-closing adjustments, was £187.1 million, the equivalent of $250.1, at the time of closing. Included in the purchase price was cash consideration of £183.3 million, the equivalent of $245.1, at the time of closing, in addition to £3.8 million, the equivalent of $5.0, of estimated contingent consideration, at the time of closing.

The future contingent consideration payments will range from zero to £16.7 million and will be payable on a quarterly basis to Burberry as certain items of inventory transferred to the Company at the acquisition date are subsequently used or sold. The amount of the contingent consideration recorded was estimated as of the acquisition date and is subject to change based on the related inventory usage. The fair value of the contingent consideration was determined by estimating the future inventory usage and corresponding payments over a four-year period, with the contingent payments being made in each of the respective years. The estimate of the contingent consideration payable is recorded in Other noncurrent liabilities in the Condensed Consolidated Balance Sheet.

The Company estimated the preliminary fair value of acquired assets and liabilities as of the date of acquisition based on information currently available. The Company is still evaluating the fair value of the assets and liabilities assumed from the Burberry Beauty Business acquisition. As the Company finalizes the fair value of assets acquired and liabilities assumed, additional purchase price adjustments may be recorded during the measurement period. The Company will reflect measurement period adjustments, if any, in the period in which the adjustments are recognized.

The following table summarizes the estimated allocation of the purchase price to the net assets of the Burberry Beauty Business as of the October 2, 2017 acquisition date:

	Estimated fair value	Estimated useful life (in years)
Inventories	$ 55.1	
Property, plant and equipment	5.8	1 - 3
License and distribution rights	129.7	3 - 15
Goodwill	68.2	Indefinite
Net other liabilities	(8.7)	
Total purchase price	$250.1	

Goodwill is expected to be deductible for tax purposes. The goodwill is attributable to expected synergies resulting from integrating the Burberry Beauty Business products into the Company's existing sales channels.

($ in millions, except per share data)

For the three and six months ended December 31, 2017, Net revenues and Net income of the Burberry Beauty Business included in the Company's Condensed Consolidated Statements of Operations from the date of acquisition were $8.2 and $(9.8), respectively.

Unaudited Pro Forma Information

The unaudited pro forma financial information in the table below summarizes the combined results of the Company and the P&G Beauty Business and Younique (the "Pro Forma Acquisitions") as though the companies had been combined on July 1, 2015. The three and six months ended December 31, 2016 include pro forma adjustments for all of the Pro Forma Acquisitions.

The pro forma adjustments include incremental amortization of intangible assets and depreciation of property, plant and equipment, based on allocated fair values of each asset as well as costs related to financing the Pro Forma Acquisitions. The unaudited pro forma information also includes non-recurring acquisition-related costs. Pro forma adjustments were tax-effected at the Company's statutory rates. For the pro forma basic and diluted earnings per share calculation, 409.7 million shares issued in connection with the P&G Beauty Business acquisition were considered as if issued on July 1, 2015. The pro forma information is presented for informational purposes only and may not be indicative of the results of operations that would have been achieved if the Pro Forma Acquisitions had taken place on July 1, 2015 or that may occur in the future, and does not reflect future synergies, integration costs, or other such costs or savings. The pro forma information for the three and six months ended December 31, 2016 is as follows:

	Three Months Ended December 31, 2016[a]	Six Months Ended December 31, 2016[a]
Pro forma Net revenues	$2,394.6	$4,584.2
Pro forma Net income (loss)	123.9	8.5
Pro forma Net income (loss) attributable to Coty Inc.	118.6	(6.0)
Pro forma Net income (loss) attributable to Coty Inc. per common share:		
Basic	$ 0.16	$ (0.01)
Diluted	$ 0.16	$ (0.01)

[a] The pro forma information for the three months ended December 31, 2016 excluded $134.9 of non-recurring acquisition-related costs and excluded $36.5 of amortization of inventory step up. The pro forma information for the six months ended December 31, 2016 excluded $316.6 of non-recurring acquisition-related costs and excluded $36.5 of amortization of inventory step up.

5. ACQUISITION-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. These costs can include finder's fees, legal, accounting, valuation, other professional or consulting fees, including fees related to transitional services, and other internal costs which can include compensation related expenses for dedicated internal resources. The Company recognized acquisition-related costs of $7.0 and $135.9 for the three months ended December 31, 2017 and 2016, respectively, and $61.1 and $217.4 for the six months ended December 31, 2017 and 2016, respectively, which have been recorded in Acquisition-related costs in the Condensed Consolidated Statements of Operations. Acquisition-related costs incurred during the three months ended

($ in millions, except per share data)

December 31, 2017 and 2016 were primarily related to the Burberry Beauty Business and P&G Beauty Business acquisitions, respectively. Acquisition-related costs incurred during both the six months ended December 31, 2017 and 2016 were primarily related to the P&G Beauty Business acquisition.

6. RESTRUCTURING COSTS

Restructuring costs for the three and six months ended December 31, 2017 and 2016 are presented below:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2017	2016	2017	2016
Global Integration Activities	$27.1	$13.6	$36.9	$13.6
Acquisition Integration Program	(3.3)	1.4	(3.3)	4.6
Other Restructuring	(2.1)	0.8	(0.7)	5.0
Total	$21.7	$15.8	$32.9	$23.2

Global Integration Activities

In connection with the acquisition of the P&G Beauty Business, the Company has incurred and anticipates that it will continue to incur restructuring and related costs aimed at integrating and optimizing the combined organization ("Global Integration Activities").

Of the expected costs, the Company has incurred cumulative restructuring charges of $401.1 related to approved initiatives through December 31, 2017, which have been recorded in Corporate. The following table presents aggregate restructuring charges for the program:

	Severance and Employee Benefits	Third-Party Contract Terminations	Fixed Asset Write-offs	Other Exit Costs	Total
Fiscal 2017	$333.9	$22.4	$4.6	$3.3	$364.2
Fiscal 2018	24.2	9.4	0.2	3.1	36.9
Cumulative through December 31, 2017	$358.1	$31.8	$4.8	$6.4	$401.1

Over the next two fiscal years, the Company expects to incur approximately $130.0 of additional restructuring charges pertaining to the approved actions. Of the $130.0 of additional restructuring charges, the Company currently anticipates spending equal amounts related to employee termination benefits, fixed asset write-offs, third-party contract terminations and other costs to exit facilities and relocate employees.

($ in millions, except per share data)

The related liability balance and activity for the Global Integration Activities restructuring costs are presented below:

	Severance and Employee Benefits	Third-Party Contract Terminations	Fixed Asset Write-offs	Other Exit Costs	Total Program Costs
Balance—July 1, 2017	$310.8	$14.9	$ —	$ 2.8	$328.5
Restructuring charges	30.4	9.4	0.2	3.1	43.1
Payments	(68.0)	(5.4)	—	(2.4)	(75.8)
Changes in estimates	(6.2)	—	—	—	(6.2)
Non-cash utilization	—	—	(0.2)	—	(0.2)
Effect of exchange rates	17.4	(0.1)	—	—	17.3
Balance—December 31, 2017	$284.4	$18.8	$ —	$ 3.5	$306.7

The Company currently estimates that the total remaining accrual of $306.7 will result in cash expenditures of approximately $161.8, $135.5, $8.2 and $1.2 in fiscal 2018, 2019, 2020 and 2021, respectively.

Acquisition Integration Program

In the first quarter of fiscal 2016, the Company's Board of Directors (the "Board") approved an expansion to a restructuring program in connection with the acquisition of Bourjois (the "Acquisition Integration Program"). Actions associated with the program were initiated after the acquisition of Bourjois and were substantially completed during fiscal 2017 with cash payments continuing through fiscal 2020. The Company incurred $56.6 of restructuring costs life-to-date as of December 31, 2017, which have been recorded in Corporate.

The related liability balance and activity for the Acquisition Integration Program costs are presented below:

	Severance and Employee Benefits	Third-Party Contract Terminations	Other Exit Costs	Total Program Costs
Balance—July 1, 2017	$ 24.8	$1.5	$ 4.1	$ 30.4
Restructuring charges	—	—	2.1	2.1
Payments	(16.5)	—	(1.2)	(17.7)
Changes in estimates[a]	(5.4)	—	—	(5.4)
Effect of exchange rates	0.8	—	0.2	1.0
Balance—December 31, 2017	$ 3.7	$1.5	$ 5.2	$ 10.4

[a] The decrease in severance and employee benefits is primarily attributable to favorable settlements with restructured employees.

The Company currently estimates that the total remaining accrual of $10.4 will result in cash expenditures of approximately $6.2, $2.6 and $1.6 in fiscal 2018, 2019 and 2020, respectively.

Other Restructuring

The Company executed a number of other restructuring activities during 2013 and 2014, which focused primarily on work-force reductions around a new organizational structure, and other productivity initiatives related to the integration of supply chain and selling activities. These programs are substantially completed. The Company incurred expenses of $(0.7) and $5.0 during the six months ended December 31, 2017 and 2016, respectively. The related liability balances were $4.7

($ in millions, except per share data)

and $10.1 at December 31, 2017 and June 30, 2017, respectively. The Company currently estimates that the total remaining accrual of $4.7 will result in cash expenditures in fiscal 2018.

In connection with the acquisition of the P&G Beauty Business, the Company assumed restructuring liabilities of approximately $21.7 at October 1, 2016. The Company estimates that the remaining accrual of $12.0 at December 31, 2017 will result in cash expenditures of $6.2, $4.6 and $1.2 in fiscal 2018, 2019 and 2020, respectively.

7. INVENTORIES

Inventories as of December 31, 2017 and June 30, 2017 are presented below:

	December 31, 2017	June 30, 2017
Raw materials	$ 305.3	$ 256.4
Work-in-process	22.6	33.4
Finished goods	827.4	762.8
Total inventories	$1,155.3	$1,052.6

8. GOODWILL AND OTHER INTANGIBLE ASSETS, NET

Goodwill

Goodwill as of December 31, 2017 and June 30, 2017 is presented below:

	Luxury	Consumer Beauty	Professional Beauty	Total
Gross balance at June 30, 2017	$3,496.8	$4,732.0	$967.5	$9,196.3
Accumulated impairments	(403.7)	(237.1)	—	(640.8)
Net balance at June 30, 2017	$3,093.1	$4,494.9	$967.5	$8,555.5
Changes during the period ended December 31, 2017:				
Acquisitions[(a)]	68.2	—	—	68.2
Measurement period adjustments[(b)]	(140.3)	222.7	(22.5)	59.9
Foreign currency translation	55.9	99.8	25.6	181.3
Gross balance at December 31, 2017	$3,480.6	$5,054.5	$970.6	$9,505.7
Accumulated impairments	(403.7)	(237.1)	—	(640.8)
Net balance at December 31, 2017	$3,076.9	$4,817.4	$970.6	$8,864.9

(a) Includes goodwill resulting from the Burberry Beauty Business acquisition (Refer to Note 4—Business Combinations).

(b) Includes measurement period adjustments in connection with the P&G Beauty Business, ghd and Younique acquisitions (Refer to Note 4—Business Combinations).

($ in millions, except per share data)

Other Intangible Assets, net

Other intangible assets, net as of December 31, 2017 and June 30, 2017 are presented below:

	December 31, 2017	June 30, 2017
Indefinite-lived other intangible assets	$3,210.1	$3,186.9
Finite-lived other intangible assets, net	5,340.6	5,238.3
Total Other intangible assets, net	$8,550.7	$8,425.2

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

	Luxury	Consumer Beauty	Professional Beauty	Total
Gross balance at June 30, 2017	$ 409.8	$1,696.4	$1,278.5	$3,384.7
Accumulated impairments	(118.8)	(75.9)	(3.1)	(197.8)
Net balance at June 30, 2017	291.0	1,620.5	1,275.4	3,186.9
Changes during the period ended December 31, 2017:				
Measurement period adjustments[(a)]	—	—	(14.8)	(14.8)
Foreign currency translation	12.3	15.9	9.8	38.0
Gross balance at December 31, 2017	422.1	1,712.3	1,273.5	3,407.9
Accumulated impairments	(118.8)	(75.9)	(3.1)	(197.8)
Net balance at December 31, 2017	$ 303.3	$1,636.4	$1,270.4	$3,210.1

[(a)] Includes measurement period adjustments in connection with the ghd acquisition (Refer to Note 4—Business Combinations).

Intangible assets subject to amortization are presented below:

	Cost	Accumulated Amortization	Accumulated Impairment	Net
June 30, 2017				
License agreements	$3,148.4	$ (653.3)	$ —	$2,495.1
Customer relationships	1,937.3	(375.0)	(5.5)	1,556.8
Trademarks	1,001.1	(141.0)	—	860.1
Product formulations	389.3	(63.0)	—	326.3
Total	$6,476.1	$(1,232.3)	$(5.5)	$5,238.3
December 31, 2017				
License agreements[(a)(b)]	$3,385.0	$ (724.6)	$ —	$2,660.4
Customer relationships[(a)(b)]	2,002.5	(447.5)	(5.5)	1,549.5
Trademarks	1,004.9	(164.8)	—	840.1
Product formulations and technology[(a)]	370.4	(79.8)	—	290.6
Total	$6,762.8	$(1,416.7)	$(5.5)	$5,340.6

[(a)] Includes measurement period adjustments in connection with the P&G Beauty Business and ghd acquisitions during the six months ended December 31, 2017 (Refer to Note 4—Business Combinations).

($ in millions, except per share data)

(b) Includes License agreement of $112.3 and Customer relationships of $17.4 resulting from the Burberry Beauty Business acquisition during the six months ended December 31, 2017 (Refer to Note 4—Business Combinations).

Amortization expense was $89.6 and $95.1 for the three months ended December 31, 2017 and 2016, respectively, and $167.8 and $116.4 for the six months ended December 31, 2017 and 2016, respectively.

9. DEBT

The Company's debt balances consisted of the following as of December 31, 2017 and June 30, 2017, respectively:

	December 31, 2017	June 30, 2017
Short-term debt	$ 13.5	$ 3.7
Galleria Credit Agreement		
Galleria Revolving Credit Facility due September 2021	365.0	—
Galleria Term Loan A Facility due September 2021	932.5	944.3
Galleria Term Loan B Facility due September 2023	997.5	1,000.0
Coty Credit Agreement		
Coty Revolving Credit Facility due October 2020[a]	777.0	810.0
Coty Term Loan A Facility due October 2020	1,751.6	1,792.8
Coty Term Loan A Facility due October 2021	926.3	950.6
Coty Term Loan B Facility due October 2022	1,753.0	1,712.5
Other long-term debt and capital lease obligations	1.4	1.7
Total debt	7,517.8	7,215.6
Less: Short-term debt and current portion of long-term debt	(295.9)	(209.1)
Total Long-term debt	7,221.9	7,006.5
Less: Unamortized debt issuance costs[b]	(66.3)	(67.6)
Less: Discount on Long-term debt	(9.8)	(10.6)
Total Long-term debt, net	$7,145.8	$6,928.3

(a) Includes a $62.0 swingline loan outstanding as of December 31, 2017.

(b) Consists of unamortized debt issuance costs of $15.4 and $17.5 for the Coty Revolving Credit Facility, $29.7 and $33.2 for the Coty Term Loan A Facility and $11.0 and $11.3 for the Coty Term Loan B Facility as of December 31, 2017 and June 30, 2017, respectively. Consists of unamortized debt issuance costs of $4.4 for the Galleria Revolving Credit Facility as of December 31, 2017, and $2.7 and $2.7 for the Galleria Term Loan A Facility and $3.1 and $3.0 for the Galleria Term Loan B Facility as of December 31, 2017 and June 30, 2017, respectively. Unamortized debt issuance costs of $4.2 for the Galleria Revolving Credit Facility was classified as Other noncurrent assets in the Condensed Consolidated Balance Sheets as of June 30, 2017.

Coty Credit Agreement

On October 27, 2015, the Company entered into a Credit Agreement (the "Coty Credit Agreement") with JPMorgan Chase Bank, N.A., as administrative agent. The Coty Credit Agreement provides for senior secured credit facilities comprised of (i) a revolving credit facility in an aggregate principal amount up to $1,500.0 (the "Coty Revolving Credit Facility") which includes up to $80.0 in swingline loans available for short term borrowings, (ii) a $1,750.0 term loan A facility (“Coty Term Loan A Facility”) and (iii) a term loan B facility comprising of a $500.0 tranche and a €665.0 million tranche (“Coty Term Loan B Facility”). The Coty Term Loan B Facility was issued at a 0.50% discount. The proceeds of the Coty Credit Agreement were primarily used to refinance the Company’s previously existing debt, which included the 2015 Credit Agreement due March 2018 and other facilities of Coty Inc.

On April 8, 2016, the Company entered into an Incremental Assumption Agreement and Amendment No. 1 (the “Incremental Credit Agreement”) to the Coty Credit Agreement. The Incremental Credit Agreement provides for an additional €140.0 million in loans under the Coty Term Loan A Facility and an additional €325.0 million in loans under the Coty Term Loan B Facility (the “Incremental Term Loans”). The proceeds of the Incremental Term Loans were used to partially repay outstanding balances under the Coty Revolving Credit Facility. The terms of the €140.0 million and €325.0 million portions of the Incremental Term Loans are substantially the same as the respective existing Coty Term Loan A Facility and Euro denominated portion of the Coty Term Loan B Facility.

On October 28, 2016, the Company entered into an Incremental Assumption Agreement and Refinancing Amendment (the “Incremental and Refinancing Agreement”), which amended the Coty Credit Agreement. The Incremental and Refinancing Agreement provides for: (i) an additional Coty Term Loan A Facility in aggregate principal amount of $975.0 in loans (the “Incremental Term A Facility”), (ii) an additional Coty Term Loan B Facility in aggregate principal amount of $100.0 in loans (the “Incremental Term B Facility”) and (iii) a refinancing of the previously existing USD and Euro denominated Coty Term Loan B Facility loans (the “Refinancing Facilities”) under the Coty Credit Agreement.

The loans made under the Incremental Term A Facility have terms that are substantially identical to the existing Coty Term Loan A Facility except that the loans will mature on the date that is five years after October 28, 2016. The loans under the Incremental Term B Facility and the Refinancing Facilities have substantially identical terms as the term B loans existing under the Coty Credit Agreement prior to effectiveness of the Incremental and Refinancing Agreement, except that, among other things: (i) the interest rate with respect to the USD denominated tranche of the Refinancing Facilities and the Incremental Term B Facility will be, at the Company’s option, either the London Interbank Offered Rate (“LIBOR”) plus an applicable margin of 2.50% or an alternate base rate (“ABR”) equal to the highest of (1) JPMorgan Chase Bank N.A.’s prime rate, (2) the federal funds rate plus 0.50% and (3) one-month LIBOR plus 1.00%, in each case plus an applicable margin of 1.50% and (ii) the LIBOR floor with respect to the LIBOR loans under the Incremental Term B Facility and the Refinancing Facilities is 0.00%.

The Company recognized $13.0 of deferred debt issuance costs in connection with the Incremental and Refinancing Agreement.

The Coty Credit Agreement is guaranteed by Coty Inc.’s wholly-owned domestic subsidiaries and secured by a first priority lien on substantially all of Coty Inc. and its wholly-owned domestic subsidiaries’ assets, in each case subject to certain carve outs and exceptions.

Scheduled Amortization

The Company makes quarterly principal payments of 1.25% of the initial aggregate principal amount of the Coty Term Loan A Facility (including with respect to its Incremental Term A loans), as well as 0.25% of the initial aggregate principal amount of the Coty Term Loan B Facility (including with respect to its refinanced and Incremental Term B loans).

($ in millions, except per share data)

Galleria Credit Agreement

On October 1, 2016, at the closing of the P&G Beauty Business acquisition, the Company assumed the debt facilities available under the Galleria Credit Agreement (the "Galleria Credit Agreement") which was initially entered into by Galleria on January 26, 2016. The Galleria Credit Agreement provides for senior secured credit facilities comprised of (i) a $2,000.0 five year term loan A facility ("Galleria Term Loan A Facility"), (ii) a $1,000.0 seven year term loan B facility ("Galleria Term Loan B Facility") and (iii) a $1,500.0 five year revolving credit facility ("Galleria Revolving Facility"). The Galleria Term Loan B Facility was issued at a 0.50% discount. In connection with the closing of the P&G Beauty Business acquisition, the Company assumed $1,941.8 of aggregate debt outstanding consisting of $944.3 Galleria Term Loan A Facility, $995.0 Galleria Term Loan B Facility, net of a discount and $0.0 outstanding under the Galleria Revolving Facility, as well as $2.5 in assumed fees payable. At the closing of the P&G Beauty Business acquisition, the remaining unused loan commitments for the Galleria Term Loan A Facility expired.

The Company recognized $11.4 of deferred debt issuance costs in connection with the Galleria Credit Agreement.

The Galleria Credit Agreement is guaranteed by Coty Inc. and its wholly-owned domestic subsidiaries (other than Galleria) and secured by a first priority lien on substantially all of Coty Inc. and its wholly-owned domestic subsidiaries' assets, in each case subject to certain carve outs and exceptions.

Scheduled Amortization

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

Interest

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

- LIBOR of the applicable qualified currency plus the applicable margin; or
- ABR plus the applicable margin.

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

Pricing Tier	Total Net Leverage Ratio:	LIBOR plus:	Alternative Base Rate Margin:
1.0	Greater than or equal to 5.00:1	2.000%	1.000%
2.0	Less than 5.00:1 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%	—%

($ in millions, except per share data)

In the case of the USD portion of the Coty Term Loan B Facility, the applicable margin means 2.50% per annum, in the case of LIBOR loans, and 1.50% per annum, in the case of ABR loans. In the case of the Euro portion of the Coty Term Loan B Facility, the applicable margin means 2.75% per annum, in the case of EURIBOR loans. In the case of the Galleria Term Loan B Facility, the applicable margin means 3.00% per annum, in the case of LIBOR loans, and 2.00% per annum, in the case of ABR loans. With respect to the Galleria Term Loan B Facility, in no event will (i) LIBOR be deemed to be less than 0.75% per annum and (ii) ABR be deemed to be less than 1.75% per annum.

Fair Value of Debt

	December 31, 2017		June 30, 2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Galleria Credit Agreement	$2,295.0	$2,300.3	$1,944.3	$1,944.0
Coty Credit Agreement	5,207.9	5,219.9	5,265.9	5,275.4

The Company uses the market approach to determine the fair value of the Coty Credit Agreement and the Galleria Credit Agreement. The Company obtains market values for comparable instruments from independent pricing services and infers 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 current portion of long-term debt and excluding capital lease obligations as of December 31, 2017, are presented below:

Fiscal Year Ending June 30,	
2018, remaining	$ 109.8
2019	219.6
2020	219.6
2021	2,412.7
2022	1,915.7
Thereafter	2,625.5
Total	$7,502.9

Debt Covenants

The Company is required to comply with certain affirmative and negative covenants contained within the Coty Credit Agreement and the Galleria Credit Agreement (collectively the "Debt Agreements"). With certain exceptions as described below, the Debt Agreements include a financial covenant that requires the Company to maintain a Total Net Leverage Ratio (as defined below), equal to or less than the ratios shown below for each respective test period.

($ in millions, except per share data)

Test Period Ending	Total Net Leverage Ratio[a]
December 31, 2017	5.00 to 1.00
March 31, 2018	4.75 to 1.00
June 30, 2018	4.75 to 1.00
September 30, 2018	4.50 to 1.00
December 31, 2018	4.50 to 1.00
March 31, 2019	4.25 to 1.00
June 30, 2019	4.25 to 1.00
September 30, 2019	4.00 to 1.00
December 31, 2019	4.00 to 1.00
March 31, 2020	4.00 to 1.00
June 30, 2020	4.00 to 1.00
September 30, 2020	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 cash and Cash Equivalents of the Parent Borrower and its Restricted Subsidiaries as determined in accordance with GAAP to (b) Adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA") for the most recently ended Test Period (each of the defined terms used within the definition of Total Net Leverage Ratio have the meanings ascribed to them within the Debt Agreements).

In the four fiscal quarters following the closing of any Material Acquisition (as defined in the Debt Agreements), 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. Following the acquisition of Younique and the Burberry Beauty Business, the Total Net Leverage Ratio applicable for the period ending December 31, 2017 is 5.95 to 1.00. As of December 31, 2017, the Company was in compliance with all covenants contained within the Debt Agreements.

On November 8, 2017, the Company entered into amendments to the Coty Credit Agreement and the Galleria Credit Agreement, which amended the definition of Adjusted EBITDA. Each amendment allowed for the extension of the period during which certain synergies and cost savings can be incorporated in the financial covenant calculations under the respective agreements.

($ in millions, except per share data)

10. INTEREST EXPENSE, NET

Interest expense, net for the three and six months ended December 31, 2017 and 2016 is presented below:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2017	2016	2017	2016
Interest expense	$69.6	$59.2	$137.0	$98.9
Foreign exchange (gains) losses, net of derivative contracts	(6.9)	(0.1)	(5.9)	1.2
Interest income	(2.4)	(1.2)	(4.4)	(1.8)
Total interest expense, net	$60.3	$57.9	$126.7	$98.3

11. EMPLOYEE BENEFIT PLANS

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					
	2017	2016	2017	2016	2017	2016	2017	2016
Service cost	$ —	$ —	$ 9.8	$ 7.1	$ 0.5	$ 0.6	$10.3	$ 7.7
Interest cost	0.1	0.6	3.1	2.1	0.6	0.5	3.8	3.2
Expected return on plan assets	—	(0.4)	(1.9)	(1.5)	—	—	(1.9)	(1.9)
Amortization of prior service cost (credit)	—	—	0.1	0.1	(1.4)	(1.5)	(1.3)	(1.4)
Amortization of net loss (gain)	(0.1)	0.5	0.4	1.1	(0.1)	—	0.2	1.6
Settlement loss recognized	—	12.8	—	—	—	—	—	12.8
Net periodic benefit cost (credit)	$ —	$13.5	$11.5	$ 8.9	$(0.4)	$(0.4)	$11.1	$22.0

	Six Months Ended December 31,							
	Pension Plans				Other Post-Employment Benefits		Total	
	U.S.		International					
	2017	2016	2017	2016	2017	2016	2017	2016
Service cost	$ —	$ —	$19.6	$ 9.1	$ 1.0	$ 0.9	$20.6	$10.0
Interest cost	0.3	1.3	6.2	2.7	1.2	0.9	7.7	4.9
Expected return on plan assets	—	(0.9)	(3.8)	(1.8)	—	—	(3.8)	(2.7)
Amortization of prior service cost (credit)	—	—	0.2	0.2	(2.8)	(3.0)	(2.6)	(2.8)
Amortization of net loss (gain)	(0.3)	1.0	0.7	2.2	(0.1)	—	0.3	3.2
Settlement loss recognized	—	15.9	—	—	—	—	—	15.9
Net periodic benefit cost (credit)	$ —	$17.3	$22.9	$12.4	$(0.7)	$(1.2)	$22.2	$28.5

($ in millions, except per share data)

12. DERIVATIVE INSTRUMENTS

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 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.

As of December 31, 2017 and June 30, 2017, the Company had interest rate swap contracts designated as effective hedges in the notional amount of $2,000.0.

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

The accumulated loss on foreign currency borrowings classified as net investment hedges in the foreign currency translation adjustment component of Accumulated other comprehensive income (loss) ("AOCI/(L)") was $(56.7) and $(23.7) as of December 31, 2017 and June 30, 2017, respectively.

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

	Three Months Ended December 31,		Six Months Ended December 31,	
Gain (Loss) Recognized in OCI	**2017**	**2016**	**2017**	**2016**
Foreign exchange forward contracts	$ 0.3	$ 0.1	$ (0.2)	$ 0.6
Interest rate swap contracts	11.0	40.2	11.5	45.3
Net investment hedge	(10.9)	45.9	(33.0)	38.1

As of December 31, 2017, all of the Company's remaining foreign currency forward contracts designated as hedges were highly effective. The accumulated gain on derivative instruments classified as cash flow hedges in AOCI/(L), net of tax, was $19.9 and $12.6 as of December 31, 2017 and June 30, 2017, respectively. The estimated net gain 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 $6.5.

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:

Condensed Consolidated Statements of Operations	Three Months Ended December 31,		Six Months Ended December 31,	
Classification of Gain (Loss) Reclassified from AOCI/(L)	**2017**	**2016**	**2017**	**2016**
Foreign exchange forward contracts:				
Net revenues	$ 0.2	$ 0.9	$ 0.4	$ 1.6
Cost of sales	0.4	0.3	0.5	0.3
Interest rate swap contracts:				
Interest expense	$(0.6)	$(3.1)	$(0.9)	$(6.6)

($ in millions, except per share data)

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, 2017	Three Months Ended December 31, 2016	Six Months Ended December 31, 2017	Six Months Ended December 31, 2016
Selling, general and administrative expenses	$ 0.3	$ 0.2	$ (0.9)	$ 0.4
Interest expense, net	5.0	12.1	13.1	10.0
Other expense, net	(0.2)	(0.4)	—	(0.4)

13. EQUITY

Common Stock

As of December 31, 2017, 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, 2017, total authorized shares of Class A Common Stock was 1,000.0 million and total outstanding shares of Class A Common Stock was 749.8 million.

