

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

FORM 10-K

(Mark One)

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended June 30 , 2022
- OR**
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from _____ to _____

Commission file number 1-14064

The Estée Lauder Companies Inc .

(Exact name of registrant as specified in its charter)

Delaware

11-2408943

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

767 Fifth Avenue , New York , New York

10153

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code **212 - 572-4200**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A Common Stock, \$.01 par value	EL	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer

Accelerated filer

Emerging growth company

Non-accelerated filer

Smaller reporting company

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

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

The aggregate market value of the registrant's voting common equity held by non-affiliates of the registrant was approximately \$ 86 billion at December 31, 2021 (the last business day of the registrant's most recently completed second quarter).*

At August 17, 2022, 231,361,571 shares of the registrant's Class A Common Stock, \$.01 par value, and 125,542,029 shares of the registrant's Class B Common Stock, \$.01 par value, were outstanding.

Documents Incorporated by Reference

Document

Where Incorporated

Proxy Statement for Annual Meeting of
Stockholders to be held November 18, 2022

Part III

* Calculated by excluding all shares held by executive officers and directors of registrant and certain trusts without conceding that all such persons are "affiliates" of registrant for purposes of the Federal securities laws.

THE ESTÉE LAUDER COMPANIES INC.
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Cautionary Note Regarding Forward-Looking Information and Risk Factors

This Annual Report on Form 10-K includes “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements include our expectations regarding sales, earnings or other future operations, financial performance or liquidity, our long-term strategy, restructuring and similar initiatives, product introductions, geographic regions or channels, information technology initiatives, social impact and sustainability initiatives, and new methods of sale. Although we believe that our expectations are based on reasonable assumptions within the bounds of our knowledge of our business and operations, we cannot assure that actual results will not differ materially from our expectations. Factors that could cause actual results to differ from expectations are described herein; in particular, see “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations – Cautionary Note Regarding Forward-Looking Information.” In addition, there is a discussion of risks associated with an investment in our securities, see “Item 1A. Risk Factors.”

Unless the context requires otherwise, references to “we,” “us,” “our” and the “Company” refer to The Estée Lauder Companies Inc. and its subsidiaries.

PART I

Item 1. Business.

The Estée Lauder Companies Inc., founded in 1946 by Estée and Joseph Lauder, is one of the world’s leading manufacturers, marketers and sellers of quality skin care, makeup, fragrance and hair care products. Our products are sold in approximately 150 countries and territories under a number of well-known brand names including: Estée Lauder, Clinique, Origins, M·A·C, Bobbi Brown, La Mer, Aveda, Jo Malone London, Too Faced, Dr.Jart+, and The Ordinary. We are also the global licensee of brand names for fragrances and/or cosmetics, including Tom Ford and AERIN. Each brand is distinctly positioned within the market for cosmetics and other beauty products.

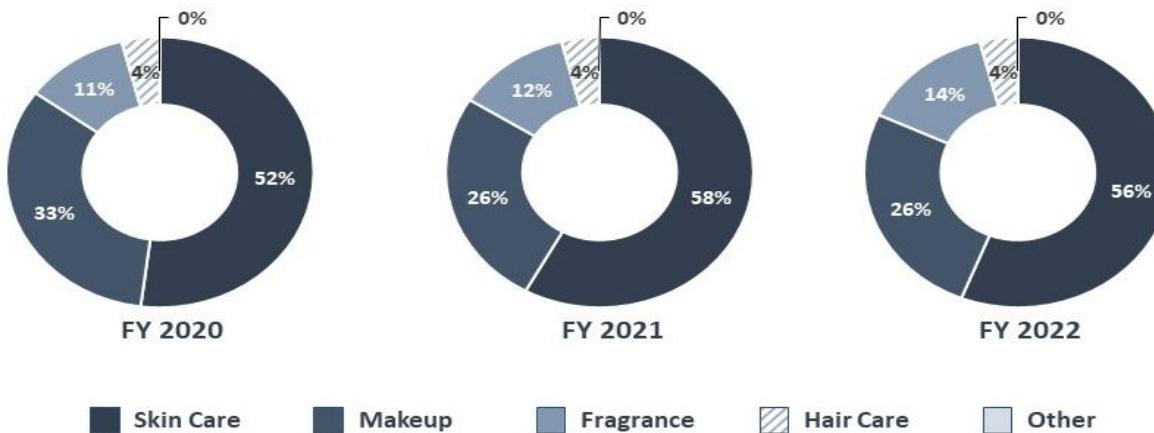
We believe we are a leader in the beauty industry due to the global recognition of our brand names, our excellence in product innovation, our strong position in key geographic markets and the consistently high quality of our products and “High-Touch” services. We sell our prestige products through distribution channels that complement the luxury image and prestige status of our brands, and we provide “High-Touch” consumer experiences across our distribution channels. Our products are sold on our own and authorized retailer websites, on third-party online malls, in stores in airports, in duty-free locations and in our own and authorized freestanding stores. In addition, our products are sold in brick-and-mortar retail stores, including department stores, specialty-multi retailers, upscale perfumeries and pharmacies and prestige salons and spas. We believe that our strategy of pursuing selective distribution heightens the aspirational quality of our brands.

For a discussion of recent developments relating to the COVID-19 pandemic, see *Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations – Results of Operations – Overview*.

We have been controlled by the Lauder family since the founding of our Company. Members of the Lauder family, some of whom are directors, executive officers and/or employees, beneficially own, directly or indirectly, as of August 17, 2022, shares of our Company’s Class A Common Stock and Class B Common Stock having approximately 84% of the outstanding voting power of the Common Stock.

Products

Net Sales by Product Category



Skin Care - Our broad range of skin care products addresses various skin care needs. These products include moisturizers, serums, cleansers, toners, body care, exfoliators, acne care and oil correctors, facial masks, and sun care products.

Makeup - Our full array of makeup products includes lipsticks, lip glosses, mascaras, foundations, eyeshadows, nail polishes and powders. Many of the products are offered in an extensive palette of shades and colors. We also sell related items such as compacts, brushes and other makeup tools.

Fragrance - We offer a variety of fragrance products. The fragrances are sold in various forms, including eau de parfum sprays and colognes, as well as lotions, powders, creams, candles and soaps that are based on a particular fragrance.

Hair Care - Our hair care products include shampoos, conditioners, styling products, treatment, finishing sprays and hair color products.

Other - We also sell ancillary products and services.

Our Brands

Given the personal nature of our products and the wide array of consumer preferences and tastes, as well as competition for the attention of consumers, our strategy has been to market and promote our products through distinctive brands seeking to address broad preferences and tastes. Each brand has a single global image that is promoted with consistent logos, packaging and advertising designed to enhance its image and differentiate it from other brands in the market. Beauty brands are differentiated by numerous factors, including quality, performance, a particular lifestyle, where they are distributed (e.g., prestige or mass) and price point. Below is a chart showing most of the brands that we sell and how we view them based on lifestyle and price point:



ESTEE LAUDER

Estée Lauder brand products, which have been sold since 1946, have a reputation for innovation, sophistication and superior quality. Estée Lauder is one of the world's most renowned beauty brands, producing iconic skin care, makeup and fragrances.

aramis

We pioneered the marketing of prestige men's fragrance, grooming and skin care products with the introduction of Aramis products in 1964.

CLINIQUE

Allergy Tested. 100% Fragrance Free

Introduced in 1968, Clinique skin care and makeup products are all allergy tested and 100% fragrance free and have been designed to address individual skin types and needs. Clinique also offers select fragrances. The skin care and makeup products are based on the research and related expertise of leading dermatologists.

LAB SERIES

Lab Series, introduced in 1987, is a series of high performance, specialized skin care solutions uniquely created to improve the look and feel of men's skin.

ORIGINS 1990

Introduced in 1990, Origins is known for high-performance natural skin care that is "powered by nature and proven by science." The brand also sells makeup, fragrance and hair care products and is distributed primarily through online, specialty-multi and freestanding Origins stores. Origins has a license agreement to develop and sell beauty products using the name of Dr. Andrew Weil.

MAC

M·A·C, the leading brand of professional cosmetics, was created in Toronto, Canada. We completed our acquisition of M·A·C in 1998. The brand's popularity has grown through a tradition of word-of-mouth endorsement from professional makeup artists, models, photographers and journalists around the world.

BOBBI BROWN

Acquired in 1995, Bobbi Brown is a global prestige beauty brand known for its high quality and undertone-correct makeup and skin care products that celebrate individual beauty and confidence. Reflecting its artistry roots, the brand is focused on creating a teaching and learning community of women around the world.

LA MER

Acquired in 1995, La Mer is a leading global luxury skin care brand that is available in limited distribution worldwide. The brand is known for its iconic Crème de la Mer moisturizer, serums and lotions, as well as other skin care and foundation products that are created around the original "Miracle Broth."



Acquired in 1997, Aveda sells high-performance, naturally-derived hair care products, as well as skin care, makeup and fragrance. The brand is known for its innovative plant-based products and its commitment to environmental sustainability and corporate responsibility. It is distributed primarily through top-tier hair salons and direct-to-consumer, via online and Aveda stores.

JO MALONE LONDON

Acquired in 1999, Jo Malone London is a scented British lifestyle brand with understated elegance, offering enchanted story-telling and "High-Touch" boutique services. The brand's famous colognes are perfect alone or artfully layered with Fragrance Combining. Jo Malone London embodies the spirit of gifting generosity and inspires emotional elevation.

Bumble and bumble.

Acquired in 2006, Bumble and bumble is a New York-based hair care brand that creates high-quality hair care and styling products. The brand is distributed primarily through top-tier salons, including Bumble and bumble's own flagship salons, specialty-multi retailers and online.



Acquired in 2003, Darphin is a Paris-based, prestige skin care brand known for its high-performance botanical skin care. The brand is distributed primarily through high-end independent pharmacies and online brand and retailer channels.

TOM FORD BEAUTY

In 2005, we entered into a license agreement to develop and distribute luxury fragrances and beauty products under the Tom Ford brand name, all shaped with Tom Ford's vision to be the first true luxury brand of the 21st century encompassing fashion, fragrance and accessories. In the same vein as the fashion brand, Tom Ford Beauty exudes seductive modern-day glamour and includes luxury fragrance, color cosmetics, men's grooming products and skin care products for discerning consumers globally.

smashbox

Acquired in 2010, Smashbox Cosmetics is a Los Angeles-based, photo studio-inspired makeup brand with high performance products created for our consumer's everyday life in the spotlight.



Launched in 2012, AERIN is a luxury lifestyle beauty and fragrance brand inspired by the signature style of its founder, Aerin Lauder.



Acquired in 2014, Le Labo is a sensory and experiential lifestyle brand, deeply rooted in the craft of slow perfumery. Born in Grasse, France and raised in downtown NYC, it offers hand-crafted and personalized fragrances, as well as 'alternative' and genuine experiences celebrating craftsmanship.



Acquired in 2015, Les Editions de Parfums Frédéric Malle is a collection of exclusive, sophisticated, ultraluxury fragrances crafted by some of the world's most talented perfumers and published by the brand.



Acquired in 2015, GLAMGLOW started as a behind-the-scenes Hollywood secret to instant glow. The brand is known for bold, sensorial products that deliver instant results, and its unconventional philosophy that high performance skin care should also be fun and sexy.



Acquired in 2016, Kilian Paris is a prestige fragrance brand that embodies timeless sophistication and modern luxury.



Acquired in 2016, Too Faced is a serious makeup brand that knows how to have fun. The brand is unabashedly pink, pretty and feminine with a playful wink that is beloved for its high-quality formulas, cheeky product names and distinctive packaging.



Acquired in 2019, Dr.Jart+ is a Seoul-based, global skin care brand known for its innovative formulations and unique combination of dermatological science and art. Its high-quality masks, moisturizers and serums are distributed primarily through travel retail, specialty-multi and online channels.



The Ordinary. NIOD

In 2021, we increased our investment in Deciem Beauty Group Inc. ("DECIEM") to approximately 76%. Known as "The Abnormal Beauty Company," DECIEM is a Toronto-based, vertically integrated multi-brand beauty company rooted in a consumer-focused and functional approach. Its portfolio includes The Ordinary, an ingredient-focused brand, and NIOD, a science-driven skin care brand.

In fiscal 2021, we made the decision to exit the global distribution of BECCA products, a makeup brand we acquired in 2016 and substantially completed this exit during the fiscal 2022 first quarter. We previously announced that we would not be renewing our license agreements for the Donna Karan New York, DKNY, Michael Kors, Tommy Hilfiger and Ermegildo Zegna product lines when their respective terms expire in June 2023. We have since negotiated early termination agreements with each of the licensors effective June 30, 2022 and continued to sell products under these licenses until such time. We are working with the licensors and their respective new licensees, where applicable, to transition the business to the new licensees.

From time to time, we also make strategic minority investments in other companies, mainly in the beauty industry. In some cases, we have acquired the remaining interest or a majority interest (e.g., Have & Be Co. Ltd. (i.e. Dr.Jart+) and Deciem Beauty Group Inc., respectively). Our current minority investments include a company based in India that manufactures, markets and sells Ayurvedic skin care and other products under the Forest Essentials brand name, primarily in India.

Our “heritage brands” are Estée Lauder, Clinique and Origins. Our “makeup artist brands” are M·A·C and Bobbi Brown. Our “luxury brands” are La Mer, Jo Malone London, Tom Ford Beauty, AERIN Beauty, Le Labo, Editions de Parfums Frédéric Malle and Kilian Paris. Our “designer fragrances” are sold under the Tommy Hilfiger, Donna Karan New York, DKNY, Michael Kors, and Ermegildo Zegna brand names, which we license from their respective owners.

Social Impact and Sustainability

In fiscal 2022, we continued to further integrate social impact and sustainability into our strategy and business operations. Our social impact and sustainability initiatives help drive innovation, growth and efficiency across the business and within our brand portfolio. These initiatives aim to foster employee engagement and build consumer trust and loyalty.

Areas of focus include climate and energy; packaging; responsible sourcing; green chemistry and ingredient transparency; inclusion, diversity and equity; employee health and safety; and social investments. We have set goals or made commitments within these focus areas. For example, our goals related to climate and energy support efficiency and conservation within our facilities, internal supply chain and value chain, and some of these goals are also intended to help us reduce cost and waste.

Our Nominating and ESG Committee, one of our Board committees, has oversight responsibility for our Company’s environmental, social and governance (“ESG”) activities and practices, including citizenship and sustainability matters. Our social impact and sustainability efforts are led by our Executive Chairman and our President and Chief Executive Officer. Other members of senior management, along with employees across the organization, help to drive our strategic initiatives concerning social impact and sustainability.

Additional information related to our social impact and sustainability matters can be found at www.elcompanies.com.

Distribution

We sell our prestige products through distribution channels that complement the luxury image and prestige status of our brands, and we provide “High-Touch” consumer experiences across our distribution channels. Our products are sold on our own and authorized retailer websites, on third-party online malls, in stores in airports, in duty-free locations and in our own and authorized freestanding stores. In addition, our products are sold in brick-and-mortar retail stores, including department stores, specialty-multi retailers, upscale perfumeries and pharmacies and prestige salons and spas. Our general practice is to accept returns of our products from customers if properly requested and approved.

Through our flexible global distribution network we have generally been able to respond to the shifts in consumer landscape and consumer behaviors attributable to the COVID-19 pandemic.

Online, we sell products from most of our brands direct-to-consumer through our brand.com sites and third-party online malls. We also sell our products wholesale to authorized retailers that resell online through retailer.com and pure-play sites. Our sites are in approximately 50 countries. While today a majority of these online sales are generated in mainland China, the United States and the United Kingdom, we continue to expand in other markets globally.

As of June 30, 2022, we operated approximately 1,600 freestanding stores. The total reflects the net impact during fiscal 2022 of closures due to natural lease expirations and store closures related to the Post-COVID Business Acceleration Program, offset by new door openings. Most freestanding stores are operated by us under a single brand name, such as M·A·C, Jo Malone London and Aveda. We also operate over 250 multi-branded company stores in outlet malls.

We maintain dedicated sales teams that manage our retail accounts. We have wholly-owned operations in over 50 countries through which we market, sell and distribute our products. In certain countries, we sell our products through carefully selected distributors who we believe share our commitment to protecting the image and position of our brands. In addition, we sell certain products in select domestic and international U.S. military exchanges. For information regarding our net sales and long-lived assets by geographic region, see *Item 8. Financial Statements and Supplementary Data - Note 22 - Segment Data and Related Information*.

Customers

Our strategy is to build strong relationships globally with select retailers, and our senior management works with executives of our major retail accounts on a regular basis in support of these relationships. We believe we are viewed as an important supplier to these customers. In addition, we connect with our consumers directly through freestanding stores, e-commerce sites and social media to build a robust omnichannel experience that allows a consumer to shop in these and other channels.

Our largest customer in fiscal 2022 sells products primarily in China travel retail and accounted for 13% of our consolidated net sales for fiscal 2022, 14% for fiscal 2021 and 7% for fiscal 2020, and 24% and 10% of our accounts receivable at June 30, 2022 and 2021, respectively.

Marketing

Our strategy to market and promote our products begins with our well-diversified portfolio of distinctive brands across four product categories. Our portfolio can be deployed in multiple distribution channels, key travel corridors and geographies where our global reputation and awareness of our brands benefit us. Our geographic and distribution channel diversity allows us to engage local consumers across an array of developed and emerging markets by emphasizing products and services with the greatest local relevance, inclusiveness and appeal. This strategy is built around “Bringing the Best to Everyone We Touch.” Our founder, Mrs. Estée Lauder, formulated this unique marketing philosophy to provide “High-Touch” service and high-quality products as the foundation for a solid and loyal consumer base. Our “High-Touch” approach is demonstrated through our integrated consumer engagement models that leverage our product specialists and technology to provide the consumer with a distinct and truly personalized experience that can include personal consultations with beauty advisors, in person or online, who demonstrate and educate the consumer on product usage and application. As our business has grown and channel mix has evolved, we have further expanded our marketing philosophy and “High-Touch” execution to build both online and offline personalized consumer experiences through digital and physical demonstration, targeted digital media and tailored trial-to-loyalty pathways. We plan to continue to leverage our core strengths, including the quality of our products, our “High-Touch” consumer engagement and a diversified portfolio of brands, channels and geographies.

Our marketing strategies vary by brand, local market and distribution channel. We have a diverse portfolio of brands, and we employ different engagement models suited to each brand’s equity, distribution, product focus, understanding of the core consumer and local relevance. This enables us to elevate the consumer experience as we attract new consumers, create trial, build loyalty, drive consumer advocacy and address the transformation of consumer shopping behaviors. Hero products are at the core of our brand marketing strategies. They are the pillars of our brands and historically have provided strong results through high repeat sales and consumer loyalty. In addition to continuing to attract existing consumers, our hero products provide an opportunity for new consumers to be introduced to our desirable products, creating consumer traffic across all channels of distribution. We aim to further strengthen our hero products through continuous review of our product portfolio and strategic innovation. Our marketing planning approach leverages local insights to optimize allocation of resources across different media outlets and retail touch points to resonate with our most discerning consumers most effectively. This includes strategically deploying our brands and tailoring product assortments and communications to fit local tastes and preferences in cities and neighborhoods. Most of our creative marketing work is done by in-house teams, in collaboration with external resources, that design and produce the sales materials, social media strategies, advertisements and packaging for products in each brand. For a number of products, we create and deploy 360° integrated consumer engagement programs. We build brand equity and drive traffic to retail locations and to our own and authorized retailers’ websites through digital and social media, magazines and newspapers, television, billboards in cities and airports, and direct mail and email. In addition, we seek editorial coverage for our brands and products in digital and social media and print, to drive influencer amplification.

We are increasing our brand awareness and sales through our strategic emphasis on technology, by continuing to elevate our digital presence encompassing e-commerce and m-commerce, as well as digital, social media and influencer marketing. We are investing in new analytical capabilities to promote a more personalized experience across our distribution channels. We continue to innovate to better meet consumer online shopping preferences (e.g., how-to videos, ratings and reviews and mobile phone and tablet applications), support e-commerce and m-commerce businesses via digital and social marketing activities designed to build brand equity and “High-Touch” consumer engagement, in order to continue to offer better experiences and services and set the standard for prestige beauty shopping online. We also support our authorized retailers to strengthen their e-commerce businesses and drive sales of our brands on their websites. We have opportunities to expand our brand portfolio online around the world, and we continue to invest in new omnichannel concepts in the United States, China and other markets to increase brand loyalty by better serving consumers as they shop across channels and travel corridors. We have dedicated resources to implement creative, coordinated, brand-enhancing strategies across all online activities to increase our direct access to consumers.

Promotional activities, in-store displays, and online navigation are designed to attract new consumers, build demand and loyalty and introduce existing consumers to other product offerings from the respective brands. Our marketing efforts also benefit from cooperative advertising programs with some retailers, some of which are supported by coordinated promotions, such as sampling programs, including purchase with purchase and gift with purchase. Sampling is a key promotional activity as the quality and perceived benefits of sample products are very effective inducements to purchases by new and existing consumers. Such activities attract consumers and keep existing consumers engaged. Our marketing and sales executives spend considerable time in the field meeting with consumers, retailers, beauty advisors and makeup artists at the points of sale to enable us to offer a seamless experience across channels of distribution.

The onset of the COVID-19 pandemic had a significant impact on consumer behaviors and accelerated the trend for a digital-first consumer journey and e-commerce. This provided a catalyst for redesigning each brand's "High-Touch" experience and accelerated changes to our direct-to-consumer business models and consumer engagement programs, such as selling through social media and web conferencing platforms ("Virtual Selling"). These models and programs continue to provide distinct one-to-one and one-to-many "High-Touch" omnichannel services and personalized experiences by leveraging technology and our talented beauty advisors, consultants, and makeup artists.

Information Technology

Information technology supports all aspects of our business, including product development, marketing, sales, order processing, production, distribution and finance. We continue to maintain and enhance our information technology systems in alignment with our long-term strategy. An increasing portion of our global information technology infrastructure is cloud-based. This allows for a more scalable platform to support current and future requirements and improves our agility and flexibility to respond to the demands of the business by leveraging more advanced technologies.

We recognize that technology presents opportunities for competitive advantage, and we continue to invest in new capabilities and the use of emerging technologies across various aspects of our business. During fiscal 2022, we continued to respond to shifting consumer and employee behaviors driven by the COVID-19 pandemic, which included new, hybrid ways of working for our office-based employees. We invested in hardware, software, education and support structures to create engaging and collaborative work environments across our facilities, in both virtual and hybrid settings. We also continued to invest in new marketing and consumer engagement capabilities globally with a focus on innovative digital experiences across our omnichannel landscape. Our strategy over the next few years includes continuing to build a strong and secure technology infrastructure to adapt to evolving business dynamics, which includes the expansion of our seamless omnichannel capabilities and our Virtual Selling, the creation of more modernized manufacturing and distribution facilities (including upgrades to existing facilities) powered by technology and the utilization of predictive analytics to optimize our supply and demand planning.