The Company's largest stockholder is JAB Cosmetics B.V. ("JABC"), which owns approximately 38% of Coty's Class A shares as of December 31, 2017. Both JABC and the shares of the Company held by JABC are indirectly controlled by Lucresca SE, Agnaten SE and JAB Holdings B.V. ("JAB"). During the six months ended December 31, 2017, JABC acquired 10.8 million shares of Class A Common Stock in open market purchases on the New York Stock Exchange. The Company did not receive any proceeds from these stock purchases conducted by JABC.

Preferred Stock

As of December 31, 2017, total authorized shares of preferred stock are 20.0 million. The only class of Preferred Stock that is outstanding as of December 31, 2017 is the Series A Preferred Stock with a par value of $0.01 per share. As of December 31, 2017, total authorized shares of Series A Preferred Stock are 6.5 million and total outstanding shares of Series A Preferred Stock are 5.2 million. The Series A Preferred Stock is not entitled to receive any dividends and has no voting rights except as required by law. Series A Preferred Stock were accounted for partially as a liability and partially as equity as of December 31, 2017.

Of the 5.2 million outstanding shares of Series A Preferred Stock, 1.0 million shares vested on March 27, 2017, 1.7 million shares vest on April 15, 2020, 1.0 million shares vest on November 25, 2021, 0.5 million shares vest on February 16, 2022 and 1.0 million vest on November 16, 2022. As of December 31, 2017, the Company classified $2.0 Series A Preferred Stock as equity, and $4.4 as a liability recorded in Other noncurrent liabilities in the Condensed Consolidated Balance Sheet.

Treasury Stock—Share Repurchase Program

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"). Subject to certain restrictions on repurchases of shares through September 30, 2018 imposed by the tax matters agreement, dated October 1, 2016, as amended, between the Company and P&G entered into in connection with the P&G Beauty Business acquisition, 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

($ in millions, except per share data)

December 31, 2017, the Company did not repurchase any shares of its Class A Common Stock. As of December 31, 2017, the Company had $396.8 remaining under the Incremental Repurchase Program.

Dividends

The following dividends were declared during the six months ended December 31, 2017:

Declaration Date	Dividend Type	Dividend Per Share	Holders of Record Date	Dividend Value	Dividend Payment Date	Dividends Paid	Dividends Payable[a]
Fiscal 2018							
August 22, 2017	Quarterly	$0.125	September 1, 2017	$ 94.4	September 14, 2017	$ 93.6	$0.8
November 9, 2017	Quarterly	$0.125	November 30, 2017	$ 94.6	December 14, 2017	$ 93.7	$0.9
Fiscal 2018		$0.250		$189.0		$187.3	$1.7

[a] The dividend payable is the value of the remaining dividends payable upon settlement of the RSUs and phantom units outstanding as of the Holders of Record Date. Dividends payable are recorded as Accrued expense and other current liabilities and Other noncurrent liabilities in the Condensed Consolidated Balance Sheet.

The Company decreased the dividend accrual recorded in a prior period by $0.8 to adjust for the payment of previously accrued dividends on RSUs that vested during the six months ended December 31, 2017. Additionally, the Company decreased the dividend accrual recorded in a prior period by $0.3 to adjust for accrued dividends on RSUs no longer expected to vest, which was recorded as an increase to APIC in the Condensed Consolidated Balance Sheet as of December 31, 2017. Total accrued dividends on unvested RSUs and phantom units of $0.9 and $3.9 are included in Accrued expenses and other current liabilities and Other noncurrent liabilities, respectively, in the Condensed Consolidated Balance Sheet as of December 31, 2017.

Accumulated Other Comprehensive Income (Loss)

		Foreign Currency Translation Adjustments			
	Gain on Cash Flow Hedges	Loss on Net Investment Hedges	Other Foreign Currency Translation Adjustments	Pension and Other Post-Employment Benefit Plans	Total
Balance—July 1, 2017	$12.6	$(23.7)	$(20.8)	$36.3	$ 4.4
Other comprehensive (loss) income before reclassifications	7.2	(33.0)	303.6	1.6	279.4
Net amounts reclassified from AOCI/(L)	0.1	—	—	—	0.1
Net current-period other comprehensive (loss) income	7.3	(33.0)	303.6	1.6	279.5
Balance—December 31, 2017	$19.9	$(56.7)	$282.8	$37.9	$283.9

($ in millions, except per share data)

		Foreign Currency Translation Adjustments			
	Gain (Loss) on Cash Flow Hedges	Gain (Loss) on Net Investment Hedges	Other Foreign Currency Translation Adjustments	Pension and Other Post-Employment Benefit Plans	Total
Balance—July 1, 2016	$(28.9)	$(2.5)	$(164.0)	$(44.3)	$(239.7)
Other comprehensive (loss) income before reclassifications	39.6	38.1	(133.9)	0.4	(55.8)
Net amounts reclassified from AOCI/(L)	2.3	—	—	9.7	12.0
Net current-period other comprehensive (loss) income	41.9	38.1	(133.9)	10.1	(43.8)
Balance—December 31, 2016	$ 13.0	$35.6	$(297.9)	$(34.2)	$(283.5)

14. SHARE-BASED COMPENSATION PLANS

Total share-based compensation expense was $9.9 and $6.8 for the three months ended December 31, 2017 and 2016, respectively, and $18.0 and $12.4 for the six months ended December 31, 2017 and 2016, respectively, which is included in Selling, general and administrative expenses in the Condensed Consolidated Statements of Operations. As of December 31, 2017, the total unrecognized share-based compensation expense related to unvested stock options, Series A Preferred Stock, and restricted and other share awards is $43.4, $8.4 and $87.0, respectively. The unrecognized share-based compensation expense related to unvested stock options, Series A Preferred stock, and restricted and other share awards is expected to be recognized over a weighted-average period of 4.35, 2.74 and 3.71 years, respectively.

Restricted Share Units and Other Share Awards

The Company granted approximately 0.4 million and 3.8 million RSUs and other share awards during the three and six months ended December 31, 2017, respectively, with a weighted-average grant date fair value per share of $16.53, which vests on the fifth anniversary of the grant date. The RSUs granted are accompanied by dividend equivalent rights and, as such, were valued at the closing market price of the Company's Class A Common Stock on the date of grant. The Company recognized share-based compensation expense of $6.6 and $5.6 for the three months ended December 31, 2017 and 2016, respectively, and $12.5 and $8.4 for the six months ended December 31, 2017 and 2016, respectively.

Series A Preferred Stock

The Company granted 1.0 million shares of Series A Preferred Stock during the three and six months ended December 31, 2017 and 2016, respectively. The Company recognized share-based compensation expense of $0.7 and $(0.5) for the three months ended December 31, 2017 and 2016, respectively, and $(0.4) and $(0.7) for the six months ended December 31, 2017 and 2016, respectively.

Non-Qualified Stock Options

The Company granted 4.8 million non-qualified stock options during the three and six months ended December 31, 2017. The Company recognized share-based compensation expense of $2.6 and $1.7 for the three months ended December 31, 2017 and 2016, respectively, and $5.9 and $4.7 for the six months ended December 31, 2017 and 2016, respectively.

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

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

	Three Months Ended December 31,		Six Months Ended December 31,	
	2017	2016	2017	2016
	(in millions, except per share data)			
Net income attributable to Coty Inc.	$109.2	$ 46.8	$ 89.5	$ 46.8
Weighted-average common shares outstanding—Basic	749.6	746.6	749.1	539.8
Effect of dilutive stock options and Series A Preferred Stock[a]	1.2	2.7	1.4	3.2
Effect of restricted stock and RSUs[b]	1.9	3.1	2.0	2.8
Weighted-average common shares outstanding—Diluted	752.7	752.4	752.5	545.8
Net income attributable to Coty Inc. per common share:				
Basic	$ 0.15	$ 0.06	$ 0.12	$ 0.09
Diluted	0.15	0.06	0.12	0.09

(a) For the three and six months ended December 31, 2017, outstanding stock options and Series A Preferred Stock with purchase or conversion rights to purchase 15.3 million and 13.6 million shares of common stock, respectively, were excluded in the computation of diluted EPS as their inclusion would be anti-dilutive. For the three and six months ended December 31, 2016, outstanding stock options and Series A Preferred Stock with purchase or conversion rights to purchase 10.8 million and 6.4 million shares of common stock, respectively, were excluded from the computation of diluted EPS as their inclusion would be anti-dilutive.

(b) For the three and six months ended December 31, 2017, 2.6 million and 4.1 million of outstanding RSUs, respectively, were excluded in the computation of diluted EPS as their inclusion would be anti-dilutive. For the three and six months ended December 31, 2016, 1.1 million and 0.6 million of outstanding RSUs, respectively, were excluded from the computation of diluted EPS as their inclusion would be anti-dilutive.

16. MANDATORILY REDEEMABLE FINANCIAL INTERESTS AND REDEEMABLE NONCONTROLLING INTERESTS

Mandatorily Redeemable Financial Interest

United Arab Emirates Joint Venture ("U.A.E. JV")

The Company is required under a shareholders agreement (the "U.A.E. Shareholders Agreement") to purchase all of the shares held by the noncontrolling interest holder equal to 25% of the U.A.E. JV at the termination of the agreement. The Company has determined such shares to be a Mandatorily Redeemable Financial Instrument ("MRFI") that is recorded as a liability. The liability is calculated based upon a pre-determined formula in accordance with the U.A.E. Shareholders Agreement. As of December 31, 2017 and June 30, 2017, the liability amounted to $5.7 and $5.2, of which $4.7 and $4.7, respectively, was recorded in Other noncurrent liabilities and $1.0 and $0.5, respectively, was recorded in Accrued expenses and other current liabilities in the Condensed Consolidated Balance Sheet.

Southeast Asian subsidiary

On May 23, 2017, the Company entered into the Sale of Shares and Termination Deed (the "Termination Agreement") to purchase the remaining 49% noncontrolling interest from the noncontrolling interest holder of a certain Southeast Asian subsidiary for a purchase price of $45.0. Additionally, all remaining retained earnings will be paid out as dividends prior to the purchase. The payment and termination will be effective on June 30, 2019. As a result of the Termination Agreement, the noncontrolling interest balance is recorded as an MRFI. The MRFI balance will be accreted to the redemption value until the effective date of the purchase with changes in the balance being reflected in Other expense, net in the Condensed Consolidated Statements of Operations.

As of December 31, 2017 and June 30, 2017, the MRFI liability amounted to $46.7 and $49.3, respectively, of which $43.0 and $41.7, respectively, was recorded in Other noncurrent liabilities and $3.7 and $7.6, respectively, was recorded in Accrued expenses and other current liabilities in the Condensed Consolidated Balance Sheet.

Redeemable Noncontrolling Interests

As of December 31, 2017, the redeemable noncontrolling interests ("RNCI") consisted of a 25.0% interest in a subsidiary in the United Arab Emirates and a 40.7% interest in the consolidated subsidiaries related to the Younique acquisition. See Note 4—Business Combinations.

Younique

On February 1, 2017, after the close of the acquisition, the pre-acquisition Younique membership holders had a 40% membership interest in Foundation. On October 15, 2017, shares of Foundation were issued to employees of Younique under a stock ownership program and incentive stock grants were granted, resulting in a 0.7% increase to the noncontrolling interest ownership percentage. The impact of the additional shares was recorded as an increase to RNCI of $8.5, a decrease in APIC of $8.3 and cash proceeds of $0.2. The Company accounts for the 40.7% noncontrolling interest portion of Foundation as RNCI due to the noncontrolling interest holder's right to put their shares to the Company in certain circumstances. While Foundation is a majority-owned consolidated subsidiary, the Company records income tax expense based on the Company's 59.3% membership interest in Foundation due to its treatment as a partnership for U.S. income tax purposes. Accordingly, Foundation's net income attributable to RNCI is equal to the 40.7% noncontrolling interest of Foundation's net income excluding a provision for income taxes. On December 22, 2017, the Tax Act was enacted, which included a reduction of the U.S. corporate tax rate. The tax rate change was the primary driver of a $79.2 adjustment to the fair value of the RNCI balance for the quarter. The Company recognized $574.8 and $481.6 as the redeemable noncontrolling interest balances as of December 31, 2017 and June 30, 2017, respectively.

Subsidiary in the United Arab Emirates

On May 31, 2017, the Company and the non-controlling interest holder in the Company's subsidiary in the United Arab Emirates ("Middle East Subsidiary") amended the shareholder agreement governing the Company's Middle East Subsidiary. As of July 1, 2017, the amendment reduced the percentage of the noncontrolling interest holders' share to 25% in exchange for Coty contributing the local distribution rights for the brands acquired as part of the P&G Beauty Business acquisition to the joint venture's portfolio of brands. This resulted in a dilution of the RNCI that resulted in a decrease of the RNCI and an increase of APIC of $17.0.

17. COMMITMENTS AND CONTINGENCIES

Legal Matters

The Company is involved, from time to time, in various litigation and administrative and other legal proceedings (including regulatory and/or governmental actions) incidental or related to its business, including consumer class or collective action, personal injury, intellectual property, competition, 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 should not have a material effect upon its business, prospects, financial condition, results of operations, or cash flows, nor the trading price of the Company's securities. However, management's assessment of the Company's Legal Proceedings, especially those related to its recently completed acquisitions, is ongoing, and could change in light of the discovery of additional facts with respect to Legal Proceedings pending against the Company not presently known to the Company 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.

Noncontrolling Interests and Redeemable Noncontrolling Interests

Refer to Note 16—Mandatorily Redeemable Financial Interests and Redeemable Noncontrolling Interests for commitments and contingencies related to certain interests the Company holds as of December 31, 2017.

18. SUBSEQUENT EVENT

Quarterly Dividend

On February 8, 2018, the Company announced a quarterly cash dividend of $0.125 per share on its Common Stock, RSUs and phantom units. The dividend will be payable on March 15, 2018 to holders of record of Common Stock as of February 28, 2018.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Coty's management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) of the Securities Exchange Act of 1934) 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 in the United States of America ("GAAP"). Coty's internal control over financial reporting includes those policies and procedures that:

(i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets;

(ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors; and

(iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements.

Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

We completed the acquisitions of certain assets and liabilities related to The Procter & Gamble Company's ("P&G") global fine fragrances, salon professional, cosmetics and retail hair color businesses, along with select hair styling brands (the "P&G Beauty Business"), 100% of the equity interest of Lion/Gloria Topco Limited which held the net assets of ghd ("ghd"), and 60% of the membership interest in Foundation, LLC which held the net assets of Younique, LLC, a Utah limited liability company ("Younique") on October 1, 2016, November 21, 2016 and February 1, 2017, respectively. As a result, we have excluded the internal controls of the P&G Beauty Business, ghd and Younique from our annual evaluation of the effectiveness of internal control over financial reporting for our Company. Collectively, the P&G Beauty Business, ghd and Younique accounted for 42% of our total assets as of June 30, 2017 and 45% of our total net sales for the year ended June 30, 2017.

Coty's management evaluated the effectiveness of internal control over financial reporting as of June 30, 2016 based on the criteria established in "Internal Control—Integrated Framework (2013)" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on the evaluation, management has concluded that Coty maintained effective internal control over financial reporting as of June 30, 2017.

The Company's internal control over financial reporting as of June 30, 2017 has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their attestation report which appears herein.

/s/Camillo Pane /s/Patrice de Talhouët

Camillo Pane Patrice de Talhouët
Chief Executive Officer and Director Chief Financial Officer

August 23, 2017

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Coty Inc.,
New York, New York

We have audited the internal control over financial reporting of Coty Inc. and subsidiaries (the "Company") as of June 30, 2017, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

As described in Management's Report on Internal Control over Financial Reporting, management excluded from its assessment the internal control over financial reporting of The Procter & Gamble Company's ("P&G") global fine fragrances, salon professional, cosmetics and retail hair color businesses, along with select hair styling brands (the "P&G Beauty Business"), Lion/Gloria Topco Limited which held the net assets of ghd ("ghd"), and Foundation, LLC which held the net assets of Younique, LLC, a Utah limited liability company ("Younique"), which were acquired on October 1, 2016, November 21, 2016, and February 1, 2017, respectively and whose financial statements constituted 42% of total assets and 45% of total net revenues of the consolidated financial statement amounts as of and for the year ended June 30, 2017. Accordingly, our audit did not include the internal control over financial reporting of the P&G Beauty Business, ghd and Younique.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of June 30, 2017, based on the criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedule as of and for the year ended June 30, 2017 of the Company and our report dated August 23, 2017 expressed an unqualified opinion on those financial statements and financial statement schedule.

/s/ Deloitte & Touche LLP
New York, New York
August 23, 2017

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Coty Inc.,
New York, New York

We have audited the accompanying consolidated balance sheets of Coty Inc. and subsidiaries (the "Company") as of June 30, 2017 and 2016, and the related consolidated statements of operations, comprehensive income (loss), equity and redeemable noncontrolling interests, and cash flows for each of the three years in the period ended June 30, 2017. Our audits also included the financial statement schedule listed in the Index at Item 15. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Coty Inc. and subsidiaries as of June 30, 2017 and 2016, and the results of its operations and its cash flows for each of the three years in the period ended June 30, 2017, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of June 30, 2017, based on the criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated August 23, 2017, expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ Deloitte & Touche LLP
New York, New York
August 23, 2017

COTY INC. & SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(In millions, except per share data)

	Year Ended June 30,		
	2017	**2016**	**2015**
Net revenues	**$7,650.3**	**$4,349.1**	**$4,395.2**
Cost of sales	3,028.5	1,746.0	1,757.0
Gross profit	**4,621.8**	**2,603.1**	**2,638.2**
Selling, general and administrative expenses	4,060.0	2,027.8	2,066.1
Amortization expense	275.1	79.5	74.7
Restructuring costs	372.2	86.9	75.4
Acquisition-related costs	355.4	174.0	34.1
Asset impairment charges	—	5.5	—
Gain on sale of assets	(3.1)	(24.8)	(7.2)
Operating (loss) income	**(437.8)**	**254.2**	**395.1**
Interest expense, net	218.6	81.9	73.0
Loss on early extinguishment of debt	—	3.1	88.8
Other expense, net	1.6	30.4	—
(Loss) income before income taxes	**(658.0)**	**138.8**	**233.3**
Benefit for income taxes	(259.5)	(40.4)	(26.1)
Net (loss) income	**(398.5)**	**179.2**	**259.4**
Net income attributable to noncontrolling interests	15.4	7.6	15.1
Net income attributable to redeemable noncontrolling interests	8.3	14.7	11.8
Net (loss) income attributable to Coty Inc.	**$ (422.2)**	**$ 156.9**	**$ 232.5**
Net (loss) income attributable to Coty Inc. per common share:			
Basic	$ (0.66)	$ 0.45	$ 0.66
Diluted	(0.66)	0.44	0.64
Weighted-average common shares outstanding:			
Basic	642.8	345.5	353.3
Diluted	642.8	354.2	362.9

See notes to Consolidated Financial Statements.

COTY INC. & SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In millions)

	Year Ended June 30,		
	2017	2016	2015
Net (loss) income	**$(398.5)**	**$179.2**	**$ 259.4**
Other comprehensive income (loss):			
Foreign currency translation adjustment	121.9	83.3	(228.4)
Net unrealized derivative gain (loss) on cash flow hedges, net of taxes of $(7.7), $0.3 and $(1.6), respectively	41.5	(28.8)	8.8
Pension and other post-employment benefits, net of tax of $(25.1), $7.9 and $(17.6), respectively	80.6	(19.7)	30.1
Total other comprehensive income (loss), net of tax	244.0	34.8	(189.5)
Comprehensive (loss) income:	**(154.5)**	**214.0**	**69.9**
Comprehensive income attributable to noncontrolling interests:			
Net income	15.4	7.6	15.1
Foreign currency translation adjustment	(0.1)	0.1	(0.4)
Total comprehensive income attributable to noncontrolling interests	15.3	7.7	14.7
Comprehensive income attributable to redeemable noncontrolling interests:			
Net income	8.3	14.7	11.8
Foreign currency translation adjustment	—	0.4	(0.2)
Total comprehensive income attributable to redeemable noncontrolling interests	8.3	15.1	11.6
Comprehensive (loss) income attributable to Coty Inc.	**$(178.1)**	**$191.2**	**$ 43.6**

See notes to Consolidated Financial Statements.

COTY INC. & SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In millions, except per share data)

	June 30, 2017	June 30, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	$ 535.4	$ 372.4
Restricted cash	35.3	—
Trade receivables—less allowances of $58.5 and $35.2, respectively	1,470.3	682.9
Inventories	1,052.6	565.8
Prepaid expenses and other current assets	487.9	206.8
Deferred income taxes	—	110.5
Total current assets	**3,581.5**	**1,938.4**
Property and equipment, net	1,632.1	638.6
Goodwill	8,555.5	2,212.7
Other intangible assets, net	8,425.2	2,050.1
Deferred income taxes	72.6	15.7
Other noncurrent assets	281.3	180.1
TOTAL ASSETS	**$22,548.2**	**$ 7,035.6**
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$ 1,732.1	$ 921.4
Accrued expenses and other current liabilities	1,796.4	748.4
Short-term debt and current portion of long-term debt	209.1	161.8
Income and other taxes payable	66.0	18.7
Deferred income taxes	—	4.9
Total current liabilities	**3,803.6**	**1,855.2**
Long-term debt, net	6,928.3	3,936.4
Pension and other post-employment benefits	549.2	230.6
Deferred income taxes	924.9	339.2
Other noncurrent liabilities	473.4	233.8
Total liabilities	**12,679.4**	**6,595.2**
COMMITMENTS AND CONTINGENCIES (Note 24)		
REDEEMABLE NONCONTROLLING INTERESTS	**551.1**	**73.3**
EQUITY:		
Preferred stock, $0.01 par value; 20.0 shares authorized; 4.2 and 1.7 issued and outstanding, at June 30, 2017 and 2016, respectively	—	—
Class A Common Stock, $0.01 par value; 1,000.0 and 800.0 shares authorized, 812.9 and 138.7 issued and 747.9 and 75.1 outstanding at June 30, 2017 and 2016, respectively	8.1	1.4
Class B Common Stock, $0.01 par value; 0.0 and 262.0 shares authorized, 0.0 and 262.0 issued and outstanding at June 30, 2017 and 2016, respectively	—	2.6
Additional paid-in capital	11,203.2	2,038.4
Accumulated deficit	(459.2)	(37.0)
Accumulated other comprehensive income (loss)	4.4	(239.7)
Treasury stock—at cost, shares: 65.0 and 63.6 at June 30, 2017 and 2016, respectively	(1,441.8)	(1,405.5)
Total Coty Inc. stockholders' equity	**9,314.7**	**360.2**
Noncontrolling interests	**3.0**	**6.9**
Total equity	**9,317.7**	**367.1**
TOTAL LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS AND EQUITY	**$22,548.2**	**$ 7,035.6**

See notes to Consolidated Financial Statements.

COTY INC. & SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EQUITY AND REDEEMABLE NONCONTROLLING INTERESTS

(In millions)

	Preferred Stock		Class A Common Stock		Class B Common Stock		Additional Paid-in Capital	(Accumulated Deficit)	Accumulated Other Comprehensive (Loss)	Treasury Stock		Total Coty Inc. Stockholders' Equity	Noncontrolling Interests	Total Equity	Redeemable Noncontrolling Interests
	Shares	Amount	Shares	Amount	Shares	Amount				Shares	Amount				
BALANCE—July 1, 2014	**—**	**$—**	**125.1**	**$1.2**	**263.7**	**$2.6**	**$1,926.9**	**$(426.4)**	**$ (85.1)**	**34.9**	**$(575.4)**	**$ 843.8**	**$ 10.6**	**$ 854.4**	**$106.2**
Issuance of Preferred Stock	1.9	—										—		—	
Conversion of Class B to Class A Common Stock			1.7	—	(1.7)	—						—		—	
Purchase of Class A Common Stock							—			13.4	(263.1)	(263.1)		(263.1)	
Re-issuance of Treasury Stock for Bourjois Acquisition							106.9			(15.5)	269.9	376.8		376.8	
Reclassification of common stock and stock options to liability							(29.5)					(29.5)		(29.5)	
Reclassification of Class A Common Stock from liability to APIC							29.5					29.5		29.5	
Exercise of former CEO stock options			1.4	—			12.5					12.5		12.5	
Purchase of Class A Common Stock from former CEO										2.4	(42.0)	(42.0)		(42.0)	
Discount of Class A Common Stock							1.9					1.9		1.9	
Exercise of employee stock options and settlement of restricted stock units			5.8	0.1			48.4					48.5		48.5	
Share-based compensation expense							14.3					14.3		14.3	
Dividends ($0.20 per common share)							(71.6)					(71.6)		(71.6)	
Net income								232.5				232.5	15.1	247.6	11.8
Other comprehensive loss									(188.9)			(188.9)	(0.4)	(189.3)	(0.2)
Proceeds from noncontrolling interests													1.8	1.8	—
Distribution to noncontrolling interests, net													(12.2)	(12.2)	(10.6)
Redeemable noncontrolling interest purchase															(15.8)
Adjustment of redeemable noncontrolling interests to redemption value							5.1					5.1		5.1	(5.1)
BALANCE—June 30, 2015	**1.9**	**$—**	**134.0**	**$1.3**	**262.0**	**$2.6**	**$2,044.4**	**$(193.9)**	**$(274.0)**	**35.2**	**$(610.6)**	**$ 969.8**	**$ 14.9**	**$ 984.7**	**$ 86.3**

See notes to Consolidated Financial Statements.

COTY INC. & SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EQUITY AND REDEEMABLE NONCONTROLLING INTERESTS—(Continued)

(In millions)

	Preferred Stock		Class A Common Stock		Class B Common Stock		Additional Paid-in Capital	(Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Treasury Stock		Total Coty Inc. Stockholders' Equity	Noncontrolling Interests	Total Equity	Redeemable Noncontrolling Interests
	Shares	Amount	Shares	Amount	Shares	Amount				Shares	Amount				
BALANCE—July 1, 2015	**1.9**	**$—**	**134.0**	**$1.3**	**262.0**	**$2.6**	**$2,044.4**	**$(193.9)**	**$(274.0)**	**35.2**	**$ (610.6)**	**$ 969.8**	**$ 14.9**	**$ 984.7**	**$ 86.3**
Cancellation of Preferred Stock	(0.2)	—					(0.1)					(0.1)		(0.1)	
Purchase of Class A Common Stock							—			28.4	(794.9)	(794.9)		(794.9)	
Reclassification of Class A Common Stock from liability to APIC							13.8					13.8		13.8	
Exercise of employee stock options and restricted stock units and related tax benefits			4.7	0.1			44.7					44.8		44.8	
Series A Preferred Share based compensation expense							1.6					1.6		1.6	
Share-based compensation expense							20.6					20.6		20.6	
Dividends ($0.25 per common share)							(89.8)					(89.8)		(89.8)	
Net income								156.9				156.9	7.6	164.5	14.7
Other comprehensive income									34.3			34.3	0.1	34.4	0.4
Distribution to noncontrolling interests, net													(15.7)	(15.7)	(14.8)
Adjustment of redeemable noncontrolling interests to redemption value							3.2					3.2		3.2	(3.2)
Repurchase of redeemable noncontrolling interest															(10.1)
BALANCE—June 30, 2016	**1.7**	**$—**	**138.7**	**$1.4**	**262.0**	**$2.6**	**$2,038.4**	**$ (37.0)**	**$(239.7)**	**63.6**	**$(1,405.5)**	**$ 360.2**	**$ 6.9**	**$ 367.1**	**$ 73.3**

See notes to Consolidated Financial Statements.

COTY INC. & SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EQUITY AND REDEEMABLE NONCONTROLLING INTERESTS—(Continued)

(In millions)

	Preferred Stock		Class A Common Stock		Class B Common Stock		Additional Paid-in Capital	(Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Treasury Stock		Total Coty Inc. Stockholders' Equity	Noncontrolling Interests	Total Equity	Redeemable Noncontrolling Interests
	Shares	Amount	Shares	Amount	Shares	Amount				Shares	Amount				
BALANCE—July 1, 2016	**1.7**	**$—**	**138.7**	**$1.4**	**262.0**	**$ 2.6**	**$ 2,038.4**	**$ (37.0)**	**$(239.7)**	**63.6**	**$(1,405.5)**	**$ 360.2**	**$ 6.9**	**$ 367.1**	**$ 73.3**
Issuance of Class A Common Stock for acquisition			409.7	4.1			9,624.5					9,628.6		9,628.6	
Issuance of Preferred Stock	2.5	—										—		—	
Conversion of Class B to Class A Common Stock			262.0	2.6	(262.0)	(2.6)	—					—		—	
Purchase of Class A Common Stock										1.4	(36.3)	(36.3)		(36.3)	
Exercise of employee stock options and restricted stock units and related tax benefits			2.5	—			22.8					22.8		22.8	
Share-based compensation expense							20.0					20.0		20.0	
Dividends ($0.650 per common share)							(375.0)					(375.0)		(375.0)	
Net (loss) income								(422.2)				(422.2)	15.4	(406.8)	8.3
Other comprehensive (loss) income									244.1			244.1	(0.1)	244.0	—
Distribution to noncontrolling interests, net							—					—	(10.0)	(10.0)	(32.3)
Redeemable noncontrolling interest due to business combination (Note 3)												—		—	415.9
Reclassification of noncontrolling interest to mandatory redeemable financial interest							(40.7)					(40.7)	(9.2)	(49.9)	—
Adjustment of redeemable noncontrolling interests to redemption value							(86.8)					(86.8)		(86.8)	86.8
Adjustment to repurchase of redeemable noncontrolling interests												—			(0.9)
BALANCE—June 30, 2017	**4.2**	**$—**	**812.9**	**$8.1**	**—**	**$ —**	**$11,203.2**	**$(459.2)**	**$ 4.4**	**65.0**	**$(1,441.8)**	**$9,314.7**	**$ 3.0**	**$9,317.7**	**$551.1**

See notes to Consolidated Financial Statements.

COTY INC. & SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)

	Year Ended June 30,		
	2017	**2016**	**2015**
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net (loss) income	$ (398.5)	$ 179.2	$ 259.4
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	555.1	232.0	230.9
Asset impairment charges	—	5.5	—
Deferred income taxes	(390.0)	(139.2)	(87.2)
Provision for bad debts	23.4	21.9	4.5
Provision for pension and other post-employment benefits	53.6	9.2	16.2
Share-based compensation	24.6	22.2	30.6
Gain on sale of assets	(3.1)	(24.8)	(7.2)
Loss on extinguishment of debt	—	3.1	88.8
Other	25.9	12.8	20.5
Change in operating assets and liabilities, net of effects from purchase of acquired companies:			
Trade receivables	(279.8)	(44.5)	(43.5)
Inventories	162.3	27.2	29.4
Prepaid expenses and other current assets	(105.7)	6.7	6.0
Accounts payable	540.9	148.2	7.0
Accrued expenses and other current liabilities	479.2	23.3	16.1
Income and other taxes payable	85.0	15.7	127.7
Other noncurrent assets	23.4	9.0	(136.7)
Other noncurrent liabilities	(38.8)	(6.1)	(36.2)
Net cash provided by operating activities	**757.5**	**501.4**	**526.3**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures	(432.3)	(150.1)	(170.9)
Payments for business combinations, net of cash acquired	(742.6)	(908.7)	11.7
Additions of goodwill	—	—	(30.0)
Proceeds from sale of assets	11.3	29.2	14.8
Payments related to loss on foreign currency contracts	—	(29.6)	—
Other	—	—	3.2
Net cash used in investing activities	**(1,163.6)**	**(1,059.2)**	**(171.2)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from short-term debt, original maturity more than three months	9.5	19.1	652.2
Repayments of short-term debt, original maturity more than three months	(10.2)	(28.3)	(655.0)
Net (repayments of) proceeds from short-term debt, original maturity less than three months	(49.2)	25.4	11.6
Proceeds from revolving loan facilities	2,244.4	1,940.0	853.0
Repayments of revolving loan facilities	(2,074.4)	(1,430.0)	(1,616.0)
Proceeds from term loans and other long term debt	1,075.0	3,506.2	800.9
Repayments of term loans and other long term debt	(136.1)	(2,499.4)	(784.6)
Dividend payment	(372.6)	(89.0)	(71.0)
Net proceeds from issuance of Class A Common Stock and Series A Preferred Stock and related tax benefits	22.8	44.7	48.5
Net proceeds from issuance of Class A Common Stock to former CEO	—	—	12.5
Purchase of Class A Common Stock from former CEO	—	—	(42.0)

COTY INC. & SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS—(Continued)

(In millions)

	Year Ended June 30,		
	2017	**2016**	**2015**
Payments for purchases of Class A Common Stock held as Treasury Stock	(36.3)	(794.9)	(263.1)
Net payments for foreign currency contracts	(1.2)	(9.7)	(37.9)
Payment for business combinations—contingent consideration	—	—	(0.8)
Proceeds from mandatorily redeemable noncontrolling interests and noncontrolling interests	—	—	1.8
Distributions to mandatorily redeemable noncontrolling interests, redeemable noncontrolling interests and noncontrolling interests	(42.3)	(33.2)	(21.3)
Purchase of additional mandatorily redeemable noncontrolling interests, redeemable noncontrolling interests and noncontrolling interests	(9.8)	(0.7)	(15.8)
Payment of deferred financing fees	(24.4)	(57.6)	(11.2)
Net cash provided by (used in) financing activities	**595.2**	**592.6**	**(1,138.2)**
EFFECT OF EXCHANGE RATES ON CASH, CASH EQUIVALENTS AND RESTRICTED CASH	**9.2**	**(3.7)**	**(113.6)**
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	**198.3**	**31.1**	**(896.7)**
CASH, CASH EQUIVALENTS AND RESTRICTED CASH—Beginning of period	**372.4**	**341.3**	**1,238.0**
CASH, CASH EQUIVALENTS AND RESTRICTED CASH—End of period	**$ 570.7**	**$ 372.4**	**$ 341.3**
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:			
Cash paid during the year for interest	$ 190.2	$ 90.3	$ 64.7
Cash paid during the year for income taxes, net of refunds received	90.1	118.1	104.8
SUPPLEMENTAL DISCLOSURE OF NONCASH FINANCING AND INVESTING ACTIVITIES:			
Accrued capital expenditure additions	$ 106.7	$ 78.0	$ 41.2
Non-cash stock issued for business combination	9,628.6	—	376.8
Non-cash debt assumed for business combination	1,943.0	—	—
Non-cash capital contribution associated with special share purchase transaction	—	13.8	—
Non-cash acquisition of additional redeemable noncontrolling interests	415.9	10.1	—
Non-cash reclassification from noncontrolling interest to mandatorily redeemable financial interest	49.9	—	—

See notes to Consolidated Financial Statements.

1. DESCRIPTION OF BUSINESS

Coty Inc. and its subsidiaries (collectively, the "Company" or "Coty") manufacture, market, sell and distribute branded beauty products, including fragrances, color cosmetics, hair care products and skin & body related products. Coty is a global beauty company and a new leader and challenger in the beauty industry.

On October 1, 2016, the Company completed its acquisition of certain assets and liabilities related to The Procter & Gamble Company's ("P&G") global fine fragrances, salon professional, cosmetics and retail hair color businesses, along with select hair styling brands (the "P&G Beauty Business"). The P&G Beauty Business manufactures, markets and sells various branded beauty products globally including professional and retail hair care, coloring and styling products, fine fragrances and color cosmetics primarily through salons, mass merchandisers, grocery stores, drug stores, department stores and distributors. Refer to Note 3—Business Combinations.

After the closing of the P&G Beauty Business acquisition, the Company reorganized its business into three new divisions: the Luxury division, focused on prestige fragrances, premium skin care and premium cosmetics; the Consumer Beauty division, focused on color cosmetics, retail hair coloring and styling products, mass fragrance, mass skin care and body care; and the Professional Beauty division, focused on hair and nail care products for professionals. In this new organizational structure, each division has full end-to-end responsibility to optimize consumers' beauty experience in the relevant categories and channels. The three divisions also comprise the Company's operating and reportable segments.

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 2017" refer to the fiscal year ended June 30, 2017.

The Company's revenues generally increase during the second fiscal quarter as a result of increased demand associated with the holiday season. Accordingly, the Company's financial performance, working capital requirements, cash flow and borrowings experience seasonal variability during the three to six months preceding this season.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Principles of Consolidation

The accompanying financial statements of the Company are presented on a consolidated basis in accordance with accounting principles generally accepted in the United States of America ("GAAP"). All intercompany accounts and transactions have been eliminated in consolidation.

The Company also consolidates majority-owned entities in the United States of America, United Arab Emirates, Kingdom of Saudi Arabia, Malaysia, Indonesia, Philippines, Singapore, Hong Kong, China, South Korea, Thailand and Taiwan where the Company has the ability to exercise controlling influence. Ownership interests of noncontrolling parties are presented as mandatorily redeemable financial interests, noncontrolling interests or redeemable noncontrolling interests, as applicable.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the period reported. Significant accounting policies that contain subjective management estimates and assumptions include those related to revenue recognition, the market value of inventory, the fair value of acquired assets and liabilities associated with acquisitions, pension benefit costs, the assessment of goodwill, other intangible assets and long-lived assets for impairment, income taxes, and redeemable noncontrolling interests. 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 Consolidated Financial Statements in future periods.

Cash Equivalents

Cash equivalents include all highly liquid investments with original maturities of three months or less at the time of purchase.

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 June 30, 2017 and June 30, 2016, the Company had restricted cash of $35.3 and nil, respectively, included in Restricted cash in the Consolidated Balance Sheets. The restricted cash balance as of June 30, 2017 provides collateral for certain bank guarantees on rent, customs and duty accounts. Restricted cash is included as a component of Cash, cash equivalents, and restricted cash in the Consolidated Statement of Cash Flows.

Trade Receivables

Trade receivables are stated net of the allowance for doubtful accounts and cash discounts, which is based on the evaluation of the accounts receivable aging, specific exposures, and historical trends. The Company reviews its allowances by assessing factors such as an individual trade receivable aging and liquidity. Trade receivables are written off on a case-by-case basis, net of any amounts that may be collected.

Inventories

Inventories include items which are considered salable or usable in future periods, and are stated at the lower of cost or market value, with cost being based on standard cost which approximates actual cost on a first-in, first-out basis. Costs include direct materials, direct labor and overhead (e.g., indirect labor, rent and utilities, depreciation, purchasing, receiving, inspection and quality control) and in-bound freight costs. The Company classifies inventories into various categories based upon their stage in the product life cycle, future marketing sales plans and the disposition process.

The Company also records an inventory obsolescence reserve, which represents the excess of the cost of the inventory over its estimated market value, based on various product sales projections. This reserve is calculated using an estimated obsolescence percentage applied to the inventory based on age, historical trends, and requirements to support forecasted sales. In addition, and as necessary, the Company may establish specific reserves for future known or anticipated events.

Property and Equipment and Other Long-lived Assets

Property and equipment is stated at cost less accumulated depreciation or amortization. The cost of renewals and betterments is capitalized and depreciated. Expenditures for maintenance and repairs are expensed as incurred. Property and equipment that is disposed of through sale, trade-in, donation, or scrapping is written off, and any gain or loss on the transaction, net of costs to dispose, is recorded in Gain (loss) on sale of assets. Depreciation and amortization are computed principally using the straight-line method over the following estimated useful lives:

Description	Estimated Useful Lives
Buildings	20-40 years
Marketing furniture and fixtures	3-5 years
Machinery and equipment	2-15 years
Computer equipment and software	2-5 years
Property and equipment under capital leases and leasehold improvements	Lesser of lease term or economic life

Intangible assets with finite lives are amortized principally using the straight-line method over the following estimated useful lives:

Description	Estimated Useful Lives
License agreements	5-34 years
Customer relationships	2-28 years
Trademarks	2-30 years
Product formulations and technology	3-29 years

Long-lived assets, including tangible and intangible assets with finite lives, are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. When such events or changes in circumstances occur, a recoverability test is performed comparing projected undiscounted cash flows from the use and eventual disposition of an asset or asset group to its carrying value. If the projected undiscounted cash flows are less than the carrying value, an impairment charge would be recorded for the excess of the carrying value over the fair value. The Company estimates fair value based on the best information available, including discounted cash flows and/or the use of third-party valuations.

Goodwill and Other Indefinite-lived Intangible Assets

Goodwill is calculated as the excess of the cost of purchased businesses over the fair value of their underlying net assets. Goodwill is allocated and evaluated at the reporting unit level, which are the Company's operating segments. The Company identifies its operating segments, which are also its reportable segments, by assessing whether the components of the Company's reportable segments constitute businesses for which discrete financial information is available and management of each operating segment regularly reviews the operating results of those components. The Company has identified three reporting units. Luxury, Consumer Beauty and Professional Beauty are considered operating segments and each a reporting unit. The Company allocates goodwill to one or more reporting units that are expected to benefit from synergies of the business combination.

Goodwill and other intangible assets with indefinite lives are not amortized, but are evaluated for impairment annually as of May 1 or whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. When testing goodwill for impairment, the Company has the option of first performing a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as the basis to determine if it is necessary to perform a quantitative goodwill impairment test. In performing its qualitative assessment, the Company considers the extent to which unfavorable events or circumstances identified, such as changes in economic conditions, industry and market conditions or company specific events, could affect the comparison of the reporting unit's fair value with its carrying amount. If the Company concludes that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, the Company is required to perform a quantitative impairment test.

Quantitative impairment testing for goodwill is performed in two steps: (i) the determination of possible impairment, based upon the fair value of a reporting unit as compared to its carrying value; and (ii) if there is a possible impairment indicated, this step measures the amount of impairment loss, if any, by comparing the implied fair value of goodwill with the carrying amount of that goodwill. The Company makes certain judgments and assumptions in allocating assets and liabilities to determine carrying values for its reporting units.

Indefinite-lived other intangible assets principally consist of trademarks. The fair values of indefinite-lived other intangible assets are estimated and compared to their respective carrying values. The trademarks' fair values are based upon the income approach, utilizing the relief from royalty or excess earnings methodology. An impairment loss is recognized when the estimated fair value of the intangible asset is less than its carrying value.

Deferred Financing Fees

The Company capitalizes costs related to the issuance of debt instruments, as applicable. Such costs are amortized over the contractual term of the related debt instrument in Interest expense, net using the straight-line method, which approximates the effective interest method, in the Consolidated Statements of Operations.

Noncontrolling Interests and Redeemable Noncontrolling Interests

Interests held by third parties in consolidated majority-owned subsidiaries are presented as noncontrolling interests, which represents the noncontrolling stockholders' interests in the underlying net assets of the Company's consolidated majority-owned subsidiaries. Noncontrolling interests that are not redeemable are reported in the equity section of the Consolidated Balance Sheets.

Noncontrolling interests, where the Company may be required to repurchase the noncontrolling interest under a put option or other contractual redemption requirement, are reported in the Consolidated Balance Sheets between liabilities and equity, as redeemable noncontrolling interests. The Company adjusts the redeemable noncontrolling interests to the redemption values on each balance sheet date with changes recognized as an adjustment to retained earnings, or in the absence of retained earnings, as an adjustment to additional paid-in capital.

Revenue Recognition

Revenue is recognized when realized or realizable and earned. The Company's policy is to recognize revenue when risk of loss and title to the product transfers to the customer, which usually occurs upon delivery. Net revenues comprise gross revenues less customer discounts and allowances, actual and expected returns (estimated based on returns history and position in product life cycle) and various trade spending activities. Trade spending activities primarily relate to advertising, product promotions and demonstrations, some of which involve cooperative relationships with customers. Returns represented 2%, 3% and 3% of gross revenue after customer discounts and allowances in fiscal 2017, 2016 and 2015, respectively. Trade spending activities recorded as a reduction to gross revenue after customer discounts and allowances represented 7%, 8%, and 9% in fiscal 2017, 2016 and 2015, respectively.

Cost of Sales

Cost of sales includes all of the costs to manufacture the Company's products. For products manufactured in the Company's own facilities, such costs include raw materials and supplies, direct labor and factory overhead. For products manufactured for the Company by third-party contractors, such costs represent the amounts invoiced by the contractors. Cost of sales also includes royalty expense associated with license agreements. Additionally, shipping costs, freight-in and depreciation and amortization expenses related to manufacturing equipment and facilities are included in Cost of sales in the Consolidated Statements of Operations.

Selling, General and Administrative Expenses

Selling, general and administrative expenses include advertising and promotional costs and research and development costs. Also included in Selling, general and administrative expenses are share-based compensation, certain warehousing fees, non-manufacturing overhead, personnel and related expenses, rent on operating leases, and professional fees.

Advertising and promotional costs are expensed as incurred and totaled $1,883.3, $967.6 and $1,007.7 in fiscal 2017, 2016 and 2015, respectively. Included in advertising and promotional costs are $107.4, $65.0, and $69.8 of depreciation of marketing furniture and fixtures, such as product displays, in fiscal 2017, 2016 and 2015, respectively. Research and development costs are expensed as incurred and totaled $139.2, $47.7 and $47.4 in fiscal 2017, 2016 and 2015, respectively.

Share-Based Compensation

Common Stock

Common shares are available to be awarded for the exercise of phantom units, vested stock options, the settlement of restricted stock units ("RSUs"), and the conversion of Series A Preferred Stock.

Share-based compensation expense is measured and fixed at the grant date, based on the estimated fair value of the award and is recognized on a straight-line basis, net of estimated forfeitures, over the employee's requisite service period.

The fair value of stock options is determined using the Black-Scholes valuation model using the assumptions discussed in Note 22—Share-Based Compensation Plans. The fair value of RSUs is determined on the date of grant based on the Company's stock price.

Preferred Stock

The Company has issued Series A Preferred Stock that can be converted into Class A Common Stock or settled in cash. Series A Preferred Stock is accounted for using liability plan accounting to the extent the award is expected to be settled in cash. Accordingly, share-based compensation expense for the portion that is liability accounted is measured based on the fair value of the award on each reporting date and recognized as an expense to the extent earned. Share-based compensation expense for the portion of the grants that the Company is not required to settle in cash is measured based on the estimated fair value of the award at the time it is known that they are going to be settled in shares and is recognized on a straight-line basis, net of estimated forfeitures, over the employee's requisite service period.

The fair value of Series A Preferred Stock is determined using the binomial valuation model for fiscal 2017 using the weighted-average assumptions discussed in Note 22—Share-Based Compensation Plans. The fair value of Series A Preferred Stock was determined using the Black-Scholes valuation model for fiscal 2016 and 2015 using the weighted-average assumptions discussed in Note 22—Share-Based Compensation Plans.

Treasury Stock

The Company accounts for treasury stock under the cost method. When shares are reissued or retired from treasury stock they are accounted for at an average price. When treasury stock is re-issued at a price higher than its cost, the difference is recorded as a component of Additional paid-in-capital in the Company's Consolidated Balance Sheets. When treasury stock is re-issued at a price lower than its cost, the difference is recorded as a reduction of Additional paid-in-capital to the extent that there are treasury stock gains to offset the losses. If there are no treasury stock gains in Additional paid-in-capital, the losses upon re-issuance of treasury stock are recorded as a reduction of Retained earnings in the Company's Consolidated Balance Sheets.

Income Taxes

The Company is subject to income taxes in the U.S. and various foreign jurisdictions. The Company accounts for income taxes under the asset and liability method. Therefore, income tax expense is based on reported (Loss) income before income taxes, and deferred income taxes reflect the effect of temporary differences between the carrying amounts of assets and liabilities that are recognized for financial reporting purposes and the carrying amounts that are recognized for income tax purposes. Prior to the fourth quarter of fiscal 2017, the classification of deferred tax assets and liabilities corresponds with the classification of the underlying assets and liabilities, giving rise to the temporary differences or the period of expected reversal, as applicable. In the fourth quarter of fiscal 2017 the Company adopted guidance issued by the Financial Accounting Standards Board ("FASB") (as later discussed) which allows for presentation of deferred tax assets and liabilities as noncurrent. This guidance was adopted on a prospective basis and Deferred taxes in the Consolidated Balance Sheet for the year ended June 30, 2017 are presented as noncurrent. A valuation allowance is established, when necessary, to reduce deferred tax assets to the amount that is more likely than not to be realized based on currently available evidence. The Company considers how to recognize, measure, present and disclose in financial statements uncertain tax positions taken or expected to be taken on a tax return.

The Company is subject to tax audits in various jurisdictions. The Company regularly assesses the likely outcomes of such audits in order to determine the appropriateness of liabilities for unrecognized tax benefits ("UTBs"). The Company classifies interest and penalties related to UTBs as a component of the provision for income taxes.

For UTBs, the Company first determines whether it is more-likely-than-not (defined as a likelihood of more than fifty percent) that a tax position will be sustained based on its technical merits as of the reporting date, assuming that taxing authorities will examine the position and have full knowledge of all relevant information. A tax position that meets this more-likely-than-not threshold is then measured and recognized at the largest amount of benefit that is greater than fifty percent likely to be realized upon effective settlement with a taxing authority. As the determination of liabilities related to UTBs and associated interest and penalties requires significant estimates to be made by the Company, there can be no assurance that the Company will accurately predict the outcomes of these audits, and thus the eventual outcomes could have a material impact on the Company's operating results or financial condition and cash flows.

It is the Company's intention to permanently reinvest undistributed earnings and profits from the Company's foreign operations that have been generated through June 30, 2017, except where we are able to repatriate these earnings to the U.S. without material incremental tax expenditures. The Company's future plans do not demonstrate a need to repatriate the foreign amounts to fund U.S. operations. Accordingly, no provision has been made for U.S. income taxes on undistributed earnings of foreign subsidiaries as of June 30, 2017. It is not practicable for the Company to determine the amount of additional income and withholding taxes that may be payable in the event the undistributed earnings are repatriated.

Restructuring Costs

Charges incurred in connection with plans to restructure and integrate acquired businesses or in connection with cost-reduction initiatives that are initiated from time to time are included in Restructuring costs in the Consolidated Statements of Operations if such costs are directly associated with an exit or disposal activity, a reorganization, or with integrating an acquired business. These costs can include employee separations, contract and lease terminations, and other direct exit costs. Employee severance and other termination benefits are primarily determined based on established benefit arrangements, local statutory requirements or historical practices. The Company recognizes these benefits when payment is probable and estimable. Additional elements of severance and termination benefits associated with non-recurring benefits are recognized ratably over each employee's required future service period.

Costs to terminate a contract before the end of its term are recognized and measured at their fair value when the Company gives written notice to the counterparty. For lease terminations, a liability based on the remaining lease rentals, reduced by estimated sublease rentals is measured at the cease-use date. All other costs are recognized as incurred.

Other business realignment costs represent the incremental cost directly related to the restructuring activities which can include accelerated depreciation, professional or consulting fees and other internal costs including compensation related costs for dedicated internal resources. Other business realignment costs are generally recorded in Selling, general and administrative expenses in the Consolidated Statements of Operations.

Charges for accelerated depreciation are recognized on long-lived assets that will be taken out of service before the end of their normal service, in which case depreciation estimates are revised to reflect the use of the asset over its shortened useful life. All other costs are recognized as incurred.

Business Combinations

The Company accounts for business combinations using the acquisition method of accounting. The acquisition method of accounting requires that purchase price, including the fair value of contingent consideration, of the acquisition be allocated to the assets acquired and liabilities assumed using the fair values determined by management as of the acquisition date.

The Company remeasures the fair value of contingent consideration at each reporting period using a probability-adjusted discounted cash flow method based on significant inputs not observable in the market and any change in the fair value from either the passage of time or events occurring after the acquisition date, is recorded in earnings. Contingent consideration payments that exceed the acquisition date fair value of the contingent consideration are reflected as an operating activity in the Consolidated Statements of Cash Flows. Payments made for contingent consideration recorded as part of an acquisition's purchase price are reflected as financing activities in the Company's Consolidated Statements of Cash Flows, if paid more than three months after the acquisition date. If paid within three months of the acquisition date, these payments are reflected as investing activities in the Company's Consolidated Statements of Cash Flows.

The Company generally uses the following methodologies for valuing our significant acquired intangibles assets:

- Trademarks (indefinite or finite)—The Company uses a relief from royalty method to value trademarks. The key assumptions for the model are forecasted net revenue, the royalty rate, the effective tax rate and the discount rate.
- Customer relationships and license agreements—The Company uses an excess earnings method to value customer relationships and license agreements. The key assumptions for the

model are forecasted net revenue, EBITDA, the estimated allocation of earnings between different classes of assets, the attrition rate, the effective tax rate and the discount rate.

Fair Value Measurements

The following fair value hierarchy is used in selecting inputs for those assets and liabilities measured at fair value that distinguishes between assumptions based on market data (observable inputs) and the Company's assumptions (unobservable inputs). The Company evaluates these inputs and recognizes transfers between levels, if any, at the end of each reporting period. The hierarchy consists of three levels:

Level 1—Valuation based on quoted market prices in active markets for identical assets or liabilities;

Level 2—Valuation based on inputs other than Level 1 inputs that are observable for the assets or liabilities either directly or indirectly;

Level 3—Valuation based on prices or valuation techniques that require inputs that are both significant to the fair value measurement and supported by little or no observable market activity.

The Company has not elected the fair value measurement option for any financial instruments or other assets not required to be measured at fair value on a recurring basis.

Derivative Instruments and Hedging Activities

Refer to Note 18—Derivative Instruments for the Company's policies for Derivative Instruments and Hedging Activities.

Foreign Currency

Exchange gains or losses incurred on non-financing foreign exchange currency transactions conducted by one of the Company's operations in a currency other than the operation's functional currency are reflected in Cost of sales or operating expenses. Net losses (gains) of $1.5, $7.2 and $(7.9) in fiscal 2017, 2016 and 2015, respectively resulting from non-financing foreign exchange currency transactions are included in the Consolidated Statements of Operations.

Assets and liabilities of foreign operations are translated into U.S. dollars at the rates of exchange in effect at the end of the reporting period. Income and expense items are translated at the average exchange rates prevailing during each reporting period presented. Translation gains or losses are reported as cumulative adjustments in Accumulated other comprehensive income (loss) ("AOCI/(L)").

Net gains (losses) of $(12.8), $19.2 and $(4.1) in fiscal 2017, 2016 and 2015, respectively, resulting from financing foreign exchange currency transactions are included in Interest expense, net in the Consolidated Statements of Operations. Net (losses) of $(1.7), $(29.4) and nil in fiscal 2017, 2016 and 2015, respectively, resulting from acquisition-related foreign exchange currency transactions are included in Other expense, net in the Consolidated Statements of Operations.

Recently Adopted Accounting Pronouncements

In November 2016, the FASB issued authoritative guidance amending the classification and presentation of restricted cash on the statement of cash flows. The amendments require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The Company early adopted this guidance in the second quarter of fiscal 2017 and has applied a retrospective transition method for each period presented. Accordingly, restricted cash and restricted cash equivalents have been reclassified as a component of Cash, cash equivalents, and restricted cash in the Consolidated Statement of Cash Flows for all periods presented.

In November 2015, the FASB issued authoritative guidance to eliminate the requirement to present deferred tax assets and liabilities as current and noncurrent amounts in a classified balance sheet. The new standard requires deferred tax assets and liabilities to be classified as noncurrent. The Company early adopted this guidance as of the fourth quarter of fiscal 2017 on a prospective basis beginning with the fiscal 2017 period presented. Accordingly, deferred tax assets and liabilities as well as corresponding valuation allowances have been classified as noncurrent in the Company's Consolidated Balance Sheet.

In April 2015, the FASB issued authoritative guidance on the treatment of debt issuance costs. The guidance requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The Company adopted this guidance as of the first quarter of fiscal 2017. With respect to the Company's revolving credit facilities (as discussed in Note 13—Debt), the Company has elected to classify unamortized debt issuance costs within the liability section of the balance sheet (as a contra-liability). In circumstances where the unamortized debt issuance costs exceeds the related outstanding balance of the Coty Revolving Credit Facility or the Galleria Revolving Credit Facility (as both defined in Note 13—Debt), the amount of unamortized debt issuance costs exceeding the outstanding balance will be reclassified to assets. The Company has applied the change in accounting principle with retrospective application to prior periods. As such, the amounts previously reported as Other noncurrent assets and Long-term debt, net in the Consolidated Balance Sheet as of June 30, 2016 were decreased by $64.6, respectively, for the reclassification of debt issuance costs from assets to liabilities. The change in accounting principle does not have an impact on the Company's Consolidated Statements of Operations, Statements of Cash Flows and Consolidated Statements of Equity and Redeemable Noncontrolling Interests.

In April 2015, the FASB issued authoritative guidance to clarify the accounting treatment for fees paid by a customer in cloud computing arrangements. Under the revised guidance, if a cloud computing arrangement includes a software license, then the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If the cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. The revised guidance does not change a customer's accounting for service contracts. The Company adopted this guidance as of the first quarter of fiscal 2017 on a prospective basis. The adoption of this guidance did not have a material impact on the Company's Consolidated Financial Statements.

In February 2015, the FASB issued authoritative guidance on a revised consolidation model for all reporting entities to use in evaluating whether they should consolidate certain legal entities. All legal entities will be subject to reevaluation under this revised consolidation model. The revised consolidation model, among other things, (i) modifies the evaluation of whether limited partnerships and similar legal entities are VIEs or voting interest entities, (ii) eliminates the presumption that a general partner should consolidate a limited partnership, and (iii) modifies the consolidation analysis of reporting entities that are involved with VIEs through fee arrangements and related party relationships. This amendment was effective for the Company's interim and annual financial statements for fiscal 2017. The Company adopted this guidance retrospectively. The adoption of this guidance did not have an impact on the Company's Consolidated Financial statements.

Recently Issued and Not Yet Adopted Accounting Pronouncements

Accounting Standard Update(s)	Topic	Effective Period	Summary
2017-09	Scope of Modification Accounting	Fiscal 2019. Early adoption is permitted for the Company beginning in fiscal 2018.	The FASB issued authoritative guidance regarding changes to terms or conditions of share-based payment awards that require an entity to apply modification accounting. Under this amendment, an entity should not account for the effects of a modification if all of the following conditions are met: i) the fair value (or calculated value or intrinsic value, if such an alternative measurement method is used) of the modified and original award (immediately before modification) is the same; ii) the vesting conditions of the modified and original award (immediately before modification) are the same; iii) the classification of the modified and original award (immediately before modification) as an equity or a liability instrument is the same. The Company is currently evaluating the impact this guidance will have on the Company's Consolidated Financial Statements.
2017-07	Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost	Fiscal 2019. Early adoption is permitted for the Company beginning in fiscal 2018.	The FASB issued authoritative guidance that requires an employer to report the service cost component of an employee benefits plan in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. The other components of net periodic benefit cost as defined in the current guidance are required to be presented in the income statement separately from the service cost component and outside the subtotal of income from operations, if one is presented. If separate line item or items are not used, the line item or items used in the income statement to present the other components of net periodic benefit cost must be disclosed. The amendment allows only the service cost component to be eligible for capitalization, when applicable. The Company is currently evaluating the impact this guidance will have on the Company's Consolidated Financial Statements.