Research and Development

We believe that we are an industry leader in the development of new products. Our research and development group, which includes scientists, engineers, analysts, and other employees involved in product and packaging innovation, works closely with our marketing and product development teams and third-party suppliers to generate ideas, develop new products and product-line extensions, create new packaging concepts, and improve, redesign or reformulate existing products. In addition, these research and development personnel provide ongoing technical assistance and know-how to quality assurance and manufacturing personnel on a worldwide basis, to ensure consistent global standards for our products and to deliver environmentally responsible products that meet or exceed consumer expectations. The research and development group has both long-standing and continually growing research-based working relationships with several U.S. and international dermatology and medical institutions, research universities and educational facilities, which supplement internal capabilities. Members of the research and development group are also responsible for product safety, registration and regulatory compliance matters. As our business continues to grow globally, and to satisfy the demand for locally relevant consumer products, we have increased our focus on innovation in Asia/Pacific, especially in China, as well as in Japan and Korea. In fiscal 2021, we began construction at a newly leased site that will become our innovation center in Shanghai, as we aim to better meet the needs of consumers through local relevancy with superior capabilities in product and package design and consumer and clinical testing. Construction is nearly completed and the facility is now expected to be operational in early fiscal 2023.

Our research and development costs totaled \$307 million, \$243 million and \$228 million in fiscal 2022, 2021 and 2020, respectively, and are expensed as incurred. As of June 30, 2022, we had approximately 1,250 employees engaged in research and development activities. We maintain research and development programs at certain of our principal facilities and facilities dedicated to performing research and development, see *Item 2. Properties*.

Manufacturing, Warehousing and Raw Materials

We manufacture our products primarily in our own facilities in the United States, Belgium, Switzerland, the United Kingdom and Canada and also leverage global third-party manufacturing networks. We continue to streamline our manufacturing processes and identify sourcing opportunities to improve innovation, increase efficiencies, minimize our impact on the environment, ensure supply sufficiency and reduce costs. Our plants are modern, and our manufacturing processes are substantially automated. In fiscal 2021, we began construction of a new manufacturing facility near Tokyo, which is expected to enable us to better meet demand and increase speed to market in the Asia/Pacific region. Construction of the first phase was completed in fiscal 2022, and we expect the remainder of the site to be completed and operational in early fiscal 2024. While we believe that our manufacturing network of internal and external sites is sufficient to meet current and reasonably anticipated increased requirements, we continue to implement improvements in capacity, technology, and productivity and align our manufacturing with regional sales demand to be more agile. From time-to-time, demand changes may challenge our capacity for certain subcategories on a short-term basis, but we believe that these changes will not impact our ability to meet our annual or long-term strategic objectives.

We have established a flexible global distribution network of logistic providers that is managed by us or third parties. The network is designed to meet the changing demands of our customers while maintaining service levels. We are continuously evaluating and adjusting this physical distribution network, particularly as we work to anticipate and respond to channel shifts. We have established regional and local distribution centers, including those maintained by third parties, strategically positioned throughout the world in order to facilitate efficient delivery of our products to our customers and consumers. In fiscal 2022, we opened a new, state-of-the-art distribution center in Switzerland to support the growth of our travel retail business and further drive our sustainability efforts.

As discussed above, we continue to focus on social impact and sustainability across our operations. Focus areas include employee health and safety and minimizing our impact on the environment. This is achieved, in part, through investment in equipment while enhancing the work environment through safe practices and capabilities. We also engage in initiatives to improve our equipment and buildings to support and deliver our sustainability goals and reduce our impact on the environment. Environmental efforts include waste reduction, zero industrial waste to landfill, investments in renewable energy sources and sustainable packaging focused on recyclable and recycled content.

The principal raw materials used in the manufacture of our products are essential oils, alcohols and specialty chemicals. We also purchase packaging components that are manufactured to our design specifications. Procurement of materials for all manufacturing facilities is generally made on a global basis through our Global Supplier Relations function. We review our supplier base periodically with the specific objectives of improving quality, increasing innovation and speed-to-market, ensuring supply sufficiency and reducing costs. In addition, we focus on supply sourcing within the region of manufacture to allow for improved supply chain efficiencies, lead-time reduction and reduced emissions.

Some of our products rely on single-source or a limited number of suppliers; however, we believe we have a robust business continuity strategy, sophisticated capacity planning tools and strategic inventory buffer and multi-sourcing solutions. In the past, we have been able to obtain an adequate supply of essential raw materials and packaging components for virtually all materials used in the production of our products. From time to time, we may experience supply disruptions on a short-term basis, but we currently believe we have adequate resources of supply and that our portfolio of suppliers has the resources and facilities to overcome most unforeseen interruptions of supply. We are continually benchmarking the performance of our supply chain, and we augment our supply base and adjust our distribution networks and manufacturing plants and networks based upon the changing needs of the business. As we integrate acquired brands, we continually seek new ways to leverage our production and sourcing capabilities to improve our overall supply chain performance.

Competition

There is significant competition within each market where our skin care, makeup, fragrance and hair care products are sold. Brand recognition, product quality and effectiveness, distribution channels, accessibility, and price point are some of the factors that impact consumers' choices among competing products and brands. Marketing, merchandising, in-store and online experiences and demonstrations, and new product innovations also have an impact on consumers' purchasing decisions. There continues to be increased interest and awareness from our customers and consumers in responsibly-sourced ingredients and environmentally sustainable products, and we believe we are well-positioned to benefit from the resulting change in consumer preferences due to our social impact and sustainability efforts. With our portfolio of diverse brands sold in a variety of channels, we are one of the world's leading manufacturers, marketers and sellers of skin care, makeup, fragrance and hair care products.

We compete against a number of global and local companies. Some of our competitors are large, well-known, multinational manufacturers and marketers of skin care, makeup, fragrance and hair care products, most of which market and sell their products under multiple brand names. Our competitors include L'Oréal S.A.; Unilever; Procter & Gamble; Shiseido Company, Ltd.; LVMH Moët Hennessy Louis Vuitton; Natura & Co.; Chanel S.A.; Beiersdorf; Coty Inc.; Kao Corp; and LG Household & Health Care. We also face competition from a number of independent brands, some of which are backed by private-equity investors, as well as some retailers that have their own beauty brands. Certain of our competitors also have ownership interests in retailers that are customers of ours.

Trademarks, Patents and Copyrights

We own the trademark rights used in connection with the manufacturing, marketing, distribution and sale of our products both in the United States and in the other principal countries where such products are sold, including Estée Lauder, Aramis, Clinique, Lab Series, Origins, M·A·C, Bobbi Brown, La Mer, Aveda, Jo Malone London, Bumble and bumble, Darphin, Smashbox, Le Labo, Editions de Parfums Frédéric Malle, GLAMGLOW, Kilian Paris, Too Faced, Dr.Jart+, DECIEM and The Ordinary and the names of many of the products sold under these brands. We are the exclusive worldwide licensee for fragrances, cosmetics and/or related products for Tom Ford, Dr. Andrew Weil, and AERIN. For further discussion on license arrangements, including their duration, see *Item 8. Financial Statements and Supplementary Data – Note 2 – Summary of Significant Accounting Policies – License Arrangements*. We protect our trademarks in the United States and significant markets worldwide. We consider the protection of our trademarks to be important to our business.

A number of our products incorporate patented, patent-pending or proprietary technology. In addition, several products and packaging for such products are covered by design patents or copyrights. While we consider these patents and copyrights, and the protection thereof, to be important, no single patent or copyright, or group of patents or copyrights, is considered material to the conduct of our business.

Human Capital

We strive to operate responsibly and to build a sustainable business based on uncompromising ethics, integrity, fairness, diversity and trust, consistent with our Company values. We view human capital management and the strength of our employees as integral to the long-term success and resilience of our business. Our human capital management includes the following strategic areas, each of which is discussed further below:

- **Inclusion, Diversity and Equity** - Fostering an inclusive, diverse and equitable culture that provides our employees with personal and professional development opportunities, which helps to attract and retain the best talent and drive long-term growth.
- **Talent Recruitment, Retention, Learning and Development** - Affording our employees learning opportunities to drive career development and enhance innovation, which helps to create strong and sustainable leadership across the organization and support ongoing development of new products and services.
- **Health and Safety** - Striving to provide a healthy and safe workplace for our employees, which we believe also enhances productivity.
- **Employee Rewards** - Offering competitive compensation and benefit packages to support our employees' physical, mental and financial well-being, which helps us attract, incentivize and retain world-class talent.
- **Volunteerism and Community Engagement** - Supporting volunteer efforts by our employees because our long-term success is closely tied to the vitality of the communities where we have a presence.

Our Board of Directors and its committees provide oversight to management on a range of human capital matters, including inclusion and diversity, health and safety, pay equity and compensation and benefits. We had approximately 63,000 and 62,000 employees worldwide, including demonstrators at points of sale who are employed by us, as of June 30, 2022 and 2021, respectively. At June 30, 2022, approximately 71% of our global employees were full-time, approximately 16% were temporary and approximately 13% were part-time employees, with approximately 30% of our global employees located in the United States and approximately 70% located outside of the United States. We recognize the importance of female representation, and, as of June 30, 2022, approximately 80% of our employees were female and approximately 57% of our employees at the level of Vice President and above were female. We have no employees in the United States that are covered by a collective bargaining agreement. A limited number of employees outside of the United States are covered by works council agreements or other syndicate arrangements.

Inclusion, Diversity and Equity

We are committed to supporting an inclusive and diverse workplace that better enables us to create innovative products and services as we continually strive to meet the evolving needs of our diverse global consumers. Our objective in creating an environment of inclusion, diversity and equity is to enhance our ability to attract and retain the best talent globally and promote a sense of belonging. We continuously encourage a culture of fairness, equal access to opportunities, including positions of leadership, and transparency in employment matters. We have enhanced our strategy in many areas including hiring, employee engagement, development and talent management to further support inclusion, diversity and equity across the organization.

We are proud of our history of driving awareness and acceptance around the world and for standing up for the rights of individuals in the workplace and beyond. We have accelerated our efforts to make racial equity a priority by announcing a series of commitments across our business, focusing on U.S. operations. Areas where we have made commitments include programs related to listening and learning, talent and opportunity, representation, suppliers and investing in change.

We are also committed to gender equity and equitable pay practices. We have a number of programs to help accelerate the development and promotion of women, such as our Women's Leadership Network, and remain committed to the achievement of gender pay equity across the organization.

We continue to prioritize cross-generational inclusion and diversity to help cultivate talent within our workforce. We are committed to various programs to continue our investment at all levels of seniority and tenure, including our Global Reverse Mentor Program that pairs seasoned leaders with more junior talent and was designed to give insights to the leadership team on current millennial and Gen Z habits, preferences and trends.

Talent Recruitment, Retention, Learning and Development

Hiring, retaining and developing the best talent globally is key to our success in sustaining long-term growth. Our talent strategy is focused on employee engagement and investments in career development, as well as measuring, recognizing and rewarding performance. Our investments include providing programs to ensure our employees are equipped with the right skillsets and knowledge, as well as opportunities to transfer to other functions or regions through short-term and long-term assignments. We believe these programs and opportunities create a pipeline of talent and leadership, necessary to drive and deliver on our long-term strategy.

To enhance our culture and measure our human capital objectives, we regularly engage with our employees. We provide several mechanisms for our employees to provide their feedback, including direct discussions with managers, employee surveys and interactive townhall meetings. Key topics covered during employee engagement include inclusion, diversity and equity, learning and development, work-life structure, and employee benefits. Based on our review of employee survey results, action plans are implemented to enhance employee satisfaction and to ensure alignment with our overall human capital strategy. In fiscal 2022, we responded to employee need for more access to career opportunities by launching our first Talent Marketplace, ELC Grow, which enables employees to explore personalized roles, projects, and networking opportunities that can empower employees to grow their skills and career.

An important element of our talent strategy is succession planning and building leadership at various levels across the organization. We regularly discuss potential successors to key roles, review relevant backgrounds and capabilities and develop succession plans accordingly.

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To enhance innovation, productivity and our speed to market, we aim to foster an environment of curiosity and to create a workplace that encourages continuous learning and development. We offer training and development programs that are focused on strengthening leadership and professional skills at various stages of an employee's career. Our programs are offered through in-person, online or virtual learning experiences.

In response to the ongoing challenges stemming from the COVID-19 pandemic, we adjusted and reprioritized our training and development programs and delivery methods to meet the needs of our employees who are working from home. These changes included delivering learning experiences around subject matters such as managing remotely, mental health awareness and building resilience during uncertain times, as well as pivoting traditional in-person sessions to virtual instructor-led learning. In addition, we continue to curate digital content to support "business as usual" focus areas, such as performance development, as well as socially relevant information around racial justice and inclusion and diversity.

Health and Safety

We are committed to providing a healthy and safe workplace for our employees. We establish and update safety policies and procedures, train employees on our safety guidelines and local requirements, and create a culture focused on safety through ongoing communication, awareness and engagement. As we plan for the future and continue to embrace our new normal, our focus is on flexibility, work-life harmonization, and ensuring that our employees have what they need to succeed personally and professionally.

Employee Rewards

We offer compelling and competitive compensation packages with the objectives to attract, motivate and retain world-class talent, and we are committed to fair and equitable pay across the organization. Employee compensation is based on specific circumstances, including role and experience, geographic location and performance. In addition to base pay, we offer annual incentive awards and equity awards for employees at certain job grades.

To support the health and well-being of our employees, we offer competitive benefit packages that may include pension and post-retirement benefit plans, health and wellness benefits, flexible working arrangements, parental (maternal and paternal) leave, adoption assistance and education-related benefits, which may vary by country.

In response to the on-going challenges stemming from the COVID-19 pandemic, we developed several employee initiatives that were implemented at the global, regional and local levels with the objective to support the physical, mental and financial well-being of our employees.

Volunteerism and Community Engagement

We are dedicated to being active and respectful citizens, and we engage in philanthropic and employee volunteering efforts to enhance the communities we touch. We are inspired by the generosity of our employees and encourage them to become involved in their communities by offering programs to support the causes that matter to them. To empower employees, ELC Good Works, our global charitable and volunteerism program, allows eligible employees to create and participate in volunteer activities, with their cash donations matched by the Company and volunteer hours rewarded through additional cash donations by the Company.

Government Regulation

We and our products are subject to regulation by the Food and Drug Administration and the Federal Trade Commission in the United States, as well as by various other federal, state, local and international regulatory authorities and the regulatory authorities in the countries in which our products are produced or sold. Such laws and regulations relate to a wide range of matters including ingredients, manufacturing, labeling, packaging, marketing, advertising, transport and the sale, disposal and safety of our products, as well as environmental matters. Compliance with these laws and regulations has not had and is not expected to have a material adverse effect on the Company's capital expenditures, including capital expenditures for environmental control facilities, earnings or competitive position.

Seasonality

Our results of operations in total, by geographic region and by product category, are subject to seasonal fluctuations, with net sales in the first half of the fiscal year typically being slightly higher than in the second half of the fiscal year. The higher net sales in the first half of the fiscal year are attributable to the increased levels of purchasing by consumers for special events and by retailers for holiday selling seasons. Fluctuations in net sales and operating income in total and by geographic region and product category in any fiscal quarter may be attributable to the level and scope of new product introductions or the particular retail calendars followed by our customers that are retailers, which may impact their order placement and receipt of goods. Additionally, gross margins and operating expenses are impacted on a quarter-by-quarter basis by key shopping moments, as well as variations in our launch calendar and the timing of promotions, including purchase with purchase and gift with purchase promotions.

Availability of Reports

We make available financial information, news releases and other information on our website: www.elcompanies.com. Our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and other reports, as well as any amendments to these reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, are available free of charge via the EDGAR database at www.sec.gov or our website, as soon as reasonably practicable after we file such reports and amendments with, or furnish them to, the Securities and Exchange Commission.

Corporate Governance Guidelines and Code of Conduct

The Board of Directors has developed corporate governance practices to help it fulfill its responsibilities to stockholders in providing general direction and oversight of management. These practices are set forth in our Corporate Governance Guidelines. We also have a Code of Conduct ("Code") applicable to all employees, officers and directors of the Company, including the Chief Executive Officer, the Chief Financial Officer and other senior financial officers. These documents and any waiver of a provision of the Code granted to any senior officer or director or any material amendment to the Code may be found in the "Investors" section of our website: www.elcompanies.com under the heading "Corporate Governance." The charters for the Audit Committee, Compensation Committee and Nominating and ESG Committee may be found in the same location on our website.

Information about our Executive Officers*

Name	Age	Position(s) Held
Roberto Canevari	56	Executive Vice President – Global Supply Chain
Fabrizio Freda	64	President, Chief Executive Officer and a Director
Carl Haney	59	Executive Vice President, Global Research Product and Innovation Officer
Jane Hertzmark Hudis	62	Executive Group President
Peter Jueptner	59	President, International
Leonard A. Lauder	89	Chairman Emeritus and a Director
Ronald S. Lauder	78	Chairman of Clinique Laboratories, LLC and a Director
William P. Lauder	62	Executive Chairman and a Director
Sara E. Moss	75	Vice Chairman
Michael O'Hare	54	Executive Vice President – Global Human Resources
Deirdre Stanley	57	Executive Vice President and General Counsel
Tracey T. Travis	60	Executive Vice President and Chief Financial Officer
Meridith Webster	46	Executive Vice President – Global Communications and Public Affairs

*as of August 17, 2022

All of the executive officers named above have been employees of the Company for more than five years, with the exception of Roberto Canevari, Deirdre Stanley and Meridith Webster. Mr. Canevari joined the Company in 2021; previously, from July 2019 to April 2021, he served as Executive Vice President, Supply Chain, Europe, at Unilever PLC, a consumer goods company, and from September 2012 to June 2019, he was Chief Supply Chain Officer at Burberry Group PLC, a global luxury brand. Ms. Stanley joined the Company in 2019; previously, she served as General Counsel for Thomson Reuters Corporation, a provider of business information services, and its predecessor company for 17 years. Ms. Webster joined the Company in 2021; previously from January 2021 to May 2021, she served as Chief of Staff, Domestic Policy Council, The White House; from 2018 to 2021, she was Chief Communications Officer, Vox Media, Inc., an independent media company; from 2017 to 2018, Ms. Webster was Managing Director for Public Affairs at Emerson Collective, an organization focused on a wide range of initiatives including education, immigration, climate, and cancer research and treatment, and from 2011 to 2017, she served at Bloomberg L.P., a provider of business and financial information and news, in a variety of roles, including the Global Head of Public Affairs.

Information about our Board of Directors*

Name	Principal Occupation or Employment
Charlene Barshefsky	Chair, Parkside Global Advisors, an international consulting company, and former Senior International Partner, WilmerHale, a law firm
Rose Marie Bravo, CBE	Retail and Marketing Consultant
Wei Sun Christianson	Senior Advisor at Morgan Stanley, a global financial services firm, and former Managing Director and Co-Chief Executive Officer of Asia Pacific and Chief Executive Officer of China at Morgan Stanley
Lynn Forester de Rothschild	Co-founding partner of Inclusive Capital Partners, an investment manager, and Chair, E.L. Rothschild LLC, a private investment company
Angela Wei Dong	Global Vice President and General Manager of Greater China, NIKE, Inc., a company that designs and develops, and markets and sells worldwide, athletic footwear, equipment, accessories and services
Fabrizio Freda	President and Chief Executive Officer, The Estée Lauder Companies Inc.
Paul J. Fribourg	Chairman and Chief Executive Officer, Continental Grain Company, an international agribusiness and investment company
Jennifer Hyman	Co-Founder and Chief Executive Officer, Rent the Runway, Inc., a company that enables women to subscribe, rent items, and shop retail from an unlimited closet of designer brands
Jane Lauder	Executive Vice President, Enterprise Marketing and Chief Data Officer, The Estée Lauder Companies Inc.
Leonard A. Lauder	Chairman Emeritus, The Estée Lauder Companies Inc.
Ronald S. Lauder	Chairman, Clinique Laboratories, LLC
William P. Lauder	Executive Chairman, The Estée Lauder Companies Inc.
Arturo Nuñez	Chief Marketing Officer, Nu Holdings Ltd., a digital banking platform
Richard D. Parsons	Senior Advisor, Providence Equity Partners LLC, a global private equity and investment firm, and co-founder and partner of Imagination Capital LLC, a venture capital firm
Barry S. Sternlicht	Chairman and Chief Executive Officer, Starwood Capital Group, a privately-held global investment firm
Jennifer Tejada	Chief Executive Officer and Chair, PagerDuty, Inc., a digital operations management platform
Richard F. Zannino	Managing Director, CCMP Capital Advisors, LLC, a private equity firm

*as of August 17, 2022

Item 1A. Risk Factors.

There are risks associated with an investment in our securities. Please consider the following risks and all of the other information in this annual report on Form 10-K and in our subsequent filings with the Securities and Exchange Commission ("SEC"). Our business may also be adversely affected by risks and uncertainties not presently known to us or that we currently believe to be immaterial. If any of the events contemplated by the following discussion of risks should occur or other risks arise or develop, our business, which includes our prospects, financial condition and results of operations, the trading prices of our securities and our reputation, may be adversely affected.

Risks related to our Business and our Industry

The extent to which the COVID-19 pandemic could materially adversely affect our financial results will depend on future developments that are highly uncertain and difficult to predict.

The outbreak and global spread of the COVID-19 pandemic has continued to significantly disrupt our operating environment, including retail stores, travel retail, and the ability of some of our customers to operate. We have also seen shifts in consumer preferences and practices.

Considerable uncertainty remains regarding this pandemic, including responsive measures being taken by various authorities and others. As we continue to monitor COVID-19 developments, including the impacts on our consumers, customers and suppliers, we have taken and will continue to take further measures. Some of the actions we take could adversely impact our business, and there is no certainty that our actions will be sufficient to mitigate the risks and the impacts of COVID-19.

The degree to which COVID-19 continues to impact our business will depend on future developments that are highly uncertain and cannot be predicted, many of which are outside our control, including the extent to which there are sustainable improvements in the retail environment and general economic conditions.

The beauty business is highly competitive, and if we are unable to compete effectively our results will suffer.

We face vigorous competition from companies throughout the world, including multinational consumer product companies. Some competitors have greater resources than we do, others are newer companies (some backed by private-equity investors), and some are competing in distribution channels where we are less represented. In some cases, we may not be able to respond to changing business and economic conditions as quickly as our competitors. Competition in the beauty business is based on a variety of factors including pricing of products, innovation, perceived value, service to the consumer, promotional activities, advertising, special events, new product introductions, e-commerce and m-commerce initiatives and other activities. It is difficult for us to predict the timing and scale of our competitors' actions in these areas.

Our ability to compete also depends on the continued strength of our brands, our ability to attract and retain key talent and other personnel, the efficiency of our manufacturing facilities and distribution network, and our ability to maintain and protect our intellectual property and those other rights used in our business. Our Company has a well-recognized and strong reputation that could be negatively impacted by social media and many other factors. If our reputation is adversely affected, our ability to attract and retain customers, consumers and employees could be impacted. In addition, certain of our key retailers around the world market and sell competing brands or are owned or otherwise affiliated with companies that market and sell competing brands. Our inability to continue to compete effectively in key countries around the world (e.g., China) could have a material adverse effect on our business.

Our inability to anticipate and respond to market trends and changes in consumer preferences could adversely affect our financial results.