($ in millions, except per share data)

Accounting Standard Update(s)	Topic	Effective Period	Summary
2017-04	Simplifying the Test for Goodwill Impairment	Fiscal 2021. Early adoption is permitted for the Company beginning in fiscal 2018.	The FASB issued authoritative guidance that simplifies the subsequent measurement of goodwill by eliminating step two from the goodwill impairment test. Under this amendment, an entity should recognize a goodwill impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. The amendment also eliminated the requirements for any reporting unit with a zero or negative carrying amount to perform a qualitative assessment and, if it fails that qualitative test, to perform step two of the goodwill impairment test. The Company does not expect this guidance to impact the Company's Consolidated Financial Statements.
2016-16	Intra-Entity Transfers of Assets Other Than Inventory	Fiscal 2019. Early adoption is permitted for the Company beginning in fiscal 2018.	The FASB issued authoritative guidance that amends accounting guidance for intra-entity transfer of assets other than inventory to require the recognition of taxes when the transfer occurs. The Company is currently evaluating the impact this guidance will have on the Company's Consolidated Financial Statements.
2016-15	Classification of Certain Cash Receipts and Cash Payments	Fiscal 2019. Early adoption is permitted for the Company beginning in fiscal 2018.	The FASB issued authoritative guidance that changes the classification and presentation of certain items within the statement of cash flows including but not limited to debt prepayment or debt extinguishment costs; contingent consideration payments made after a business combination; proceeds from the settlement of insurance claims; proceeds from the settlement of corporate-owned life insurance policies and distributions received from equity method investees. The Company is currently evaluating the effect that this guidance will have on the Company's Consolidated Financial Statements.

($ in millions, except per share data)

Accounting Standard Update(s)	Topic	Effective Period	Summary
2014-09 2015-14 2016-08 2016-10 2016-12	Revenue from Contracts with Customers	Fiscal 2019 with either retrospective or modified retrospective treatment applied. Early adoption is permitted for the Company beginning in fiscal 2018.	In June 2014, the FASB issued authoritative guidance that implements a common revenue model that will enhance comparability across industries and require enhanced disclosures. The new standard introduces a five step principles based process to determine the timing and amount of revenue ultimately expected to be received. In March 2016, the FASB issued authoritative guidance amending certain portions of this standard to clarify the implementation guidance on principal versus agent considerations. In April 2016, the FASB issued authoritative guidance amending certain portions of this standard to clarify the considerations for identifying performance obligations and to clarify the implementation guidance for revenue recognized from licensing arrangements. In May 2016, the FASB issued authoritative guidance amending certain portions of the standard to narrow the scope over, or to provide practical expedients, for assessing collectibility, presentation of sales taxes, noncash consideration, and completed contracts and contract modifications at transition. The Company is currently evaluating the impact this standard will have on the Company's Consolidated Financial Statements. The Company is in the early stages and has an implementation team in place that is performing a comprehensive evaluation of the impact this standard will have on its Consolidated Financial Statements and related disclosures. The Company has selected the modified retrospective transition method, but has not yet determined the effect of the standard on its ongoing financial reporting.

($ in millions, except per share data)

Accounting Standard Update(s)	Topic	Effective Period	Summary
2016-02	Leases	Fiscal 2020 with early adoption permitted. Lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach.	The FASB issued authoritative guidance requiring that a lessee recognize the assets and liabilities that arise from operating leases. A lessee should recognize in its balance sheet a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. The Company is currently evaluating the impact the standard will have on the Company's Consolidated Financial Statements.

3. BUSINESS COMBINATIONS

P&G Beauty Business Acquisition

On October 1, 2016 the Company acquired the P&G Beauty Business in order to further strengthen the Company's position in the global beauty industry. The purchase price was $11,570.4 and consisted of $9,628.6 of total equity consideration and $1,941.8 of assumed debt.

The P&G Beauty Business acquisition was completed pursuant to the Transaction Agreement, dated July 8, 2015 (the "Transaction Agreement"), by and among the Company, P&G, Galleria Co. ("Galleria") and Green Acquisition Sub Inc., a wholly-owned subsidiary of the Company ("Merger Sub"). On October 1, 2016, (i) Merger Sub was merged with and into Galleria, with Galleria continuing as the surviving corporation and a direct, wholly-owned subsidiary of the Company (the "Merger") and (ii) each share of Galleria common stock was converted into the right to receive one share of the Company's common stock.

The Company issued 409.7 million shares of common stock to the former holders of Galleria common stock, together with cash in lieu of fractional shares. Immediately after consummation of the Merger, approximately 54% of the fully-diluted shares of the Company's common stock was held by pre-Merger holders of Galleria common stock, and approximately 46% of the fully-diluted shares of the Company's common stock was held by pre-Merger holders of the Company's common stock. Coty Inc. is considered to be the acquiring company for accounting purposes.

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

($ in millions, except per share data)

The following table summarizes the estimated allocation of the purchase price to the net assets of the P&G Beauty Business as of the October 1, 2016 acquisition date:

	Estimated fair value as previously reported[(a)]	Measurement period adjustments[(b)]	Estimated fair value adjusted	Estimated useful life (in years)
Cash and cash equivalents	$ 387.6	$ —	$ 387.6	
Inventories	506.7	(41.2)	465.5	
Property, plant and equipment	770.4	(27.5)	742.9	3 - 40
Goodwill	5,081.8	446.6	5,528.4	Indefinite
Trademarks—indefinite	1,890.0	(315.0)	1,575.0	Indefinite
Trademarks—finite	879.1	(131.4)	747.7	10 - 30
Customer relationships	1,795.8	(721.6)	1,074.2	2 - 17
License agreements	1,836.0	463.0	2,299.0	10 - 30
Product formulations	183.8	—	183.8	5 - 29
Other net working capital	10.8	(34.0)	(23.2)	
Net other assets	54.9	9.7	64.6	
Unfavorable contract liabilities	(130.0)	—	(130.0)	
Pension liabilities	(394.9)	(9.2)	(404.1)	
Deferred tax liability, net	(1,301.6)	360.6	(941.0)	
Total purchase price	$11,570.4	$ —	$11,570.4	

(a) As previously reported in the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2016. This was the quarter in which the business combination was completed.

(b) The measurement period adjustments related to indefinite- and finite-lived trademarks, Customer relationships and License agreements of $(705.0) were a result of changes in assumptions used for valuation purposes such as projected growth rates, profitability and discount rates. The decrease to net deferred tax liabilities was primarily a result of the decrease to intangible values. Additional measurement period adjustments were recorded as a result of further validating tangible assets, such as inventory and property, plant and equipment, based on obtaining new facts and circumstances about acquired assets and liabilities that existed at the acquisition date. All measurement period adjustments were offset against goodwill.

Goodwill is primarily attributable to the anticipated company-specific synergies and economies of scale expected from the operations of the combined company. The synergies include certain cost savings, operating efficiencies, and leverage of the acquired brand recognition to be achieved as a result of the P&G Beauty Business acquisition. Goodwill is not expected to be deductible for tax purposes. Goodwill of $2,030.1, $2,965.2 and $533.1 is allocated to the Luxury, Consumer Beauty and Professional Beauty segments, respectively. The allocation of goodwill to segments was based on the relative fair values of synergies.

For the fiscal year ended June 30, 2017, net revenues and net loss of the P&G Beauty Business included in the Company's Consolidated Statements of Operations from the date of acquisition were $3,140.4 and $(129.4), respectively. Net loss for the fiscal year ended June 30, 2017 was impacted by the amortization of certain asset values based on the estimated fair values of the acquired assets as determined during the initial purchase accounting, such as the amortization of inventory step-up and finite intangibles. Such amortization activity had an impact to net loss for the fiscal year ended June 30, 2017 of $(166.9), net of tax.

The Company recognized acquisition-related costs of $344.3, $163.8 and $30.2 for the fiscal years ended June 30, 2017, 2016 and 2015, respectively, which are included in Acquisition-related costs in the Consolidated Statements of Operations.

($ in millions, except per share data)

ghd Acquisition

On November 21, 2016, the Company completed the acquisition of 100% of the equity interest of Lion/Gloria Topco Limited, which held the net assets of ghd ("ghd") which stands for "Good Hair Day", a premium brand in high-end hair styling appliances, pursuant to a sale and purchase agreement. The ghd acquisition further strengthens the Company's professional hair category and is included in the Professional Beauty segment's results after the acquisition date. The total cash consideration paid net of acquired cash and cash equivalents was £430.2 million, the equivalent of $531.5, at the time of closing, which was funded through cash on hand and available debt.

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

The following table summarizes the estimated allocation of the purchase price to the net assets of ghd as of the November 21, 2016 acquisition date:

	Estimated fair value as previously reported[(a)]	Measurement period adjustments[(b)]	Estimated fair value adjusted	Estimated useful life (in years)
Cash and cash equivalents	$ 7.1	$ —	$ 7.1	
Inventories	79.8	(0.2)	79.6	
Property, plant and equipment	11.3	(1.3)	10.0	3 - 10
Goodwill	175.5	(1.1)	174.4	Indefinite
Indefinite-lived other intangibles assets	163.8	—	163.8	Indefinite
Customer relationships	44.2	(7.6)	36.6	11 - 24
Technology	138.6	8.0	146.6	11 - 16
Other net working capital	(7.4)	(9.2)	(16.6)	
Net other assets	0.9	—	0.9	
Deferred tax liability, net	(75.3)	11.4	(63.9)	
Total purchase price	$538.5	$ —	$538.5	

(a) As previously reported in the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2016. This was the quarter in which the business combination was completed.

(b) The Company recorded measurement period adjustments in the third and fourth quarters of fiscal 2017 due to obtaining new facts and circumstances about acquired assets and liabilities that existed at the acquisition date. The adjustments included a decrease to customer relationships and deferred tax liability, net of $7.6 and $11.4, respectively and an increase to technology of $8.0 and a decrease in the estimated other net working capital of $(9.2) primarily related to accrued expenses as of the November 21, 2016 acquisition date. These adjustments were offset against goodwill.

Goodwill is not expected to be deductible for tax purposes. The goodwill is attributable to expected synergies resulting from integrating ghd's products into the Company's existing sales channels. Goodwill of $49.0, $42.0, and $83.4 is allocated to Luxury, Consumer Beauty, and Professional Beauty segments, respectively. The allocation of goodwill to the segments were due to the reduction in corporate and regional overhead allocated to these segments due to the addition of the ghd acquisition.

For the fiscal year ended June 30, 2017, net revenues and net loss of ghd included in the Company's Consolidated Statements of Operations were $137.3 and $(40.6), respectively. Net loss for the fiscal year ended June 30, 2017 was impacted by the amortization of certain asset values based on the estimated fair values of acquired assets as determined during the initial purchase accounting, such as the amortization of inventory step-up and finite intangibles. Such amortization activity had an impact to net loss for the fiscal year ended June 30, 2017 of $(42.9), net of tax.

The Company recognized acquisition-related costs of $3.2, nil and nil during the fiscal year ended June 30, 2017, 2016 and 2015, respectively, which is included in Acquisition-related costs in the Consolidated Statements of Operations.

Younique Acquisition

On February 1, 2017, the Company completed its acquisition of 60% of the membership interest in Foundation, LLC ("Foundation"), which held the net assets of Younique, LLC, a Utah limited liability company ("Younique"), for cash consideration of $600.0, net of acquired cash and debt assumed, and an additional payment of $7.5 for working capital adjustments expected to be paid in the first half of fiscal 2018. The existing Younique membership holders contributed their 100% membership interest in Younique to Foundation in exchange for a 40% membership interest in Foundation and $600.0 of cash consideration plus the additional payment of $7.5. Younique strengthens the Consumer Beauty division's color cosmetics and skin and body care product offerings. The acquisition was funded with a combination of cash on hand and borrowings under available debt facilities. The Company accounts for the noncontrolling interest portion of the acquisition as a redeemable noncontrolling interest. Refer to Note 20—Noncontrolling Interests and Redeemable Noncontrolling Interests for information regarding valuation method and significant assumptions used to calculate the fair value.

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

($ in millions, except per share data)

The following table summarizes the estimated allocation of the purchase price to the net assets of Younique as of the February 1, 2017 acquisition date:

	Estimated fair value as previously reported[a]	Measurement period adjustments[b]	Estimated fair value as adjusted	Estimated useful life (in years)
Cash and cash equivalents	$ 17.5	$ —	$ 17.5	
Inventories	106.5	(18.4)	88.1	
Property, plant and equipment	64.1	3.0	67.1	3 - 7
Goodwill	559.5	15.8	575.3	Indefinite
Trademark—finite	121.0	2.0	123.0	20
Product formulations	0.6	—	0.6	5
Customer relationships	184.0	13.0	197.0	7 - 10
Other net working capital	(24.8)	(2.9)	(27.7)	
Short-term and long-term debt	(1.2)	—	(1.2)	
Total equity value	1,027.2	12.5	1,039.7	
Redeemable noncontrolling interest	410.9	5.0	415.9	
Net cash and debt acquired	16.3	—	16.3	
Total purchase price	$ 600.0	$ 7.5	$ 607.5	

(a) As previously reported in the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2017. This was the quarter in which the business combination was completed.

(b) The Company recorded measurement period adjustments in the fourth quarter of fiscal 2017 due to obtaining new facts and circumstances about acquired assets and liabilities that existed at the acquisition date. The adjustments included a decrease in inventories of $18.4 and an increase in trademark—finite of $2.0 and customer relationships of $13.0. These adjustments were offset against goodwill.

Goodwill is expected to be deductible for tax purposes. The goodwill is attributable to expected synergies resulting from certain manufacturing and supply chain cost savings. Goodwill of $95.0, $420.3, and $60.0 is allocated to Luxury, Consumer Beauty, and Professional Beauty segments, respectively. The allocation of goodwill to the segments were due to the reduction in corporate and regional overhead allocated to these segments due to the addition of the Younique acquisition.

For the fiscal year ended June 30, 2017, net revenues and net income attributable to Coty Inc. of Younique were included in the Company's Consolidated Statements of Operations from the date of acquisition were $199.2 and $1.3, respectively. Net income for the fiscal year ended June 30, 2017 was impacted by the amortization of certain asset values based on the estimated fair values of the acquired assets as determined during the initial purchase accounting, such as the amortization of inventory step-up and finite intangibles. Such amortization activity had an impact to net income for the fiscal year ended June 30, 2017 of $(21.0), net of tax.

The Company recognized acquisition-related costs of $0.9, nil and nil during the fiscal years ended June 30, 2017, 2016 and 2015, respectively, which is included in Acquisition-related costs in the Consolidated Statements of Operations.

Hypermarcas Brands Acquisition

On February 1, 2016, the Company completed the acquisition of 100% of the net assets of the personal care and beauty business of Hypermarcas S.A. (the "Hypermarcas Brands") pursuant to a share purchase agreement in order to further strengthen its position in the Brazilian beauty and personal care market. This acquisition was included in the Consumer Beauty segment. The total consideration of R$3,599.5 million, the equivalent of $901.9, at the time of closing, was paid during fiscal 2016.

($ in millions, except per share data)

The Company has finalized the valuation of assets acquired and liabilities assumed for the Hypermarcas Brands. The Company recognized certain measurement period adjustments as disclosed below during the quarter ended September 30, 2016. The measurement period for the Hypermarcas Brands was closed as of September 30, 2016.

The following table summarizes the allocation of the purchase price to the net assets acquired as of the February 1, 2016 acquisition date:

	Estimated fair value as previously reported[(a)]	Measurement period adjustments[(b)]	Estimated fair value as adjusted	Estimated useful life (in years)
Cash and cash equivalents	$ 11.1	$ —	$ 11.1	
Inventories	45.6	—	45.6	
Property, plant and equipment	95.4	—	95.4	2 - 40
Goodwill	553.7	(16.6)	537.1	Indefinite
Trademarks—indefinite	147.1	—	147.1	Indefinite
Trademarks—finite	10.3	—	10.3	5 - 15
Customer relationships	44.6	—	44.6	13 - 28
Product formulations	12.8	—	12.8	3
Other net working capital	0.7	—	0.7	
Net other assets	2.1	(0.7)	1.4	
Deferred tax liability, net	(21.5)	17.3	(4.2)	
Total purchase price	$901.9	$ —	$901.9	

(a) As previously reported in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2016. This was the fiscal year in which the business combination was completed.

(b) The Company recorded measurement period adjustments in the first quarter of fiscal 2017 to account for a $0.7 asset retirement obligation, as well as a net decrease in net deferred tax liability of $17.3 as of the February 1, 2016 acquisition date. These adjustments were offset against Goodwill.

The Company has completed the local tax requirements allowing approximately $500.0 of goodwill and $44.6 of customer relationships assets to be tax deductible.

The Company recognized acquisition-related costs of $2.2, $4.8 and nil during fiscal years ended 2017, 2016 and 2015, respectively, which are included in Acquisition-related costs in the Consolidated Statements of Operations.

Unaudited Pro Forma Information

The unaudited pro forma financial information in the table below summarizes the combined results of the Company and the P&G Beauty Business, Younique and the Hypermarcas Brands (the "Pro Forma Acquisitions"). The information in the table below is presented to reflect the pro forma results as if the combination of the P&G Beauty Business and Younique occurred on July 1, 2015 and the Hypermarcas Brands occurred on July 1, 2014. The fiscal years ended June 30, 2017 and 2016 include pro forma adjustments for all the Pro Forma Acquisitions.

The pro forma adjustments include incremental amortization of intangible assets and depreciation adjustment of property, plant and equipment, based on the values of each asset as well as costs related to financing the Pro Forma Acquisitions. The unaudited pro forma information also includes non-recurring acquisition-related costs as well as amortization of the inventory step-up. Pro forma adjustments were tax-effected at the Company's statutory rates. For the pro forma basic and diluted earnings per share calculation, 409.7 million shares issued in connection with the P&G Beauty Business acquisition were considered as if issued on July 1, 2015. The pro forma information is presented for informational purposes only and may not be indicative of the results of operations that would have been achieved if the Pro Forma Acquisitions had taken place on July 1, 2015 or that may occur in the future, and does not reflect future synergies, integration costs, or other such costs or savings. The pro forma information for the fiscal years ended 2017 and 2016, respectively, are as follows:

($ in millions, except per share data)

	Year Ended June 30,	
	2017[a]	2016[b]
Pro forma Net revenues	$8,889.2	$8,219.6
Pro forma Net income	(111.9)	159.1
Pro forma Net income attributable to Coty Inc.	(148.0)	125.2
Pro forma Net income attributable to Coty Inc. per common share		
Basic	$ (0.20)	$ 0.17
Diluted	$ (0.20)	$ 0.16

[a] For the twelve months ended June 30, 2017, the pro forma information excluded $465.4 of non-recurring acquisition-related costs and $89.6 of amortization of inventory step up, respectively.

[b] For the twelve months ended June 30, 2016, the pro forma information included $45.8 of non-recurring acquisition-related costs and $80.1 of amortization of inventory step up, respectively.

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 chief operating decision maker ("CODM") in deciding how to allocate resources and assess performance. The Company has designated its Chief Executive Officer as the CODM.

In connection with the Company's acquisition of the P&G Beauty Business, the Company realigned its operations and determined management's internal and external reporting based on the following three divisions–Luxury, Consumer Beauty and Professional Beauty. The new organizational structure is category focused, putting the consumer first, by specifically targeting how and where they shop and what and why they purchase. Each division has full end-to-end responsibility to optimize consumers' beauty experience in the relevant categories and channels. The Company has determined that its three divisions are its operating segments and reportable segments. The operating and reportable segments are:

Luxury—primarily focused on prestige fragrances, premium skin care and premium cosmetics;

Consumer Beauty—primarily focused on color cosmetics, retail hair coloring and styling products, mass fragrance, mass skin care and body care;

Professional Beauty—primarily focused on hair and nail care products for professionals.

As a result of this change in segment reporting, the Company retrospectively revised prior period results, by segment, to conform to current period presentation. Prior to the realignment, the Company operated and managed its business as four operating and reportable segments: Fragrances, Color Cosmetics, Skin & Body Care, and the Brazil Acquisition.

Certain revenues and shared costs and the results of corporate initiatives are being managed outside of the three segments by Corporate. The items within Corporate relate to corporate-based responsibilities and decisions and are not used by the CODM to measure the underlying performance of the segments. Corporate primarily includes restructuring costs, costs related to acquisition activities and certain other expense items not attributable to ongoing operating activities of the segments.

($ in millions, except per share data)

With the exception of goodwill and acquired intangible assets, 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 and acquired intangible assets by segment is presented in Note 10—Goodwill.

	Year Ended June 30,		
SEGMENT DATA	2017	2016	2015
Net revenues:			
Luxury	$2,566.6	$1,836.6	$1,938.3
Consumer Beauty	3,688.2	2,262.5	2,185.4
Professional Beauty	1,395.5	250.0	271.5
Total	$7,650.3	$4,349.1	$4,395.2
Depreciation and amortization:			
Luxury	$ 203.5	$ 99.1	$ 113.0
Consumer Beauty	256.2	114.6	99.7
Professional Beauty	95.4	18.0	16.9
Corporate	—	0.3	1.3
Total	$ 555.1	$ 232.0	$ 230.9
Operating income (loss):			
Luxury	$ 158.0	$ 228.9	$ 313.1
Consumer Beauty	261.2	246.5	156.4
Professional Beauty	78.5	68.0	74.8
Corporate	(935.5)	(289.2)	(149.2)
Total	$ (437.8)	$ 254.2	$ 395.1
Reconciliation:			
Operating (loss) income	$ (437.8)	$ 254.2	$ 395.1
Interest expense, net	218.6	81.9	73.0
Loss on early extinguishment of debt	—	3.1	88.8
Other expense, net	1.6	30.4	—
(Loss) income before income taxes	$ (658.0)	$ 138.8	$ 233.3

($ in millions, except per share data)

Additionally, in connection with the Company's acquisition of the P&G Beauty Business, the Company reorganized its geographical structure into three regions: North America (Canada and the United States), Europe and ALMEA (Asia, Latin America, the Middle East, Africa and Australia).

	Year Ended June 30,		
GEOGRAPHIC DATA	2017	2016	2015
Net revenues:			
North America	$ 2,506.9	$1,413.0	$1,499.7
Europe	3,325.7	1,924.6	1,961.6
ALMEA	1,817.7	1,011.5	933.9
Total	$ 7,650.3	$4,349.1	$4,395.2
Long-lived assets:			
U.S.	$ 7,662.4	$2,688.7	$2,713.9
Switzerland	6,899.8	508.0	297.4
Brazil	863.3	882.7	1.4
All other	3,187.3	830.9	931.8
Total	$18,612.8	$4,910.3	$3,944.5

For Net revenues, a major country is defined as a group of subsidiaries in a country with combined revenues greater than 10% of consolidated net revenues or as otherwise deemed significant. The United States and United Kingdom are the only two countries that account for more than 10% of total net revenue for fiscal years 2017, 2016, and 2015. The United States had net revenues of $2,220.4, $1,256.0 and $1,342.9 in fiscal 2017, 2016, and 2015, respectively. The United Kingdom had net revenues of $735.1, $429.5, and $450.4 in fiscal 2017, 2016, and 2015, respectively.

For Long-lived assets, a major country is defined as a group of subsidiaries within a country with combined long-lived assets greater than 10% of consolidated long-lived assets or as otherwise deemed significant. Long-lived assets include property and equipment, goodwill and other intangible assets.

No customer or group of affiliated customers accounted for more than 10% of the Company's Net revenues in fiscal 2017, 2016 and 2015 or are otherwise deemed significant.

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

	Year Ended June 30,		
PRODUCT CATEGORY	2017	2016	2015
Fragrances	36.1%	46.3%	49.6%
Color Cosmetics	29.6%	35.9%	32.9%
Skin & Body Care	12.4%	17.6%	17.5%
Hair Care	21.9%	0.2%	—%
Total	100.0%	100.0%	100.0%

5. ACQUISITION-RELATED COSTS

Acquisition-related costs, which are expensed as incurred, represent non-restructuring costs directly related to acquiring and integrating an entity, for both completed and contemplated acquisitions and can include finder's fees, legal, accounting, valuation, other professional or consulting fees, and other internal costs which can include compensation related expenses for dedicated internal resources. The Company recognized acquisition-related costs of $355.4, $174.0 and $34.1 for the fiscal years ended 2017, 2016 and 2015, respectively, which have been recorded in Acquisition-related costs in the Consolidated Statements of Operations.

($ in millions, except per share data)

6. RESTRUCTURING COSTS

Restructuring costs for the fiscal years ended June 30, 2017, 2016 and 2015 are presented below:

	Year Ended June 30,		
	2017	2016	2015
Global Integration Activities	$364.2	$ —	$ —
Acquisition Integration Program	2.3	42.3	15.3
Organizational Redesign	5.1	34.5	58.6
Other Restructuring	0.6	10.1	1.5
Total	$372.2	$86.9	$75.4

Global Integration Activities

In connection with the acquisition of the P&G Beauty Business, the Company anticipates that it will incur restructuring and related costs aimed at integrating and optimizing the combined organization (“Global Integration Activities”).

Of the expected costs, the Company incurred $387.3 related to approved initiatives in the fiscal year ended June 30, 2017:

	Cost of sales[(a)]	Selling, general and administrative[(b)]	Restructuring	Total
Fiscal year ended June 30,	$13.1	$10.0	$364.2	$387.3

[(a)] Primarily related to inventory buyback associated with the conversion of P&G distributors and accelerated depreciation.

[(b)] Primarily other business realignment costs, including legal and consulting costs.

Over the next two years, the Company expects to incur approximately $160.0 of additional restructuring charges and $90.0 of other related costs pertaining to the approved actions. Of the $160.0 of additional restructuring charges, the Company currently anticipates spending equal amounts related to employee termination benefits, fixed asset write-offs, contract terminations, and other costs to exit facilities and relocate employees.

The related liability balance and activity for the Global Integration Activities restructuring costs are presented below:

	Severance and Employee Benefits	Third-Party Contract Terminations	Fixed Asset Write-offs	Other Exit Costs[(a)]	Total Program Costs
Balance—July 1, 2016	$ —	$ —	$ —	$ —	$ —
Restructuring charges	339.1	22.4	4.6	3.3	369.4
Payments	(26.0)	(7.7)	—	(1.3)	(35.0)
Change in estimates	(5.2)	—	—	—	(5.2)
Non-cash utilization	—	—	(4.6)	0.8	(3.8)
Effect of exchange rates	2.9	0.2	—	—	3.1
Balance—June 30, 2017	$310.8	$14.9	$ —	$ 2.8	$328.5

[(a)] Other costs primarily represent lease terminations and other exit costs, partially offset by pension curtailment and settlement gains recognized in connection with involuntary employee terminations as part of the Global Integration Activities. The gains resulted in a corresponding decrease to the net pension liability. Refer to Note 17—Employee Benefit Plans for further information.

($ in millions, except per share data)

The Company currently estimates that the total remaining accrual of $328.5 will result in cash expenditures of approximately $252.4, $72.7 and $3.4 in fiscal 2018, 2019 and 2020, respectively.

Acquisition Integration Program

In the first quarter of fiscal 2016, the Company's Board of Directors (the "Board") approved an expansion to a restructuring program in connection with the acquisition of the Bourjois brand (the "Acquisition Integration Program"). Actions associated with the program were initiated after the acquisition of Bourjois and were substantially completed during fiscal 2017 with cash payments continuing through fiscal 2018. The Company incurred $59.9 of restructuring costs life-to-date as of June 30, 2017, which have been recorded in Corporate.

The related liability balance and activity for the Acquisition Integration Program costs are presented below:

	Severance and Employee Benefits	Third-Party Contract Terminations	Other Exit Costs[a]	Total Program Costs
Balance—July 1, 2016	$ 35.7	$ 7.6	$ 0.1	$ 43.4
Restructuring charges	0.6	0.6	4.7	5.9
Payments	(11.7)	(3.7)	(2.5)	(17.9)
Changes in estimates	(0.8)	(2.8)	—	(3.6)
Non-cash utilization[a]	—	—	1.8	1.8
Effect of exchange rates	1.0	(0.2)	—	0.8
Balance—June 30, 2017	$ 24.8	$ 1.5	$ 4.1	$ 30.4

(a) Other costs primarily represent lease terminations partially offset by a pension curtailment gain recognized in connection with involuntary employee terminations as part of the Acquisition Integration Program. The gain resulted in a corresponding decrease to the net pension liability. Refer to Note 17—Employee Benefit Plans for further information.

The Company currently estimates that the total remaining accrual of $30.4 will result in cash expenditures of approximately $29.6 and $0.8 in fiscal 2018 and 2019, respectively.

Organizational Redesign

During the fourth quarter of fiscal 2014, the Board approved a program associated with a new organizational structure ("Organizational Redesign") that aims to reinforce the Company's growth path and strengthen its position as a new global leader and challenger in the beauty industry. The Organizational Redesign was substantially completed during fiscal 2017. The Company incurred $111.2 of restructuring costs life-to-date as of June 30, 2017, which have been recorded in Corporate. The Company incurred $37.4 of other business realignment costs life-to-date as of June 30, 2017, which have been primarily reported in Selling, general and administrative expenses in the Consolidated Statements of Operations in Corporate.

($ in millions, except per share data)

The related liability balance and activity for the Organizational Redesign costs are presented below:

	Severance and Employee Benefits	Third-Party Contract Terminations	Fixed Asset Write-offs	Other Exit Costs	Total Program Costs
Balance—July 1, 2016	$ 33.6	$ 0.4	$ —	$ 0.5	$ 34.5
Restructuring charges	6.1	—	2.2	—	8.3
Payments	(31.3)	—	—	(0.2)	(31.5)
Changes in estimates	(3.0)	(0.2)	—	—	(3.2)
Non-cash utilization	—	—	(2.2)	—	(2.2)
Effects of exchange rates	0.5	—	—	(0.2)	0.3
Balance—June 30, 2017	$ 5.9	$ 0.2	$ —	$ 0.1	$ 6.2

The Company currently estimates that the total remaining accrual of $6.2 will result in cash expenditures of $6.1 and $0.1 in fiscal 2018 and 2019, respectively.

Other Restructuring

Other restructuring primarily relates to the Company's programs to integrate supply chain and selling activities, which were substantially completed during fiscal 2016 with cash payments expected to continue through fiscal 2018. The Company incurred $0.6, $10.1 and $1.5 in fiscal 2017, 2016 and 2015, respectively. The related liability balances were $3.9 and $6.2 at June 30, 2017 and June 30, 2016, respectively. The Company currently estimates that the total remaining accrual of $3.9 will result in cash expenditures in fiscal 2018.

In connection with the acquisition of the P&G Beauty Business, the Company assumed restructuring liabilities of approximately $21.7 at October 1, 2016. The Company estimates that the remaining accrual of $14.3 at June 30, 2017 will result in cash expenditures of $9.0, $3.3 and $2.0 in fiscal 2018, 2019 and 2020, respectively.

7. TRADE RECEIVABLES—FACTORING

The Company factors a portion of its trade receivables with unrelated third-party factoring companies on a non-recourse basis. Trade receivables factored throughout the fiscal year amounted to $344.9 and $379.2 in fiscal 2017 and 2016, respectively. Remaining balances due from factors amounted to $16.8 and $16.1 as of June 30, 2017 and 2016, respectively, and are included in Trade receivables, net in the Consolidated Balance Sheets. Factoring fees paid under these arrangements were $0.7, $0.8 and $0.6 in fiscal 2017, 2016 and 2015, respectively, which were recorded in Selling, general and administrative expenses in the Consolidated Statements of Operations.

8. INVENTORIES

Inventories as of June 30, 2017 and 2016 are presented below:

	June 30, 2017	June 30, 2016
Raw materials	$ 256.4	$159.8
Work-in-process	33.4	9.5
Finished goods	762.8	396.5
Total inventories	$1,052.6	$565.8

($ in millions, except per share data)

9. PROPERTY AND EQUIPMENT, NET

Property and equipment, net as of June 30, 2017 and 2016 are presented below:

	June 30, 2017	June 30, 2016
Land, buildings and leasehold improvements	$ 646.1	$ 284.8
Machinery and equipment	851.5	523.1
Marketing furniture and fixtures	432.8	295.2
Computer equipment and software	459.0	346.7
Construction in progress	286.1	79.6
Property and equipment, gross	2,675.5	1,529.4
Accumulated depreciation and amortization	(1,043.4)	(890.8)
Property and equipment, net	$ 1,632.1	$ 638.6

Depreciation and amortization expense of property and equipment totaled $280.0, $152.4 and $156.2 in fiscal 2017, 2016 and 2015, respectively, and is recorded in Cost of sales and Selling, general and administrative expenses in the Consolidated Statements of Operations.

In October 2014, the Company agreed to sell certain TJoy Holdings Co., Ltd. ("TJoy") assets for cash of 86.0 million RMB ($14.1) in conjunction with a reorganization of certain business operations in China. As a result, the Company recognized a gain of $7.2 in Gain on sale of assets in the Consolidated Statements of Operations during fiscal 2015.

10. GOODWILL AND OTHER INTANGIBLE ASSETS, NET

Goodwill

The Company tests goodwill and indefinite lived intangible assets for impairment at least annually as of May 1, or more frequently, if certain events or circumstances warrant. There were no impairments of goodwill at the Company's reporting units in fiscal 2017 and 2016.

($ in millions, except per share data)

Goodwill as of June 30, 2017, 2016 and 2015 is presented below:

	Luxury	Consumer Beauty	Professional Beauty	Total
Gross balance at June 30, 2015	$1,092.7	$ 848.1	$230.7	$2,171.5
Accumulated impairments	(403.7)	(237.1)	—	(640.8)
Net balance at June 30, 2015	$ 689.0	$ 611.0	$230.7	$1,530.7
Changes during the year ended June 30, 2016				
Acquisitions[(a)]	167.6	306.7	36.2	510.5
Measurement period adjustments	—	56.9	—	56.9
Foreign currency translation	34.2	79.3	5.3	118.8
Dispositions	—	(2.8)	(1.4)	(4.2)
Gross balance at June 30, 2016	$1,294.5	$1,288.2	$270.8	$2,853.5
Accumulated impairments	(403.7)	(237.1)	—	(640.8)
Net balance at June 30, 2016	$ 890.8	$1,051.1	$270.8	$2,212.7
Changes during the year ended June 30, 2017				
Acquisitions[(b)]	1,866.1	3,285.2	665.5	5,816.8
Measurement period adjustments[(c)]	308.0	124.7	12.0	444.7
Foreign currency translation	28.2	36.3	19.2	83.7
Dispositions	—	(2.4)	—	(2.4)
Gross balance at June 30, 2017	$3,496.8	$4,732.0	$967.5	$9,196.3
Accumulated impairments	(403.7)	(237.1)	—	(640.8)
Net balance at June 30, 2017	$3,093.1	$4,494.9	$967.5	$8,555.5

(a) Includes goodwill resulting from the Hypermarcas Brands during the year ended June 30, 2016 (Refer to Note 3—Business Combinations). Additionally, the Company acquired 100% of the issued share capital of Beamly Limited for a purchase price of $17.9 in a transaction accounted for as a business combination, which resulted in the recognition of $13.7 of goodwill.

(b) Includes goodwill resulting from the P&G Beauty Business, ghd and Younique acquisitions during the year ended June 30, 2017 (Refer to Note 3—Business Combinations).

(c) Includes measurement period adjustments in connection with the Hypermarcas Brands, P&G Beauty Business, ghd and Younique acquisitions (Refer to Note 3—Business Combinations).

As described in Note 4—Segment Reporting, the Company changed its segments during the second quarter ended December 31, 2016. As a result, the Company allocated goodwill to the new segments using a relative fair value approach. In addition, the Company completed an assessment of any potential goodwill impairment for all reporting units immediately prior to the reallocation and determined that no impairment existed. Further, the Company recasted the goodwill and indefinite-lived intangible asset tables for the new segments.

During fiscal 2017, the Company sold assets related to one of its fragrance brands for a total disposal price of $10.5. The Company allocated $2.4 of goodwill to the brand as part of the sale. During fiscal 2016, the Company sold assets relating to the *Cutex* brand for a total disposal price of $29.2. The Company allocated $4.2 of goodwill to the brand as part of the sale. The Company recorded gains of $3.1 and $24.8, which are reflected in Gain on sale of assets in the Consolidated Statements of Operations for the fiscal years ended June 30, 2017 and 2016, respectively.

($ in millions, except per share data)

Other Intangible Assets, net

Other intangible assets, net as of June 30, 2017 and 2016 are presented below:

	June 30, 2017	June 30, 2016
Indefinite-lived other intangible assets	$3,186.9	$1,417.0
Finite-lived other intangible assets, net	5,238.3	633.1
Total Other intangible assets, net	$8,425.2	$2,050.1

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

	Luxury	Consumer Beauty	Professional Beauty	Total
Gross balance at June 30, 2015	404.8	403.9	663.1	1,471.8
Accumulated impairments	(118.8)	(75.9)	(3.1)	(197.8)
Net balance at June 30, 2015	286.0	328.0	660.0	1,274.0
Changes during the year ended June 30, 2016				
Acquisitions	—	157.1	—	157.1
Measurement period adjustments	—	(10.0)	—	(10.0)
Foreign currency translation	(3.6)	0.5	(1.0)	(4.1)
Gross balance at June 30, 2016	$ 401.2	$ 551.5	$ 662.1	$1,614.8
Accumulated impairments	(118.8)	(75.9)	(3.1)	(197.8)
Net balance at June 30, 2016	282.4	475.6	659.0	1,417.0
Changes during the year ended June 30, 2017				
Acquisitions[(a)]	—	1,390.0	663.8	2,053.8
Measurement period adjustments[(b)]	—	(255.0)	(60.0)	(315.0)
Foreign currency translation	8.6	9.9	12.6	31.1
Gross balance at June 30, 2017	409.8	1,696.4	1,278.5	3,384.7
Accumulated impairments	(118.8)	(75.9)	(3.1)	(197.8)
Net balance at June 30, 2017	$ 291.0	$1,620.5	$1,275.4	$3,186.9

(a) Includes Indefinite-lived other intangible assets resulting from the P&G Beauty Business and ghd acquisitions during the year ended June 30, 2017 (Refer to Note 3—Business Combinations).

(b) Includes measurement period adjustments in connection with the P&G Beauty Business acquisition (Refer to Note 3—Business Combinations).

($ in millions, except per share data)

Intangible assets subject to amortization are presented below:

	Cost	Accumulated Amortization	Accumulated Impairment	Net
June 30, 2016				
License agreements	$ 798.3	$ (532.2)	$ —	$ 266.1
Customer relationships	611.7	(274.2)	(5.5)	332.0
Trademarks	128.3	(108.6)	—	19.7
Product formulations	48.0	(32.7)	—	15.3
Total	$1,586.3	$ (947.7)	$(5.5)	$ 633.1
June 30, 2017				
License agreements[(a)]	$3,148.4	$ (653.3)	$ —	$2,495.1
Customer relationships[(a)]	1,937.3	(375.0)	(5.5)	1,556.8
Trademarks[(a)]	1,001.1	(141.0)	—	860.1
Product formulations and technology[(a)]	389.3	(63.0)	—	326.3
Total	$6,476.1	$(1,232.3)	$(5.5)	$5,238.3

(a) Includes License agreements, Customer relationships, Trademarks, and Product formulations and technology of $2,299.0, $1,307.8, $870.7 and $331.0, respectively resulting from the P&G Beauty Business, ghd and Younique acquisitions during the year ended June 30, 2017 (see Note 3—Business Combinations).

In conjunction with the Company's analysis of its go-to-market strategy in Southeast Asia during the first quarter of fiscal 2016, the Company evaluated future cash flows for this asset group and determined that the carrying value exceeded the undiscounted cash flows. As a result, the Company evaluated the fair value of the long-lived assets in the asset group, through an analysis of discounted future cash flows, and determined that the customer relationships were fully impaired and thus recorded $5.5 of Asset impairment charges in the Consolidated Statements of Operations for the fiscal year ended June 30, 2016.

Amortization expense totaled $275.1 and $79.5 for the years ended June 30, 2017 and 2016, respectively.

Intangible assets subject to amortization are amortized principally using the straight-line method and have the following weighted-average remaining lives:

Description	
License agreements	24.7 years
Customer relationships	16.5 years
Trademarks	22.8 years
Product formulations and technology	10.7 years

As of June 30, 2017, the remaining weighted-average life of all intangible assets subject to amortization is 21.1 years.

The estimated aggregate amortization expense for each of the following fiscal years ending June 30 is presented below:

2018	$361.1
2019	353.0
2020	348.0
2021	346.6
2022	307.0

($ in millions, except per share data)

License Agreements

The Company records assets for license agreements ("licenses") acquired in transactions accounted for as business combinations. These licenses provide the Company with the exclusive right to manufacture and market on a worldwide and/or regional basis, certain of the Company's products which comprise a significant portion of the Company's revenues. These licenses have initial terms covering various periods. Certain licenses provide for automatic extensions ranging from 3 to 10 year terms, at the Company's discretion.

11. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities as of June 30, 2017 and 2016 are presented below:

	June 30, 2017	June 30, 2016
Advertising, marketing and licensing	$ 445.1	$180.2
Compensation and other compensation related benefits	328.2	157.5
Customer returns, discounts, allowances and bonuses	307.3	164.8
Restructuring costs	301.0	60.8
VAT, sales and other non-income taxes	97.7	36.2
Tax indemnification liability	38.0	—
Acquisition-related costs	23.5	42.4
Interest	17.8	9.4
Deferred income	15.8	3.8
Unfavorable contract liability	11.0	—
Auditing and consulting	8.8	6.3
Derivative liabilities	7.9	20.9
Working capital payment related to acquisition	7.5	—
Other	186.8	66.1
Total accrued expenses and other current liabilities	$1,796.4	$748.4

12. OTHER NONCURRENT LIABILITIES

Other noncurrent liabilities as of June 30, 2017 and 2016 are presented below:

	June 30, 2017	June 30, 2016
Noncurrent income tax liabilities	$154.2	$131.9
Unfavorable contract liabilities	113.2	—
Restructuring	82.3	23.5
Deferred rent	49.0	47.2
Mandatorily redeemable financial instrument liability (Note 19)	46.4	5.2
Other	28.3	26.0
Total other noncurrent liabilities	$473.4	$233.8

($ in millions, except per share data)

13. DEBT

	June 30, 2017	June 30, 2016
Short-term debt	$ 3.7	$ 19.8
Galleria Credit Agreement		
Galleria Revolving Credit Facility due September 2021	—	—
Galleria Term Loan A Facility due September 2021	944.3	—
Galleria Term Loan B Facility due September 2023	1,000.0	—
Coty Credit Agreement		
Coty Revolving Credit Facility due October 2020	810.0	670.0
Coty Term Loan A Facility due October 2020	1,792.8	1,883.6
Coty Term Loan A Facility due October 2021	950.6	—
Coty Term Loan B Facility due October 2022	1,712.5	1,596.0
Other long-term debt and capital lease obligations	1.7	0.7
Total debt	7,215.6	4,170.1
Less: Short-term debt and current portion of long-term debt	(209.1)	(161.8)
Total Long-term debt	7,006.5	4,008.3
Less: Unamortized debt issuance costs[(a)]	(67.6)	(64.6)
Less: Discount on Long-term debt	(10.6)	(7.3)
Total Long-term debt, net	$6,928.3	$3,936.4

(a) Consists of unamortized debt issuance costs of $17.5 and $22.7 for the Coty Revolving Credit Facility, $33.2 and $30.3 for the Coty Term Loan A Facility and $11.3 and $11.6 for the Coty Term Loan B Facility as of June 30, 2017 and June 30, 2016, respectively. Consists of unamortized debt issuance costs of $2.7 and $0.0 for the Galleria Term Loan A Facility and $3.0 and $0.0 for the Galleria Term Loan B Facility as of June 30, 2017 and June 30, 2016, respectively. Unamortized debt issuance costs of $4.2 for the Galleria Revolving Credit Facility were classified as Other noncurrent assets as of June 30, 2017.

Short-Term Debt

The Company maintains short-term lines of credit with financial institutions around the world. Total available lines of credit were $132.4 and $108.5, of which $3.2 and $19.8 were outstanding at June 30, 2017 and 2016, respectively. Interest rates on these short-term lines of credit vary depending on market rates for borrowings within the respective geographic locations plus applicable spreads. Interest rates plus applicable spreads on these lines ranged from 0.4% to 11.2% and from 0.5% to 16.5% as of June 30, 2017 and 2016, respectively. The weighted-average interest rate on short-term debt outstanding was 3.0% and 14.0% as of June 30, 2017 and 2016, respectively. In addition, the Company had undrawn letters of credit of $5.5 and $4.6 as of June 30, 2017 and 2016, respectively.

Long Term Debt

The Company's long term debt facilities consisted of the following as of June 30, 2017:

Facility	Maturity Date	Borrowing Capacity (in millions)	Interest Rate Terms	Applicable Interest Rate Spread as of June 30, 2017	Debt Discount	Repayment Schedule
Galleria Revolving Credit Facility[a]	September 2021	$1,500.0	LIBOR[a] plus a margin ranging from 1.00% to 2.00% per annum or a base rate plus a margin ranging from 0.00% to 1.00% per annum, based on the Company's total net leverage ratio[c][d][f]	1.75%	N/A[b]	Payable in full at maturity date
Galleria Term Loan A Facility[a]	September 2021	$2,000.0[g]	LIBOR[a] plus a margin ranging from 1.00% to 2.00% per annum or a base rate plus a margin ranging from 0.00% to 1.00% per annum, based on the Company's total net leverage ratio[c][f]	1.75%	N/A[b]	Quarterly repayments beginning December 31, 2017 at 1.25% of original principal amount
Galleria Term Loan B Facility[a]	September 2023	$1,000.0	LIBOR[a] plus a margin of 3.00% or a base rate, plus a margin of 2.00%[f]	3.00%	0.50%	Quarterly repayments beginning December 31, 2017 at 0.25% of original principal amount
Coty Revolving Credit Facility[a]	October 2020	$1,500.0	LIBOR[a] plus a margin ranging from 1.00% to 2.00% per annum or a base rate plus a margin ranging from 0.00% to 1.00% per annum, based on the Company's total net leverage ratio[c][d][f]	1.75%	N/A[b]	Payable in full at maturity date
Coty Term Loan A Facility[a]—USD Portion	October 2020	$1,750.0	LIBOR[a] plus a margin ranging from 1.00% to 2.00% per annum or a base rate plus a margin ranging from 0.00% to 1.00% per annum, based on the Company's total net leverage ratio [c][f]	1.75%	N/A[b]	Quarterly repayments beginning June 30, 2016 at 1.25% of original principal amount
Coty Term Loan A Facility[a]—Euro Portion	October 2020	€140.0	EURIBOR[a] plus a margin of 1.00% to 2.00% per annum, based on the Company's total net leverage ratio[c][f]	1.75%	N/A[b]	Quarterly repayments beginning September 30, 2016 at 1.25% of original principal amount
Incremental Term A Facility[a]	October 2021	$ 975.0	LIBOR[a] plus a margin ranging from 1.00% to 2.00% per annum or a base rate plus a margin ranging from 0.00% to 1.00% per annum, based on the Company's total net leverage ratio[c][f]	1.75%	N/A[b]	Quarterly repayments beginning March 31, 2017 at 1.25% of original principal amount
Coty Term Loan B Facility[a][h]—USD Portion and Incremental Term B Facility[a]	October 2022	$ 600.0	LIBOR[a] plus a margin of 2.50% or a base rate, plus a margin of 2.00%[f]	2.50%	0.50%	Quarterly repayments beginning June 30, 2016 at 0.25% of original principal amount
Coty Term Loan B Facility[a]—Euro Portion	October 2022	€990.0[e]	EURIBOR[a] plus a margin of 2.75%	2.75%	0.50%	See below.[e]

(a) As defined below.

(b) N/A—Not Applicable.

(c) As defined per the respective loan agreement.

(d) Additionally the Company will pay to the Revolving Credit Facility lenders an unused commitment fee calculated at a rate ranging from 0.25% to 0.50% per annum, based on the Company's total net leverage ratio[c]. As of June 30, 2017, the applicable rate on the unused commitment fee was 0.50%.

(e) Includes €665.0 million of the Euro portion of Coty Term Loan B Facility originated on October 27, 2015, and the €325.0 million from the Incremental Term Loans, as defined below, originated on April 8, 2016. Repayments on the €665.0 million portion are payable quarterly beginning on June 30, 2016 at 0.25% of the original principal amount. Repayments on the €325.0 million Incremental Term Loan B are payable quarterly beginning on September 30, 2016 at 0.25% of the original principal amount.

(f) The selection of the applicable interest rate for the period is at the discretion of the Company.

(g) At the closing of the P&G Beauty Business acquisition, $944.3 were assumed under the Galleria Credit Agreement. The remaining unused loan commitments for the Galleria Term Loan A Facility expired.

(h) Refinanced as part of the Incremental Assumption Agreement[a] on October 28, 2016 and part of the Refinancing Facilities[a].

The Company's long term debt facilities consisted of the following as of June 30, 2016:

Facility	Maturity Date	Borrowing Capacity (in millions)	Interest Rate Terms	Applicable Interest Rate Spread as of June 30, 2016	Debt Discount	Repayment Schedule
Coty Revolving Credit Facility[a]	October 2020	$1,500.0	LIBOR[a] plus a margin ranging from 1.00% to 2.00% per annum or a base rate plus a margin ranging from 0.00% to 1.00% per annum, based on the Company's total net leverage ratio[c][d][f]	1.75%	N/A[b]	Payable in full at maturity date
Coty Term Loan A Facility[a]—USD Portion	October 2020	$1,750.0	LIBOR[a] plus a margin ranging from 1.00% to 2.00% per annum or a base rate plus a margin ranging from 0.00% to 1.00% per annum, based on the Company's total net leverage ratio[c][f]	1.75%	N/A[b]	Quarterly repayments beginning June 30, 2016 at 1.25% of original principal amount
Coty Term Loan A Facility[a]—Euro Portion	October 2020	€140.0	EURIBOR[a] plus a margin of 1.00% to 2.00% per annum, based on the Company's total net leverage ratio[c][f]	1.75%	N/A[b]	Quarterly repayments beginning September 30, 2016 at 1.25% of original principal amount
Coty Term Loan B Facility[a]—USD portion	October 2022	$ 500.0	LIBOR[a] (subject to a 0.75% floor) plus a margin of 3.00% or a base rate (subject to a 1.75% floor), plus a margin of 2.00%[f]	3.00%	0.50%	Quarterly repayments beginning June 30, 2016 at 0.25% of original principal amount
Coty Term Loan B Facility[a]—Euro portion	October 2022	€990.0[e]	EURIBOR[a] (subject to a 0.75% floor) plus a margin of 2.75%	2.75%	0.50%	Quarterly repayments beginning June 30, 2016 at 0.25% of original principal amount[e]

(a) As defined below.

(b) N/A—Not Applicable.

(c) As defined per the respective loan agreement.

(d) Additionally the Company will pay to the Coty Revolving Credit Facility and Galleria Revolving Facility lenders an unused commitment fee calculated at a rate ranging from 0.25% to 0.50% per annum, based on the Company's total net leverage ratio[c]. As of June 30, 2016, the applicable rate on the unused commitment fee was 0.50%.

(e) Includes €665.0 million of the Euro portion of Term Loan B originated on October 27, 2015, and the €325.0 million from the Incremental Term Loans, as defined below, originated on April 8, 2016. Repayments on the €325.0 million Incremental Term Loan B are payable quarterly beginning on September 30, 2016 at 0.25% of the original principal amount.

(f) The selection of the applicable interest rate for the period is at the discretion of the Company.

On October 27, 2015, the Company refinanced its long term debt facilities. The Company's long term debt facilities that were outstanding prior to the Company's refinancing consisted of the following as of June 30, 2015:

Facility	Maturity Date	Borrowing Capacity (in millions)	Interest Rate Terms	Applicable Interest Rate Spread as of June 30, 2015	Debt Discount	Repayment Schedule
2013 Term Loan[a]	March 2018	$1,250.0	LIBOR[c] plus a margin ranging from 0.0% to 1.75% based on the Company's consolidated leverage ratio[d]	1.50%	N/A[b]	Quarterly repayments commence on October 1, 2016 and will total $175.0, and $875.0 in fiscal 2017, and 2018 respectively
Incremental Term Loan[a]	April 2018	$ 625.0	LIBOR[c] plus a margin ranging from 0.0% to 1.75% based on the Company's consolidated leverage ratio[d]	1.50%	N/A[b]	Payable in full on April 2, 2018
2013 Revolving Loan Facility[a]	April 2018	$1,250.0	LIBOR[c] plus a margin ranging from 0.15% to 0.25% based on the Company's consolidated leverage ratio[d]	1.28%	N/A[b]	Payable in full at maturity date
2015 Credit Agreement[a]	March 2018	$ 800.0	Applicable base rate[c] plus a margin ranging from 0.125% to 1.875% based on the Company's consolidated leverage ratio[d]	1.63%	N/A[b]	Payable in full on March 31, 2018

(a) As defined below.

(b) N/A—Not Applicable.

(c) Applicable base rates of interest on amounts borrowed under the 2015 Credit Agreement were based on the London Interbank Offered Rate ("LIBOR"), a qualified Eurocurrency LIBOR, an alternative base rate, or a qualified local currency rate, as applicable to the borrowings.

(d) As defined per the respective loan agreement.

Coty Credit Agreement

On October 27, 2015, the Company entered into a Credit Agreement (the "Coty Credit Agreement") with JPMorgan Chase Bank, N.A., as administrative agent. The Coty Credit

Agreement provides for senior secured credit facilities comprised of (i) a revolving credit facility in an aggregate principal amount up to $1,500.0 (the "Coty Revolving Credit Facility"), which includes up to $80.0 in swingline loans available for short term borrowings, (ii) a $1,750.0 term loan A facility ("Coty Term Loan A Facility") and (iii) a term loan B facility comprising of a $500.0 tranche and a €665.0 million tranche ("Coty Term Loan B Facility"). The Coty Term Loan B Facility was issued at a 0.50% discount. The proceeds of the Coty Credit Agreement were primarily used to refinance the Company's previously existing debt, which included the 2015 Credit Agreement due March 2018 and facilities under the Coty Inc. Credit Facility (together, the "Prior Coty Inc. Credit Facilities").

On April 8, 2016, the Company entered into an Incremental Assumption Agreement and Amendment No. 1 (the "Incremental Credit Agreement") to the Coty Credit Agreement. The Incremental Credit Agreement provides for an additional €140.0 million in commitments under the Coty Term Loan A Facility and an additional €325.0 million in commitments under the Coty Term Loan B Facility of the Coty Credit Agreement (the "Incremental Term Loans"). The proceeds of the Incremental Term Loans were used to partially repay outstanding balances under the Revolving Credit Facility. The terms of the €140.0 million and €325.0 million portions of the Incremental Term Loans are substantially the same as the respective existing Coty Term Loan A Facility and Euro denominated portion of the Coty Term Loan B Facility.

On October 28, 2016, the Company entered into an Incremental Assumption Agreement and Refinancing Amendment (the "Incremental and Refinancing Agreement"), which amended the Coty Credit Agreement. The Incremental and Refinancing Agreement provides for: (i) an additional Coty Term Loan A Facility in aggregate principal amount of $975.0 in commitments (the "Incremental Term A Facility"), (ii) an additional Coty Term Loan B Facility in aggregate principal amount of $100.0 in commitments (the "Incremental Term B Facility") and (iii) a refinancing of the previously existing USD and Euro denominated Coty Term Loan B Facility loans (the "Refinancing Facilities") under the Coty Credit Agreement.

The loans made under the Incremental Term A Facility have terms that are substantially identical to the existing Coty Term Loan A Facility except that the loans will mature on the date that is five years after October 28, 2016. The loans under the Incremental Term B Facility and the Refinancing Facilities have substantially identical terms as the term B loans existing under the Coty Credit Agreement prior to effectiveness of the Incremental and Refinancing Agreement, except that, among other things: (i) the interest rate with respect to the USD denominated tranche of the Refinancing Facilities and the Incremental Term B Facility will be, at the Company's option, either the London Interbank Offered Rate ("LIBOR") plus an applicable margin of 2.50% or an alternate base rate ("ABR") equal to the highest of (1) JPMorgan Chase Bank N.A.'s prime rate, (2) the federal funds rate plus 0.50% and (3) one-month LIBOR plus 1.00%, in each case plus an applicable margin of 1.50% and (ii) the LIBOR floor with respect to the LIBOR loans under the Incremental Term B Facility and the Refinancing Facilities is 0.00%.

The Company recognized $13.0 of deferred debt issuance costs in connection with the Incremental and Refinancing Agreement.

The Coty Credit Agreement is guaranteed by Coty Inc.'s wholly-owned domestic subsidiaries and secured by a first priority lien on substantially all of Coty Inc. and its wholly-owned domestic subsidiaries' assets, in each case subject to certain carve outs and exceptions.

Galleria Credit Agreement

On October 1, 2016, at the closing of the P&G Beauty Business acquisition, the Company assumed the debt facilities available under the Galleria Credit Agreement (the "Galleria Credit Agreement"), which was initially entered into by Galleria on January 26, 2016. The Galleria Credit

Agreement provides for the senior secured credit facilities comprised of (i) a $2,000.0 five year term loan A facility ("Galleria Term Loan A Facility"), (ii) a $1,000.0 seven year term loan B facility ("Galleria Term Loan B Facility") and (iii) a $1,500.0 five year revolving credit facility ("Galleria Revolving Facility"). The Galleria Term Loan B Facility was issued at a 0.5% discount. In connection with the closing of the P&G Beauty Business acquisition, the Company assumed $1,941.8 of aggregate debt outstanding consisting of $944.3 Galleria Term Loan A Facility, $995.0 Galleria Term Loan B Facility, net of a discount and $0.0 outstanding under the Galleria Revolving Facility, as well as $2.5 in assumed fees payable. At the closing of the P&G Beauty Business acquisition, the remaining unused loan commitments for the Galleria Term Loan A Facility expired.

The Company recognized $11.4 of deferred debt issuance costs in connection with the Galleria Credit Agreement.