Our continued success depends on our ability to anticipate, gauge and react in a timely and cost-effective manner to changes in consumer preferences for skin care, makeup, fragrance and hair care products, attitudes toward our industry and brands, as well as to where and how consumers shop. We must continually work to develop, manufacture and market new products, maintain and adapt our “High-Touch” services to existing and emerging distribution channels, maintain and enhance the recognition of our brands, achieve a favorable mix of products, successfully manage our inventories, and modernize and refine our approach as to how and where we market and sell our products. We recognize that consumer preferences cannot be predicted with certainty and can change rapidly, driven by the use of digital and social media by consumers and the speed by which information and opinions are shared. If we are unable to anticipate and respond to sudden challenges that we may face in the marketplace, trends in the market for our products and changing consumer demands and sentiment, our financial results will suffer. In addition, from time to time, sales growth or profitability may be concentrated in a relatively small number of our brands, channels or countries (e.g., China). If such a situation persists or one or more brands, channels or countries fails to perform as expected, there could be a material adverse effect on our business.

In certain key markets, such as the United States, we have seen a longer-term decline in retail traffic in our department store customers and in our freestanding stores. We continue to see the shift in consumer preference to the online channel, which accelerated in response to the COVID-19 pandemic. Consolidation or liquidation in the retail trade, from these or other factors, may result in us becoming increasingly dependent on key retailers and could result in an increased risk related to the concentration of our customers. A severe, adverse impact on the business operations of our customers could have a corresponding material adverse effect on us. If one or more of our largest customers change their strategies (including pricing or promotional activities), enter bankruptcy (or similar proceedings) or if our relationship with any large customer is changed or terminated for any reason, there could be a material adverse effect on our business.

Our future success depends, in part, on our ability to achieve our long-term strategy.

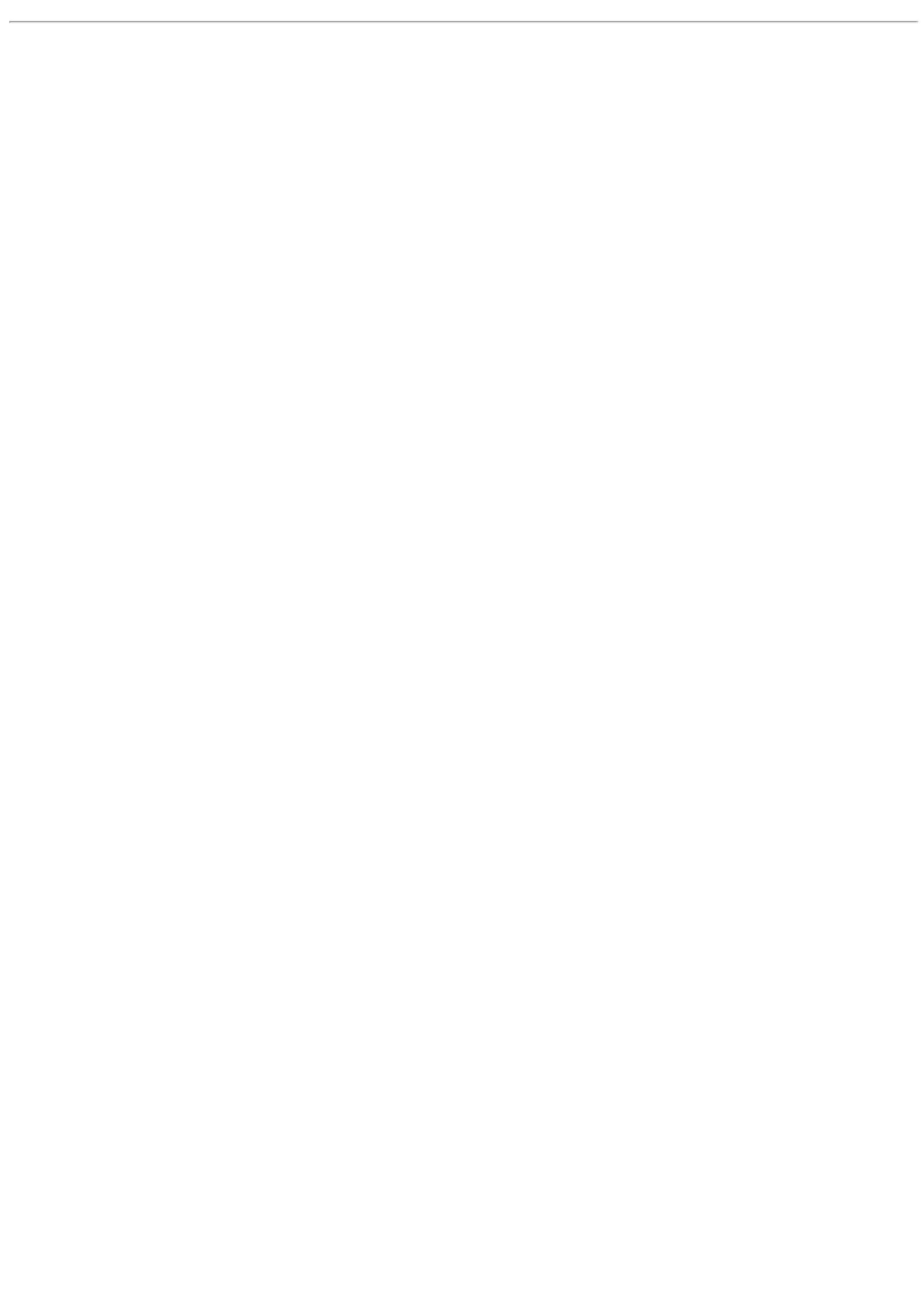
Achieving our long-term strategy will require investment in new capabilities, brands, categories, distribution channels, supply chain facilities, technologies and emerging and more mature geographic markets (e.g., China). These investments may result in short-term costs without any current sales and, therefore, may be dilutive to our earnings. In addition, we may dispose of or discontinue select brands or streamline operations and incur costs or restructuring and other charges in doing so. Although we believe that our strategy will lead to long-term growth in sales and profitability, we may not realize 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.

Acquisitions and divestitures may expose us to additional risks.

We continuously review acquisition and strategic investment opportunities that would expand our current product offerings, our distribution channels, increase the size and geographic scope of our operations or otherwise offer growth and operating efficiency opportunities. In addition, we periodically review our brand portfolio, and our strategy includes potential divestitures of certain brands as we rationalize product offerings. There can be no assurance that we will be able to identify these strategic actions and consummate such transactions on favorable terms.

Acquisitions including strategic investments or alliances entail numerous risks, which may include: (i) difficulties in integrating acquired operations or products, including the loss of key employees from, or customers, consumers or suppliers of, acquired businesses; (ii) diversion of management’s attention from our existing businesses; (iii) adverse effects on existing business relationships with suppliers, customers and consumers of ours or the companies in which we invest; (iv) adverse impacts of margin and product cost structures different from those of our current mix of business; (v) reputational risks associated with the activities of the businesses that we acquire or in which we invest; and (vi) risks of entering distribution channels, categories or markets in which we have limited or no prior experience.

If required, the financing for these transactions could result in an increase in our indebtedness, dilute the interests of our stockholders or both. The purchase price for some acquisitions may include additional amounts to be paid in cash in the future, a portion of which may be contingent on the achievement of certain future operating results of the acquired business. If the performance of any such acquired business exceeds such operating results, then we may incur additional charges and be required to pay additional amounts.



Completed acquisitions typically result in additional goodwill and/or an increase in other intangible assets on our balance sheet. We are required at least annually, or as facts and circumstances exist, to test goodwill and other intangible assets with indefinite lives to determine if impairment has occurred. We cannot accurately predict the amount and timing of any impairment of assets. Should the value of goodwill or other intangible assets become impaired, there could be a material adverse effect on our business.

Our failure to achieve the long-term plan for acquired businesses, as well as any other adverse consequences associated with our acquisition, divestiture and investment activities, could have a material adverse effect on our business.

Our business could be negatively impacted by social impact and sustainability matters.

There is an increased focus from certain investors, customers, consumers, regulators, employees, and other stakeholders concerning social impact and sustainability and other ESG matters. From time to time, we announce certain initiatives, including goals and commitments, regarding our focus areas, which include environmental matters, packaging, responsible sourcing, social investments and inclusion and diversity. We could fail, or be perceived to fail, in our achievement of such initiatives, or in accurately reporting our progress on such initiatives. Such failures could be due to changes in our business (e.g., shifts in business among distribution channels or acquisitions). Moreover, the standards by which ESG efforts and related matters are measured are developing and evolving, and certain areas are subject to assumptions that could change over time. In addition, we could be criticized for the scope of our initiatives or goals or perceived as not acting responsibly in connection with these matters. Any such matters, or related ESG matters, could have a material adverse effect on our business.

A general economic downturn, or sudden disruption in business conditions may affect consumer purchases of discretionary items and/or the financial strength of our customers that are retailers, which could adversely affect our financial results.

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 generally, all of which are beyond our control. Consumer purchases of discretionary items tend to decline during recessionary periods, when disposable income is lower, and may impact sales of our products. A decline in consumer purchases of discretionary items also tends to impact our customers that are retailers. We generally extend credit to a retailer based on an evaluation of its financial condition, usually without requiring collateral. However, the financial difficulties of a retailer could cause us to curtail or eliminate business with that customer. We may also assume more credit risk relating to the receivables from that retailer. In the event of a retailer liquidation, we may incur additional costs if we choose to purchase the retailer's inventory of our products to protect brand equity. Our inability to collect receivables from our largest customers or from a group of customers could have a material adverse effect on our business.

In addition, sudden disruptions in local or global business conditions, for example, from events such as a pandemic or other health issues, geo-political or local conflicts, civil unrest, terrorist attacks, adverse weather conditions, climate changes or seismic events, can have a short-term and, sometimes, long-term impact on consumer spending.

Events that impact consumers' willingness or ability to travel or purchase our products while traveling may impact our business, including travel retail, a significant contributor to our overall results, and our strategy to market and sell products to international travelers at their destinations.

A downturn in the economies of, or continuing recessions in, the countries where we sell our products or a sudden disruption of business conditions in those countries could adversely affect consumer confidence, the financial strength of our retailers and our sales and profitability. We are also cautious of foreign currency movements, including their impact on tourism. Additionally, we continue to monitor the effects of the global macroeconomic environment; social, political and human rights issues; regulatory matters, including the imposition of tariffs or sanctions; geopolitical tensions; and global security issues.

Volatility in the financial markets and a related economic downturn in key markets or markets generally throughout the world could have a material adverse effect on our business. While we typically 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 or an adverse change in our credit ratings could make future financing difficult or more expensive. If any financial institutions that are parties to our revolving credit facility or other financing arrangements, such as foreign exchange or interest rate 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 unhedged against certain foreign currency or interest rate exposures which could have a material adverse effect on our business.

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

Our success depends, in part, on the quality, efficacy and safety of our products. If our products are found to be defective or unsafe, our product claims are found to be deceptive, or our products otherwise fail to meet our consumers' expectations, our relationships with customers or consumers could suffer, the appeal of our brands could be diminished, and we could lose sales and become subject to liability or claims, any of which could result in a material adverse effect on our business. In addition, counterfeit versions of some of our products may be sold by third parties, which may pose safety risks, may fail to meet consumers' expectations, and may have a negative impact on our business.

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

Our success depends, in part, on our ability to retain our key personnel, including our executive officers and senior management team. The unexpected loss of, or misconduct by, one or more of our key employees could adversely affect our business. Our success also depends, in part, on our continuing ability to identify, hire, train and retain personnel across all levels of our business. Competition for employees can be intense. We may not be able to attract, assimilate or retain necessary personnel in the future, and our failure to do so could have a material adverse effect on our business. This risk may be exacerbated by the stresses associated with the implementation of our strategic plan and other initiatives, as well as by market conditions.

We are subject to risks related to the global scope of our operations.

We operate on a global basis, with a substantial majority of our fiscal 2022 net sales and operating income generated outside the United States. We maintain offices in over 50 countries and have key operational facilities located inside and outside the United States that manufacture, warehouse or distribute goods for sale throughout the world. Our global operations are subject to many risks and uncertainties, including: (i) fluctuations in foreign currency exchange rates and the relative costs of operating in different places, which can affect our results of operations, the value of our foreign assets, the relative prices at which we and competitors sell products in the same markets, the cost of certain inventory and non-inventory items required in our operations, and the relative prices at which we sell our products in different markets; (ii) foreign or U.S. laws, regulations and policies, including restrictions on trade, immigration and travel, operations, and investments; currency exchange controls; restrictions on imports and exports, including license requirements; tariffs; sanctions; and taxes; (iii) lack of well-established or reliable legal and administrative systems in certain countries in which we operate; (iv) adverse weather conditions and natural disasters; (v) concentration of sales growth or profitability in one or more countries (e.g., China); and (vi) social, economic and geopolitical conditions, such as a pandemic, terrorist attack, war or other military action. These risks could have a material adverse effect on our business.

A disruption in our operations or supply chain 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, capacity constraints, disruptions in ingredient, material or packaging supply, as well as global shortages, disruptions in supply chain or information technology, loss or impairment of key manufacturing or distribution sites or suppliers, product quality control, safety, increase in commodity prices and energy costs, licensing requirements and other regulatory issues, as well as natural disasters and other external factors over which we have no control. If such an event were to occur, it could have a material adverse effect on our business.

We use a wide variety of direct and indirect suppliers of goods and services from around the world. Some of our products rely on a single or a limited number of suppliers. Changes in the financial or business condition of our suppliers could subject us to losses or adversely affect our ability to bring products to market. Further, the failure of our suppliers to deliver goods and services in sufficient quantities, in compliance with applicable standards, and in a timely manner could adversely affect our customer service levels and overall business. In addition, any increases in the costs of goods and services for our business 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 our operations.

As we outsource functions, we become more dependent on the entities performing those functions.

As part of our long-term strategy, we are continually looking for opportunities to provide essential business services in a more cost-effective manner. In some cases, this requires the outsourcing of functions or parts of functions that can be performed more effectively by external service providers. These include certain information technology, supply chain, finance and human resource functions. The failure of one or more such providers to deliver the expected services, provide them on a timely basis or to provide them at the prices we expect may have a material adverse effect on our business. In addition, when we transition external service providers, we may experience challenges that could have a material adverse effect on our business.

Risks related to Legal and Regulatory Matters

Changes in laws, regulations and policies that affect our business could adversely affect our financial results.

Our business is subject to numerous laws, regulations and policies around the world. Changes in these laws, regulations and policies, including the interpretation or enforcement thereof, that affect our business could adversely affect our financial results. These changes include accounting standards, as well as laws and regulations relating to tax matters, trade (including sanctions), data privacy (e.g., General Data Protection Regulation (GDPR)), cybersecurity, anti-corruption, advertising, marketing, manufacturing, distribution, customs matters, product registration, ingredients, chemicals, packaging, selective distribution, and environmental or climate change matters.

Disputes and other legal or regulatory proceedings could adversely affect our financial results.

We are, and may in the future become, party to litigation, other disputes or regulatory proceedings across a wide range of matters, including ones relating to product liability matters (including asbestos-related claims), advertising, regulatory, employment, intellectual property, real estate, environmental, trade relations, tax and privacy. In general, claims made by us or against us in litigation, disputes or other proceedings can be expensive and time consuming and could result in settlements, injunctions or damages that could significantly affect our business. It is not possible to predict the final resolution of the litigation, disputes or proceedings to which we currently are or may in the future become party to, and the impact of certain of these matters could have a material adverse effect on our business.

Government reviews, inquiries, investigations and actions could harm our business.

As we operate in various locations around the world, our operations are subject to governmental scrutiny and may be adversely impacted by the results of such scrutiny. The regulatory environment with regard to our business is evolving, and officials often exercise broad discretion in deciding how to interpret and apply applicable regulations. From time to time, we may receive formal and informal inquiries from various government regulatory authorities, as well as self-regulatory organizations, about our business and compliance with local laws, regulations or standards. Any determination that our operations or activities, or the activities of our employees, are not in compliance with existing laws, regulations or standards could negatively impact us in a number of ways, including the imposition of substantial fines, interruptions of business, loss of supplier, vendor or other third-party relationships, termination of necessary licenses and permits, or similar results, all of which could potentially harm our business. Regardless of the outcomes, these reviews, inquiries, investigations and actions could create negative publicity which could harm our business.

Risks related to Technology and Cybersecurity Matters

Our information technology and websites may be susceptible to cybersecurity breaches, outages and other risks.

We rely on information technology that supports our business processes, including product development, marketing, sales, order processing, production, distribution, finance and intracompany communications throughout the world. We have e-commerce, m-commerce and other Internet websites in the United States and many other countries. These systems may be susceptible to outages due to fire, floods, power loss, telecommunications failures, break-ins and other events. Our systems and data may be vulnerable to constantly evolving cybersecurity threats such as malware, break-ins and similar disruptions from unauthorized tampering. The occurrence of these or other events could disrupt or damage our information technology, including operational technology, and adversely affect our business. Insurance policies that may provide coverage with regard to such events may not cover any or all of the resulting financial losses.



Failure to adequately maintain the security of our electronic and other confidential information could materially adversely affect our business.

We are dependent upon automated information technology processes. As part of our normal business activities, we collect and store certain information that is confidential, proprietary or otherwise sensitive, including personal information with respect to customers, consumers and employees. We share some of this information with certain vendors who assist us with business matters. Moreover, the success of our e-commerce and m-commerce operations depends upon the secure transmission of confidential and personal data over public networks, including the use of cashless payments. Any failure on the part of us or our vendors to maintain the security of our confidential data and personal information, including via the penetration of our network security and the misappropriation of confidential and personal information, could result in business disruption, damage to our reputation, financial obligations to third parties, fines, penalties, regulatory proceedings and private litigation with potentially large costs, and also result in deterioration in our employees', consumers' and customers' confidence in us and other competitive disadvantages, and thus could have a material adverse effect on our business. In addition, a security or data privacy breach could require that we expend significant additional resources to enhance our information security systems and could result in a disruption to our operations. Furthermore, third parties, including our suppliers and customers, also rely on information technology and may be subject to cybersecurity breaches that could impact their businesses and could in turn disrupt our supply chain and/or our business.

We are subject to risks associated with our global information technology.

Our implementation, maintenance and utilization of global information technology, including operational technology, supply chain and finance systems, human resource management systems, creative asset management and retail operating systems, as well as associated hardware and use of cloud-based models, involve risks and uncertainties. Failure to implement, maintain or utilize these and other systems as planned, in terms of timing, specifications, security policies, costs, or otherwise, could have a material adverse effect on our business.

Risks related to our Securities and our Ownership Structure

The trading prices of our securities periodically may rise or fall based on the accuracy of predictions of our financial performance.

Our business planning process is designed to maximize our long-term strength, growth and profitability, not to achieve an earnings target in any particular fiscal quarter. We believe that this longer-term focus is in the best interests of the Company and our stockholders. At the same time, however, we recognize that it may be helpful to provide investors with guidance as to our expectations regarding certain aspects of our business. This could include forecasts of net sales, earnings per share and other financial metrics or projections. We assume no responsibility to provide or update guidance, and any longer-term guidance we may provide is based on goals that we believe, at the time guidance is given, are reasonably attainable for growth and performance over a number of years. We historically have paid dividends on our common stock and repurchased shares of our Class A Common Stock; however, at times we have suspended the declaration of dividends and/or the repurchase of our Class A Common Stock. Going forward, at any time, we could stop or suspend payment of dividends or stop or suspend our stock repurchase program, and any such action could cause the market price of our stock to decline.

In all of our public statements when we make, or update, a forward-looking statement about our business, whether it be about net sales or earnings expectations or expectations regarding restructuring or other initiatives, or otherwise, we accompany such statements directly, or by reference to a public document, with a list of factors that could cause our actual results to differ materially from those we expect. Such a list is included, among other places, in our earnings press release and in our periodic filings with the SEC (e.g., in our reports on Form 10-K and Form 10-Q). These and other factors may make it difficult for us and for outside observers, such as research analysts, to predict what our earnings or other financial metrics, or business outcomes, will be in any given fiscal quarter or year.

Outside analysts and investors have the right to make their own predictions of our business for any future period. Outside analysts, however, have access to no more material information about our results or plans than any other public investor, and we do not endorse their predictions as to our future performance. Nor do we assume any responsibility to correct the predictions of outside analysts or others when they differ from our own internal expectations. If our actual results differ from those that outside analysts or others have been predicting, the market price of our securities could be affected. Investors who rely on the predictions of outside analysts or others when making investment decisions with respect to our securities do so at their own risk. We take no responsibility for any losses suffered as a result of such changes in the prices of our securities.

We are controlled by the Lauder family. As a result, the Lauder family has the ability to prevent or cause a change in control or approve, prevent or influence certain actions by us.

As of August 17, 2022, members of the Lauder family beneficially own, directly or indirectly, shares of the Company's Class A Common Stock (with one vote per share) and Class B Common Stock (with 10 votes per share) having approximately 84% of the outstanding voting power of the Common Stock. In addition, there are four members of the Lauder family who are Company employees and members of our Board of Directors.

As a result of their stock ownership and positions at the Company, as well as our dual-class structure, the Lauder family has the ability to exercise significant control and influence over our business, including all matters requiring stockholder approval (e.g., the election of directors, amendments to the certificate of incorporation, and significant corporate transactions, such as a merger or other sale of our Company or its assets) for the foreseeable future. In addition, if significant stock indices decide to prohibit the inclusion of companies with dual-class stock structures, the price of our Class A Common Stock could be negatively impacted and could become more volatile.

We are a "controlled company" within the meaning of the New York Stock Exchange rules and, as a result, are relying on exemptions from certain corporate governance requirements that are designed to provide protection to stockholders of companies that are not "controlled companies."

The Lauder family and their related entities own more than 50% of the total voting power of our common shares and, as a result, we are a "controlled company" under the New York Stock Exchange corporate governance standards. As a controlled company, we are exempt under the New York Stock Exchange standards from the obligation to comply with certain New York Stock Exchange corporate governance requirements, including the requirements that (1) a majority of our board of directors consists of independent directors; (2) we have a nominating committee that is composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities; and (3) we have a compensation committee that is composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities.

While we have voluntarily caused our Board to have a majority of independent directors and the written charters of our Nominating and ESG Committee and the Compensation Committee to have the required provisions, we are not requiring our Nominating and ESG Committee and Compensation Committee to be comprised solely of independent directors. As a result of our use of the "controlled company" exemptions, investors will not have the same protection afforded to stockholders of companies that are subject to all of the New York Stock Exchange corporate governance requirements.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

The following table sets forth our principal owned and leased manufacturing, assembly, research and development ("R&D") and distribution facilities, some of which include contiguous office space, as well as our principal executive offices, as of August 17, 2022. The leases expire at various times through 2079 subject to certain renewal options.

	The Americas		Europe, the Middle East & Africa		Asia/Pacific	
	Owned	Leased	Owned	Leased	Owned	Leased
Manufacturing	2	2	2	—	—	—
R&D	1	2	—	—	—	1
Distribution	—	6	1	9	—	2
Manufacturing and R&D	1	—	1	—	—	—
Manufacturing and Assembly	—	3	—	—	—	—
Distribution and Manufacturing	—	—	1	—	—	—
Principal Executive Offices	—	1	—	—	—	—
Total	4	14	5	9	—	3

Certain of our manufacturing facilities are utilized primarily for the production of products relating to particular product categories: three for makeup; two for skin care; two for skin care and fragrance; and one for skin care and hair care. As demand changes, certain of our manufacturing facilities can produce products from categories other than their primary category. In fiscal 2022, four of our primarily makeup facilities also produced a significant volume of skin care products. In fiscal 2021, we began construction of a new manufacturing facility near Tokyo that we will own. Construction of the first phase was completed in fiscal 2022 and we expect the remainder of the site to be completed and operational in early fiscal 2024.