The Galleria Credit Agreement is guaranteed by Coty Inc. and its wholly-owned domestic subsidiaries (other than Galleria) and secured by a first priority lien on substantially all of Coty Inc. and its wholly-owned domestic subsidiaries' assets, in each case subject to certain carve outs and exceptions.

Scheduled Amortization

Beginning in the second quarter of fiscal 2018 and ending at maturity, the Company will make quarterly repayments of 1.25% and 0.25% of the initial aggregate Galleria Term Loan A Facility and Galleria Term Loan B Facility, respectively. The remaining balance of the initial aggregate Galleria Term Loan A Facility and Galleria Term Loan B Facility amount will be payable on the maturity date for each facility, respectively.

Prior Coty Inc. Credit Facilities

2015 Credit Agreement

On March 24, 2015, the Company entered into a Credit Agreement (the "2015 Credit Agreement") with JPMorgan Chase Bank, N.A., as administrative agent, and Bank of America, N.A., BNP Paribas, Crédit Agricole Corporate & Investment Bank, ING Bank, N.V., Morgan Stanley MUFG Loan Partners, LLC and Wells Fargo Bank, N.A., as syndication agents. The 2015 Credit Agreement provided for a term loan of $800.0 (the "2015 Term Loan") payable in full on March 31, 2018.

Coty Inc. Credit Facility

On June 25, 2014, the Company entered into an Incremental Term Loan Amendment (the "Incremental Amendment") to the 2013 Credit Agreement. The 2014 Incremental Amendment provided for an incremental term loan of $625.0 (the "Incremental Term Loan"), which had substantially the same terms and conditions as the 2013 Term Loan, except with respect to principal repayments.

On April 2, 2013, the Company refinanced its then-existing credit facility by entering into a Credit Agreement (the "2013 Credit Agreement"), with JP Morgan Chase Bank, N.A. as administrative agent and Bank of America, N.A., BNP Paribas, Crédit Agricole Corporate & Investment Bank, Deutsche Bank Securities Inc., ING Bank N.V., Morgan Stanley MUFG Loan Partners, LLC and Wells Fargo Bank, N.A., as syndication agents. The 2013 Credit Agreement provided a term loan of $1,250.0 (the "2013 Term Loan"), which would have expired on March 31, 2018. The 2013 Credit Agreement additionally provided a revolving loan facility of $1,250.0 (the "Revolving Loan Facility"), which would have expired on April 2, 2018, which provided for up to $80.0 in swingline loans.

($ in millions, except per share data)

Deferred Financing Fees

For the fiscal years ended June 30, 2017, 2016 and 2015, the Company recognized deferred financing fees of $24.4, $59.0, and $11.2, respectively. For the fiscal years ended June 30, 2017, 2016 and 2015, the Company wrote-off deferred financing fees of $0.0, $3.1, and $5.1, respectively, of which $3.1 and $4.2 in fiscal 2016 and 2015, respectively, were recorded to Loss on early extinguishment of debt in the Consolidated Statement of Operations. The remaining $0.9 of the fees written off in fiscal 2015 was recorded to Interest expense in the Consolidated Statement of Operations. As of June 30, 2017 and 2016, the Company had deferred financing fees of $4.2 and $0.0 recorded in Other noncurrent assets on the Company's Consolidated Balance Sheet.

Interest

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

- the LIBOR of the applicable qualified currency plus the applicable margin; or
- ABR plus the applicable margin.

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

Pricing Tier	Total Net Leverage Ratio:	LIBOR plus:	Alternative Base Rate Margin:
1.0	Greater than or equal to 5.00:1	2.000%	1.000%
2.0	Less than 5.00:1 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%	—%

In the case of the USD portion of the Coty Term Loan B Facility, the applicable margin means 2.50% per annum, in the case of LIBOR loans, and 2.00% per annum, in the case of ABR loans. In the case of the Euro portion of the Coty Term Loan B Facility, the applicable margin means 2.75% per annum, in the case of EURIBOR loans. In the case of the Galleria Term Loan B Facility, the applicable margin means 3.00% per annum, in the case of LIBOR loans, and 2.00% per annum, in the case of ABR loans. With respect to the Galleria Term Loan B Facility, in no event will (i) LIBOR be deemed to be less than 0.75% per annum and (ii) ABR be deemed to be less than 1.75% per annum.

Interest is payable quarterly or on the last day of the interest period applicable to borrowings under the Company's long-term debt facilities. For fiscal 2017, the weighted-average interest rates for the Revolving Credit Facility, Term Loan A Facility, and Term Loan B Facility under the Coty Credit Agreement collectively were 2.43%, 2.45% and 3.15%, respectively. For fiscal 2017, the weighted-average interest rates for the Revolving Credit Facility, Term Loan A Facility, and Term Loan B Facility under the Galleria Credit Agreement collectively were 2.06%, 2.42% and 3.86%, respectively.

With respect to the Prior Coty Inc. Credit Facilities, the weighted-average interest rates on the Company's 2015 Term Loan, Incremental Term Loan and the 2013 Term Loan collectively were 1.77% and 1.70% in fiscal 2016, and 2015, respectively. The weighted-average interest rates on the Company's 2013 Revolving Loan Facility were 1.67% and 1.40% in fiscal 2016, and 2015.

($ in millions, except per share data)

Senior Notes

On September 29, 2014, the Company prepaid the Senior Notes as defined below. The prepayment included the principal amount of Senior Notes of $500.0, accrued interest of $8.0 and a make-whole amount of $84.6. In connection with the prepayment, the Company incurred a loss on early extinguishment of debt of $88.8, which included the make-whole amount and the write-off of $4.2 of deferred financing fees related to the Senior Notes.

On June 16, 2010, the Company issued $500.0 of Senior Secured Notes (the "Senior Notes") in three series in a private placement transaction: (i) $100.0 in aggregate principal amount of 5.12% Series A Senior Secured Notes due June 16, 2017, (ii) $225.0 in aggregate principal amount of 5.67% Series B Senior Secured Notes due June 16, 2020 and (iii) $175.0 in aggregate principal amount of 5.82% Series C Senior Secured Notes due June 16, 2022.

Fair Value of Debt

	June 30, 2017		June 30, 2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Galleria Credit Agreement	$1,944.3	$1,944.0	$ —	$ —
Coty Credit Agreement	5,265.9	5,275.4	4,149.6	4,106.9

The Company uses the market approach to value the Coty Credit Agreement and the Galleria Credit Agreement. 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 all long-term debt, including current portion of long-term debt and excluding capital lease obligations as of June 30, 2017, are presented below:

Fiscal Year Ending June 30,	
2018	$ 204.4
2019	218.8
2020	218.8
2021	2,439.5
2022	1,550.2
Thereafter	2,578.5
Total	$7,210.2

Debt Covenants

The Company is required to comply with certain affirmative and negative covenants contained within the Coty Credit Agreement and the Galleria Credit Agreement (collectively the "Debt Agreements"). With certain exceptions as described below, the Debt Agreements include a financial covenant that requires the Company to maintain a Total Net Leverage Ratio (as defined below), equal to or less than the ratios shown below for each respective test period.

($ in millions, except per share data)

Test Period Ending	Total Net Leverage Ratio[a]
September 30, 2017	5.00 to 1.00
December 31, 2017	5.00 to 1.00
March 31, 2018	4.75 to 1.00
June 30, 2018	4.75 to 1.00
September 30, 2018	4.50 to 1.00
December 31, 2018	4.50 to 1.00
March 31, 2019	4.25 to 1.00
June 30, 2019	4.25 to 1.00
September 30, 2019	4.00 to 1.00
December 31, 2019	4.00 to 1.00
March 31, 2020	4.00 to 1.00
June 30, 2020	4.00 to 1.00
September 30, 2020	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 cash 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 used within the definition of Total Net Leverage Ratio have the meanings ascribed to them within the Debt Agreements).

In the four fiscal quarters following the closing of any Material Acquisition (as defined in the Debt Agreements), 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 June 30, 2017, the Company was in compliance with all covenants contained within the Debt Agreements.

14. LEASE COMMITMENTS

The Company has various buildings and equipment under leasing arrangements. The leases generally provide for payment of additional rent based upon increases in items such as real estate taxes and insurance. Certain lease agreements have renewal options for periods typically ranging between one and nine years. Certain lease agreements have escalation clauses for rent, which have been straight-lined over the life of the respective lease agreements. The minimum rental lease commitments for non-cancellable operating leases as of June 30, 2017 are presented below:

Fiscal Year Ending June 30,	
2018	$126.1
2019	114.3
2020	98.3
2021	82.2
2022	73.7
Thereafter	290.4
	785.0
Less: sublease income	(30.2)
Total minimum payments required	$754.8

($ in millions, except per share data)

The Company incurred rent expense of $166.1, $82.5 and $87.1 relating to operating leases in fiscal 2017, 2016 and 2015, respectively. The Company collected payments from sub-lessors relating to facilities no longer in use by the Company of $6.0, $5.4 and $4.3 for fiscal 2017, 2016 and 2015, respectively. Included in rent expense are estimated net future minimum lease payments (recoveries) and related costs for facilities no longer used in operations of $9.2, nil and $(0.7) for fiscal 2017, 2016 and 2015, respectively.

15. INCOME TAXES

(Loss) income from operations before income taxes in fiscal 2017, 2016 and 2015 is presented below:

	Year Ended June 30,		
	2017	2016	2015
United States	$(524.8)	$(153.6)	$(173.7)
Foreign	(133.2)	292.4	407.0
Total	$(658.0)	$ 138.8	$ 233.3

The components of the Company's total (benefit) provision for income taxes during fiscal 2017, 2016 and 2015 are presented below:

	Year Ended June 30,		
	2017	2016	2015
(Benefit) provision for income taxes:			
Current:			
Federal	$ 0.4	$ (30.0)	$ 3.7
State and local	1.1	(2.7)	3.3
Foreign	129.0	131.5	54.1
Total	130.5	98.8	61.1
Deferred:			
Federal	(256.9)	(91.7)	(71.0)
State and local	(24.2)	(9.9)	(12.0)
Foreign	(108.9)	(37.6)	(4.2)
Total	(390.0)	(139.2)	(87.2)
Benefit for income taxes	$(259.5)	$ (40.4)	$(26.1)

During the second quarter of fiscal 2017, the Company released a valuation allowance in the U.S. as a result of the P&G Beauty Business acquisition of $111.2.

During the first quarter of fiscal 2016, the Company reached final settlement with the IRS in connection with the 2004–2012 examination periods. The settlement primarily relates to the acquisition of the Calvin Klein fragrance business. In connection with the settlement, the Company recognized a tax benefit of approximately $194.4 of which $164.7 was mainly due to the recognition of additional deferred tax assets related to the basis of the Calvin Klein trademark, and approximately $29.7 resulted from the reduction of gross unrecognized tax benefits. Of the $194.4 tax benefit, $111.2 was offset by a valuation allowance due to on-going operating losses in the U.S.

During fiscal 2015, the Company transferred certain international intellectual property rights to its wholly-owned subsidiary in Switzerland in order to align the Company's ownership of these international intellectual property rights with its global operations. Although the transfer of foreign intellectual property rights between consolidated entities did not result in any gain in the consolidated results of operations, the Company generated a taxable gain in the U.S. that was offset by net operating loss carryforwards. Income taxes incurred related to the intercompany transactions are treated as a prepaid income tax in the Company's consolidated balance sheet and amortized to income tax expense over the life of the intellectual property. For the fiscal years ending June 30, 2017 and 2016, the prepaid income taxes of $7.6 and $7.6, respectively, are included in Prepaid expenses and other current assets and $128.2 and $135.8, respectively, are included in Other noncurrent assets in the Consolidated Balance Sheets. The prepaid income taxes are amortized as a component of income tax expense over twenty years.

($ in millions, except per share data)

The reconciliation of the U.S. Federal statutory tax rate to the Company's effective income tax rate during fiscal 2017, 2016 and 2015 is presented below:

	Year Ended June 30,		
	2017	2016	2015
Income (loss) before income taxes	$(658.0)	$138.8	$233.3
(Benefit) provision for income taxes at statutory rate	$(230.3)	$ 48.5	$ 81.7
State and local taxes—net of federal benefit	(15.0)	(8.3)	(5.6)
Foreign tax differentials	53.3	(50.8)	(74.4)
Change in valuation allowances	(108.2)	(7.6)	(6.6)
Change in unrecognized tax benefit	25.6	45.8	(16.0)
U.S. audit settlement, net	—	(83.2)	(19.2)
Permanent differences—net	1.2	4.7	10.6
Amortization on intercompany sale	5.7	5.7	—
Other	8.2	4.8	3.4
(Benefit) provision for income taxes	$(259.5)	$(40.4)	$(26.1)
Effective income tax rate	39.4%	(29.1)%	(11.2)%

Significant components of deferred income tax assets and liabilities as of June 30, 2017 and 2016 are presented below:

	June 30, 2017	June 30, 2016
Deferred income tax assets:		
Inventories	$ 11.7	$ 19.3
Accruals and allowances	108.8	53.0
Sales returns	14.8	13.6
Share-based compensation	14.2	14.6
Employee benefits	141.2	64.8
Net operating loss carry forwards and tax credits	436.9	237.7
Other	40.7	23.8
Less: valuation allowances	(60.3)	(179.2)
Net deferred income tax assets	708.0	247.6
Deferred income tax liabilities:		
Intangible assets	1,420.9	367.3
Property, plant and equipment	44.1	19.0
Unrealized gain	44.0	49.1
Licensing rights	30.4	26.6
Other	20.9	3.5
Deferred income tax liabilities	1,560.3	465.5
Net deferred income tax liabilities	$ (852.3)	$(217.9)

Deferred tax assets relating to tax benefits of stock-based compensation have been reduced to reflect exercises of stock options to the extent recognized for financial statement purposes. Some exercises resulted in tax deductions in excess of previously recorded benefits at the time of grant. These excess tax benefits are not recognized in the deferred tax balances until the deductions reduce taxes payable. Accordingly, there is an additional $12.0 of net operating losses which are not reflected as part of the net deferred tax assets.

($ in millions, except per share data)

The expirations of tax loss carry forwards, amounting to $1,327.6 as of June 30, 2017, in each of the fiscal years ending June 30, are presented below:

Fiscal Year Ending June 30,	United States	Western Europe	Rest of World	Total
2018	$ —	$ —	$ 48.6	$ 48.6
2019	—	—	14.7	14.7
2020	—	—	74.9	74.9
2021	—	0.8	12.0	12.8
2022 and thereafter	813.5	239.8	123.3	1,176.6
Total	$813.5	$240.6	$273.5	$1,327.6

The total valuation allowances recorded are $60.3 and $179.2 as of June 30, 2017 and 2016, respectively. In fiscal 2017, the change in the valuation allowance was due primarily to a release in the U.S.

A reconciliation of the beginning and ending amount of UTBs is presented below:

	Year Ended June 30,		
	2017	2016	2015
UTBs—July 1	$228.9	$342.6	$400.5
Additions based on tax positions related to the current year	43.6	60.4	51.6
Additions for tax positions of prior years	0.4	—	6.4
Reductions for tax positions of prior years	—	(70.5)	(60.3)
Settlements	(1.5)	(72.7)	(29.7)
Lapses in statutes of limitations	(13.2)	(37.9)	(14.2)
Foreign currency translation	(0.3)	7.0	(11.7)
UTBs—June 30	$257.9	$228.9	$342.6

As of June 30, 2017, the Company had $257.9 of UTBs of which $243.1 represents the amount that, if recognized, would impact the effective income tax rate in future periods. As of June 30, 2017 and 2016, the liability associated with UTBs, including accrued interest and penalties, is $154.6 and $131.9, respectively, which is recorded in Income and other taxes payable and Other non-current liabilities in the Consolidated Balance Sheets.

During fiscal 2017, the Company accrued interest of $1.4, while in fiscal 2016 and 2015 the Company accrued and released interest of $1.2 and $(4.4), respectively. During fiscal 2017, the Company accrued penalty of $0.1, while in fiscal 2016 and 2015 the Company accrued and released penalty of $0.1 and $(1.0), respectively. The total gross accrued interest and penalties recorded in the Other noncurrent liabilities in the Consolidated Balance Sheets related to UTBs as of June 30, 2017 and 2016 is $11.7 and $9.9, respectively.

The Company is present in approximately 55 tax jurisdictions, and at any point in time is subject to several audits at various stages of completion. As a result, the Company evaluates tax positions and establishes liabilities for UTBs that may be challenged by local authorities and may not be fully sustained, despite a belief that the underlying tax positions are fully supportable. UTBs are reviewed on an ongoing basis and are adjusted in light of changing facts and circumstances, including progress of tax audits, developments in case law, and closing of statute of limitations. Such adjustments are reflected in the provision for income taxes as appropriate. In fiscal 2017 and 2016, the Company recognized a tax benefit of $12.3 and $51.4 respectively associated with the settlement of tax audits in multiple jurisdictions and the expiration of foreign and state statutes of limitation. The Company has open tax years ranging from 2009 and forward.

($ in millions, except per share data)

On the basis of information available at June 30, 2017, it is reasonably possible that a decrease of up to $10.1 in UTBs related to U.S. and foreign exposures may be necessary within the coming year. It is also possible the ongoing audits by tax authorities may result in increases or decreases to the balance of UTBs. Since it is common practice to extend audits beyond the Statute of Limitations, the Company is unable to predict the timing or conclusion of these audits and, accordingly, the Company is unable to estimate the amount of changes to the balance of UTBs that are reasonably possible at this time. However, the Company believes it has adequately provided for its UTBs for all open tax years in each tax jurisdiction.

It is the Company's intention to permanently reinvest undistributed earnings and income from the Company's foreign operations that have been generated through June 30, 2017, except where we are able to repatriate these earnings to the U.S. without material incremental tax expenditures. Accordingly, no provision has been made for U.S. income taxes on the remaining undistributed earnings of foreign subsidiaries as of June 30, 2017. Cumulative undistributed earnings of non-U.S. subsidiaries was $2,412.7 as of June 30, 2017. It is not practicable for the Company to determine the amount of additional income and withholding taxes that may be payable in the event the undistributed earnings are repatriated.

16. INTEREST EXPENSE, NET

Interest expense, net for the years ended June 30, 2017, 2016 and 2015 is presented below:

	Year Ended June 30,		
	2017	2016	2015
Interest expense	$219.6	$112.9	$71.4
Foreign exchange (gain) losses, net of derivative contracts[a]	3.4	(26.9)	4.1
Deferred financing fees write-off	—	—	0.9
Interest income	(4.4)	(4.1)	(3.4)
Total interest expense, net	$218.6	$ 81.9	$73.0

[a] During the second quarter of fiscal 2016, the Company recorded a gain of $11.1 related to short-term forward contracts to exchange Euros for U.S. Dollars related to the Euro tranche of debt issued during the quarter. These short-term forward contracts were entered into to facilitate the repayment of the Company's then existing U.S. Dollar denominated term loans as part of the debt refinancing discussed in Note 13—Debt. Fluctuations in exchange rates between the dates the short-term forward contracts were entered into and the settlement date resulted in a gain upon settlement of $11.1 included within total Interest expense, net for the fiscal year end June 30, 2016 in the Company's Consolidated Statements of Operations.

17. EMPLOYEE BENEFIT PLANS

Savings and Retirement Plans—The Company's Savings and Retirement Plans include a U.S. defined contribution plan for employees primarily in the U.S. and international savings plans for employees in certain other countries. In the U.S., hourly and salary based employees are eligible to participate in the plan after 90 days of service and the Company matches 100% of employee contributions up to 6.0% of employee compensation. In addition, the Company makes contributions to the plan on behalf of employees determined by their age and compensation.

During fiscal 2017, 2016 and 2015, the defined contribution expense for the U.S. defined contribution plan was $20.6, $12.7 and $12.2, respectively, and the defined contribution expense for the international savings plans was $13.3, $5.7 and $10.7, respectively.

Pension Plans—The Company sponsors contributory and noncontributory defined benefit pension plans covering certain U.S. and international employees primarily in Austria, France, Germany, the Netherlands, Spain and Switzerland. Participants in the U.S. defined benefit pension plan no longer accrue benefits. The Company measures defined benefit plan assets and obligations as of the date of the Company's fiscal year-end. The Company's defined benefit pension plans are funded primarily through contributions from the Company after consideration of recommendations from the pension plans' independent actuaries and are funded at levels sufficient to comply with local requirements.

U.S. Del Laboratories, Inc. Pension Plan Settlement

The Company settled obligations to U.S. Del Laboratories, Inc. pension plan (the "Plan") participants during the first and second quarters of fiscal year 2017 resulting in the recognition of pre-tax settlement losses of $15.9, included in Selling, general and administrative expenses in the Consolidated Statement of Operations for the year ended June 30, 2017. The settlement occurred in two phases as described below. In the first phase, lump sum payments were made to a group of plan participants and the Company recognized a pre-tax settlement loss of $3.1 due to accelerated recognition of losses previously deferred within accumulated other comprehensive loss. In the second phase, the Company transferred the remainder of the Plan's obligation to a third-party insurance company by purchasing annuity contracts. The settlement was facilitated by a cash contribution of $8.8 followed by liquidation of the Plan's assets totaling $47.0 at the settlement date. As a result of this transaction the Company recognized a pre-tax settlement loss of $12.8, due to accelerated recognition of losses previously deferred within accumulated other comprehensive loss.

As of December 31, 2016, the Plan had been fully terminated as a result of these actions.

Additionally during fiscal year 2017, the Company recognized a curtailment gain of $1.8 in connection with involuntary employee terminations as part of the Acquisition Integration Program, which significantly reduced the expected years of future service of employees within one of the Company's international pension plans. The curtailment gain is included in Restructuring costs in the Company's Consolidated Statements of Operations for the year ended June 30, 2017. Refer to Note 6—Restructuring Costs for further information about the Acquisition Integration Program.

P&G Beauty Business Employee Benefit Plans

In connection with the P&G Beauty Business acquisition, the Company assumed certain international pension and other post-employment benefit plan obligations and assets. The assumed benefit plans resulted in liabilities of $404.1, representing the aggregate funded status of these plans as of the date of acquisition.

As part of Global Integration Activities initiated during fiscal 2017, we concluded that our restructuring actions resulted in a significant reduction of future services of active employees primarily in our Non-US pension plans. As a result, we recognized net settlement and curtailment gains of $0.4 and $0.4, respectively, in restructuring costs during fiscal 2017. See Note 6—Restructuring Costs for more information.

Other Post-Employment Benefit Plans **("OPEB")**—The Company provides certain post-employment health and life insurance benefits for certain employees and spouses principally in the U.S., France, and Canada if certain age and service requirements are met. Estimated benefits to be paid by the Company are expensed over the service period of each employee based on calculations performed by an independent actuary. In addition, the Company has a supplemental retirement plan and a termination benefit plan for selected salaried employees.

($ in millions, except per share data)

The aggregate reconciliation of the projected benefit obligations, plan assets, funded status and amounts recognized in the Company's Consolidated Financial Statements related to the Company's pension plans and other post-employment benefit plans is presented below:

	Pension Plans				Other Post-Employment Benefits		Total	
	U.S.		International					
	2017	2016	2017	2016	2017	2016	2017	2016
Change in benefit obligation								
Benefit obligation—July 1	$ 82.1	$ 77.7	$ 203.6	$ 177.2	$ 47.7	$ 48.2	$ 333.4	$ 303.1
Service cost	—	—	34.8	6.5	1.9	1.1	36.7	7.6
Interest cost	1.6	3.4	6.6	3.6	1.8	1.9	10.0	8.9
Plan participants' contributions	—	—	15.0	2.0	0.2	0.3	15.2	2.3
Benefits paid	(2.5)	(3.5)	(9.6)	(8.6)	(2.0)	(3.2)	(14.1)	(15.3)
Premiums paid	—	—	(2.9)	(0.8)	—	—	(2.9)	(0.8)
Pension curtailment	—	—	(2.2)	—	—	(1.8)	(2.2)	(1.8)
Pension settlements	(60.2)	—	(23.0)	(1.7)	—	—	(83.2)	(1.7)
Actuarial (gain) loss	(2.2)	4.5	(80.9)	22.9	(1.4)	1.3	(84.5)	28.7
Acquired obligations[(a)]	—	—	557.4	5.2	15.4	—	572.8	5.2
Effect of exchange rates	—	—	10.1	(2.7)	0.1	(0.2)	10.2	(2.9)
Other	—	—	(0.1)	—	0.1	0.1	—	0.1
Benefit obligation—June 30	$ 18.8	$ 82.1	$ 708.8	$ 203.6	$ 63.8	$ 47.7	$ 791.4	$ 333.4
Change in plan assets								
Fair value of plan assets—July 1	$ 53.2	$ 52.2	$ 42.4	$ 36.6	$ —	$ —	$ 95.6	$ 88.8
Actual return on plan assets	(0.8)	3.8	10.6	1.8	—	—	9.8	5.6
Employer contributions	10.1	0.7	29.8	9.2	1.8	2.9	41.7	12.8
Plan participants' contributions	—	—	15.0	2.0	0.2	0.3	15.2	2.3
Benefits paid	(2.5)	(3.5)	(9.6)	(8.6)	(2.0)	(3.2)	(14.1)	(15.3)
Premiums paid	—	—	(2.9)	(0.8)	—	—	(2.9)	(0.8)
Plan settlements	(60.2)	—	(23.0)	(1.7)	—	—	(83.2)	(1.7)
Acquired plan assets[(a)]	—	—	168.3	5.2	0.4	—	168.7	5.2
Effect of exchange rates	—	—	3.6	(1.3)	—	—	3.6	(1.3)
Other	0.2	—	—	—	—	—	0.2	—
Fair value of plan assets—June 30	—	53.2	234.2	42.4	0.4	—	234.6	95.6
Funded status—June 30	$(18.8)	$(28.9)	$(474.6)	$(161.2)	$(63.4)	$(47.7)	$(556.8)	$(237.8)

(a) As a result of the acquisition of the P&G Beauty Business, the Company acquired certain international pension plans. See Note 3—Business Combinations for additional information.

($ in millions, except per share data)

With respect to the Company's pension plans and other post-employment benefit plans, amounts recognized in the Company's Consolidated Balance Sheets as of June 30, 2017 and 2016, are presented below:

	Pension Plans				Other Post-Employment Benefits		Total	
	U.S.		International					
	2017	2016	2017	2016	2017	2016	2017	2016
Noncurrent assets	$ —	$ —	$ 0.5	$ —	$ —	$ —	$ 0.5	$ —
Current liabilities	(1.3)	(1.3)	(4.9)	(4.1)	(1.9)	(1.8)	(8.1)	(7.2)
Noncurrent liabilities	(17.5)	(27.6)	(470.2)	(157.1)	(61.5)	(45.9)	(549.2)	(230.6)
Funded status	(18.8)	(28.9)	(474.6)	(161.2)	(63.4)	(47.7)	(556.8)	(237.8)
AOC(L)/I	2.5	(15.5)	25.1	(66.7)	23.9	28.0	51.5	(54.2)
Net amount recognized	$(16.3)	$(44.4)	$(449.5)	$(227.9)	$(39.5)	$(19.7)	$(505.3)	$(292.0)

The accumulated benefit obligation for the U.S. defined benefit pension plans was $18.8 and $82.1 as of June 30, 2017 and 2016, respectively. The accumulated benefit obligation for international defined benefit pension plans was $640.6 and $194.4 as of June 30, 2017 and 2016, respectively.

Pension plans with accumulated benefit obligations in excess of plan assets and projected benefit obligations in excess of plan assets are presented below:

	Pension plans with accumulated benefit obligations in excess of plan assets				Pension plans with projected benefit obligations in excess of plan assets			
	U.S.		International		U.S.		International	
	2017	2016	2017	2016	2017	2016	2017	2016
Projected benefit obligation	$18.8	$82.1	$695.0	$203.4	$18.8	$82.1	$705.6	$203.4
Accumulated benefit obligation	18.8	82.1	631.6	194.4	18.8	82.1	640.6	194.4
Fair value of plan assets	—	53.5	223.9	42.2	—	53.5	230.4	42.4

Net Periodic Benefit Cost

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

	Year Ended June 30,											
	Pension Plans						Other Post-Employment Benefits			Total		
	U.S.			International								
	2017	2016	2015	2017	2016	2015	2017	2016	2015	2017	2016	2015
Service cost	$ —	$ —	$ —	$34.8	$ 6.5	$ 5.5	$ 1.9	$ 1.1	$ 1.9	$36.7	$ 7.6	$ 7.4
Interest cost	1.6	3.4	3.3	6.6	3.6	4.3	1.8	1.9	2.7	10.0	8.9	10.3
Expected return on plan assets	(0.9)	(2.6)	(3.0)	(6.3)	(1.1)	(1.2)	—	—	—	(7.2)	(3.7)	(4.2)
Amortization of prior service (credit) cost	—	—	—	0.2	0.2	0.3	(5.9)	(5.9)	(3.1)	(5.7)	(5.7)	(2.8)
Amortization of net loss (gain)	2.3	1.2	2.0	4.2	2.6	3.1	0.1	—	(0.1)	6.6	3.8	5.0
Settlements loss (gain) recognized	15.9	—	—	(0.5)	0.1	1.2	—	—	(0.1)	15.4	0.1	1.1
Curtailment (gain) loss recognized	—	—	—	(2.2)	—	(0.6)	—	(1.8)	—	(2.2)	(1.8)	(0.6)
Net periodic benefit cost	$18.9	$ 2.0	$ 2.3	$36.8	$11.9	$12.6	$(2.1)	$(4.7)	$ 1.3	$53.6	$ 9.2	$16.2

($ in millions, except per share data)

Pre-tax amounts recognized in AOC(L)/I, which have not yet been recognized as a component of net periodic benefit cost are presented below:

	Pension Plans				Other Post-Employment Benefits		Total	
	U.S.		International					
	2017	2016	2017	2016	2017	2016	2017	2016
Net actuarial (loss) gain	$2.5	$(15.5)	$27.4	$(64.3)	$ 1.7	$(0.1)	$31.6	$(79.9)
Prior service (cost) credit	—	—	(2.3)	(2.4)	22.2	28.1	19.9	25.7
Total recognized in AOC(L)/I	$2.5	$(15.5)	$25.1	$(66.7)	$23.9	$28.0	$51.5	$(54.2)

Changes in plan assets and benefit obligations recognized in OCI/(L) during the fiscal year are presented below:

	Pension Plans				Other Post-Employment Benefits		Total	
	U.S.		International					
	2017	2016	2017	2016	2017	2016	2017	2016
Net actuarial (loss) gain	$ 0.4	$(3.1)	$85.2	$(22.2)	$ 1.4	$(1.3)	$ 87.0	$(26.6)
Amortization of prior service cost (credit)	—	—	0.2	0.2	(5.9)	(5.9)	(5.7)	(5.7)
Recognized net actuarial loss (gain)	17.6	1.2	3.7	2.8	0.1	—	21.4	4.0
Prior service cost	—	—	—	—	—	—	—	—
Effect of exchange rates	—	—	2.7	0.7	0.3	—	3.0	0.7
Total recognized in OCI/(L)	$18.0	$(1.9)	$91.8	$(18.5)	$(4.1)	$(7.2)	$105.7	$(27.6)

Amounts in AOCI/(L) expected to be amortized as components of net periodic benefit cost during fiscal 2018 are presented below:

	Pension Plans		Other Post-Employment Benefits	Total
	U.S.	International		
Prior service (cost) credit	$ —	$(0.2)	$5.9	$ 5.7
Net loss	0.6	(1.3)	0.2	(0.5)
Total	$0.6	$(1.5)	$6.1	$ 5.2

Pension and Other Post-Employment Benefit Assumptions

The weighted-average assumptions used to determine the Company's projected benefit obligation above are presented below:

	Pension Plans				Other Post-Employment Benefits	
	U.S.		International			
	2017	2016	2017	2016	2017	2016
Discount rates	3.6%	3.3%-3.8%	0.4%-7.5%	0.2%-1.9%	1.9%-7.6%	3.8%-4.0%
Future compensation growth rates	N/A	N/A	0%-6.0%	1.5%-2.5%	N/A	N/A

($ in millions, except per share data)

The weighted-average assumptions used to determine the Company's net periodic benefit cost in fiscal 2017, 2016 and 2015 are presented below:

	Pension Plans								
	U.S.			International			Other Post-Employment Benefits		
	2017	2016	2015	2017	2016	2015	2017	2016	2015
Discount rates	3.3%-3.8%	4.1%-4.5%	3.1%-4.5%	0.2%-7.8%	1.0%-2.7%	1.8%-3.2%	1.4%-8.0%	4.1%-4.6%	4.2%-4.8%
Future compensation growth rates	N/A	N/A	N/A	1.5%-5.8%	1.5%-2.5%	2.0%-2.5%	N/A	N/A	N/A
Expected long-term rates of return on plan assets	N/A	5.1%	6.5%	1.6%-6.0%	2.3%-4.3%	2.8%-4.3%	N/A	N/A	N/A

The health care cost trend rate assumptions have a significant effect on the amounts reported.

	Year Ended June 30,		
	2017	2016	2015
Health care cost trend rate assumed for next year	7.2%-7.4%	7.2%-7.4%	6.3%-6.7%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	5%	5%	5%
Year that the rate reaches the ultimate trend rate	2025	2024 - 2025	2022 - 2023

A one-percentage point change in assumed health care cost trend rates would have the following effects:

	One Percentage Point Increase	One Percentage Point Decrease
Effect on total service cost and interest cost	$6.7	$(5.8)
Effect on post-employment benefit obligation	0.4	(0.3)

Pension Plan Investment Policy

The Company's investment policies and strategies for plan assets are to achieve the greatest return consistent with the fiduciary character of the plan and to maintain a level of liquidity that is sufficient to meet the need for timely payment of benefits. The goals of the investment managers include minimizing risk and achieving growth in principal value so that the purchasing power of such value is maintained with respect to the rate of inflation.

The pension plan's return on assets is based on management's expectations of long-term average rates of return to be achieved by the underlying investment portfolios. In establishing this assumption, management considers historical and expected returns for the assets in which the plan is invested, as well as current economic and market conditions.

The asset allocation decision includes consideration of future retirements, lump-sum elections, growth in the number of participants, the Company's contributions and cash flow. These actual characteristics of the plan place certain demands upon the level, risk and required growth of trust assets. Actual asset allocation is regularly reviewed and periodically rebalanced to the strategic allocation when considered appropriate.

The target asset allocations for the Company's pension plans as of June 30, 2017 and 2016, by asset category are presented below:

		% of Plan Assets at Year Ended	
	Target	2017	2016
Equity securities	50%	41%	25%
Fixed income securities	40%	39%	35%
Cash and other investments	10%	20%	40%

($ in millions, except per share data)

Fair Value of Plan Assets

The U.S. and international pension plan assets that the Company measures at fair value on a recurring basis, based on the fair value hierarchy as described in Note 2—Summary of Significant Accounting Policies, as of June 30, 2017 and 2016 are presented below:

	Level 1		Level 2		Level 3		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
International equity securities	$ 53.4	$ —	$—	$ —	$ —	$ —	$ 53.4	$ —
Fixed income securities:								
U.S. Government and government agencies	—	5.8	—	13.1	—	—	—	18.9
Corporate securities	50.5	—	—	6.8	—	—	50.5	6.8
Commingled bond fund	—	—	—	23.3	—	—	—	23.3
Other:								
Cash and cash equivalents	0.5	4.5	—	—	—	—	0.5	4.5
Insurance contracts and Other	—	—	—	—	130.2	42.4	130.2	42.4
Total pension plan assets at fair value—June 30	$104.4	$10.3	$—	$43.2	$130.2	$42.4	$234.6	$95.9

The following is a description of the valuation methodologies used for plan assets measured at fair value:

Equity securities (domestic and international)—The fair values reflect the closing price reported on a major market where the individual securities are traded. These investments are classified within Level 1 of the valuation hierarchy.

U.S. government and government agencies fixed income securities—When quoted prices are available in an active market, the investments are classified as Level 1. When quoted market prices are not available in an active market, these investments are classified as Level 2.

Corporate securities and commingled bond fund—The fair values are based on a compilation of primarily observable market information or a broker quote in a non-active market. These investments are primarily classified within Level 2 of the valuation hierarchy.

Cash and cash equivalents—The carrying amount approximates fair value, primarily because of the short maturity of cash equivalent instruments. These investments are classified within Level 1 of the valuation hierarchy.

Insurance contracts and other—Includes contracts issued by insurance companies and other investments that are not publicly traded. These investments are generally classified as Level 3 as there are neither quoted prices nor other observable inputs for pricing. Insurance contracts are valued at cash surrender value, which approximates the contract fair value. Other Level 3 plan assets include real estate and other alternative investment funds requiring inputs that cannot be readily derived from observable market data due to the infrequency with which the underlying assets trade.

The Company sponsors a qualified defined benefit pension plan for all eligible Swiss employees. Retirement benefits are provided based on employees' years of service and earnings, or in accordance with applicable employee regulations. Consistent with typical Swiss practice, the pension plan is funded through a guaranteed insurance contract with an insurance company ("IC"). The IC is responsible for the investment strategy of the insurance premiums that the Company submits and does not hold individual assets per participating employer. Assets are invested in accordance with the IC's own strategies and risk assessments. Under the terms of the contract, the interest rate as well as the capital value is guaranteed for each participant, with the IC assuming any risk to the value of the underlying assets. The IC is a member of a security fund, whose purpose is to cover any shortfall in the event they are not able to fulfill its contractual agreements. The plan assets of the Swiss plan are included in the Level 3 valuation.

($ in millions, except per share data)

The Company also sponsors qualified defined benefit pension plans for certain eligible German employees. The Company's German pension plans are partially funded with plan assets held in a Contractual Trust Arrangement (CTA), under which Company assets have been irrevocably transferred to a registered association for the exclusive purpose of securing and funding pension obligations in Germany. The association invests primarily in publicly tradable equity and fixed income securities, using a funding strategy that is reviewed on a regular basis.

Plan assets are also held in the Company's other Non-US defined benefit pension plans. The other Non-US defined benefit pension plans provide benefits primarily based on earnings and years of service and are funded in compliance with local laws and practices. The plan assets are invested in various asset classes that are expected to produce a sufficient level of diversification and investment return over the long term at an acceptable level of risk.

The reconciliations of Level 3 plan assets measured at fair value in fiscal 2017 and 2016 are presented below:

	June 30, 2017	June 30, 2016
Insurance contract:		
Fair value—July 1	$ 42.4	$36.6
Plan assets from acquisitions	75.7	—
Return on plan assets	4.7	1.8
Purchases, sales and settlements, net	5.3	5.3
Effect of exchange rates	2.1	(1.3)
Fair value—June 30	$130.2	$42.4

Contributions

The Company plans to contribute approximately $1.3 to its remaining U.S. pension plan and expects to contribute approximately $35.6 and $2.5 to its international pension and other post-employment benefit plans, respectively, during fiscal 2018.

Estimated Future Benefit Payments

Expected benefit payments, which reflect expected future service, as appropriate, are presented below:

	Pension Plans		Other Post-Employment	
Fiscal Year Ending June 30,	U.S	International	Benefits	Total
2018	$1.3	$ 25.9	$ 2.5	$ 29.7
2019	1.3	24.9	2.8	29.0
2020	1.3	25.5	3.0	29.8
2021	1.3	25.0	3.2	29.5
2022	1.3	27.0	3.4	31.7
2023—2027	6.0	135.3	17.8	159.1

18. DERIVATIVE INSTRUMENTS

Foreign Exchange Risk

The Company is exposed to foreign currency exchange fluctuations through its global operations. The Company may reduce its exposure to fluctuations in the cash flows associated with changes in foreign exchange rates by creating offsetting positions through the use of derivative instruments and also by designating foreign currency denominated borrowings as hedges of net investments in foreign subsidiaries. The Company expects that through hedging, any gain or loss on the derivative instruments would generally offset the expected increase or decrease in the value of the underlying forecasted transactions. The Company entered into derivatives for which hedge accounting treatment has been applied which the Company anticipates realizing in the Consolidated Statements of Operations through fiscal 2018.

The Company enters into foreign exchange forward contracts to hedge anticipated transactions for periods consistent with the Company's identified exposures to minimize the effect of foreign exchange rate movements on revenues, costs and on the cash flows that the Company receives from foreign subsidiaries and third parties where there is a high probability that anticipated exposures will materialize. The foreign exchange forward contracts used to hedge anticipated transactions have been designated as foreign exchange cash-flow hedges. Hedge effectiveness of foreign exchange forward contracts is based on the forward-to-forward hypothetical derivative methodology and includes all changes in value.

The Company also continued to use certain derivatives as economic hedges of foreign currency exposure on firm commitments and forecasted transactions, 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 Consolidated Statements of Operations to which the derivative relates.

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 impact of increases in the variable rates over the term of the contracts. During fiscal 2016, the Company entered into interest rate swap contracts that have been designated as cash-flow hedges. Hedge effectiveness of interest rate swap contracts is based on a long-haul hypothetical derivative methodology and includes all changes in value.

Hedge Accounting

Derivative financial instruments are recorded as either assets or liabilities on the Consolidated Balance Sheets and are measured at fair value.

For derivatives accounted for as hedging instruments, the Company formally designates and documents, at inception, the financial instrument as a hedge of specific underlying forecasted transactions, the risk management objective and the strategy for undertaking the hedge transaction. In addition, the Company formally assesses both at inception and at least quarterly thereafter, whether the financial instruments used in hedging transactions are effective at offsetting changes in either the fair values or cash flows of the related underlying exposures. Additionally, all of the master agreements governing the Company's derivative contracts contain standard provisions that could trigger early termination of the contracts in certain circumstances which would require the Company to discontinue hedge accounting, including if the Company were to merge with another entity and the creditworthiness of the surviving entity were to be "materially weaker" than that of the Company prior to the merger.

For derivatives designated as cash flow hedges, changes in the fair value are recorded in AOCI/(L). Gains and losses deferred in AOCI/(L) are then recognized in Net income (loss) in a manner that matches the timing of the actual income or expense related to the hedging instruments with the hedged transaction. The gains and losses related to designated hedging instruments are also recorded in the line item in the Consolidated Statements of Operations to which the derivative relates. Cash flows from derivative instruments designated as cash flow hedges are recorded in the same category as the cash flows from the items being hedged in the Consolidated Statements of Cash Flows.

($ in millions, except per share data)

The ineffective portion of foreign exchange forward and interest rate swap contracts are recorded in current-period earnings. For hedge contracts that are no longer deemed highly effective, hedge accounting is discontinued and gains and losses accumulated in Other comprehensive income (loss) ("OCI") are reclassified to earnings when the underlying forecasted transaction occurs. If it is no longer probable that the forecasted transaction will occur, then any gains or losses in AOCI/(L) are reclassified to current-period earnings. For fiscal 2017, all of the Company's foreign exchange forward and interest rate swap contracts designated as hedges were highly effective.

The Company also attempts to minimize credit exposure to counterparties by entering into derivative contracts with counterparties that are major financial institutions and utilizing master netting arrangements. Exposure to credit risk in the event of nonperformance by any of the counterparties with respect to the Company's foreign exchange forward contracts is limited to the fair value of contracts in net asset positions under master netting arrangements. Exposure to credit risk in the event of nonperformance by any of the counterparties with respect to the Company's interest rate swap contracts is limited to the fair value of contracts in net asset positions. Accordingly, management of the Company believes risk of material loss under these hedging contracts is remote.

Net Investment Hedge

Foreign currency gains and losses on borrowings designated as a net investment hedge, except ineffective portions, are reported in the cumulative translation adjustment ("CTA") component of AOCI/(L), along with the foreign currency translation adjustments on those investments.

Net investment hedge effectiveness is assessed based on the change in the spot rate of the Euro-denominated loan payable. The critical terms (underlying notional and currency) of the loan payable match the portion of the net investment designated as being hedged. The net investment hedge was equal to the designated portion of the international subsidiary's investment balance as of June 30, 2017. As such, the net investment hedge was considered to be effective, and, as a result, the changes in the fair value were recorded within CTA on the Company's Consolidated Balance Sheets.

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

The accumulated loss on foreign currency borrowings classified as net investment hedges in the foreign currency translation adjustment component of AOCI/(L) was $23.7 and $2.5 as of June 30, 2017 and 2016, respectively.

The amount of gains and losses recognized in OCI in the Consolidated Balance Sheets related to the Company's derivative and non-derivative financial instruments which are designated as hedging instruments is presented below:

	Fiscal Year Ended June 30,		
Gain (Loss) Recognized in OCI	2017	2016	2015
Foreign exchange forward contracts	$ (0.8)	$ 6.0	$21.6
Interest rate swap contracts	40.8	(36.6)	—
Net investment hedge	(21.2)	(2.5)	—

($ in millions, except per share data)

As of June 30, 2017, all of the Company's remaining foreign currency forward contracts designated as hedges were highly effective in all material respects. The accumulated gain (loss) on derivative instruments classified as cash flow hedges in AOCI/(L), net of tax, was $12.6 and $(28.9) as of June 30, 2017 and 2016, respectively. The estimated net gain 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 $0.8.

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

Consolidated Statements of Operations Classification of Gain (Loss) Reclassified from AOCI/(L)	Fiscal Year Ended June 30, 2017	2016	2015
Foreign exchange forward contract:			
Net revenues	$ 2.4	$ 5.5	$8.1
Cost of sales	(2.2)	0.7	0.3
Interest rate swap contracts:			
Interest expense	(9.3)	(7.7)	—

Derivatives not designated as hedging instruments:

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

Consolidated Statements of Operations Classification of Gain (Loss) Recognized in Operations	Fiscal Year Ended June 30, 2017	2016	2015
Net revenues	$ —	$ —	$ (0.1)
Cost of sales	—	—	(0.3)
Selling, general and administrative	(0.1)	1.8	(0.2)
Interest expense, net[a]	(6.5)	(11.3)	(37.2)
Other expense, net[b]	(1.1)	(29.3)	—

(a) The impact on interest expense, net for fiscal 2015 related to derivative contracts entered into to offset fluctuations in the underlying non-functional currency cash balances and intercompany loans at June 30, 2015 is due to increased foreign exchange exposure and higher volatility in currencies during the year, which is more than offset by the revaluation of underlying non-functional currency cash balances.

(b) During fiscal 2016, the Company recognized $29.6 of realized losses on foreign currency forward contracts related to an advanced payment for the Hypermarcas Brands.

19. MANDATORILY REDEEMABLE FINANCIAL INTEREST

United Arab Emirates subsidiary

The Company is required under a shareholders agreement to purchase all of the shares held by the noncontrolling interest holder equal to 25% of the outstanding shares of a certain subsidiary in the United Arab Emirates (the "U.A.E. JV") at the termination of the agreement. The Company has determined such shares to be a mandatorily redeemable financial instrument that is recorded as a liability. The liability is calculated based upon a pre-determined formula in accordance with the U.A.E Shareholders Agreement. As of June 30, 2017 and 2016, the liability amounted to $5.2 and $5.6, of which $4.7 and $5.2, respectively, was recorded in Other noncurrent liabilities and $0.5 and $0.4, respectively, was recorded in Accrued expenses and other current liabilities.

The assets of the U.A.E. JV are restricted in that they are not available for general business use outside the context of the U.A.E. JV and creditors (or beneficial interest holders) do not have recourse to the Company or to its other assets. The U.A.E. JV has total assets and total liabilities of $22.8 and $16.5 as of June 30, 2017, and $18.2 and $10.3 as of June 30, 2016, respectively.

South-east Asian subsidiary

On May 23, 2017, the Company entered into the Sale of Shares and Termination Deed (the "Termination Agreement") to purchase the remaining 49% noncontrolling interest from the noncontrolling interest holder of a certain South-east Asian subsidiary for a purchase price of $45.0. Additionally, all remaining retained earnings will be paid out as dividends prior to the purchase. The payment and termination will be effective on June 30, 2019. Before the Termination Agreement, the partner's interest was classified as noncontrolling interest in the Company's financial statements. As a result of the Termination Agreement, the previous noncontrolling interest balance of $9.2 has been recorded as a Mandatorily Redeemable Financial Instrument ("MRFI") along with the present value of the future purchase price for a total balance of $49.9 with the difference of $40.7 recorded in Additional Paid in Capital. The MRFI balance will be accreted to the redemption value until the effective date of the purchase with changes in the balance being reflected in Other income (expense) in the Consolidated Statements of Operations.

As of June 30, 2017, the MRFI liability amounted to $49.3, of which $41.7 was recorded in Other noncurrent liabilities and $7.6 was recorded in Accrued expenses and other current liabilities.

20. NONCONTROLLING INTERESTS AND REDEEMABLE NONCONTROLLING INTERESTS

Noncontrolling Interests

Due to the Termination Agreement, effective June 30, 2019, the Company will buy the shares of the noncontrolling interest holder of a certain South-east Asian subsidiary. The noncontrolling interest balance was reclassified as MRFI (See Note 19—Mandatorily Redeemable Financial Interest) during June 2017.

Redeemable Noncontrolling Interests

As of June 30, 2017, the redeemable noncontrolling interests ("RNCI") consist of a 33.0% interest in a consolidated subsidiary in the United Arab Emirates and a 40.0% interest in the consolidated subsidiaries related to the Younique acquisition. See Note 3—Business Combinations.

Younique

On February 1, 2017, the Company completed its acquisition of 60% of the membership interest in Foundation which held the net assets of Younique, for cash consideration of $600.0, net of acquired cash and debt assumed. The existing Younique membership holders contributed their 100% membership interest in Younique to Foundation in exchange for a 40% membership interest in Foundation and $600.0 of cash consideration. An estimated additional payment of $7.5 for working capital adjustments is expected to be paid in the first half of fiscal 2018. The Company accounts for the noncontrolling interest portion of Foundation as RNCI due to the noncontrolling interest holder's ability to put their shares to the Company in certain circumstances. While Foundation is a majority-owned consolidated subsidiary, the Company records income tax expense based on the Company's 60% membership interest in Foundation due to its treatment as a partnership for U.S. income tax purposes. Accordingly, Foundation's net income attributable to RNCI is equal to the 40% noncontrolling interest of Foundation's net income excluding a provision for income taxes. The

($ in millions, except per share data)

Company recognized $415.9 and $481.6 as the redeemable noncontrolling interest balances as of February 1, 2017 (acquisition date) and June 30, 2017, respectively.

The Company has the right to purchase the RNCI in Foundation from the RNCI holders (each such right, a “Foundation Call right”) upon the occurrence of certain events that are not in the Company’s control. In addition to the Foundation Call right features, the noncontrolling interest holders of Foundation have the right to sell the noncontrolling interests to the Company upon the occurrence of certain events (each such right, a “Foundation Put right”).

The amount at which the Foundation Put right and Foundation Call right can be exercised is based on a fair value at the exercise date, multiplied by the noncontrolling interest holder’s percentage interest in Foundation. In certain circumstances the Foundation Put right or the Foundation Call right may be exercised at a discount or a premium. Currently management views the possibility of these circumstances occurring as remote. The noncontrolling interests are redeemable outside of the Company’s control and are recorded in the Consolidated Balance Sheets at the estimated fair value. The Company adjusts Foundation’s RNCI to the fair values at the end of each reporting period with changes recognized as adjustments to APIC.

The Company uses an income approach, a market approach or a combination of these approaches to estimate the fair value of the Foundation RNCI. The income approach is used to determine the fair value of the Foundation RNCI using a discounted cash flow method, projecting future cash flows of the business, as well as a terminal value, and discounting such cash flows at a rate of return that reflects the relative risk of the cash flows. For the market approach the Company uses a selected multiple based on comparable companies multiplied by the forecasted cash flows. The key estimates and factors used in this approach include, but are not limited to, revenue growth rates and profit margins based on our internal forecasts and the entity specific weighted-average cost of capital used to discount future cash flows.

Subsidiary in the United Arab Emirates

On May 31, 2017, the Company and the non-controlling interest holder in the Company’s subsidiary in the United Arab Emirates (“Middle East Subsidiary”) amended the shareholder agreement governing the Company’s Middle East Subsidiary. As of July 1, 2017, the amendment will reduce the percentage of the noncontrolling interest holders’ share to 25% in exchange for Coty contributing the brands acquired as part of the P&G Beauty Business acquisition to the joint venture’s portfolio of brands. The Company also has the ability to exercise the Call right for the remaining noncontrolling interest of 25% on July 1, 2028, with such transaction to close on July 1, 2029. In addition to the Call right feature, the noncontrolling interest holder has the right to sell the noncontrolling interest to the Company on July 1, 2028, with such transaction to close on July 1, 2029 (a “Put right”). The amount at which the Put right and Call right can be exercised is based on a formula prescribed by the stockholder agreement as summarized in the table below, multiplied by the noncontrolling interest holder’s percentage of stock-holding in the Company. Given the provision of the Put right, the entire noncontrolling interest is redeemable outside of the Company’s control and is recorded in the Consolidated Balance Sheets at the estimated redemption value. The Company adjusts the redeemable noncontrolling interest to the redemption values at the end of each reporting period with changes recognized as adjustments to APIC.

	Middle East
Percentage of redeemable noncontrolling interest	33%
Earliest exercise date(s)	33.0% in July 2028[a]
Formula of redemption value	3-year average of EBIT[b] * 6

(a) Upon the effective date of the amendment (July 1, 2017), the parties will be entitled to call or put the remaining 25% interest in July 2028.

(b) EBIT is defined in the stockholder agreement as earnings before interest and income taxes.

Hong Kong Subsidiary

On February 12, 2016, the Company gave notice of intent to exercise its option to purchase as of June 30, 2016 the noncontrolling interest in a certain Hong Kong subsidiary at the purchase price of $9.8 for the remaining 45% interest. The transaction was effective as of June 30, 2016 and the payment was completed during the three months ended December 31, 2016.

21. EQUITY

Common Stock

As of June 30, 2017, 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. Prior to September 30, 2016, the Company had Class B Common Stock outstanding. As of June 30, 2017, total authorized shares of Class A Common Stock was 1,000.0 million and total outstanding shares of Class A Common Stock was 747.9 million.

In the fiscal years ended June 30, 2017, 2016, and 2015, the Company issued 2.5 million, 4.7 million, and 5.8 million shares of its Class A Common Stock, respectively, and received $21.3, $40.9, and $48.5, in cash, respectively, in connection with the exercise of employee stock options, settlement of RSUs and special incentive awards, and purchase of shares by employees under the employee stock ownership programs under the Omnibus Equity and Long-Term Incentive Plan ("Omnibus LTIP").

On October 1, 2016 the Company issued 409.7 million shares of Class A Common Stock in connection with the closing of the P&G Beauty Business acquisition as described in Note 3—Business Combinations.

On September 30, 2016, JABC converted all of its shares of Class B Common Stock of the Company into shares of Class A Common Stock of the Company. The Company issued approximately 262.0 million shares of Class A Common Stock to JABC upon the conversion of JABC's shares of Class B Common Stock.

Prior to October 1, 2016, the Company was a majority-owned subsidiary of JAB Cosmetics B.V. ("JABC"). Both JABC and the shares of the Company held by JABC are indirectly controlled by Lucresca SE, Agnaten SE and JAB Holdings B.V. ("JAB"). On August 1, 2016, JABC began to purchase the Company's Class A Common Stock in open market purchases on the New York Stock Exchange. During the fiscal year ended June 30, 2017, JABC acquired 2.6 million shares of Class A Common Stock in the open market. The Company did not receive any proceeds from these stock purchases conducted by JABC. As of June 30, 2017, the Company was no longer a majority-owned subsidiary of JAB.

On September 29, 2016, the Company filed with the Secretary of State of the State of Delaware a Certificate of Amendment to the Company's Amended and Restated Certificate of Incorporation amending the Amended and Restated Certificate of Incorporation of the Company to increase the number of authorized shares of Class A Common Stock from 800.0 million shares to 1,000.0 million shares.

($ in millions, except per share data)

During the fiscal year ended June 30, 2015, the Company issued 1.4 million shares of its Class A Common Stock and recorded APIC of $12.5 in relation to the exercise of stock options by Mr. Michele Scannavini ("Mr. Scannavini"), its former Chief Executive Officer.

As noted in Note 22—Share-Based Compensation Plans, in fiscal 2015 the Company recognized compensation expense of $13.9 and a related liability for 1.4 million shares which its parent JABC agreed to repurchase from an individual originally intended to become an executive of the Company. From June 30, 2015 until the date the liability was settled by JABC, the value of the obligation declined $0.1, which was recorded as a reduction of stock compensation expense. On July 8, 2015, JABC repurchased the shares. The settlement of the liability of $13.8 is considered a non-cash capital contribution to the Company and therefore was recorded in Additional paid-in capital.

Between April 8, 2015 and June 12, 2015, JABC, the Company's controlling stockholder at the time sold 1.7 million shares of its Class B Common Stock to certain Coty executives and two individuals intended to become Coty executives. Upon the consummation of these sales of the Class B Common Stock, such shares converted into an equal number of Class A Common Stock and the Company reclassified 1.7 million shares from Class B Common Stock to Class A Common Stock on the Consolidated Balance Sheets and Consolidated Statements of Equity and Redeemable Noncontrolling Interests as of June 30, 2015. The Company did not receive any shares or proceeds from the sale of shares by JABC.

Preferred Stock

As of June 30, 2017, the Company's preferred stock consisted of Series A Preferred Stock with a par value of $0.01. The Series A Preferred Stock is not entitled to receive any dividends and has no voting rights except as required by law. On December 21, 2016, the Company filed with the Secretary of State of the State of Delaware (i) a Certificate of Retirement with respect to 5,493,894 shares of Series A Preferred Stock previously retired, cancelled and redeemed by the Company and (ii) filed a Certificate of Increase to increase the number of shares designated as Series A Preferred Stock from 3,506,106 to 6,506,106.

The Series A Preferred Stock are issued to executive officers and directors under subscription agreements. Generally, the subscription agreements entitle the holder of the vested Series A Preferred Stock to exchange the Series A Preferred Stock into either cash or shares of Class A Common Stock, at the election of the Company, at the exchange value. The exchange value is equal to the difference between the 10-day trailing average closing price of a share of Class A Common Stock on the date of exchange and a predetermined hurdle price. The Series A Preferred Stock generally vests on the fifth anniversary of issuance, subject to continued employment with the Company and investment by the holder in shares of Class A Common Stock throughout the vesting period. The Company considers its ability to control whether the settlement would occur in cash or shares in determining whether the shares are classified as liability or equity awards. Additionally, cash bonuses were awarded in conjunction with certain awards of Series A Preferred Stock, and are subject to the same vesting conditions. The cash bonuses have been classified as liabilities as described below.