In fiscal 2021, we began construction at a newly leased site that will become our innovation center in Shanghai. Construction is nearly completed and the facility is now expected to be operational in early fiscal 2023.

We consider our properties to be generally in good condition and believe that our facilities are adequate for our operations and provide sufficient capacity to meet anticipated requirements.

Item 3. Legal Proceedings.

For a discussion of legal proceedings, see *Item 8. Financial Statements and Supplementary Data - Note 16 - Commitments and Contingencies*.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Market for Registrant's Common Equity and Related Stockholder Matters

Our Class A Common Stock is publicly traded on the New York Stock Exchange under the symbol "EL."

On August 17, 2022, a dividend was declared in the amount of \$.60 per share on our Class A and Class B Common Stock. The dividend is payable in cash on September 15, 2022 to stockholders of record at the close of business on August 31, 2022. We expect to continue the payment of cash dividends in the future, but there can be no assurance that the Board of Directors will continue to declare them.

As of August 17, 2022, there were 2,201 record holders of Class A Common Stock and 13 record holders of Class B Common Stock.

Share Repurchase Program

We are authorized by the Board of Directors to repurchase shares of our Class A Common Stock in the open market or in privately negotiated transactions, depending on market conditions and other factors. The following table provides information relating to our repurchase of Class A Common Stock during the referenced periods:

Period	Total Number of Shares Purchased ⁽¹⁾	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Maximum Number of Shares that May Yet Be Purchased Under the Program ⁽²⁾
April 2022	617,017	\$ 266.80	616,083	26,351,471
May 2022	339,298	244.73	338,189	26,013,282
June 2022	251,044	249.51	132,500	25,880,782
	<u>1,207,359</u>	<u>257.00</u>	<u>1,086,772</u>	

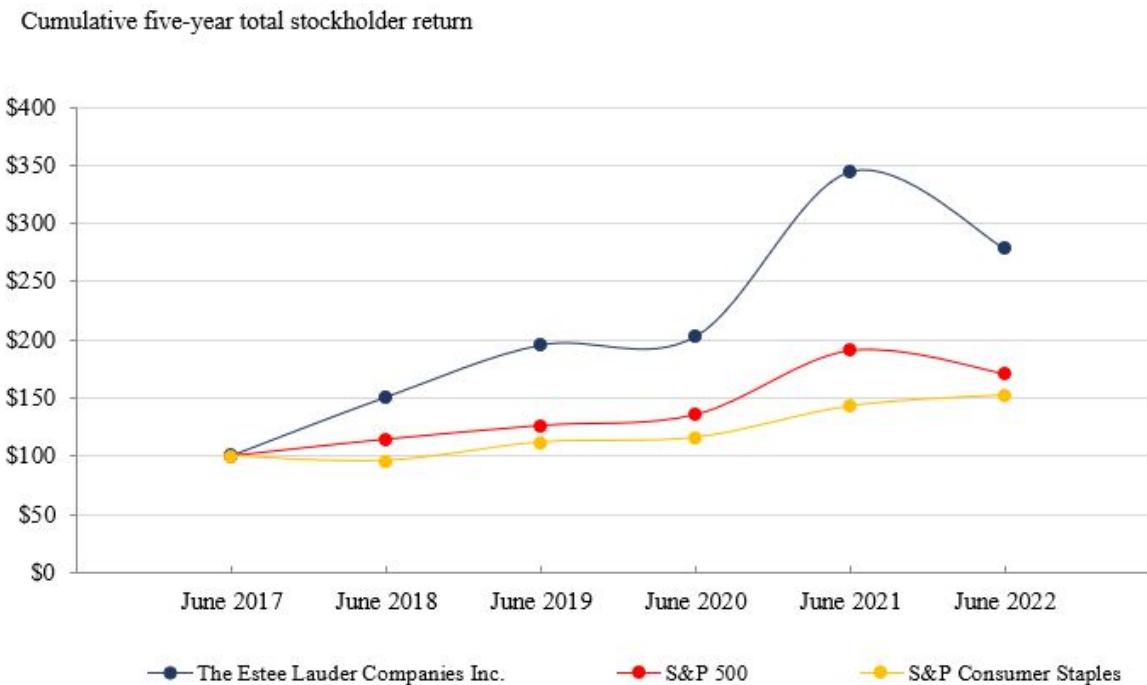
⁽¹⁾ Includes shares that were repurchased by the Company to satisfy tax withholding obligations upon the payout of certain stock-based compensation arrangements.

⁽²⁾ The Board of Directors has authorized the current repurchase program for up to 80.0 million shares. The total amount was last increased by the Board on October 31, 2018. Our repurchase program does not have an expiration date.

Subsequent to June 30, 2022 and as of August 17, 2022, we purchased approximately 0.2 million additional shares of our Class A Common Stock for \$63 million pursuant to our share repurchase program.

Performance Graph

The following graph compares the cumulative five-year total stockholder return (stock price appreciation plus dividends) on the Company's Class A Common Stock with the cumulative total return of the S&P 500 Index and the S&P Consumer Staples Index. The returns are calculated by assuming an investment of \$100 in the Class A Common Stock and in each index on June 30, 2017.



Item 6. [Reserved]

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

RESULTS OF OPERATIONS

We manufacture, market and sell beauty products including those in the skin care, makeup, fragrance and hair care categories, which are distributed in approximately 150 countries and territories. The following table is a comparative summary of operating results for fiscal 2022, 2021 and 2020 and reflects the basis of presentation described in *Item 8. Financial Statements and Supplementary Data - Note 2 - Summary of Significant Accounting Policies and Note 22 - Segment Data and Related Information* for all periods presented. Products and services that do not meet our definition of skin care, makeup, fragrance and hair care have been included in the "other" category.

(In millions)	Year Ended June 30		
	2022	2021	2020
NET SALES			
By Product Category:			
Skin Care	\$ 9,886	\$ 9,484	\$ 7,382
Makeup	4,667	4,203	4,794
Fragrance	2,508	1,926	1,563
Hair Care	631	571	515
Other	49	45	40
	<u>17,741</u>	<u>16,229</u>	<u>14,294</u>
Returns associated with restructuring and other activities	(4)	(14)	—
Net sales	<u>\$ 17,737</u>	<u>\$ 16,215</u>	<u>\$ 14,294</u>
By Region⁽¹⁾:			
The Americas	\$ 4,623	\$ 3,797	\$ 3,794
Europe, the Middle East & Africa	7,681	6,946	6,262
Asia/Pacific	5,437	5,486	4,238
	<u>17,741</u>	<u>16,229</u>	<u>14,294</u>
Returns associated with restructuring and other activities	(4)	(14)	—
Net sales	<u>\$ 17,737</u>	<u>\$ 16,215</u>	<u>\$ 14,294</u>
OPERATING INCOME (LOSS)			
By Product Category:			
Skin Care	\$ 2,753	\$ 3,036	\$ 2,125
Makeup	133	(384)	(1,438)
Fragrance	456	215	17
Hair Care	(28)	(19)	(19)
Other	—	(2)	4
	<u>3,314</u>	<u>2,846</u>	<u>689</u>
Charges associated with restructuring and other activities	(144)	(228)	(83)
Operating income	<u>\$ 3,170</u>	<u>\$ 2,618</u>	<u>\$ 606</u>
By Region⁽¹⁾:			
The Americas	\$ 1,159	\$ 518	\$ (1,044)
Europe, the Middle East & Africa	1,360	1,335	997
Asia/Pacific	795	993	736
	<u>3,314</u>	<u>2,846</u>	<u>689</u>
Charges associated with restructuring and other activities	(144)	(228)	(83)
Operating income	<u>\$ 3,170</u>	<u>\$ 2,618</u>	<u>\$ 606</u>

⁽¹⁾ The net sales from the Company's travel retail business are included in the Europe, the Middle East & Africa region, with the exception of net sales of Dr.Jart+ in the travel retail channel that are reflected in Korea in the Asia/Pacific region. Operating income attributable to the travel retail sales included in Europe, the Middle East & Africa is included in that region and in The Americas.

The following table presents certain consolidated earnings data as a percentage of net sales:

	Year Ended June 30		
	2022	2021	2020
Net sales	100.0 %	100.0 %	100.0 %
Cost of sales	24.3	23.6	24.8
Gross profit	75.7	76.4	75.2
Operating expenses:			
Selling, general and administrative	55.7	57.8	60.4
Restructuring and other charges	0.8	1.3	0.5
Goodwill impairment	—	0.3	5.7
Impairment of other intangible and long-lived assets	1.4	0.8	4.3
Total operating expenses	57.9	60.2	70.9
Operating income	17.9	16.1	4.2
Interest expense	0.9	1.1	1.1
Interest income and investment income, net	0.2	0.3	0.3
Other components of net periodic benefit cost	—	(0.1)	—
Other income, net	—	5.2	3.9
Earnings before income taxes	17.1	20.5	7.3
Provision for income taxes	(3.5)	(2.8)	(2.4)
Net earnings	13.6	17.7	4.9
Net earnings attributable to noncontrolling interests	—	(0.1)	(0.1)
Net loss (earnings) attributable to redeemable noncontrolling interest	(0.1)	—	—
Net earnings attributable to The Estée Lauder Companies Inc.	13.5 %	17.7 %	4.8 %

Not adjusted for differences caused by rounding

Period-over-period changes in our net sales are generally attributable to the impacts from (i) pricing on our base portfolio, including changes in strategic pricing actions and mix, (ii) volume, including changes driven by the impact of new product innovation, (iii) acquisitions and/or divestitures, and/or (iv) foreign currency translation.

The net sales impact from pricing consists of changes in list prices, due to strategic pricing initiatives, and mix shifts within and among product categories, geographic regions and distribution channels. The prices at which we sell our products vary by brand, distribution channel (e.g., wholesale or direct-to-consumer) and may also vary by country. Our brands and products cover a broad array of pricing tiers. Prices of skin care and fragrance products are typically higher than makeup and hair care products.

New product innovation includes the introduction of new products, as well as the innovation of existing products, including reformulations, regional expansion, repackaging and sets. A product is considered "new innovation" for the twelve-month period following the initial shipment date. Our innovation is launched at different price points than existing products and value derived from innovation may vary from year to year. We continually introduce new products, support new and established products through advertising, merchandising and sampling and phase out existing products that no longer meet the needs of our consumers or our objectives. The economics of developing, producing, launching, supporting and discontinuing products impact our sales and operating performance each period. The introduction of new products often has some cannibalizing effect on sales of existing products, which we take into account in our business planning. The impact of new product introductions, including timing compared to introductions in prior periods, also affects our results.

Non-GAAP Financial Measures

We use certain non-GAAP financial measures, among other financial measures, to evaluate our operating performance, which represent the manner in which we conduct and view our business. Management believes that excluding certain items that are not comparable from period to period helps investors and others compare operating performance between periods. While we consider the non-GAAP measures useful in analyzing our results, they are not intended to replace, or act as a substitute for, any presentation included in the consolidated financial statements prepared in conformity with U.S. GAAP. See *Reconciliations of Non-GAAP Financial Measures* beginning on page 49 for reconciliations between non-GAAP financial measures and the most directly comparable U.S. GAAP measures.

We operate on a global basis, with the majority of our net sales generated outside the United States. Accordingly, fluctuations in foreign currency exchange rates can affect our results of operations. Therefore, we present certain net sales, operating results and diluted net earnings per common share information excluding the effect of foreign currency rate fluctuations to provide a framework for assessing the performance of our underlying business outside the United States. Constant currency information compares results between periods as if exchange rates had remained constant period-over-period. Beginning in fiscal 2022, we calculate constant currency information by translating current-period results using monthly average foreign currency exchange rates and adjusting for the period-over-period impact of foreign currency cash flow hedging activities. Prior to fiscal 2022, constant currency information was calculated using the prior-year period weighted-average exchange rates. This change is not material to prior-period constant currency information presented herein.

Overview

COVID-19 Business Update

The COVID-19 pandemic continued to disrupt our operating environment globally, primarily impacting supply chain, inventory levels and other logistics during the year ended June 30, 2022. The resurgence of COVID-19 cases in many Chinese provinces led to restrictions late in the fiscal 2022 third quarter that remained in place through the end of fiscal 2022 to prevent further spread of the virus. Consequently, retail traffic, travel, and distribution capabilities were temporarily curtailed. Our distribution facilities in Shanghai operated with limited capacity to fulfill brick-and-mortar and online orders beginning in mid-March 2022 and returned to normal capacity by early June 2022.

Government Assistance

Beginning in the second half of fiscal 2020, many governments in locations where we operate announced programs to assist employers whose businesses were impacted by the COVID-19 pandemic, including programs that provide rebates to incentivize employers to maintain employees on payroll who were unable to work for their usual number of hours. During fiscal 2022, 2021 and 2020, we qualified for and recorded \$12 million, \$84 million and \$99 million, respectively, in government assistance, which reduced Selling, general and administrative expenses by \$9 million, \$78 million and \$87 million, respectively, and Cost of sales by \$3 million, \$6 million and \$10 million, respectively. The remaining \$2 million recorded in fiscal 2020 was deferred and recognized in fiscal 2021 as a reduction to Cost of sales.

We will continue to monitor the impacts of COVID-19 and adjust our action plans accordingly as the situation progresses.

Business Update

We are a leader in prestige beauty, which combines the repeat purchase and relative affordability of consumer goods with high quality products and services. Within prestige beauty, we are well diversified by product category, geography, brand, product sub-category, channel, consumer segment and price point. This diversification allows us to leverage consumer analytics and insights with agility by deploying our brands to fast growing and profitable opportunities. These analytics and insights, combined with our creativity, inform our innovation to provide a broad, locally-relevant and inclusive range of prestige products allowing us to compete effectively for a greater share of a consumer's beauty routine.

- In fiscal 2022, our global prestige fragrance net sales increased 30%, leading category growth. Consumers gravitated to luxury and artisanal offerings from Jo Malone London, Tom Ford Beauty, Le Labo and Kilian Paris. Colognes led growth at Jo Malone London, while bath & body and home subcategories continued to thrive. Tom Ford Beauty saw strong fragrance growth across regions owing to the popularity of Oud Wood and the launch of Ombre Leather Parfum. Outstanding growth from Le Labo and Kilian Paris reflected compelling activations and expanded consumer reach.

- We began to see demand for makeup products increase as COVID restrictions lifted and consumers returned to social and professional settings. In fiscal 2022, net sales in makeup grew double-digits driven by strong activations, expanded consumer reach and the launch of MACStack mascara, increases in Estée Lauder DoubleWear and Futurist foundation products, as well as a strong performance in foundation and lip from Clinique.
- Our skin care net sales growth reflected incremental net sales attributable to the increase in our ownership of DECIEM in the fiscal 2021 fourth quarter, as well as continued strength in La Mer hero products and the launches of the Hydrating Infused Emulsion and the upgrade to The Treatment Lotion. The category has been pressured by COVID restrictions, primarily in Asian markets, at various points throughout fiscal 2022.
- Our hair care net sales also grew double digits, reflecting brick-and-mortar channel recovery and new product launches from both Aveda and Bumble and bumble.

Our global distribution capability and operations allow us to focus on targeted expanded consumer reach wherever consumer demographics and trends are the most attractive. Our regional organizations, and the expertise of our people there, enable our brands to be more locally and culturally relevant in both product assortment and communications. We are evolving the way we connect with our consumers in stores, online and where they travel, including by expanding our digital and social media presence and the engagement of global and local influencers to amplify brand or product stories. We tailor implementation of our strategy by market to drive consumer engagement and embrace cultural diversity. We continuously strengthen our presence in large, image-building core markets, while broadening our presence in emerging markets.

- The increase in net sales during fiscal 2022 was led by The Americas, primarily reflecting the recovery of brick-and-mortar stores, targeted expanded consumer reach and incremental net sales attributable to the increase in our ownership of DECIEM in the fiscal 2021 fourth quarter.
- Net sales rose in Europe, the Middle East & Africa, led by recovery in western markets and emerging markets as brick-and-mortar retail reopened across the region. Europe, the Middle East & Africa also benefited from ongoing increases in our travel retail business, partly relating to the increase in traffic as a result of the easing of travel restrictions in The Americas and Europe, the Middle East & Africa.
- Net sales decreased slightly in Asia/Pacific, reflecting the resurgence of COVID-19 cases in many Chinese provinces which led to restrictions to further prevent the spread of the virus during the second half of fiscal 2022. Online continued to thrive, primarily due to the current-year launch on a new third-party online platform, while brick-and-mortar retail remains challenged.

As a result of the invasion of Ukraine, we suspended our business investments and initiatives and commercial activity in Russia and Ukraine in early March 2022. This included the temporary closure of our owned and authorized freestanding stores and our own brand sites.

As the safety of our employees remains a top priority, we continue to take significant steps to support our employees in Ukraine, including the continuance of compensation, maintenance of regular communication and offering relocation assistance, and continue to provide compensation and support to our employees in Russia. We are monitoring the effects of this conflict, including risks that may affect our business, and expect that we will adjust our plans accordingly as the situation progresses.

For the year ended June 30, 2022, the results of operations related to Russia and Ukraine were not material to our consolidated financial statements.

We approach distribution strategically by product category and location and seek to optimize distribution by matching our brands with appropriate opportunities while seeking to maintain high productivity per door. We are expanding our brands in online and travel retail, which we believe will be higher growth channels in the long term. We also focus on brand-building retail activities, technology-driven activations and omnichannel capabilities that enhance the shopping experience for consumers.

- As part of this strategy, we have built a leadership position in the global travel retail channel, that historically allowed us to leverage the robust and growing international passenger traffic. While COVID-19 has significantly curtailed international travel in the near-term, we are seeing some recovery in The Americas and Europe, the Middle East & Africa and we continue to believe that global travel retail is a long-term growth opportunity. Travel retail continues to be an important channel for brand building due to the increase in traveling consumers, particularly those from emerging markets, who often experience our brands for the first time while traveling. We continue to expand our strategic presence in travel retail across duty-free locations primarily in airports and downtown stores and increasingly through online retail. We engage consumers at the airport through compelling pop-up activations in non-traditional commercial areas, and we ensure we have appropriate communication and curated assortments for targeted consumer groups. At the same time, travel retail is susceptible to a number of external factors, including fluctuations in currency exchange rates and consumers' willingness and ability to travel and spend.
- Online net sales have continued to grow on a global basis, rising double digits for fiscal 2022. We continue to enhance and launch e- and m-commerce sites of our own in new and existing markets, collaborate with our retail customers on their e-commerce sites, and sell through select third-party online malls. We believe our success in delivering strong online growth is a result of adapting our strategy to meet local market and cultural needs. We also continue to develop and implement omnichannel concepts, virtual try-on tools and compelling content to deliver an integrated consumer experience and better serve consumers as they shop across channels.

Our multiple engines of growth, which have historically enabled us to produce excellent net sales growth, are also helping to mitigate the impact of the COVID-19 pandemic. We also benefited from the transformation of certain operations that freed up resources to invest behind further growth opportunities. Our Post-COVID Business Acceleration Program (described below) enabled us to reduce costs and invest in new capabilities such as digital marketing and data analytics as well as increased advertising.

In fiscal 2022, we continued to further integrate social impact and sustainability into our strategy and business operations. Areas of differentiation include climate & energy, green chemistry, social investments, employee engagement and safety and inclusion, diversity & equity. Other areas of focus include responsible sourcing, plastics & packaging, ingredient transparency, and animal welfare.

Outlook

The COVID-19 pandemic continues to disrupt business for us, retailers and other companies with which we do business. There have been, and are likely to continue to be, intermittent store closures and supply chain disruptions. We are mindful that these trends may continue to impact the pace of recovery. The continued curtailment in international travel is also affecting our travel retail business, particularly in Asia, which had been historically one of our fastest growth areas. In addition to impacting net sales and profitability, these and other challenges may adversely impact the goodwill and other intangible assets associated with our brands, as well as long-lived assets (i.e. potentially resulting in impairments).

We believe that the best way to increase long-term stockholder value is to continue providing superior products and services in the most efficient and effective manner while recognizing shifts in consumers' behaviors and shopping practices. Accordingly, our long-term strategy has numerous initiatives across geographic regions, product categories, brands, channels of distribution and functions designed to grow our sales, provide cost efficiencies, leverage our strengths and make us more productive and profitable. We plan to build upon and leverage our history of outstanding creativity and innovation, high quality products and services, and engaging communications while investing for long-term sustainable growth.

We continue to monitor the effects of the global macro environment, including the risk of recession; currency volatility; increasing inflationary pressures; supply chain disruptions; social and political issues; regulatory matters, including the imposition of tariffs and sanctions; geopolitical tensions; and global security issues. For example, we continue to monitor the geopolitical tensions between the United States and China, which could have a material adverse effect on our business. We are also mindful of inflationary pressures on our cost base and are monitoring the impact on consumer preferences.

In fiscal 2022, net sales from Donna Karan New York, DKNY, Michael Kors, Tommy Hilfiger and Ermenegildo Zegna accounted for approximately 1% of consolidated net sales and 10% of fragrance net sales. As noted above, we previously announced that we would not be renewing our license agreements for these product lines when their respective terms expire in June 2023. We have since negotiated early termination agreements with each of the licensors effective June 30, 2022 and continued to sell products under these licenses until such time. We are working with the licensors and their respective new licensee, where applicable, to transition the business to the new licensee.

The invasion of Ukraine has negatively impacted our operations in both Russia and Ukraine. In fiscal 2022, our operations in Ukraine and Russia accounted for approximately 1% of consolidated net sales. In March 2022, we announced a suspension of our business investments and initiatives and commercial activity in Russia. In July 2022, we liquidated the majority of our remaining in-market inventory. Future impacts on our business, including sanctions and counter-sanctions, are difficult to predict due to the high level of uncertainty as to how these developments will evolve. On a broader perspective, there could be additional negative impacts to our net sales, earnings, assets and cash flows should these matters continue or escalate; such impacts could include economic challenges in other countries because of inflationary pressures or other consequences. Please refer to Risk Factors in Part I, Item 1A of the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2022, for a more complete discussion of the risks we encounter in our business and industry.

The uncertainty around the timing, speed and duration of the recovery from the adverse impacts of the COVID-19 pandemic, including the impacts on our business of the ongoing restrictions in China, will continue to affect our ability to grow sales profitably. We believe we can, to some extent, offset the impact of more ordinary challenges by continually developing and pursuing a diversified strategy with multiple engines of growth and by accelerating initiatives focused on areas of strength, discipline and agility, and by executing upon our Post-COVID Business Acceleration Program. As the current situation continues to progress, if economic and social conditions or the degree of uncertainty or volatility worsen, or the adverse conditions previously described are further prolonged, there could be a further negative effect on consumer confidence, demand, spending and willingness or ability to travel and, as a result, on our business. We are continuing to monitor these and other risks that may affect our business.