The following table summarizes the key terms of each issuance of Series A Preferred Stock:

Issuance Date	Number of Shares Awarded at Grant Date (millions of shares)	Number of Shares Outstanding (millions of shares)	Hurdle Price per Share
April 2015[(a)(e)]	7.4	1.7	$27.97
November 25, 2016[(b)(f)]	1.0	1.0	$22.34
February 16, 2017[(c)(f)]	0.5	0.5	$22.66
March 27, 2017[(d)(f)]	1.0	1.0	$22.39

(a) Two of the holders subsequently forfeited 5.7 million shares, which was repurchased by the Company at $0.01 per share. Additionally, one of the holders is entitled to a cash bonus of $3.00 per share upon the vesting of 0.6 million shares of Series A Preferred Stock if the market value of Class A Common Stock on the date of conversion exceeds the hurdle price on the vest date.

(b) This grant was sold to Camillo Pane ("Mr. Pane"), the Company's Chief Executive Officer. Mr. Pane is entitled to a cash bonus of $2.60 per share upon exchanging shares of Series A Preferred stock if the market value of Class A Common Stock on the date of conversion exceeds the hurdle price.

(c) Holder is entitled to a cash bonus of $2.62 per share upon exchanging shares of Series A Preferred Stock if the market value of Class A Common Stock on the date of conversion exceeds the hurdle price.

(d) This grant was sold to Lambertus J.H. Becht ("Mr. Becht"), the Company's Chairman of the Board. Under the terms provided in the subscription agreement, the Series A Preferred Stock immediately vested on the grant date and the holder may exchange the vested shares after the fifth anniversary of the date of issuance. The Company requires shareholder approval in order to settle the exchange in shares of Class A Common Stock. Therefore, the award is classified as a liability as of June 30, 2017. An expense of $3.8 was recorded during fiscal 2017 and has been included in Selling, general and administrative expense on the Consolidated Statements of Operations.

(e) If the holder does not exchange the vested Series A Preferred Stock by a certain expiration date, the Company must automatically exchange the Series A Preferred Stock into cash for the pro-rata portion of the grants attributable to services rendered by the holder within the United States. The portion related to service outside the United States, may be settled in cash or shares, at election of the Company. Therefore, these grants were accounted for using the liability plan accounting at issuance. As a holder provides service outside the U.S., a pro-rata portion of the grants are converted to equity awards to the extent the Company is not required to settle the award in cash, which are measured and fixed at the quarter end date that such services are provided, based on the estimated fair value of the award and recognized on a straight-line basis, net of estimated forfeitures, over the employee's requisite service period.

(f) If the holder does not exchange the vested Series A Preferred Stock by a certain expiration date, the Company must automatically exchange the Series A Preferred Stock into cash or shares, at election of the Company.

As of June 30, 2017, total authorized shares of Series A Preferred Stock are 6.5 million and total outstanding shares of Series A Preferred Stock are 4.2 million. Of the 4.2 million outstanding shares of Series A Preferred Stock, 1.0 million shares vested on March 27, 2017, 1.7 million shares vest on April 15, 2020, 1.0 million shares vest on November 25, 2021 and 0.5 million shares vest on February 16, 2022. As of June 30, 2017, the Company classified $1.5 Series A Preferred Stock as equity and $4.9 as a liability, inclusive of the cash bonuses described above, recorded in Other noncurrent liabilities in the Consolidated Balance Sheet.

Dividends

Prior to October 2016, the Company declared annual cash dividends in the first quarter of the fiscal year. Beginning after October 2016, the Company began declaring cash dividends on a quarterly basis.

The Transaction Agreement restricts the Company's ability to declare, make or pay any dividends, other than in the ordinary course and for an amount not to exceed $0.25 per share prior to the closing of the P&G Beauty Business transaction, without P&G consent. In July 2016, P&G provided consent to the Company's dividend declared on August 1, 2016.

($ in millions, except per share data)

The following dividends were declared during fiscal years 2017, 2016 and 2015:

Declaration Date	Dividend Type	Dividend Per Share	Holders of Record Date	Dividend Value	Dividend Payment Date	Dividends Paid	Dividends Payable[a]
Fiscal 2017							
August 1, 2016	Annual	$0.275	August 11, 2016	$ 93.4	August 19, 2016	$ 92.4	$1.0
December 9, 2016	Quarterly	$0.125	December 19, 2016	$ 94.0	December 28, 2016	$ 93.4	$0.6
February 9, 2017	Quarterly	$0.125	February 28, 2017	$ 94.0	March 10, 2017	$ 93.4	$0.6
May 10, 2017	Quarterly	$0.125	May 31, 2017	$ 94.0	June 13, 2017	$ 93.4	$0.6
Fiscal 2017		$0.650		$375.4		$372.6	$2.8
Fiscal 2016							
September 11, 2015	Annual	$0.250	October 1, 2015	$ 90.1	October 15, 2015	$ 89.0	$1.1
Fiscal 2015							
September 16, 2014	Annual	$0.200	October 1, 2014	$ 71.9	October 15, 2014	$ 71.0	$0.9

[a] The dividend payable is the value of the remaining dividends payable upon settlement of the RSUs and phantom units outstanding as of the Holders of Record Date. Dividends payable are recorded as Accrued expense and other current liabilities and Other noncurrent liabilities in the Consolidated Balance Sheet.

The Company decreased the dividend accrual recorded in a prior period by $0.4, $0.3 and $0.3 to adjust for accrued dividends on RSUs no longer expected to vest, which was recorded as an increase to APIC in the Consolidated Balance Sheet as of June 30, 2017, 2016 and 2015, respectively.

Total accrued dividends on unvested RSUs and phantom units of $1.0 and $3.2, nil and $1.8 and nil and $1.4 are included in Accrued expense and other current liabilities and Other noncurrent liabilities, respectively, in the Condensed Consolidated Balance Sheet as of June 30, 2017, 2016 and 2015, respectively.

Accumulated Other Comprehensive Income (Loss)

		Foreign Currency Translation Adjustments			
	(Losses) Gains on Cash Flow Hedges	Loss on Net Investment Hedge	Foreign Currency Translation Adjustments	Pension and Other Post-Employment Benefit Plans	Total
Beginning balance at July 1, 2015	$ (0.1)	$ —	$(249.3)	$(24.6)	$(274.0)
Other comprehensive income before reclassifications	(31.2)	(2.5)	85.3	(19.1)	32.5
Net amounts reclassified from AOCI/(L)[a]	2.4	—	—	(0.6)	1.8
Net current-period other comprehensive income	(28.8)	(2.5)	85.3	(19.7)	34.3
Ending balance at June 30, 2016	$(28.9)	$ (2.5)	$(164.0)	$(44.3)	$(239.7)
Other comprehensive income before reclassifications	35.9	(21.2)	143.2	80.5	238.4
Net amounts reclassified from AOCI/(L)[a]	5.6	—	—	0.1	5.7
Net current-period other comprehensive income	41.5	(21.2)	143.2	80.6	244.1
Ending balance at June 30, 2017	$ 12.6	$(23.7)	$ (20.8)	$ 36.3	$ 4.4

[a] Amortization of actuarial gains (losses) of $0.4 and $1.7, net of taxes of $0.3 and $1.1, were reclassified out of AOCI/(L) and included in the computation of net period pension costs for the fiscal years ended June 30, 2017 and 2016, respectively (see Note 17—Employee Benefit Plans).

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"). Subject to certain restrictions on repurchases of shares through September 30, 2018 imposed by the tax matters agreement, dated October 1, 2016, between the Company and P&G entered into in connection with the P&G Beauty Business acquisition, 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. As of June 30, 2017, the Company has $396.8 remaining under the Incremental Repurchase Program. The following table summarizes the share repurchase activities during the years ended June 30, 2017, 2016 and 2015:

Period	Number of shares repurchased (in millions)	Cost of shares repurchased (in millions)	Lowest fair value of shares repurchased per share	Highest fair value of shares repurchased per share
Fiscal Year Ended June 30, 2017	1.4	$ 36.3	$25.35	$27.40
Fiscal Year Ended June 30, 2016	27.4	$767.0	$25.10	$30.35
Fiscal Year Ended June 30, 2015	13.4	263.1	18.64	21.99

Treasury Stock—Other Repurchases

In addition to the above mentioned repurchase activities, on December 3, 2015, the Company entered into a stock purchase agreement with a shareholder holding more than 5% of the Company's Class A Common Stock to repurchase 1.0 million shares of its Class A Common Stock. On December 17, 2015, the Company remitted payment for the repurchased shares at a price of $27.91 per share. The fair value of shares repurchased was approximately $27.9, which was recorded as an increase to Treasury stock in the Consolidated Balance Sheets and Consolidated Statements of Equity and Redeemable Noncontrolling Interests.

On April 1, 2015, the Company completed its purchase of 100% of the net assets of the Bourjois cosmetics brand ("Bourjois") from Chanel International B.V. ("CHANEL") pursuant to the Stock Purchase Agreement, dated as of March 12, 2015, between the Company and CHANEL (the "Stock Purchase Agreement"). The Company issued to its foreign subsidiaries 15.5 million shares of its Class A Common Stock for $376.8 in cash and subsequently exchanged these shares with CHANEL as consideration for Bourjois. The shares had an approximate value of $376.8 based on the closing value of the Company's Class A Common Stock on the New York Stock Exchange. As a result of the purchase, the Company reissued the total of $269.9 Treasury Stock with a charge to APIC of $106.9.

On September 29, 2014, the Company entered into an agreement with Mr. Scannavini, the Company's former Chief Executive Officer in connection with his resignation. The agreement required the Company to purchase on or before January 27, 2015 all Class A Common Stock Mr. Scannavini held directly or indirectly, including shares of Class A Common Stock obtained upon the exercise of certain stock options, for a share price of $17.21, which is the average closing value of the Class A Common Stock on the New York Stock Exchange over five business days immediately preceding September 29, 2014. As a result of the agreement, the Company purchased 2.4 million shares of its Class A Common Stock for $42.0, which is reflected as an increase to Treasury stock in the Company's Consolidated Balance Sheets and Consolidated Statements of Equity and Redeemable Noncontrolling Interests during the year ended June 30, 2015. The Company made a net payment to Mr. Scannavini of $29.5, which is the purchase amount of $42.0 net of the aggregate exercise price of his vested stock options of $12.5.

22. SHARE-BASED COMPENSATION PLANS

The Company has various share-based compensation programs (the "the Compensation Plans") under which awards, including non-qualified stock options, Series A Preferred Stock, RSUs and other share-based awards, may be granted or shares of Class A Common Stock may be purchased. As of June 30, 2017, approximately 62.9 million shares of the Company's Class A Common Stock were available to be granted pursuant to these Plans.

The Company accounts for its share-based compensation plans for common stock as equity plans. The share-based compensation for equity plans is estimated and fixed at the grant date, based on the estimated fair value of the award. Series A Preferred Stock is accounted for partially as equity and partially using liability plan accounting to the extent the award is expected to be settled in cash. Accordingly, share-based compensation expense for the liability plan awards are measured at the end of each reporting period based on the fair value of the award on each reporting date and recognized as an expense to the extent earned.

Total share-based compensation expense for fiscal 2017, 2016 and 2015 of $29.0, $35.4 and $35.9, respectively, is included in Selling, general and administrative expenses in the Consolidated Statements of Operations. The related tax benefits for share-based compensation are $4.4, $6.7, and $10.9 for fiscal 2017, 2016 and 2015, respectively. As of June 30, 2017, the total unrecognized share-based compensation expense related to unvested stock options, Series A Preferred Stock and restricted stock units and other share awards is $31.1, $4.3 and $56.5, respectively. The unrecognized share-based compensation expense related to unvested stock options, Series A Preferred Stock, restricted stock units and other share awards is expected to be recognized over a weighted-average period of 4.45, 3.79 and 2.96 years, respectively.

Nonqualified Stock Options

During fiscal 2017, the Company granted 9.3 million nonqualified stock option awards. During fiscal 2015, the Company granted 1.7 million nonqualified stock option awards to a select group of key executives. These options are accounted for using equity accounting whereby the share-based compensation expense is estimated and fixed at the grant date based on the estimated value of the options using the Black-Scholes valuation model. There were no stock options accounted for under equity plans granted during fiscal 2016.

During fiscal 2017, 2016 and 2015, the share-based compensation expense recognized on nonqualified stock options is based upon the fair value on the grant date estimated using the Black-Scholes valuation model with the following weighted-average assumptions:

	2017	2015
Expected life	7.50 years	7.50 years
Risk-free interest rate	1.60%	1.79%
Expected volatility	36.74%	31.73%
Expected dividend yield	1.62%	0.80%

Expected life—The expected life represents the period of time (years) that options granted are expected to be outstanding, which the Company calculates using a formula based on the vesting term and the contractual life of the respective option.

Risk-free interest rate—The Company bases the risk-free interest rate on the implied yield available on a U.S. Treasury note with a term equal to the expected term of the underlying options.

Expected volatility—The Company calculates expected volatility based on median volatility for peer companies using expected life daily stock price history equal to the expected life.

Expected dividend yield—The weighted-average expected dividend yield is based upon the Company's expectation to pay dividends over the contractual term of the options.

Nonqualified stock options generally become exercisable 5 years from the date of the grant and have a 5-year exercise period from the date the grant becomes fully vested for a total contractual life of 10 years.

The Company's outstanding nonqualified stock options as of June 30, 2017 and activity during the fiscal year then ended are presented below:

	Shares (in millions)	Weighted Average Exercise Price	Aggregate Intrinsic Value	Weighted Average Remaining Contractual Term (in years)
Outstanding at July 1, 2016	7.3	$11.25		
Granted	9.3	18.61		
Exercised	(2.2)	9.71		
Forfeited	(2.4)	19.31		
Outstanding at June 30, 2017	12.0	$15.64		
Vested and expected to vest at June 30, 2017	9.4	$14.98	$35.5	6.83
Exercisable at June 30, 2017	4.0	$ 9.74	$36.2	3.10

The grant prices of the outstanding options as of June 30, 2017 ranged from $6.40 to $24.13. The grant prices for exercisable options ranged from $6.40 to $10.50.

A summary of the aggregated weighted-average grant date fair value of stock options granted, total intrinsic value of stock options exercised and payment to settle nonqualified stock options for fiscal 2017, 2016 and 2015 is presented below:

	2017	2016	2015
Weighted-average grant date fair value of stock options	$ 6.34	$ —	$ 8.75
Intrinsic value of options exercised	26.30	87.60	77.20
Payment to settle nonqualified stock options of former CEOs	—	—	12.00

The Company's non-vested nonqualified stock options as of June 30, 2017 and activity during the fiscal year then ended are presented below:

	Shares (in millions)	Weighted Average Grant Date Fair Value
Non-vested at July 1, 2016	4.4	$ 4.81
Granted	9.3	18.61
Vested	(3.3)	3.99
Forfeited	(2.4)	6.87
Non-vested at June 30, 2017	8.0	$ 6.33

The share-based compensation expense recognized on the nonqualified stock options is $9.1, $14.7 and $9.5 during fiscal 2017, 2016 and 2015, respectively.

Executive Ownership Programs

The Company encourages stock ownership through various programs. These programs govern shares of Class A Common Stock purchased by employees ("Purchased Shares"). Employees purchased 0.8 million and 0.1 million shares in fiscal 2017 and 2016, respectively, and received matching nonqualified stock options or RSUs in accordance with the terms of the Compensation Plans under the Omnibus LTIP. Share-based compensation (income) expense recorded in connection with Purchased Shares for fiscal year 2017, 2016 and 2015 was nil, nil and $(0.5), respectively. Additionally, share-based compensation expense recorded in connection with matching stock awards granted in accordance with the Compensation Plans are noted in their respective section of this footnote.

Series A Preferred Stock

In addition to the Executive Ownership Programs discussed above, the Series A Preferred Stock are accounted for partially as equity and partially as a liability as of June 30, 2017, 2016 and 2015 and the Company recognized an expense of $4.4, $2.0 and $0.4 in fiscal 2017, 2016 and 2015, respectively. See Note 21—Equity for additional information.

The Series A Preferred Stock were accounted for using the Black-Scholes valuation model in prior fiscal years. In fiscal 2017, the Company granted Series A Preferred Stock that included cash bonus payments tied to the exercisability of the awards. Due to the addition of cash bonus payments in connection with the grant of Series A Preferred Stock to certain executives in fiscal 2017, the Company began estimating the fair value of the Series A Preferred Stock using a binomial lattice model to value the equity and cash bonus components of the combined instrument. The lattice structure the Company uses to value the awards consists of (i) a common stock lattice that models the possible stock price movements from the valuation date to the maturity date consistent with the stock price and estimated volatility on the valuation date; (ii) a share exchange lattice that calculates the value of the common stock received on conversion; (iii) a cash exchange lattice that calculates the value of the cash bonus; and (iv) a continuation value lattice that tracks the holding value of the combined instrument. As of June 30, 2017, the fair value of the Company's outstanding Series A Preferred Stock that are liability accounted were estimated with the following weighted-average assumptions.

($ in millions, except per share data)

	2017
Expected life, in years	5.86 years
Expected volatility	30.00%
Risk-free rate of return	1.99%
Dividend yield on Class A Common Stock	2.67%
Yield on cash	4.70%

Expected life, in years—The expected life represents the period of time (years) that Series A Preferred Stock granted are expected to be outstanding, which the Company calculates using a formula based on the vesting term and the contractual life of the respective Series A Preferred Stock.

Expected volatility—The Company calculates expected volatility based on the average of historical and implied volatilities.

Risk-free rate of return—The Company bases the risk-free rate of return on the US Constant Maturity Treasury Rate.

Dividend yield on Class A Common Stock—The Company calculated the weighted-average dividend yield on shares using the annualized dividend rate calculated on the per share cash dividend paid quarterly and the stock price as of the valuation date.

Yield on cash—The Company calculated the weighted-average yield of comparable securities with a similar credit rating to the Company as of June 30, 2017.

The fair value of the Company's outstanding Series A Preferred Stock liability on June 30, 2016 and 2015 was estimated using the Black-Scholes valuation model with the following assumptions:

	2016	2015
Expected life	4.79 years	5.79 years
Risk-free interest rate	1.01%	1.96%
Expected volatility	36.74%	26.14%
Expected dividend yield	0.96%	0.63%

Expected life—The expected life represents the period of time (years) that Series A Preferred Stock granted are expected to be outstanding, which the Company calculates using a formula based on the vesting term and the contractual life of the respective Series A Preferred Stock.

Risk-free interest rate—The Company bases the risk-free interest rate on the implied yield available on a U.S. Treasury note with a term equal to the expected term of the underlying Series A Preferred Stock.

Expected volatility—The Company calculates expected volatility based on median volatility for peer companies using 4.79 years and 5.79 years of daily stock price history as of June 30, 2016 and 2015, respectively.

Expected dividend yield—The Company used an expected dividend yield based upon the Company's expectation to pay dividends over the contractual term of the shares of Series A Preferred Stock.

Shares of Series A Preferred Stock generally become exercisable 5 years from the date of the grant and have a 2-year exercise period from the date the grant becomes fully vested for a total contractual life of 7 years. See Note 21—Equity for additional information.

The Company's outstanding Series A Preferred Shares as of June 30, 2017 and activity during the fiscal year then ended are presented below:

	Shares (in millions)	Weighted Average Exercise Price	Aggregate Intrinsic Value	Weighted Average Remaining Contractual Term (in years)
Outstanding at July 1, 2016	1.7	$27.97		
Granted	2.5	22.42		
Outstanding at June 30, 2017	4.2	$24.66		
Vested and expected to vest at June 30, 2017	3.7	$24.57	$—	5.90

The Company's non-vested shares of Series A Preferred Stock as of June 30, 2017 and activity during the fiscal year then ended are presented below:

	Shares (in millions)	Weighted Average Grant Date Fair Value
Non-vested at July 1, 2016	1.7	$5.24
Granted	2.5	4.53
Vested	(1.0)	3.63
Non-vested at June 30, 2017	3.2	$5.19

Restricted Share Units

During fiscal 2017, 2.7 million RSUs were granted under the Omnibus LTIP and 0.1 million RSUs were granted under the 2007 Stock Plan for Directors. During fiscal 2016, $1.2 million RSUs were granted under the Omnibus LTIP and $0.1 million RSUs were granted under the 2007 Stock Plan for Directors.

The Company's outstanding RSUs as of June 30, 2017 and activity during the fiscal year then ended are presented below:

	Shares (in millions)	Aggregate Intrinsic Value	Weighted Average Remaining Contractual Term
Outstanding at July 1, 2016	4.2		
Granted	2.8		
Settled	(0.2)		
Cancelled	(1.2)		
Outstanding at June 30, 2017	5.6		
Vested and expected to vest at June 30, 2017	4.6	$85.9	2.75

The share-based compensation expense recorded in connection with the RSUs was $15.4, $18.2 and $9.7 during fiscal 2017, 2016 and 2015, respectively.

The Company's outstanding and non-vested RSUs as of June 30, 2017 and activity during the fiscal year then ended are presented below:

	Shares (in millions)	Weighted Average Grant Date Fair Value
Outstanding and nonvested at July 1, 2016	3.9	$19.75
Granted	2.8	24.56
Vested	(0.2)	15.63
Cancelled	(1.2)	19.45
Outstanding and nonvested at June 30, 2017	5.3	$21.76

The total intrinsic value of RSUs vested and settled during fiscal 2017, 2016, and 2015 is $3.5, $4.0 and $6.2, respectively.

Special Share Purchase Transaction

As noted in Note 21—Equity, JABC sold 1.7 million shares of its Class B shares to certain Coty executives and individuals intended to become Coty executives. One of these individuals purchased 1.4 million shares on March 13, 2015 at a purchase price representing a discount of $1.9 below the market price on the purchase date, which was determined to be share-based compensation expense to the Company. Subsequently, the individual that had purchased 1.4 million shares on March 13, 2015 indicated a desire to sell the Class A Common Stock back to JABC. JABC entered into an agreement and repurchased these shares on July 8, 2015 at the market price on that date. At June 30, 2015, the Company determined that the individual was not expected to hold the shares for a period of at least six months and therefore, the shares should be deemed compensatory and accounted for under liability plan accounting. The Company recorded a total of $15.8 share-based compensation expense to Selling, general and administrative expense which includes: (a) $1.9 for the discount recorded to APIC and (b) $13.9 for the difference between the market price of the shares as of June 30, 2015 and the original sale date of March 13, 2015 recorded to Accrued expenses and other current liabilities.

From June 30, 2015 until the date the liability was settled by JABC, the value of the obligation declined $0.1, which was recorded as a reduction of stock compensation expense. On July 8, 2015, JABC repurchased the shares. The settlement of the liability of $13.8 is considered a non-cash capital contribution to the Company and therefore was recorded in Additional paid-in capital.

Phantom Units

On July 21, 2015, the Board granted Lambertus J.H. Becht ("Mr. Becht"), the Company's Chairman of the Board and interim Chief Executive Officer ("CEO"), an award of 300,000 phantom units, in consideration of Mr. Becht's increased and continuing responsibilities as interim CEO of the Company. At the time of grant, the phantom units had a value of $8.1 based on the closing price of the Company's Class A Common Stock on July 21, 2015. Each phantom unit has an economic value equivalent to one share of the Company's Class A Common Stock settleable in cash or shares at the election of Mr. Becht. The award to Mr. Becht was made outside of the Company's Omnibus LTIP. On July 24, 2015, Mr. Becht elected to receive payment of the phantom units in the form of shares of Class A Common Stock and the phantom units were valued at $8.0. The phantom units will be settled in shares of Class A Common Stock on the fifth anniversary of the grant date or, in the event of a change of control or Mr. Becht's death or disability, immediately. The Company recognized $8.0 of share-based compensation expense during the fiscal year ended June 30, 2016 as there are no service or performance conditions with respect to the phantom units.

($ in millions, except per share data)

23. NET (LOSS) INCOME ATTRIBUTABLE TO COTY INC. PER COMMON SHARE

Net (loss) income attributable to Coty Inc. per common share ("basic EPS") is computed by dividing net income (loss) attributable to Coty Inc. by the weighted-average number of common shares outstanding during the period. Net income (loss) attributable to Coty Inc. per common share assuming dilution ("diluted EPS") is computed by using the basic EPS weighted-average number of common shares and the effect of potentially dilutive securities outstanding during the period. Potentially dilutive securities consist of nonqualified stock options, Series A Preferred Stock and RSUs as of June 30, 2017 and 2016. The dilutive effect of these outstanding instruments is reflected in diluted EPS by application of the treasury stock method.

Net (loss) income attributable to Coty Inc. is adjusted through the application of the two-class method of income per share to reflect a portion of the periodic adjustment of the redemption value in excess of fair value of the redeemable noncontrolling interests. There is no excess of redemption value over fair value of the redeemable noncontrolling interests in fiscal 2017, 2016 and 2015. In addition, there are no participating securities requiring the application of the two-class method of income per share.

Reconciliation between the numerators and denominators of the basic and diluted EPS computations is presented below:

	Year Ended June 30,		
	2017	2016	2015
Net (loss) income attributable to Coty Inc.	$(422.2)	$156.9	$232.5
Weighted-average common shares outstanding—Basic	642.8	345.5	353.3
Effect of dilutive stock options and Series A Preferred Stock[(a)]	—	5.7	7.6
Effect of restricted stock and RSUs[(b)]	—	3.0	2.0
Weighted-average common shares outstanding—Diluted	642.8	354.2	362.9
Net (loss) income attributable to Coty Inc. per common share:			
Basic	$ (0.66)	$ 0.45	$ 0.66
Diluted	(0.66)	0.44	0.64

(a) As of June 30, 2017, outstanding stock options and Series A 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. As of June 30, 2016 and 2015, outstanding stock options and Series A Preferred Stock to purchase 3.0 million and 0.7 million shares of Common Stock, respectively, are excluded from the computation of diluted EPS as their inclusion would be anti-dilutive.

(b) As of June 30, 2017, RSUs were excluded in the computation of diluted loss per share due to the net loss incurred during the period. As of June 30, 2016 and 2015, there were 0.1 million and 0.4 million anti-dilutive RSUs excluded from the computation of diluted EPS as their inclusion would be anti-dilutive.

24. COMMITMENTS AND CONTINGENCIES

Legal Matters

The Company is involved, from time to time, in various litigation and administrative and other legal proceedings including regulatory actions, incidental or related to its business, including consumer class or collective action, personal injury, intellectual property, competition, and advertising claims litigation, among others ("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, as well as the trading price of the Company's securities. However, management's assessment of the Company's Legal Proceedings, especially those related to the P&G Beauty Business and its other recently completed acquisitions, is ongoing, and could change in light of the discovery of additional facts with respect to Legal Proceedings pending against the Company not presently known to the Company 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. 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, its business, prospects, financial condition, results of operations, cash flows, as well as the trading price of its securities.

Burberry Beauty Business

On April 3, 2017, the Company entered into an agreement with Burberry Limited ("Burberry") to acquire the exclusive long-term global license rights to develop, manufacture, advertise, promote and distribute Burberry Beauty luxury fragrances, cosmetics and skincare (the "Burberry License Agreement"). Upfront consideration for this license will total £130.0 million and is expected to be paid at the commencement of the licensing arrangement, in the second quarter of fiscal 2018. The Company will be required to make annual license fee payments, subject to license fee minimums, to Burberry over the term of the Burberry License Agreement. The Company is also expected to pay to Burberry approximately £50.0 million for inventory at the closing.

25. SUBSEQUENT EVENTS

Quarterly Dividend

On August 22, 2017, the Company announced a quarterly cash dividend of $0.125 per share on its Common Stock, restricted stock units (the "RSUs") and phantom units. The dividend will be payable on September 14, 2017 to holders of record of Common Stock on September 1, 2017.

COTY INC. & SUBSIDIARIES

SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS

Years Ended June 30, 2017, 2016, and 2015
($ in millions, except per share data)

Valuation and Qualifying Accounts

	Three Years Ended June 30,				
Description	Balance at Beginning of Period	Balance Received through Acquisition	Charged to Costs and Expenses	Deductions	Balance at End of Period
Allowance for doubtful accounts:					
2017	$ 35.2	$ —	$ 32.8	$ (9.5)[(a)]	$ 58.5
2016	19.6	—	21.9	(6.3)[(a)]	35.2
2015	16.7	—	4.5	(1.6)[(a)]	19.6
Allowance for customer returns:					
2017	$ 57.3	$11.4	$165.7	$(167.1)	$ 67.3
2016	59.9	—	132.8	(135.4)	57.3
2015	87.3	—	153.9	(181.3)	59.9
Deferred tax valuation allowances:					
2017	$179.2	$ —	$ 9.2[(b)]	$(128.1)	$ 60.3
2016	81.9	—	117.9[(b)]	(20.6)	179.2
2015	98.6	—	7.9[(b)]	(24.6)	81.9

(a) Includes amounts written-off, net of recoveries and cash discounts.

(b) Includes foreign currency translation adjustments unless otherwise noted.

$2,000,000,000

Coty Inc.

$ % SENIOR NOTES DUE 2026
$ % SENIOR NOTES DUE 2028
€ % SENIOR NOTES DUE 2023
€ % SENIOR NOTES DUE 2026

PRELIMINARY OFFERING MEMORANDUM

Listing Agent

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, 2018