Post-COVID Business Acceleration Program

On August 20, 2020, we announced a two-year restructuring program, Post-COVID Business Acceleration Program (the "PCBA Program"), designed to realign our business to address the dramatic shifts to our distribution landscape and consumer behaviors in the wake of the COVID-19 pandemic. The PCBA Program is designed to help improve efficiency and effectiveness by rebalancing resources to growth areas of prestige beauty. It is expected to further strengthen us by building upon the foundational capabilities in which we have invested.

The PCBA Program's main areas of focus include accelerating the shift to online with the realignment of our distribution network reflecting freestanding store and certain department store closures, with a focus on North America and Europe, the Middle East & Africa; the reduction in brick-and-mortar point of sale employees and related support staff; and the redesign of our regional branded marketing organizations, plus select opportunities in global brands and functions. This program is expected to position us to better execute our long-term strategy while strengthening our financial flexibility.

We previously estimated a net reduction over the duration of the PCBA Program in the range of approximately 2,000 to 2,500 positions globally, including temporary and part-time employees. We have revised these estimates based on the review of the PCBA Program. As of June 30, 2022, we estimate a net reduction over the duration of the PCBA Program in the range of 2,500 to 3,000 positions globally, including temporary and part-time employees. This reduction takes into account the elimination of some positions, retraining and redeployment of certain employees and investment in new positions in key areas. We also estimate the closure over the duration of the PCBA Program of approximately 10% to 15% of our freestanding stores globally, primarily in Europe, the Middle East & Africa and in North America.

We approved specific initiatives under the PCBA Program through fiscal 2022 and expect to substantially complete those initiatives through fiscal 2023. We previously estimated that the PCBA Program would result in related restructuring and other charges totaling between \$400 million and \$500 million, before taxes. After concluding the final approvals and reviewing the progress of previously approved initiatives under the PCBA Program that are being implemented, we have revised our estimates for cost approvals under the PCBA Program. Inclusive of approvals from inception through June 28, 2022, we now estimate that the PCBA Program may result in related restructuring and other charges totaling between \$500 million and \$515 million, before taxes.

We previously expected, once fully implemented, the PCBA Program to yield annual benefits, primarily in Selling, general and administrative expenses, of between \$300 million and \$400 million, before taxes. As of June 30, 2022, we now expect, once fully implemented, the PCBA Program to yield annual benefits, primarily in Selling, general and administrative expenses, of between \$390 million and \$410 million, before taxes. We expect to reinvest a portion of the savings behind future growth initiatives.

For additional information about restructuring and other charges, see *Item 8. Financial Statements and Supplementary Data - Note 8 - Charges Associated with Restructuring and Other Activities*.

Impairment Testing

We assess goodwill and other indefinite-lived intangible assets at least annually for impairment or more frequently if certain events or circumstances exist.

During the fiscal 2022 third quarter, given the lower-than-expected results from international expansion to areas that continue to be impacted by COVID-19, we made revisions to the internal forecasts relating to our GLAMGLOW reporting unit. We concluded that the changes in circumstances in the reporting unit triggered the need for an interim impairment review of its trademark intangible asset. The remaining carrying value of the trademark intangible asset was not recoverable and we recorded an impairment charge of \$11 million reducing the carrying value to zero.

During the fiscal 2022 third quarter, given the lower-than-expected growth within key geographic regions and channels for Dr.Jart+ that continue to be impacted by the spread of COVID-19 variants and resurgence in cases and the potential future impacts relating to the uncertainty of the duration and severity of COVID-19 impacting the financial performance of the brand, the lower than expected growth in key retail channels for DECIEM, and the lower than expected results from international expansion to areas that continue to be impacted by COVID-19 for Too Faced, we made revisions to the internal forecasts relating to the Dr.Jart+, DECIEM and Too Faced reporting units.

We concluded that the changes in circumstances in the reporting units triggered the need for interim impairment reviews of their trademarks and goodwill. These changes in circumstances were also an indicator that the carrying amounts of Dr.Jart+'s, DECIEM's and Too Faced's long-lived assets, including customer lists, may not be recoverable. Accordingly, we performed interim impairment tests for the trademarks and a recoverability test for the long-lived assets as of February 28, 2022. We concluded that the carrying amounts of the long-lived assets were recoverable. For the Dr.Jart+ reporting unit, we also concluded that the carrying value of the trademark intangible asset exceeded its estimated fair value, which was determined utilizing the relief-from-royalty method to determine discounted projected future cash flows, and recorded an impairment charge of \$205 million. For the Too Faced and DECIEM reporting units, as the carrying values of the trademarks did not exceed their estimated fair values, which were determined utilizing the relief-from-royalty method to determine discounted projected future cash flows, we did not record impairment charges. The estimated fair values of Too Faced's and DECIEM's trademarks exceeded their carrying values by 13% and 3%, respectively. For the Too Faced and DECIEM trademark intangible assets, if all other assumptions are held constant, an increase of 100 basis points and 50 basis points, respectively, in the weighted average cost of capital would result in an impairment charge. After adjusting the carrying values of the trademarks, we completed interim quantitative impairment tests for goodwill. As the estimated fair value of the Dr.Jart+, DECIEM and Too Faced reporting units were in excess of their carrying values, we concluded that the carrying amounts of the goodwill were recoverable and did not record a goodwill impairment charge related to these reporting units. The fair values of these reporting units were based upon an equal weighting of the income and market approaches, utilizing estimated cash flows and a terminal value, discounted at a rate of return that reflects the relative risk of the cash flows, as well as valuation multiples derived from comparable publicly traded companies that are applied to operating performance of the reporting units. The significant assumptions used in these approaches include revenue growth rates and profit margins, terminal values, weighted average cost of capital used to discount future cash flows and royalty rates for trademarks. The most significant unobservable input used to estimate the fair value of the Dr.Jart+ trademark intangible asset was the weighted-average cost of capital, which was 10.5%.

Based on our annual goodwill and other indefinite-lived intangible asset impairment testing as of April 1, 2022, we determined that the carrying value of the Dr.Jart+ trademark exceeded its fair value. This determination was made based on updated internal forecasts. Given the lower-than-expected growth within key geographic regions and channels that continued to be impacted by the spread of COVID-19 variants, the resurgence in cases, regional lockdowns and the potential future impacts relating to the uncertainty of the duration and severity of COVID-19 impacting the financial performance of the brand, we made revisions to the internal forecasts relating to the Dr.Jart+ reporting unit. These changes in circumstances were also indicators that the carrying amounts of their respective long-lived assets may not be recoverable. We concluded that the carrying value of the trademark intangible asset exceeded its estimated fair value, which was determined utilizing the relief-from-royalty method to determine discounted projected future cash flows, and recorded an impairment charge of \$25 million. We concluded that the carrying amount of the long-lived assets were recoverable. After adjusting the carrying value of the trademark, we completed a quantitative impairment test for goodwill. As the estimated fair value of the reporting unit was in excess of its carrying value, we concluded that the carrying amount of the goodwill was recoverable and did not record a goodwill impairment charge related to the reporting unit. The fair value of the reporting unit was based upon an equal weighting of the income and market approaches, utilizing estimated cash flows and a terminal value, discounted at a rate of return that reflects the relative risk of the cash flows, as well as valuation multiples derived from comparable publicly traded companies that are applied to operating performance of the reporting units. The significant assumptions used in these approaches include revenue growth rates and profit margins, terminal values, weighted average cost of capital used to discount future cash flows and royalty rates for trademarks. The most significant unobservable input used to estimate the fair value of the trademark intangible asset was the weighted-average cost of capital, which was 10.5%.

A summary of the trademark impairment charges for the three and twelve months ended June 30, 2022 and the remaining carrying values as of June 30, 2022, for each reporting unit, are as follows:

(In millions)	Geographic Region	Impairment Charge		Carrying Value
Reporting Unit:		Three Months Ended June 30, 2022	Twelve Months Ended June 30, 2022	As of June 30, 2022
GLAMGLOW	The Americas	\$ —	\$ 11	\$ —
Dr.Jart+	Asia/Pacific	25	230	428
Total		\$ 25	\$ 241	\$ 428

The impairment charges for the three and twelve months ended June 30, 2022 were reflected in the skin care product category.

The fair values of all reporting units, which were determined based on quantitative assessments, with goodwill were substantially in excess of their respective carrying values, with the exception of the DECIEM reporting unit. The carrying value of the DECIEM reporting unit as of June 30, 2022 approximated its fair value.

The fair value of the Dr.Jart+ trademark was equal to its carrying value subsequent to the impairment charge taken as of April 1, 2022. Additionally, the fair values of the Smashbox, DECIEM and Too Faced trademark intangible assets approximated their carrying values as of April 1, 2022. The key assumptions used to determine the estimated fair value of the reporting unit are primarily predicated on the estimated future impacts of COVID-19, the success of future new product launches, the achievement of distribution expansion plans, and the realization of cost reduction and other efficiency efforts. If such plans do not materialize, or if there are further challenges in the business environments in which the reporting unit operates, resulting changes in the key assumptions could have negative impacts on the estimated fair value of the reporting unit and it is possible we could recognize additional impairment charges in the future.

For additional information, see *Item 8. Financial Statements and Supplementary Data – Note 6 – Goodwill and Other Intangible Assets*.

Fiscal 2021 as Compared with Fiscal 2020

Except as disclosed herein, see *Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Results of Operations* of the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2021 for the fiscal 2021 to fiscal 2020 comparative discussion.

Fiscal 2022 as Compared with Fiscal 2021**NET SALES**

(\$ in millions)	Year Ended June 30	
	2022	2021
As Reported:		
Net sales	\$ 17,737	\$ 16,215
\$ Change from prior year	1,522	1,921
% Change from prior year	9 %	13 %
Non-GAAP Financial Measure⁽¹⁾:		
% Change from prior year in constant currency	10 %	11 %

⁽¹⁾ See "Reconciliations of Non-GAAP Financial Measures" beginning on page 49 for reconciliations between non-GAAP financial measures and the most directly comparable U.S. GAAP measures.

Reported net sales increased in fiscal 2022, driven by higher net sales from every product category and in The Americas and Europe, the Middle East & Africa primarily reflecting (i) the continued progression towards brick-and-mortar and travel recovery compared to the prior-year challenges, which included widespread store closures, lower retail traffic, travel restrictions and quarantines, stemming from the COVID-19 pandemic; (ii) the continued success of hero product franchises; (iii) successful performance for holiday and key shopping moments (iv) new product launches; and (v) targeted expanded consumer reach.

Reported net sales increased from every product category in fiscal 2022. Fragrance net sales grew double digits, led by Jo Malone London, Tom Ford Beauty and Le Labo. The continued progression towards recovery in makeup compared to the prior-year period contributed to the double-digit increase in makeup net sales, led by M·A·C and Estée Lauder. Skin care net sales benefited from incremental net sales attributable to the increase in our ownership of DECIEM in the fiscal 2021 fourth quarter and higher results from La Mer, Bobbi Brown and Clinique, partially offset by lower results from Estée Lauder and Origins. Hair care net sales increased, due to higher net sales from Aveda and Bumble and bumble.

Fiscal 2022 reported net sales grew double digits in The Americas and Europe, the Middle East & Africa benefiting from incremental net sales attributable to the increase in our ownership of DECIEM in the fiscal 2021 fourth quarter. Net sales increased in Europe, the Middle East & Africa, reflecting recovery across the region, led by our travel retail business and the United Kingdom. The increases in net sales in The Americas reflected higher net sales throughout the region. Partially offsetting the increase in reported net sales in fiscal 2022 were lower net sales in Asia/Pacific, primarily due to a resurgence of COVID-19 cases across many Chinese provinces which led to restrictions to further prevent the spread of the virus during the second half of fiscal 2022.

The fiscal 2022 reported net sales increase was impacted by approximately \$88 million of unfavorable foreign currency translation.

Reported net sales increased 9% in fiscal 2022, driven by the increase from pricing of 7%, due to favorable impacts from changes in mix and strategic pricing actions; incremental net sales attributable to the increase in our ownership of DECIEM in the fiscal 2021 fourth quarter of 2%; and the increase from volume of 1%. Partially offsetting these increases was the unfavorable impact of foreign currency translation of 1%.

Reported net sales increased 13% in fiscal 2021, driven by the increase from volume of 7%, due to new product innovation. The increases from foreign currency translation, pricing and acquisitions individually accounted for approximately 2% of the increase in fiscal 2021 net sales.

Returns associated with restructuring and other activities are not allocated to our product categories or geographic regions because they result from activities that are deemed a Company-wide initiative to redesign, resize and reorganize select corporate functions and go-to-market structures. Accordingly, the following discussions of Net sales by *Product Categories* and *Geographic Regions* exclude the fiscal 2022 and fiscal 2021 impacts of returns associated with restructuring and other activities of approximately \$4 million and \$14 million, respectively.

Product Categories

Skin Care

(\$ in millions)	Year Ended June 30	
	2022	2021
As Reported:		
Net sales	\$ 9,886	\$ 9,484
\$ Change from prior year	402	2,102
% Change from prior year	4 %	28 %
Non-GAAP Financial Measure⁽¹⁾:		
% Change from prior year in constant currency	4 %	25 %

⁽¹⁾ See “Reconciliations of Non-GAAP Financial Measures” beginning on page 49 for reconciliations between non-GAAP financial measures and the most directly comparable U.S. GAAP measures.

Reported skin care net sales increased in fiscal 2022, primarily reflecting incremental net sales attributable to the increase in our ownership of DECIEM in the fiscal 2021 fourth quarter and higher net sales from La Mer, Bobbi Brown and Clinique, combined, of approximately \$837 million. Net sales from La Mer increased, led by our travel retail business and mainland China, primarily reflecting continued success of hero products, including Crème de la Mer and the upgrade to The Treatment Lotion, the current-year launch of The Hydrating Infused Emulsion, and targeted expanded consumer reach, including the current-year launch of a new third-party online platform in mainland China. Bobbi Brown net sales increased, led by our travel retail business and mainland China, primarily driven by continued success of hero products, such as Soothing Cleansing Oil and Vitamin Enriched Face Base, successful performance during holiday and key shopping moments and targeted expanded consumer reach. Clinique net sales increased, primarily driven by our travel retail business and North America, reflecting the continued success of existing products, such as the Take The Day Off line of products and Even Better Clinical Radical Dark Spot Corrector + Interrupter, and the current-year launch of Smart Clinical Repair Wrinkle Correcting Serum.

Partially offsetting the fiscal 2022 increase in skin care net sales were lower net sales from Estée Lauder and Origins of approximately \$528 million, combined. The decrease in net sales from Estée Lauder and Origins reflected the challenges due to the resurgence of COVID-19 cases in Asia during the second half of fiscal 2022, which led to restrictions to prevent further spread of the virus. Also contributing to the decrease in net sales for Estée Lauder was lower net sales from the Advanced Night Repair product franchise primarily due to the prior-period launch of Advanced Night Repair Synchronized Multi-Recovery Complex.

Reported skin care net sales increased 4% in fiscal 2022, driven by incremental net sales attributable to the increase in our ownership of DECIEM in the fiscal 2021 fourth quarter of 4%. Pricing contributed 9% to growth, due to favorable impacts from changes in mix and strategic pricing actions and was offset by the decrease from changes in volume of 9%, primarily due to new product innovation that reflected a difficult comparison to the prior year due to the launch of Advanced Night Repair Synchronized Multi-Recovery Complex and the challenges due to the resurgence of COVID-19 cases in Asia during the second half of fiscal 2022.

Reported skin care net sales increased 28% in fiscal 2021, driven by the increase from volume of 23%, due to new product innovation; incremental net sales attributable to the increase in our ownership of Dr.Jart+ in the second quarter of fiscal 2020 and the increase in our ownership of DECIEM in the fiscal 2021 fourth quarter of 4%, combined; the favorable impact from foreign currency translation of 3%. Partially offsetting these increases was a decrease from pricing of 2%, due to unfavorable impacts from changes in mix.

Makeup

(\$ in millions)	Year Ended June 30	
	2022	2021
As Reported:		
Net sales	\$ 4,667	\$ 4,203
\$ Change from prior year	464	(591)
% Change from prior year	11 %	(12)%
Non-GAAP Financial Measure⁽¹⁾:		
% Change from prior year in constant currency	12 %	(14)%

⁽¹⁾ See “Reconciliations of Non-GAAP Financial Measures” beginning on page 49 for reconciliations between non-GAAP financial measures and the most directly comparable U.S. GAAP measures.

Reported makeup net sales increased in fiscal 2022, led by higher net sales from M·A·C and Estée Lauder, of approximately \$337 million, combined. The continued progression towards recovery in makeup, including increased usage occasions compared to the prior-year period, led to the increase in makeup net sales in The Americas and Europe, the Middle East & Africa. The increase in net sales from M·A·C was primarily driven by the continued success of hero products, such as Studio Fix, current-year new product launches, such as MACStack mascara, and successful social media campaigns during key shopping moments. Net sales from Estée Lauder increased, led by our travel retail business, primarily due to the continued success of existing products, such as the Double Wear and Futurist product franchises and new product launches, such as the current-year launches of Double Wear Sheer Long-Wear Makeup.

The makeup net sales increase was impacted by approximately \$50 million of unfavorable foreign currency translation.

Reported makeup net sales increased 11% in fiscal 2022, driven by the increase from volume of 12%, given the continued progression towards recovery and increased makeup usage occasions compared to the prior-year period, partially offset by the unfavorable impact from foreign currency translation of 1%.

Reported makeup net sales decreased 12% in fiscal 2021, driven by the decrease from volume of 19%, due to the continued challenges from the COVID-19 pandemic, including fewer makeup usage occasions. Partially offsetting this decrease was an increase from pricing of 5%, due to favorable impacts from changes in mix and strategic pricing actions, and the favorable impact from foreign currency translation of 2%.

Fragrance

(\$ in millions)	Year Ended June 30	
	2022	2021
As Reported:		
Net sales	\$ 2,508	\$ 1,926
\$ Change from prior year	582	363
% Change from prior year	30 %	23 %
Non-GAAP Financial Measure⁽¹⁾:		
% Change from prior year in constant currency	32 %	21 %

⁽¹⁾ See “Reconciliations of Non-GAAP Financial Measures” beginning on page 49 for reconciliations between non-GAAP financial measures and the most directly comparable U.S. GAAP measures.

Reported fragrance net sales increased in fiscal 2022, primarily driven by Jo Malone London, Tom Ford Beauty and Le Labo of approximately \$440 million, combined. Fragrance net sales grew in every geographic region, reflecting continued growth in luxury fragrances, the brick-and-mortar and travel recovery in various parts of the world due to more store openings, and successful performance during holiday and key shopping moments. The increases in net sales from Jo Malone London also reflected the continued success of our hero products, current-year launches and continued growth of the cologne, home and bath & body subcategories. Net sales increased from Tom Ford Beauty, also reflecting the continued success of Private Blend and Signature fragrances, current-year product launches and the diversification of product offerings by region. Net sales from Le Labo increased, also reflecting the continued success of hero product franchises, current-year product launches and targeted expanded consumer reach.

The fragrance net sales increase was impacted by approximately \$33 million of unfavorable foreign currency translation.

Reported fragrance net sales increased 30% in fiscal 2022, driven by the increase from volume of 29%, primarily due to the continued growth in luxury fragrances, as well as the brick-and-mortar and travel recovery, and the increase from pricing of 3%, due to the favorable impacts from strategic pricing actions and changes in mix. Partially offsetting these increases was the unfavorable impact from foreign currency translation of 2%.

Reported fragrance net sales increased 23% in fiscal 2021, driven by the increase in pricing of 15%, due to favorable impacts from changes in mix and strategic pricing actions; the increase in volume of 5%, reflecting a recovery compared to the prior-year challenges and growth in luxury fragrances; and the favorable impact from foreign currency translation of 3%.

Hair Care

(\$ in millions)	Year Ended June 30	
	2022	2021
As Reported:		
Net sales	\$ 631	\$ 571
\$ Change from prior year	60	56
% Change from prior year	11 %	11 %
Non-GAAP Financial Measure⁽¹⁾:		
% Change from prior year in constant currency	12 %	9 %

⁽¹⁾ See “Reconciliations of Non-GAAP Financial Measures” beginning on page 49 for reconciliations between non-GAAP financial measures and the most directly comparable U.S. GAAP measures.

Reported hair care net sales increased in fiscal 2022, reflecting higher net sales from Aveda and Bumble and bumble of approximately \$47 million, combined, primarily due to the continued progression towards salon and retail store recovery in North America. Net sales from Aveda increased, reflecting the continued success of existing product franchises, the current-year relaunch of Full Spectrum Semi-Permanent Treatment Hair Color and Smooth Infusion, as well as new product launches. The increase in net sales from Bumble and bumble also reflected the success of hero products, current-year product launches of Bb. Thickening Plumping Mask and Bb. Thickening Go Big Plumping Treatment, and targeted expanded consumer reach.

The hair care net sales increase was impacted by approximately \$8 million of unfavorable foreign currency translation.

Reported hair care net sales increased 11% in fiscal 2022, driven by the increase from pricing of 15%, due to favorable impacts from changes in mix and strategic pricing actions. Partially offsetting this increase was a decrease from volume of 3%, due to new product innovation, including the launches of lower-priced products as compared to the prior-year period, and the unfavorable impact from foreign currency translation of 1%.

Reported hair care net sales increased 11% in fiscal 2021, driven by the increase from volume of 7%, due to new product innovation, including the launches of higher-priced products as compared to the prior-year period; the increase from pricing of 2%, primarily due to a favorable impact from strategic pricing actions; and the favorable impact from foreign currency translation of 2%.

Geographic Regions

We strategically time our new product launches by geographic market, which may account for differences in regional sales growth.

The Americas

(\$ in millions)	Year Ended June 30	
	2022	2021
As Reported:		
Net sales	\$ 4,623	\$ 3,797
\$ Change from prior year	826	3
% Change from prior year	22 %	— %
Non-GAAP Financial Measure⁽¹⁾:		
% Change from prior year in constant currency	21 %	1 %

⁽¹⁾ See “Reconciliations of Non-GAAP Financial Measures” beginning on page 49 for reconciliations between non-GAAP financial measures and the most directly comparable U.S. GAAP measures.

Reported net sales in The Americas increased in every country and product category in fiscal 2022, reflecting the brick-and-mortar and makeup recovery from the prior-year challenges that included store closures, lower retail traffic, fewer makeup usage occasions and quarantines, stemming from the COVID-19 pandemic. The net sales increases were led by higher net sales in North America of approximately \$761 million, reflecting incremental net sales attributable to the increase in our ownership of DECIEM in the fiscal 2021 fourth quarter, higher net sales from many of our brands, led by M·A·C and Clinique, and targeted expanded consumer reach.

The net sales increase in The Americas included approximately \$22 million of favorable foreign currency translation.

Reported net sales in The Americas increased 22% in fiscal 2022, driven by the increase from volume of 16%, reflecting the brick-and-mortar and makeup recovery from the prior-year challenges; incremental net sales attributable to the increase in our ownership of DECIEM in the fiscal 2021 fourth quarter of 5%; and the favorable impact from foreign currency translation of 1%.

Europe, the Middle East & Africa

(\$ in millions)	Year Ended June 30	
	2022	2021
As Reported:		
Net sales	\$ 7,681	\$ 6,946
\$ Change from prior year	735	684
% Change from prior year	11 %	11 %
Non-GAAP Financial Measure⁽¹⁾:		
% Change from prior year in constant currency	12 %	9 %

⁽¹⁾ See “Reconciliations of Non-GAAP Financial Measures” beginning on page 49 for reconciliations between non-GAAP financial measures and the most directly comparable U.S. GAAP measures.

Reported net sales in Europe, the Middle East & Africa increased in fiscal 2022, reflecting continued recovery across the region, primarily due to store openings, increased retail traffic, and the easing of travel restrictions compared to the prior year, led by our travel retail business and the United Kingdom of approximately \$541 million, combined. Despite the resurgence in COVID-19 cases in many Chinese provinces, which led to restrictions to prevent further spread of the virus and the curtailment of travel during the second half of fiscal 2022, net sales increased in our travel retail business, reflecting continued strength of our brands with the Chinese consumer, the easing of travel restrictions in Europe, the Middle East & Africa and The Americas, and continued success of hero product franchises from La Mer, Jo Malone London, Tom Ford Beauty, Clinique and M·A·C. These benefits were partially offset by lower net sales from Estée Lauder products, primarily reflecting lower net sales from the Advanced Night Repair product franchise primarily due to the prior-period launch of Advanced Night Repair Synchronized Multi-Recovery Complex. Net sales in the United Kingdom increased, primarily reflecting incremental net sales attributable to the increase in our ownership of DECIEM in the fiscal 2021 fourth quarter, brick-and-mortar recovery, as noted above, and benefiting from the growth in makeup and fragrance.

The net sales increase in Europe, the Middle East & Africa included approximately \$117 million of unfavorable foreign currency translation.

Reported net sales in Europe, the Middle East & Africa increased 11% in fiscal 2022, driven by the increase from pricing of 9%, due to favorable impacts from changes in mix and strategic pricing actions, and incremental net sales attributable to the increase in our ownership of DECIEM in the fiscal 2021 fourth quarter of 2%.

Reported net sales in Europe, the Middle East & Africa increased 11% in fiscal 2021, driven by the increase from volume of 6%, primarily due to new product innovation, including the launches of higher-priced products compared to the prior-year period; the increase from pricing of 3%, due to strategic price increases and the favorable impact from changes in mix; the favorable impact from foreign currency translation of 2%.

Asia/Pacific

(\$ in millions)	Year Ended June 30	
	2022	2021
As Reported:		
Net sales	\$ 5,437	\$ 5,486
\$ Change from prior year	(49)	1,248
% Change from prior year	(1)%	29 %
Non-GAAP Financial Measure⁽¹⁾:		
% Change from prior year in constant currency	(1)%	22 %

⁽¹⁾ See "Reconciliations of Non-GAAP Financial Measures" beginning on page 49 for reconciliations between non-GAAP financial measures and the most directly comparable U.S. GAAP measures.

Reported net sales decreased in Asia/Pacific in fiscal 2022, primarily driven by lower results in Korea, led by Dr.Jart+, Hong Kong and Thailand of approximately \$134 million, combined, due to the resurgence of COVID-19 cases during the second half of fiscal 2022 that led to border closures to prevent further spread of the virus.

Partially offsetting the fiscal 2022 decrease in Asia/Pacific were increased net sales from mainland China and Australia of approximately \$82 million, combined. Net sales increased in mainland China, primarily due to the continued success of hero products franchises from La Mer and Jo Malone London, reflecting continued growth in skin care and strong momentum in fragrance, successful performance during holiday and key shopping moments, new product launches, and the current-year launch on a new third-party online platform. This increase was achieved despite the resurgence in COVID-19 cases in many Chinese provinces during the second half of fiscal 2022, which led to restrictions to prevent further spread of the virus and the curtailment of travel. Net sales in Australia increased, primarily driven by incremental net sales attributable to the increase in our ownership of DECIEM in the fiscal 2021 fourth quarter.

The net sales decrease in Asia/Pacific included approximately \$7 million of favorable foreign currency translation.

Reported net sales in Asia/Pacific decreased 1% in fiscal 2022, driven by the decrease from volume of 9%, reflecting the challenges stemming from the resurgence of COVID-19 cases during the second half of fiscal 2022. Partially offsetting this decrease was an increase from pricing of 7%, due to favorable impact from changes in mix and strategic pricing actions, and the increase in our ownership of DECIEM in the fiscal 2021 fourth quarter of 1%.

Reported net sales in Asia/Pacific increased 29% in fiscal 2021, due to the increase from volume of 15%, driven by new product innovation, including the launches of higher-priced products compared to the prior-year period; the favorable impact of foreign currency translation of 7%; incremental net sales attributable to the increase in our ownership of Dr.Jart+ in the second quarter of fiscal 2020 and the increase in our ownership of DECIEM in the fiscal 2021 fourth quarter of 6%, combined; and the increase from pricing of 1%.

GROSS MARGIN

Gross margin in fiscal 2022 decreased to 75.7% as compared with 76.4% in fiscal 2021.

**Fiscal 2022 vs. Fiscal
2021**
**Favorable
(Unfavorable) Basis
Points**

Mix of business	(35)
Obsolescence charges	(15)
Foreign exchange transactions	50
Manufacturing costs and other	(60)
Subtotal	(60)
Charges associated with restructuring and other activities	(10)
Total	(70)

The decrease in gross margin for fiscal 2022 reflected unfavorable impacts from manufacturing costs and our mix of business, partially offset by a favorable impact from transactional foreign exchange due to the strengthening of the U.S. Dollar. The unfavorable impact from manufacturing costs was primarily due to supply chain disruptions, including manufacturing and transportation delays, port congestion, labor and container shortages, and shipment delays. The unfavorable impact from our mix of business was primarily due to the change in category mix, driven by the increase in makeup and fragrance net sales, higher costs from new products and product sets, and lower gross margins on DECIEM products, partially offset by strategic price increases.

OPERATING EXPENSES

Operating expenses as a percentage of net sales in fiscal 2022 decreased to 57.9% as compared with 60.2% in fiscal 2021.

**Fiscal 2022 vs. Fiscal
2021**
**Favorable
(Unfavorable) Basis
Points**

General and administrative expenses	100
Advertising, merchandising, sampling and product development	80
Selling	60
Shipping	(70)
Store operating costs	(20)
Stock-based compensation	20
Foreign exchange transactions	(20)
Subtotal	150
Charges associated with restructuring and other activities	50
Goodwill, other intangible and long-lived asset impairments	(30)
Changes in fair value of acquisition-related stock options	60
Total	230

The favorable change in operating expense margin in fiscal 2022 was driven by the increase in net sales, disciplined general and administrative expense management, disciplined advertising and promotional activities primarily to support new product launches and holiday and key shopping moments, and the favorable impact from selling expenses, primarily due to the shift in channel mix to specialty-multi and pure-play sites, partially offset by higher shipping costs due to the increase in net sales volume and increased shipping rates.



OPERATING RESULTS

(\$ in millions)	Year Ended June 30	
	2022	2021
As Reported:		
Operating income	\$ 3,170	\$ 2,618
\$ Change from prior year	552	2,012
% Change from prior year	21 %	100+%
Operating Margin	17.9 %	16.1 %
Non-GAAP Financial Measure⁽¹⁾:		
% Change in operating income from prior year adjusting for the impact of charges associated with restructuring and other activities, goodwill, other intangible and long-lived asset impairments, the change in fair value of acquisition-related stock options and changes in fair value of contingent consideration	14 %	46 %

⁽¹⁾ See “Reconciliations of Non-GAAP Financial Measures” beginning on page 49 for reconciliations between non-GAAP financial measures and the most directly comparable U.S. GAAP measures.

The reported operating margin for fiscal 2022 increased from the prior-year period, primarily driven by the increase in net sales and the decrease in operating expenses as a percentage of net sales, partially offset by the decrease in gross margin, as noted above.

Charges associated with restructuring and other activities are not allocated to our product categories or geographic regions because they are centrally directed and controlled, are not included in internal measures of product category or geographic region performance and result from activities that are deemed Company-wide initiatives to redesign, resize and reorganize select areas of the business. Accordingly, the following discussions of Operating income by *Product Categories* and *Geographic Regions* exclude the fiscal 2022 and 2021 impact of charges associated with restructuring and other activities of \$144 million, or approximately 1% of net sales and \$228 million, or approximately 1% of net sales, respectively.

Product Categories

Skin Care

(\$ in millions)	Year Ended June 30	
	2022	2021
As Reported:		
Operating income	\$ 2,753	\$ 3,036
\$ Change from prior year	(283)	911
% Change from prior year	(9)%	43 %
Non-GAAP Financial Measure⁽¹⁾:		
% Change in operating income from prior year adjusting for the impact of goodwill, other intangible and long-lived asset impairments and the change in fair value of acquisition-related stock options	(8)%	44 %

⁽¹⁾ See “Reconciliations of Non-GAAP Financial Measures” beginning on page 49 for reconciliations between non-GAAP financial measures and the most directly comparable U.S. GAAP measures.

Reported skin care operating income decreased in fiscal 2022, reflecting lower results from Estée Lauder and Origins of approximately \$571 million, combined, as well as the unfavorable year-over-year impact of goodwill and other intangible asset impairments of \$135 million. The decrease in operating income from Estée Lauder and Origins was primarily due to a decrease in net sales.

Partially offsetting the decreases in operating income in fiscal 2022 were higher results from La Mer and Bobbi Brown of approximately \$217 million, combined, as well as the favorable year-over-year impact of changes in fair value of acquisition-related stock options relating to the increase in our investment in DECIEM during the fiscal 2021 fourth quarter of \$93 million. The higher results from La Mer reflected an increase in net sales, partially offset by the increase in cost of sales that was mostly due to higher costs for promotional items and higher advertising and promotional activities primarily to support holiday and key shopping moments and new product launches. Operating income from Bobbi Brown increased, primarily driven by an increase in net sales.

See *Item 8. Financial Statements and Supplementary Data - Note 18 - Stock Programs* for additional information relating to DECIEM stock options.

Makeup

(\$ in millions)	Year Ended June 30	
	2022	2021
As Reported:		
Operating income	\$ 133	\$ (384)
\$ Change from prior year	517	1,054
% Change from prior year	100+%	73 %
Non-GAAP Financial Measure⁽¹⁾:		
% Change in operating income from prior year adjusting for the impact of goodwill, other intangible and long-lived asset impairments and the change in fair value of acquisition-related stock options	100+%	(100+)%

⁽¹⁾ See “Reconciliations of Non-GAAP Financial Measures” beginning on page 49 for reconciliations between non-GAAP financial measures and the most directly comparable U.S. GAAP measures.

Reported makeup operating income increased in fiscal 2022, reflecting higher results from M·A·C and Estée Lauder of approximately \$248 million, combined, and the favorable year-over-year impact of other intangible and long-lived asset impairments of \$63 million. Operating income from M·A·C increased due to the increase in net sales, partially offset by higher advertising and promotional activities to support new product launches and higher selling costs due to the brick-and-mortar recovery, including more stores being open and increased retail traffic compared to the prior year. Operating income from Estée Lauder increased primarily due to the increase in net sales, partially offset by higher advertising and promotional activities relating to strategic investments to support the makeup recovery and digital advertising and social media spending.

Fragrance

(\$ in millions)	Year Ended June 30	
	2022	2021
As Reported:		
Operating income	\$ 456	\$ 215
\$ Change from prior year	241	198
% Change from prior year	100+%	100+%
Non-GAAP Financial Measure⁽¹⁾:		
% Change in operating income from prior year adjusting for long-lived asset impairments and changes in fair value of contingent consideration	100+%	100+%

⁽¹⁾ See “Reconciliations of Non-GAAP Financial Measures” beginning on page 49 for reconciliations between non-GAAP financial measures and the most directly comparable U.S. GAAP measures.

Reported fragrance operating income increased in fiscal 2022, primarily driven by higher results from Jo Malone London, Tom Ford Beauty and Le Labo of approximately \$182 million, combined. The higher results from Jo Malone London primarily reflected the increase in net sales, partially offset by higher cost of sales given the growth of the home subcategory and the increase in advertising and promotional activities and the increase in selling costs resulting from the brick-and-mortar recovery and new product launches. Operating results from Tom Ford Beauty increased, primarily due to higher net sales, partially offset by higher cost of sales due, in part, to the increase in promotional items and the increase in advertising and promotional activities to support strategic investments in digital advertising and social media spending (including costs associated with influencers), hero product franchises, and new product launches. The increases in operating income from Le Labo was primarily driven by the increase in net sales.

Hair Care

(\$ in millions)	Year Ended June 30	
	2022	2021
As Reported:		
Operating loss	\$ (28)	\$ (19)
\$ Change from prior year	(9)	—
% Change from prior year	(47)%	— %
Non-GAAP Financial Measure⁽¹⁾:		
% Change in operating income from prior year adjusting for the impact of long-lived asset impairments	(87)%	(100+)%

⁽¹⁾ See “Reconciliations of Non-GAAP Financial Measures” beginning on page 49 for reconciliations between non-GAAP financial measures and the most directly comparable U.S. GAAP measures.

Reported hair care operating results decreased in fiscal 2022, primarily driven by lower results from Aveda due to increased operating expenses to support the salon and retail store recovery, partially offset by higher results from Bumble and bumble, primarily due to the increase in net sales, as discussed above.

Geographic Regions

The Americas

(\$ in millions)	Year Ended June 30	
	2022	2021
As Reported:		
Operating income	\$ 1,159	\$ 518
\$ Change from prior year	641	1,562
% Change from prior year	100+%	100+%
Non-GAAP Financial Measure⁽¹⁾:		
% Change in operating income from prior year adjusting for the impact of goodwill, other intangible and long-lived asset impairments and the change in fair value of acquisition-related stock options	60 %	100+%

⁽¹⁾ See “Reconciliations of Non-GAAP Financial Measures” beginning on page 49 for reconciliations between non-GAAP financial measures and the most directly comparable U.S. GAAP measures.

Reported operating results increased in The Americas in fiscal 2022, primarily reflecting higher operating results from North America of approximately \$612 million, primarily due to the increase in net sales, higher intercompany royalty income primarily from growth in our travel retail business, favorable year-over-year impact of goodwill, other intangible and long-lived asset impairments of \$129 million and the favorable year-over-year impact of changes in fair value of acquisition-related stock options relating to the increase in our investment in DECIEM during the fiscal 2021 fourth quarter of \$95 million.

Partially offsetting these increases in operating income were higher advertising and promotional activities, primarily to support strategic investments in digital advertising and social media spending and in-store promotions given the increase in brick-and-mortar traffic, and increases in selling expense due to the brick-and-mortar and makeup recovery compared to the prior-year.

Europe, the Middle East & Africa

(\$ in millions)	Year Ended June 30	
	2022	2021
As Reported:		
Operating income	\$ 1,360	\$ 1,335
\$ Change from prior year	25	338
% Change from prior year	2 %	34 %
Non-GAAP Financial Measure⁽¹⁾:		
% Change in operating income from prior year adjusting for the impact of long-lived asset impairments and changes in fair value of contingent consideration	(2)%	27 %

⁽¹⁾ See “Reconciliations of Non-GAAP Financial Measures” beginning on page 49 for reconciliations between non-GAAP financial measures and the most directly comparable U.S. GAAP measures.

Reported operating income increased in Europe, the Middle East & Africa in fiscal 2022, primarily driven by higher results from several affiliates across the region, led by the United Kingdom, reflecting the brick-and-mortar recovery, compared to the prior-year periods and favorable year-over-year impact of long-lived asset impairments of \$48 million. Partially offsetting the increase in reported operating income was lower results from our travel retail business. The decrease in operating income from our travel retail business was primarily driven by an increase in intercompany royalty expense to The Americas primarily due to the growth of our travel retail business. Also contributing to the decrease in operating income from our travel retail business was higher advertising and promotional activity primarily to support strategic investments in key areas of growth (primarily hero products and the skin care product category), as well as to capture the current-year increase in airport traffic. These higher expenses were partially offset by the increase in net sales.

Asia/Pacific

(\$ in millions)	Year Ended June 30	
	2022	2021
As Reported:		
Operating income	\$ 795	\$ 993
\$ Change from prior year	(198)	257
% Change from prior year	(20)%	35 %
Non-GAAP Financial Measure⁽¹⁾:		
% Change in operating income from prior year adjusting for other intangible asset impairments	3 %	33 %

⁽¹⁾ See “Reconciliations of Non-GAAP Financial Measures” beginning on page 49 for reconciliations between non-GAAP financial measures and the most directly comparable U.S. GAAP measures.

Reported operating income decreased in Asia/Pacific in fiscal 2022, reflecting the current year other intangible asset impairment relating to Dr.Jart+ of \$230 million.

INTEREST AND INVESTMENT INCOME

(In millions)	Year Ended June 30	
	2022	2021
Interest expense	\$ 167	\$ 173
Interest income and investment income, net	\$ 30	\$ 51

Interest income and investment income, net decreased primarily due to equity method investment income recognized in the prior-year period relating to our previously held equity method investment in DECIEM.

OTHER INCOME, NET

On May 18, 2021, we acquired additional shares in DECIEM, a Toronto-based skin care company, for \$1,092 million in cash, including proceeds from the issuance of debt. DECIEM is a multi-brand beauty company with a brand portfolio that includes The Ordinary and NIOD. This acquisition is expected to further strengthen our leadership position in prestige skin care, expand our global consumer reach and complement our business in the online and specialty-multi channels. We originally acquired a minority interest in DECIEM in June 2017. The minority interest was accounted for as an equity method investment, which had a carrying value of \$65 million at the acquisition date. The acquisition of additional shares increased our fully diluted equity interest from approximately 29% to approximately 76% and was considered a step acquisition. On a fully diluted basis, the DECIEM stock options approximated 4% of the total capital structure. Accordingly, for purposes of determining the consideration transferred, we excluded the DECIEM stock options, which resulted in an increase in our post-acquisition undiluted equity interest from approximately 30% to approximately 78% and the post-acquisition undiluted equity interest of the remaining noncontrolling interest holders of approximately 22%. We remeasured the previously held equity method investment to its fair value of \$913 million, resulting in the recognition of a gain of \$848 million. The gain on our previously held equity method investment is included in Other income, net in the accompanying consolidated statements of earnings for the year ended June 30, 2021. As part of the increase in our investment, we were granted the right to purchase ("Call Option"), and granted the remaining investors a right to sell to us ("Put Option"), the remaining interests after a three-year period, with a purchase price based on the future performance of DECIEM (the "net Put (Call) Option"). As a result of this redemption feature, we recorded redeemable noncontrolling interest, at its acquisition-date fair value, that is classified as mezzanine equity in the accompanying consolidated balance sheets at June 30, 2021. The accounting for the DECIEM business combination was finalized during the fiscal 2022 third quarter.

See *Item 8. Financial Statements and Supplementary Data – Note 5 – Acquisition of Businesses* for additional information.

On December 18, 2019, we acquired the remaining equity interest in Have&Be Co. Ltd. ("Have & Be"), the global skin care company behind Dr.Jart+ and men's grooming brand Do The Right Thing, for \$1,268 million in cash. Based on the final purchase price and working capital adjustments, we estimated a refund receivable of \$32 million that was outstanding as of June 30, 2020 and was received in the first quarter of fiscal 2021. We originally acquired a minority interest in Have & Be in December 2015, which included a formula-based call option for the remaining equity interest. The original minority interest was accounted for as an equity method investment, which had a carrying value of \$133 million at the acquisition date. The acquisition of the remaining equity interest in Have & Be was considered a step acquisition, whereby we remeasured the previously held equity method investment to its fair value of \$660 million, resulting in the recognition of a gain of \$530 million. The acquisition of the remaining equity interest also resulted in the recognition of a previously unrealized foreign currency gain of \$4 million, which was reclassified from accumulated other comprehensive income. The total gain on our previously held equity method investment of \$534 million is included in Other income, net in the accompanying consolidated statements of earnings for the year ended June 30, 2020.

The amount paid at closing was funded by cash on hand including the proceeds from the issuance of debt. In anticipation of the closing, we transferred cash to a foreign subsidiary for purposes of making the closing payment. As a result, we recognized a foreign currency gain of \$23 million, which is also included in Other income, net in the accompanying consolidated statements of earnings for the year ended June 30, 2020.

PROVISION FOR INCOME TAXES

The provision for income taxes represents U.S. federal, foreign, state and local income taxes. The effective rate differs from the federal statutory rate primarily due to the effect of state and local income taxes, the tax impact of share-based compensation, the taxation of foreign income and income tax reserve adjustments, which represent changes in our net liability for unrecognized tax benefits including tax settlements and lapses of the applicable statutes of limitations. Our effective tax rate will change from year-to-year based on recurring and non-recurring factors including the geographical mix of earnings, enacted tax legislation, state and local income taxes, tax reserve adjustments, the tax impact of share-based compensation, the interaction of various global tax strategies and the impact from certain acquisitions.

The Tax Cuts and Jobs Act (the “TCJA”) included broad and complex changes to the U.S. tax code that impacted our accounting and reporting for income taxes. See *Item 8. Financial Statements and Supplementary Data - Note 9 - Income Taxes* for further discussion relating to the TCJA.

(\$ in millions)	Year Ended June 30	
	2022	2021
Earnings before income taxes:	\$ 3,036	\$ 3,331
As Reported:		
Effective rate for income taxes	20.7 %	13.7 %
Basis-point change from prior year	700	(1,980)
Non-GAAP Financial Measure⁽¹⁾:		
Effective rate for income taxes	21.3 %	18.7 %

⁽¹⁾ Excludes the net impact on the effective tax rates of charges associated with restructuring and other activities, goodwill, other intangible and long-lived asset impairments, other income, net, changes in the fair value of contingent consideration and changes in the fair value of acquisition-related stock options. There was no tax expense associated with the fiscal 2021 other income, net adjustment (previously held equity method investment in DECIEM).

The effective tax rate for fiscal 2022 increased approximately 700 basis points. The increase was primarily attributable to the prior year impact of the fiscal 2021 gain on our previously held equity method investment in DECIEM with no associated tax expense of approximately 530 basis points, as well as the prior-year impact of retroactively electing the global intangible low-taxed income (“GILTI”) high-tax exception under the TCJA of approximately 140 basis points.

NET EARNINGS ATTRIBUTABLE TO THE ESTÉE LAUDER COMPANIES INC.

(\$ in millions, except per share data)	Year Ended June 30	
	2022	2021
As Reported:		
Net earnings attributable to The Estée Lauder Companies Inc.	\$ 2,390	\$ 2,870
\$ Change from prior year	(480)	2,186
% Change from prior year	(17)%	100+%
Diluted net earnings per common share	\$ 6.55	\$ 7.79
% Change from prior year	(16)%	100+%
Non-GAAP Financial Measure⁽¹⁾:		
% Change in diluted net earnings per common share from prior year adjusting for the impact of charges associated with restructuring and other activities, goodwill, other intangible and long-lived asset impairments, other income, net, changes in fair value of contingent consideration and changes in fair value of acquisition-related stock options	12 %	57 %

⁽¹⁾ See “Reconciliations of Non-GAAP Financial Measures” below for reconciliations between non-GAAP financial measures and the most directly comparable U.S. GAAP measures.

RECONCILIATIONS OF NON-GAAP FINANCIAL MEASURES

We use certain non-GAAP financial measures, among other financial measures, to evaluate our operating performance, which represent the manner in which we conduct and view our business. Management believes that excluding certain items that are not comparable from period to period, or do not reflect the Company's underlying ongoing business, provides transparency for such items and helps investors and others compare and analyze our operating performance from period to period. In the future, we expect to incur charges or adjustments similar in nature to those presented below; however, the impact to the Company's results in a given period may be highly variable and difficult to predict. Our non-GAAP financial measures may not be comparable to similarly titled measures used by, or determined in a manner consistent with, other companies. While we consider the non-GAAP measures useful in analyzing our results, they are not intended to replace, or act as a substitute for, any presentation included in the consolidated financial statements prepared in conformity with U.S. GAAP. The following tables present Net sales, Operating income and Diluted net earnings per common share adjusted to exclude the impact of charges associated with restructuring and other activities; goodwill, other intangible and long-lived asset impairments; other income, net; the changes in fair value of contingent consideration; the change in fair value of acquisition-related stock options; and the effects of foreign currency translation. The following tables provide reconciliations between these non-GAAP financial measures and the most directly comparable U.S. GAAP measures.

(\$ in millions, except per share data)	Year Ended June 30			Variance	% Change	% Change in Constant Currency
	2022	2021	 			
Net sales, as reported	\$ 17,737	\$ 16,215	\$ 1,522	9 %		10 %
Returns associated with restructuring and other activities	4	14	(10)			
Net sales, as adjusted	<u><u>\$ 17,741</u></u>	<u><u>\$ 16,229</u></u>	<u><u>\$ 1,512</u></u>		9 %	10 %
Operating income, as reported	\$ 3,170	\$ 2,618	\$ 552		21 %	19%
Charges associated with restructuring and other activities	144	228	(84)			
Goodwill, other intangible and long-lived asset impairments	241	188	53			
Changes in fair value of contingent consideration	—	(2)	2			
Change in fair value of acquisition-related stock options	(55)	40	(95)			
Operating income, as adjusted	<u><u>\$ 3,500</u></u>	<u><u>\$ 3,072</u></u>	<u><u>\$ 428</u></u>		14 %	13 %
Diluted net earnings per common share, as reported	\$ 6.55	\$ 7.79	\$ (1.24)		(16)%	(17)%
Charges associated with restructuring and other activities	.31	.48	(.17)			
Other income, net	—	(2.30)	2.30			
Goodwill, other intangible and long-lived asset impairments	.50	.40	.10			
Changes in fair value of contingent consideration	—	(.01)	.01			
Change in fair value of acquisition-related stock options (less portion attributable to redeemable noncontrolling interest)	(.12)	.09	(.21)			
Diluted net earnings per common share, as adjusted	<u><u>\$ 7.24</u></u>	<u><u>\$ 6.45</u></u>	<u><u>\$.79</u></u>		12 %	12 %

As diluted net earnings per common share, as adjusted, is used as a measure of the Company's performance, we consider the impact of current and deferred income taxes when calculating the per-share impact of each of the reconciling items.

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The following table reconciles the change in net sales by product category and geographic region, as reported, to the change in net sales excluding the effects of foreign currency translation:

(\$ in millions)	As Reported			Impact of foreign currency translation	Variance, in constant currency	% Change, as reported	% Change, in constant currency
	2022	2021	Variance				
By Product Category:							
Skin Care	\$ 9,886	\$ 9,484	\$ 402	\$ (3)	\$ 399	4 %	4 %
Makeup	4,667	4,203	464	50	514	11	12
Fragrance	2,508	1,926	582	33	615	30	32
Hair Care	631	571	60	8	68	11	12
Other	49	45	4	—	4	9	9
	<u>17,741</u>	<u>16,229</u>	<u>1,512</u>	<u>88</u>	<u>1,600</u>	<u>9</u>	<u>10</u>
Returns associated with restructuring and other activities	(4)	(14)	10	—	10		
Total	<u>\$ 17,737</u>	<u>\$ 16,215</u>	<u>\$ 1,522</u>	<u>\$ 88</u>	<u>\$ 1,610</u>	9 %	10 %
By Region:							
The Americas	\$ 4,623	\$ 3,797	\$ 826	\$ (22)	\$ 804	22 %	21 %
Europe, the Middle East & Africa	7,681	6,946	735	117	852	11	12
Asia/Pacific	5,437	5,486	(49)	(7)	(56)	(1)	(1)
	<u>17,741</u>	<u>16,229</u>	<u>1,512</u>	<u>88</u>	<u>1,600</u>	<u>9</u>	<u>10</u>
Returns associated with restructuring and other activities	(4)	(14)	10	—	10		
Total	<u>\$ 17,737</u>	<u>\$ 16,215</u>	<u>\$ 1,522</u>	<u>\$ 88</u>	<u>\$ 1,610</u>	9 %	10 %

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The following table reconciles the change in operating income by product category and geographic region, as reported, to the change in operating income excluding the impact of goodwill, other intangible and long-lived asset impairments, changes in fair value of contingent consideration and change in fair value of acquisition-related stock options:

(\$ in millions)	As Reported			Add: Changes in Goodwill, other intangible and long-lived asset impairments	Add: Changes in fair value of contingent consideration	Add: Change in fair value of Acquisition- related stock options	Variance, as adjusted	% Change, as reported	% Change, as adjusted						
	Year Ended June 30														
	2022	2021	Variance												
By Product Category:															
Skin Care	\$ 2,753	\$ 3,036	\$ (283)	\$ 134	\$ —	\$ (93)	\$ (242)	(9)%	(8)%						
Makeup	133	(384)	517	(63)	—	(2)	452	100+	100+						
Fragrance	456	215	241	(14)	2	—	229	100+	100+						
Hair Care	(28)	(19)	(9)	(4)	—	—	(13)	(47)	(87)						
Other	—	(2)	2	—	—	—	2	100	100						
	<u>3,314</u>	<u>2,846</u>	<u>\$ 468</u>	<u>\$ 53</u>	<u>\$ 2</u>	<u>\$ (95)</u>	<u>\$ 428</u>	<u>16%</u>	<u>14%</u>						
Charges associated with restructuring and other activities	(144)	(228)													
Total	<u><u>\$ 3,170</u></u>	<u><u>\$ 2,618</u></u>													
By Region:															
The Americas	\$ 1,159	\$ 518	\$ 641	\$ (129)	\$ —	\$ (95)	\$ 417	100+%	60%						
Europe, the Middle East & Africa	1,360	1,335	25	(48)	2	—	(21)	2	(2)						
Asia/Pacific	795	993	(198)	230	—	—	32	(20)	3						
	<u>3,314</u>	<u>2,846</u>	<u>\$ 468</u>	<u>\$ 53</u>	<u>\$ 2</u>	<u>\$ (95)</u>	<u>\$ 428</u>	<u>16%</u>	<u>14%</u>						
Charges associated with restructuring and other activities	(144)	(228)													
Total	<u><u>\$ 3,170</u></u>	<u><u>\$ 2,618</u></u>													

FINANCIAL CONDITION

LIQUIDITY AND CAPITAL RESOURCES

Overview

Our principal sources of funds historically have been cash flows from operations, borrowings pursuant to our commercial paper program, borrowings from the issuance of long-term debt and committed and uncommitted credit lines provided by banks and other lenders in the United States and abroad. At June 30, 2022, we had cash and cash equivalents of \$3,957 million compared with \$4,958 million at June 30, 2021. Our cash and cash equivalents are maintained at a number of financial institutions. To mitigate the risk of uninsured balances, we select financial institutions based on their credit ratings and financial strength, and we perform ongoing evaluations of these institutions to limit our concentration risk exposure.

Based on past performance and current expectations, we believe that cash on hand, cash generated from operations, available credit lines and access to credit markets will be adequate to support seasonal working capital needs, currently planned business operations, information technology enhancements, capital expenditures, acquisitions, dividends, stock repurchases, restructuring initiatives, commitments and other contractual obligations on both a near-term and long-term basis.

The TCJA resulted in the Transition Tax on unrepatriated earnings of our foreign subsidiaries and changed the tax law in ways that present opportunities to repatriate cash without additional U.S. federal income tax. As a result, we changed our indefinite reinvestment assertion related to certain foreign earnings, and we continue to analyze the indefinite reinvestment assertion on our remaining applicable foreign earnings. We do not believe that continuing to reinvest our foreign earnings impairs our ability to meet our domestic debt or working capital obligations. If these reinvested earnings were repatriated into the United States as dividends, we would be subject to state income taxes and applicable foreign taxes in certain jurisdictions.

The effects of inflation have not been significant to our overall operating results in recent years, however we are mindful of increasing inflationary pressures. Generally, we have been able to introduce new products at higher prices, increase prices and implement other operating efficiencies to sufficiently offset cost increases.

Credit Ratings

Changes in our credit ratings will likely result in changes in our borrowing costs. Our credit ratings also impact the cost of our revolving credit facility. Downgrades in our credit ratings may reduce our ability to issue commercial paper and/or long-term debt and would likely increase the relative costs of borrowing. A credit rating is not a recommendation to buy, sell, or hold securities, is subject to revision or withdrawal at any time by the assigning rating organization, and should be evaluated independently of any other rating. As of August 17, 2022, our long-term debt is rated A+ with a stable outlook by Standard & Poor's and A1 with a stable outlook by Moody's.

Debt and Access to Liquidity

Total debt as a percent of total capitalization (excluding noncontrolling interests) increased to 49% at June 30, 2022 from 48% at June 30, 2021.

For further information regarding our current and long-term debt and available financing, see *Item 8. Financial Statements and Supplementary Data - Note 11 - Debt*.

Cash Flows

(In millions)	Year Ended June 30	
	2022	2021
Net cash provided by operating activities	\$ 3,040	\$ 3,631
Net cash used for investing activities	\$ (945)	\$ (1,864)
Net cash used for financing activities	\$ (3,036)	\$ (1,892)

The change in net cash flows provided by operations reflected higher working capital needs to support growth and to mitigate the global supply chain challenges, as well as higher cash paid for taxes, partially offset by higher earnings before taxes, excluding non-cash items.

The change in net cash flows used for investing activities primarily reflected cash paid, net of cash acquired, in connection with the acquisition of additional shares in DECIEM in fiscal 2021 and the settlement of net investment hedges. These changes were partially offset by an increase in capital expenditures, primarily driven by increased investments for a new manufacturing facility in Japan, online capabilities, our freestanding stores and counters at retailers to support new and existing distribution and information technology enhancements, as well as investments to support the reopening of our offices located around the world, which were previously closed due to COVID-19.

The change in net cash flows used for financing activities primarily reflected an increase relating to higher treasury stock repurchases in fiscal 2022 and proceeds from the issuance of long-term debt, net in the prior-year period, partially offset by the repayment of short-term debt and repayments and redemptions of long-term debt made in the prior-year period.

See *Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Financial Condition* of the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2021 for the fiscal 2021 to fiscal 2020 comparative discussions.

Dividends

For a summary of quarterly cash dividends declared per share on our Class A and Class B Common Stock during the year ended June 30, 2022 and through August 17, 2022, see *Item 8. Financial Statements and Supplementary Data – Note 17 – Common Stock*.

Pension and Post-retirement Plan Funding

Several factors influence the annual funding requirements for our pension plans. For our domestic trust-based noncontributory qualified defined benefit pension plan ("U.S. Qualified Plan"), we seek to maintain appropriate funded percentages. For any future contributions to the U.S. Qualified Plan, we would seek to contribute an amount or amounts that would not be less than the minimum required by the Employee Retirement Income Security Act of 1974, as amended, ("ERISA") and subsequent pension legislation, and would not be more than the maximum amount deductible for income tax purposes. For each international plan, our funding policies are determined by local laws and regulations. In addition, amounts necessary to fund future obligations under these plans could vary depending on estimated assumptions. The effect of our pension plan funding on future operating results will depend on economic conditions, employee demographics, mortality rates, the number of participants electing to take lump-sum distributions, investment performance and funding decisions.

For the U.S. Qualified Plan, we maintain an investment strategy of matching the duration of a substantial portion of the plan assets with the duration of the underlying plan liabilities. This strategy assists us in maintaining our overall funded ratio. For fiscal 2022 and 2021, we met or exceeded all contribution requirements under ERISA regulations for the U.S. Qualified Plan. As we continue to monitor the funded status, we may decide to make cash contributions to the U.S. Qualified Plan or our post-retirement medical plan in the United States during fiscal 2023.

The following table summarizes actual and expected benefit payments and contributions for our other pension and post-retirement plans:

(In millions)	Year Ended June 30		
	Expected 2023	2022	2021
Non-qualified domestic noncontributory pension plan benefit payments	\$ 21	\$ 18	\$ 19
International defined benefit pension plan contributions	\$ 35	\$ 38	\$ 40
Post-retirement plan benefit payments	\$ 10	\$ 11	\$ 7

Commitments and Contingencies

For a discussion of our contingencies, see to *Item 8. Financial Statements and Supplementary Data – Note 16 – Commitments and Contingencies (Contractual Obligations)*.

Contractual Obligations

For a discussion of our contractual obligations, see *Item 8. Financial Statements and Supplementary Data – Note 16 – Commitments and Contingencies (Contractual Obligations)*.

Derivative Financial Instruments and Hedging Activities

For a discussion of our derivative financial instruments and hedging activities, see *Item 8. Financial Statements and Supplementary Data - Note 12 - Derivative Financial Instruments*.

Foreign Exchange Risk Management

For a discussion of foreign exchange risk management, see *Item 8. Financial Statements and Supplementary Data - Note 12 - Derivative Financial Instruments (Cash Flow Hedges, Net Investment Hedges)*.

Credit Risk

For a discussion of credit risk, see *Item 8. Financial Statements and Supplementary Data - Note 12 - Derivative Financial Instruments (Credit Risk)*.

Market Risk

We address certain financial exposures through a controlled program of market risk management that includes the use of foreign currency forward contracts to reduce the effects of fluctuating foreign currency exchange rates and to mitigate the change in fair value of specific assets and liabilities on the balance sheet. To perform a sensitivity analysis of our foreign currency forward contracts, we assess the change in fair values from the impact of hypothetical changes in foreign currency exchange rates. A hypothetical 10% weakening of the U.S. dollar against the foreign exchange rates for the currencies in our portfolio would have resulted in a net decrease in the fair value of our portfolio of approximately \$259 million and \$218 million as of June 30, 2022 and 2021, respectively. This potential change does not consider our underlying foreign currency exposures.

In addition, we enter into interest rate derivatives to manage the effects of interest rate movements on our aggregate liability portfolio, including future debt issuances. Based on a hypothetical 100 basis point increase in interest rates, the estimated fair value of our interest rate derivatives would decrease by approximately \$41 million and \$83 million as of June 30, 2022 and 2021, respectively.

Our sensitivity analysis represents an estimate of reasonably possible net losses that would be recognized on our portfolio of derivative financial instruments assuming hypothetical movements in future market rates and is not necessarily indicative of actual results, which may or may not occur. It does not represent the maximum possible loss or any expected loss that may occur, since actual future gains and losses will differ from those estimated, based upon actual fluctuations in market rates, operating exposures, and the timing thereof, and changes in our portfolio of derivative financial instruments during the year. We believe, however, that any such loss incurred would be offset by the effects of market rate movements on the respective underlying transactions for which the derivative financial instrument was intended.

OFF-BALANCE SHEET ARRANGEMENTS

We do not maintain any off-balance sheet arrangements, transactions, obligations or other relationships with unconsolidated entities that would be expected to have a material current or future effect upon our financial condition or results of operations.

RECENTLY ISSUED ACCOUNTING STANDARDS

Refer to *Item 8. Financial Statements and Supplementary Data - Note 2 - Summary of Significant Accounting Policies* for discussion regarding the impact of accounting standards that were recently issued but not yet effective, on our consolidated financial statements.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The discussion and analysis of our financial condition at June 30, 2022 and our results of operations for the three fiscal years ended June 30, 2022 are based upon our consolidated financial statements, which have been prepared in conformity with U.S. generally accepted accounting principles ("U.S. GAAP"). The preparation of these financial statements requires us to make estimates and assumptions that affect the amounts of assets, liabilities, revenues and expenses reported in those financial statements. These estimates and assumptions can be subjective and complex and, consequently, actual results could differ from those estimates. We consider accounting estimates to be critical if both (i) the nature of the estimate or assumption is material due to the levels of subjectivity and judgment involved, and (ii) the impact within a reasonable range of outcomes of the estimate and assumption is material to the Company's financial condition. Our critical accounting policies relate to goodwill, other intangible assets and long-lived assets - impairment assessment and income taxes.

Management of the Company has discussed the selection of critical accounting policies and the effect of estimates with the Audit Committee of the Company's Board of Directors.

Goodwill, Other Intangible Assets and Long-Lived Assets - Impairment Assessment

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

When testing goodwill and other indefinite-lived intangible assets 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 a basis for determining whether it is necessary to perform a quantitative impairment test. If necessary, we can perform a single step quantitative goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount and record an impairment charge for the amount that the carrying amount exceeds the fair value, up to the total amount of goodwill allocated to that reporting unit. For fiscal 2022, we elected to perform the quantitative assessment for the goodwill in each of our reporting units and indefinite-lived intangible assets. We engaged a third-party valuation specialist and used industry accepted valuation models and criteria that were reviewed and approved by various levels of management. For fiscal 2021, we elected to perform the qualitative assessment for the goodwill in certain of our reporting units and indefinite-lived intangible assets. This qualitative assessment included the review of certain macroeconomic factors and entity-specific qualitative factors to determine if it was more-likely-than-not that the fair values of our reporting units were below carrying value. For our other reporting units and other indefinite-lived intangible assets, a quantitative assessment was performed. We engaged third-party valuation specialists and used industry accepted valuation models and criteria that were reviewed and approved by various levels of management.

For further discussion of the methods used and factors considered in our estimates as part of the impairment testing for Goodwill, Other Intangible Assets and Long-Lived Assets, see *Item 8. Financial Statements and Supplementary Data – Note 2 – Summary of Significant Accounting Policies, Note 6 – Goodwill and Other Intangible Assets.*

Income Taxes

We calculate and provide for income taxes in each tax jurisdiction in which we operate. As the application of various tax laws relevant to our global business is often uncertain, significant judgment is required in determining our annual tax expense and in evaluating our tax positions. The provision for income taxes includes the amounts payable or refundable for the current year, the effect of deferred taxes and impacts from uncertain tax positions.

We recognize deferred tax assets and liabilities for future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax basis, net operating losses, tax credits and other carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates when the assets and liabilities are expected to be realized or settled. We regularly review deferred tax assets for realizability and establish valuation allowances based on available evidence including historical operating losses, projected future taxable income, expected timing of the reversals of existing temporary differences, and appropriate tax planning strategies. If our assessment of the realizability of a deferred tax asset changes, an increase to a valuation allowance will result in a reduction to net earnings at that time, while the reduction to a valuation allowance will result in an increase to net earnings at that time.

We provide tax reserves for applicable U.S. federal, state, local and foreign tax exposures relating to periods subject to audit. The development of reserves for these exposures requires judgments about tax issues, potential outcomes and timing, and is a subjective critical estimate. We assess our tax positions and record tax benefits for all years subject to examination based upon management's evaluation of the facts, circumstances, and information available at the reporting dates. For those tax positions where it is more-likely-than-not that a tax benefit will be sustained, we have recorded the largest amount of tax benefit with a greater than 50% likelihood of being realized upon settlement with a tax authority that has full knowledge of all relevant information. For those tax positions where it is more-likely-than-not that a tax benefit will not be sustained, no tax benefit has been recognized in the consolidated financial statements. We classify applicable interest and penalties as a component of the provision for income taxes. Although the outcome relating to these exposures is uncertain, in our opinion adequate provisions for income taxes have been made for estimable potential liabilities emanating from these exposures. If actual outcomes differ materially from these estimates, they could have a material impact on our consolidated net earnings.

For further discussion of Income Taxes, see *Item 8. Financial Statements and Supplementary Data – Note 2 – Summary of Significant Accounting Policies and Note 9 – Income Taxes.*

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

We and our representatives from time to time make written or oral forward-looking statements, including in this and other filings with the Securities and Exchange Commission, in our press releases and in our reports to stockholders, which may constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements may address our expectations regarding sales, earnings or other future financial performance and liquidity, other performance measures, product introductions, entry into new geographic regions, information technology initiatives, new methods of sale, our long-term strategy, restructuring and other charges and resulting cost savings, and future operations or operating results. These statements may contain words like "expect," "will," "will likely result," "would," "believe," "estimate," "planned," "plans," "intends," "may," "should," "could," "anticipate," "estimate," "project," "projected," "forecast," and "forecasted" or similar expressions. Although we believe that our expectations are based on reasonable assumptions within the bounds of our knowledge of our business and operations, actual results may differ materially from our expectations. Factors that could cause actual results to differ from expectations include, without limitation:

- (1) increased competitive activity from companies in the skin care, makeup, fragrance and hair care businesses;
- (2) our ability to develop, produce and market new products on which future operating results may depend and to successfully address challenges in our business;
- (3) consolidations, restructurings, bankruptcies and reorganizations in the retail industry causing a decrease in the number of stores that sell our products, an increase in the ownership concentration within the retail industry, ownership of retailers by our competitors or ownership of competitors by our customers that are retailers and our inability to collect receivables;
- (4) destocking and tighter working capital management by retailers;
- (5) the success, or changes in timing or scope, of new product launches and the success, or changes in timing or scope, of advertising, sampling and merchandising programs;
- (6) shifts in the preferences of consumers as to where and how they shop;
- (7) social, political and economic risks to our foreign or domestic manufacturing, distribution and retail operations, including changes in foreign investment and trade policies and regulations of the host countries and of the United States;
- (8) changes in the laws, regulations and policies (including the interpretations and enforcement thereof) that affect, or will affect, our business, including those relating to our products or distribution networks, changes in accounting standards, tax laws and regulations, environmental or climate change laws, regulations or accords, trade rules and customs regulations, and the outcome and expense of legal or regulatory proceedings, and any action we may take as a result;
- (9) foreign currency fluctuations affecting our results of operations and the value of our foreign assets, the relative prices at which we and our foreign competitors sell products in the same markets and our operating and manufacturing costs outside of the United States;
- (10) changes in global or local conditions, including those due to volatility in the global credit and equity markets, natural or man-made disasters, real or perceived epidemics, supply chain challenges, inflation, or increased energy costs, that could affect consumer purchasing, the willingness or ability of consumers to travel and/or purchase our products while traveling, the financial strength of our customers, suppliers or other contract counterparties, our operations, the cost and availability of capital which we may need for new equipment, facilities or acquisitions, the returns that we are able to generate on our pension assets and the resulting impact on funding obligations, the cost and availability of raw materials and the assumptions underlying our critical accounting estimates;
- (11) impacts attributable to the COVID-19 pandemic, including disruptions to our global business;
- (12) shipment delays, commodity pricing, depletion of inventory and increased production costs resulting from disruptions of operations at any of the facilities that manufacture our products or at our distribution or inventory centers, including disruptions that may be caused by the implementation of information technology initiatives, or by restructurings;
- (13) real estate rates and availability, which may affect our ability to increase or maintain the number of retail locations at which we sell our products and the costs associated with our other facilities;



- (14) changes in product mix to products which are less profitable;
- (15) our ability to acquire, develop or implement new information and distribution technologies and initiatives on a timely basis and within our cost estimates and our ability to maintain continuous operations of such systems and the security of data and other information that may be stored in such systems or other systems or media;
- (16) our ability to capitalize on opportunities for improved efficiency, such as publicly-announced strategies and restructuring and cost-savings initiatives, and to integrate acquired businesses and realize value therefrom;
- (17) consequences attributable to local or international conflicts around the world, as well as from any terrorist action, retaliation and the threat of further action or retaliation;
- (18) the timing and impact of acquisitions, investments and divestitures; and
- (19) additional factors as described in our filings with the Securities and Exchange Commission, including this Annual Report on Form 10-K for the fiscal year ended June 30, 2022.

We assume no responsibility to update forward-looking statements made herein or otherwise.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

The information required by this item is set forth in Item 7 of this Annual Report on Form 10-K under the caption *Liquidity and Capital Resources – Market Risk* and is incorporated herein by reference.

Item 8. Financial Statements and Supplementary Data.

The information required by this item appears beginning on page F-1 of this Annual Report on Form 10-K and is incorporated herein by reference.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) are designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission and to ensure that information required to be disclosed is accumulated and communicated to management, including our principal executive and financial officers, to allow timely decisions regarding disclosure. The Chief Executive Officer and the Chief Financial Officer, with assistance from other members of management, have evaluated the effectiveness of our disclosure controls and procedures, and, based on their evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that the disclosure controls and procedures were effective as of June 30, 2022.

As part of our review of internal control over financial reporting, we make changes to systems and processes to improve such controls and increase efficiencies, while ensuring that we maintain an effective internal control environment. There have been no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) that occurred during the fourth quarter of fiscal 2022 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

Management’s report on internal control over financial reporting and the report of independent registered public accounting firm on our internal control over financial reporting are incorporated herein from pages F-2 and F-3, respectively.

Item 9B. Other Information.

None.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections.

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

The information required by this Item, not already provided herein under *Item 1. Business – Information about our Executive Officers*, will be included in our Proxy Statement for the 2022 Annual Meeting of Stockholders (the “2022 Proxy Statement”). The 2022 Proxy Statement will be filed within 120 days after the close of the fiscal year ended June 30, 2022 and such information is incorporated herein by reference.

Item 11. Executive Compensation.

The information required by this Item will be included in the 2022 Proxy Statement. The 2022 Proxy Statement will be filed within 120 days after the close of the fiscal year ended June 30, 2022 and such information is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information required by this Item, not already provided under *Equity Compensation Plan Information* as set forth below, will be included in the 2022 Proxy Statement. The 2022 Proxy Statement will be filed within 120 days after the close of the fiscal year ended June 30, 2022 and such information is incorporated herein by reference.

Equity Compensation Plan Information

The following table summarizes the equity compensation plans under which our securities may be issued as of June 30, 2022 and does not include grants made or cancelled and options exercised after such date. The securities that may be issued consist solely of shares of our Class A Common Stock and all plans were approved by stockholders of the Company.

Equity Compensation Plan Information as of June 30, 2022

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights ⁽²⁾	Weighted-average exercise price of outstanding options, warrants and rights ⁽³⁾	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in the first column) ⁽⁴⁾
Equity compensation plans approved by security holders ⁽¹⁾	10,721,087	\$169.28	11,530,239

⁽¹⁾ Includes the Amended and Restated Fiscal 2002 Share Incentive Plan (the “2002 Plan”) and the Amended and Restated Non-Employee Director Share Incentive Plan (the “Director Plan”).

⁽²⁾ Consists of 7,171,826 shares issuable upon exercise of outstanding options, 1,517,875 shares issuable upon conversion of outstanding Restricted Stock Units, 1,429,718 shares issuable upon conversion of outstanding Performance Share Units (“PSUs”) (assuming maximum payout for unvested PSUs and PSUs vested as of June 30, 2022 pending approval by the Stock Plan Subcommittee of our Board of Directors), 121,940 shares issuable upon conversion of Share Units and 479,728 shares issuable upon conversion of Long-term PSUs, including Price-vested units (“PVUs”).

⁽³⁾ Calculated based upon outstanding options in respect of 7,171,826 shares of our Class A Common Stock.

⁽⁴⁾ The 2002 Plan authorizes the grant of shares and benefits other than stock options. As of June 30, 2022, there were 11,080,027 shares of Class A Common Stock available for issuance under the 2002 Plan (subject to the approval by the Stock Plan Subcommittee of expected payouts for PSUs vested as of June 30, 2022). Shares underlying grants cancelled or forfeited under prior plans or agreements may be used for grants under the 2002 Plan. The Director Plan currently provides for an annual grant of options and stock units to non-employee directors. As of June 30, 2022, there were 450,212 shares available for issuance under the Director Plan.

If all of the outstanding options, warrants, rights, stock units and share units, as well as the securities available for future issuance, included in the first and third columns in the table above were converted to shares of Class A Common Stock as of June 30, 2022, the total shares of Common Stock outstanding (i.e. Class A plus Class B) would increase 6% to 379,306,876. All outstanding options to purchase shares of Class A Common Stock, have an exercise price less than \$254.67, the closing price on June 30, 2022. Assuming the exercise of only in-the-money options, the total shares outstanding would increase by 2% to 363,206,293.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

The information required by this Item will be included in the 2022 Proxy Statement. The 2022 Proxy Statement will be filed within 120 days after the close of the fiscal year ended June 30, 2022 and such information is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services.

The information required by this Item will be included in the 2022 Proxy Statement. The 2022 Proxy Statement will be filed within 120 days after the close of the fiscal year ended June 30, 2022 and such information is incorporated herein by reference.

PART IV**Item 15. Exhibits, Financial Statement Schedules.**

(a) 1 and 2. Financial Statements and Schedules - See index on Page F-1.

3. Exhibits:

Exhibit Number	Description
3.1	Restated Certificate of Incorporation, dated November 16, 1995 (filed as Exhibit 3.1 to our Annual Report on Form 10-K filed on September 15, 2003) (SEC File No. 1-14064).*
3.1a	Certificate of Amendment of the Restated Certificate of Incorporation of The Estée Lauder Companies Inc. (filed as Exhibit 3.1 to our Current Report on Form 8-K filed on November 13, 2012) (SEC File No. 1-14064).*
3.2	Certificate of Retirement of \$6.50 Cumulative Redeemable Preferred Stock (filed as Exhibit 3.2 to our Current Report on Form 8-K filed on July 19, 2012) (SEC File No. 1-14064).*
3.3	Amended and Restated Bylaws (filed as Exhibit 3.1 to our Current Report on Form 8-K filed on May 23, 2012) (SEC File No. 1-14064).*
4.1	Description of Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934.
4.2	Indenture, dated November 5, 1999, between the Company and State Street Bank and Trust Company, N.A. (filed as Exhibit 4 to Amendment No. 1 to our Registration Statement on Form S-3 (No. 333-85947) filed on November 5, 1999) (SEC File No. 1-14064).*
4.3	Officers' Certificate, dated September 29, 2003, defining certain terms of the 5.75% Senior Notes due 2033 (filed as Exhibit 4.2 to our Current Report on Form 8-K filed on September 29, 2003) (SEC File No. 1-14064).*
4.4	Global Note for 5.75% Senior Notes due 2033 (filed as Exhibit 4.3 to our Current Report on Form 8-K filed on September 29, 2003) (SEC File No. 1-14064).*
4.5	Officers' Certificate, dated May 1, 2007, defining certain terms of the 6.000% Senior Notes due 2037 (filed as Exhibit 4.2 to our Current Report on Form 8-K filed on May 1, 2007) (SEC File No. 1-14064).*
4.6	Global Note for 6.000% Senior Notes due 2037 (filed as Exhibit 4.4 to our Current Report on Form 8-K filed on May 1, 2007) (SEC File No. 1-14064).*
4.7	Officers' Certificate, dated August 2, 2012, defining certain terms of the 2.350% Senior Notes due 2022 (filed as Exhibit 4.1 to our Current Report on Form 8-K filed on August 2, 2012) (SEC File No. 1-14064).*
4.8	Global Note for the 2.350% Senior Notes due 2022 (filed as Exhibit 4.3 to our Current Report on Form 8-K filed on August 2, 2012) (SEC File No. 1-14064).*
4.9	Officers' Certificate, dated August 2, 2012, defining certain terms of the 3.700% Senior Notes due 2042 (filed as Exhibit 4.2 to our Current Report on Form 8-K filed on August 2, 2012) (SEC File No. 1-14064).*
4.10	Global Note for the 3.700% Senior Notes due 2042 (filed as Exhibit 4.4 to our Current Report on Form 8-K filed on August 2, 2012) (SEC File No. 1-14064).*
4.11	Officers' Certificate, dated June 4, 2015, defining certain terms of the 4.375% Senior Notes due 2045 (filed as Exhibit 4.1 to our Current Report on Form 8-K filed on June 4, 2015) (SEC File No. 1-14064).*
4.12	Global Note for the 4.375% Senior Notes due 2045 (filed as Exhibit 4.2 to our Current Report on Form 8-K filed on June 4, 2015) (SEC File No. 1-14064).*
4.13	Officers' Certificate, dated May 10, 2016, defining certain terms of the 4.375% Senior Notes due 2045 (filed as Exhibit 4.3 to our Current Report on Form 8-K filed on May 10, 2016) (SEC File No. 1-14064).*
4.14	Global Note for the 4.375% Senior Notes due 2045 (filed as Exhibit B in Exhibit 4.3 to our Current Report on Form 8-K filed on May 10, 2016) (SEC File No. 1-14064).*
4.15	Officers' Certificate, dated February 9, 2017, defining certain terms of the 3.150% Senior Notes due 2027 (filed as Exhibit 4.3 to our Current Report on Form 8-K filed on February 9, 2017) (SEC File No. 1-14064).*
4.16	Form of Global Note for the 3.150% Senior Notes due 2027 (included as Exhibit A in Exhibit 4.3 to our Current Report on Form 8-K filed on February 9, 2017) (SEC File No. 1-14064).*
4.17	Officers' Certificate, dated February 9, 2017, defining certain terms of the 4.150% Senior Notes due 2047 (filed as Exhibit 4.5 to our Current Report on Form 8-K filed on February 9, 2017) (SEC File No. 1-14064).*
4.18	Form of Global Note for the 4.150% Senior Notes due 2047 (included as Exhibit A in Exhibit 4.5 to our Current Report on Form 8-K filed on February 9, 2017) (SEC File No. 1-14064).*

Exhibit Number	Description
4.19	Officers' Certificate, dated November 21, 2019, defining certain terms of the 2.000% Senior Notes due 2024 (filed as Exhibit 4.1 to our Current Report on Form 8-K filed on November 21, 2019) (SEC File No. 1-14064).*
4.20	Form of Global Note for the 2.000% Senior Notes due 2024 (included as Exhibit A in Exhibit 4.1 to our Current Report on Form 8-K filed on November 21, 2019) (SEC File No. 1-14064).*
4.21	Officers' Certificate, dated November 21, 2019, defining certain terms of the 2.375% Senior Notes due 2029 (filed as Exhibit 4.3 to our Current Report on Form 8-K filed on November 21, 2019) (SEC File No. 1-14064).*
4.22	Form of Global Note for the 2.375% Senior Notes due 2029 (included as Exhibit A in Exhibit 4.3 to our Current Report on Form 8-K filed on November 21, 2019) (SEC File No. 1-14064).*
4.23	Officers' Certificate, dated November 21, 2019, defining certain terms of the 3.125% Senior Notes due 2049 (filed as Exhibit 4.5 to our Current Report on Form 8-K filed on November 21, 2019) (SEC File No. 1-14064).*
4.24	Form of Global Note for the 3.125% Senior Notes due 2049 (included as Exhibit A in Exhibit 4.5 to our Current Report on Form 8-K filed on November 21, 2019) (SEC File No. 1-14064).*
4.25	Officers' Certificate, dated April 13, 2020, defining certain terms of the 2.600% Senior Notes due 2030 (filed as Exhibit 4.1 to our Current Report on Form 8-K filed on April 13, 2020) (SEC File No. 1-14064).*
4.26	Form of Global Note for the 2.600% Senior Notes due 2030 (included as Exhibit A in Exhibit 4.1 to our Current Report on Form 8-K filed on April 13, 2020) (SEC File No. 1-14064).*
4.27	Officers' Certificate, dated March 4, 2021, defining certain terms of the 1.950% Senior Notes due 2031 (filed as Exhibit 4.1 to our Current Report on Form 8-K filed on March 4, 2021) (SEC File No. 1-14064).*
4.28	Form of Global Note for the 1.950% Senior Notes due 2031 (included as Exhibit A in Exhibit 4.1 to our Current Report on Form 8-K filed on March 4, 2021) (SEC File No. 1-14064).*
10.1	Stockholders' Agreement, dated November 22, 1995 (filed as Exhibit 10.1 to our Annual Report on Form 10-K filed on September 15, 2003) (SEC File No. 1-14064).*
10.1a	Amendment No. 1 to Stockholders' Agreement (filed as Exhibit 10.1 to our Quarterly Report on Form 10-Q filed on October 30, 1996) (SEC File No. 1-14064).*
10.1b	Amendment No. 2 to Stockholders' Agreement (filed as Exhibit 10.2 to our Quarterly Report on Form 10-Q filed on January 28, 1997) (SEC File No. 1-14064).*
10.1c	Amendment No. 3 to Stockholders' Agreement (filed as Exhibit 10.2 to our Quarterly Report on Form 10-Q filed on April 29, 1997) (SEC File No. 1-14064).*
10.1d	Amendment No. 4 to Stockholders' Agreement (filed as Exhibit 10.1d to our Annual Report on Form 10-K filed on September 18, 2000) (SEC File No. 1-14064).*
10.1e	Amendment No. 5 to Stockholders' Agreement (filed as Exhibit 10.1e to our Annual Report on Form 10-K filed on September 17, 2002) (SEC File No. 1-14064).*
10.1f	Amendment No. 6 to Stockholders' Agreement (filed as Exhibit 10.2 to our Quarterly Report on Form 10-Q filed on January 27, 2005) (SEC File No. 1-14064).*
10.1g	Amendment No. 7 to Stockholders' Agreement (filed as Exhibit 10.7 to our Quarterly Report on Form 10-Q filed on October 30, 2009) (SEC File No. 1-14064).*
10.2	Registration Rights Agreement, dated November 22, 1995 (filed as Exhibit 10.2 to our Annual Report on Form 10-K filed on September 15, 2003) (SEC File No. 1-14064).*
10.2a	First Amendment to Registration Rights Agreement (originally filed as Exhibit 10.3 to our Annual Report on Form 10-K filed on September 10, 1996) (re-filed as Exhibit 10.2a to our Annual Report on Form 10-K filed on August 25, 2017) (SEC File No. 1-14064).*
10.2b	Second Amendment to Registration Rights Agreement (filed as Exhibit 10.1 to our Quarterly Report on Form 10-Q filed on April 29, 1997) (SEC File No. 1-14064).*
10.2c	Third Amendment to Registration Rights Agreement (filed as Exhibit 10.2c to our Annual Report on Form 10-K filed on September 17, 2001) (SEC File No. 1-14064).*
10.2d	Fourth Amendment to Registration Rights Agreement (filed as Exhibit 10.2 to our Quarterly Report on Form 10-Q filed on January 29, 2004) (SEC File No. 1-14064).*

Exhibit Number	Description
10.3	The Estee Lauder Companies Retirement Growth Account Plan, as amended and restated, effective as of January 1, 2019, as further amended through January 1, 2022 (filed as Exhibit 10.2 to our Quarterly Report on Form 10-Q filed on February 3, 2022) (SEC File No. 1-14064).*†
10.3a	Amendment to amended and restated The Estee Lauder Companies Retirement Growth Account Plan, effective as of May 31, 2022 (filed as Exhibit 10.1 on our Quarterly Report on Form 10-Q filed on May 3, 2022) (SEC File No. 1-14064).*†
10.4	The Estee Lauder Inc. Retirement Benefits Restoration Plan (filed as Exhibit 10.5 to our Annual Report on Form 10-K filed on August 20, 2010) (SEC File No. 1-14064).*†
10.5	Executive Annual Incentive Plan (filed as Exhibit 10.1 to our Current Report on Form 8-K filed on November 14, 2013) (SEC File No. 1-14064).*†
10.6	Employment Agreement with Tracey T. Travis (filed as Exhibit 10.1 to our Current Report on Form 8-K filed on July 20, 2012) (SEC File No. 1-14064).*†
10.7	Employment Agreement with Leonard A. Lauder (filed as Exhibit 10.8 to our Annual Report on Form 10-K filed on September 17, 2001) (SEC File No. 1-14064).*†
10.7a	Amendment to Employment Agreement with Leonard A. Lauder (filed as Exhibit 10.8a to our Annual Report on Form 10-K filed on September 17, 2002) (SEC File No. 1-14064).*†
10.7b	Amendment to Employment Agreement with Leonard A. Lauder (filed as Exhibit 10.2 to our Current Report on Form 8-K filed on November 17, 2005) (SEC File No. 1-14064).*†
10.7c	Amendment to Employment Agreement with Leonard A. Lauder (filed as Exhibit 10.1 to our Quarterly Report on Form 10-Q filed on February 5, 2009) (SEC File No. 1-14064).*†
10.7d	Amendment to Employment Agreement with Leonard A. Lauder (filed as Exhibit 10.8 to our Quarterly Report on Form 10-Q filed on October 30, 2009) (SEC File No. 1-14064).*†
10.7e	Amendment to Employment Agreement with Leonard A. Lauder (filed as Exhibit 10.6 to our Quarterly Report on Form 10-Q filed on November 1, 2010) (SEC File No. 1-14064).*†
10.7f	Amendment to Employment Agreement with Leonard A. Lauder (filed as Exhibit 10.7f to our Annual Report on Form 10-K filed on August 20, 2015) (SEC File No. 1-14064).*†
10.7g	Amendment to Employment Agreement with Leonard A. Lauder (filed as Exhibit 10.2 to our Quarterly Report on Form 10-Q filed on May 1, 2020) (SEC File No. 1-14064).*†
10.8	Employment Agreement with William P. Lauder (filed as Exhibit 10.1 to our Current Report on Form 8-K filed on September 17, 2010) (SEC File No. 1-14064).*†
10.8a	Amendment to Employment Agreement with William P. Lauder (filed as Exhibit 10.1 to our Current Report on Form 8-K filed on February 27, 2013) (SEC File No. 1-14064).*†
10.9	Employment Agreement with Fabrizio Freda (filed as Exhibit 10.1 to our Current Report on Form 8-K filed on February 11, 2011) (SEC File No. 1-14064).*†
10.9a	Amendment to Employment Agreement with Fabrizio Freda and Stock Option Agreements (filed as Exhibit 10.2 to our Current Report on Form 8-K filed on February 27, 2013) (SEC File No. 1-14064).*†
10.10	Employment Agreement with John Demsey (filed as Exhibit 10.1 to our Current Report on Form 8-K filed on September 24, 2010) (SEC File No. 1-14064).*†
10.10a	Amendment to Employment Agreement with John Demsey (filed as Exhibit 10.3 to our Current Report on Form 8-K filed on February 27, 2013) (SEC File No. 1-14064).*†
10.11	Employment Agreement with Cedric Prouvé (filed as Exhibit 10.1 to our Current Report on Form 8-K filed on September 20, 2011) (SEC File No. 1-14064).*†
10.11a	Amendment to Employment Agreement with Cedric Prouvé (filed as Exhibit 10.4 to our Current Report on Form 8-K filed on February 27, 2013) (SEC File No. 1-14064).*†
10.12	Employment Agreement with Deirdre Stanley filed as Exhibit 10.12 to our Annual Report on Form 10-K filed on August 28, 2020) (SEC File No. 1-14064).*†
10.12a	Amendment to Employment Agreement with Deirdre Stanley filed as Exhibit 10.12a to our Annual Report on Form 10-K filed on August 28, 2020) (SEC File No. 1-14064).*†

Exhibit Number	Description
10.13	Employment Agreement with Jane Hertzmark Hudis (SEC File No. 1-14064).†
10.14	Form of Deferred Compensation Agreement (interest-based) with Outside Directors (filed as Exhibit 10.14 to our Annual Report on Form 10-K filed on September 17, 2001) (SEC File No. 1-14064).*†
10.14a	Form of Deferred Compensation Agreement (interest-based) with Outside Directors (including Election Form) (filed as Exhibit 10.12a to our Annual Report on Form 10-K filed on August 24, 2018) (SEC File No. 1-14064).*†
10.15	Form of Deferred Compensation Agreement (stock-based) with Outside Directors (filed as Exhibit 10.15 to our Annual Report on Form 10-K filed on September 17, 2001) (SEC File No. 1-14064).*†
10.15a	Form of Deferred Compensation Agreement (stock-based) with Outside Directors (including Election Form) (filed as Exhibit 10.13a to our Annual Report on Form 10-K filed on August 24, 2018) (SEC File No. 1-14064).*†
10.16	The Estee Lauder Companies Inc. Non-Employee Director Share Incentive Plan (as amended and restated on November 9, 2007) (filed as Exhibit 99.1 to our Registration Statement on Form S-8 filed on November 9, 2007) (SEC File No. 1-14064).*†
10.16a	The Estee Lauder Companies Inc. Non-Employee Director Share Incentive Plan (as amended on July 14, 2011) (filed as exhibit 10.15a to our Annual Report on Form 10-K filed on August 22, 2011) (SEC File No. 1-14064).*†
10.16b	The Estée Lauder Companies Inc. Amended and Restated Non-Employee Director Share Incentive Plan (filed as Exhibit 10.2 to our Current Report on Form 8-K filed on November 16, 2015) (SEC File No. 1-14064).*†
10.16c	The Estée Lauder Companies Inc. Amended and Restated Non-Employee Director Share Incentive Plan (as of November 1, 2017) (filed as Exhibit 10.1 to our Quarterly Report on Form 10-Q filed on November 1, 2017) (SEC File No. 1-14064).*†
10.16d	The Estée Lauder Companies Inc. Amended and Restated Non-Employee Director Share Incentive Plan (as of August 22, 2019) (filed as Exhibit 10.1 to our Quarterly Report on Form 10-Q filed on October 31, 2019) (SEC File No. 1-14064).*†
10.16e	The Estée Lauder Companies Inc. Amended and Restated Non-Employee Director Share Incentive Plan (as of July 13, 2021) (filed as Exhibit 10.15e to our Annual Report on Form 10-K filed on August 27, 2021) (SEC File No. 1-14064).*†
10.17	Summary of Compensation For Non-Employee Directors of the Company (filed as Exhibit 10.2 to our Quarterly Report on Form 10-Q filed on November 1, 2013) (SEC File No. 1-14064).*†
10.17a	Summary of Compensation For Non-Employee Directors of the Company (filed as Exhibit 10.2 to our Quarterly Report on Form 10-Q filed on November 1, 2017) (SEC File No. 1-14064).*†
10.17b	Summary of Compensation For Non-Employee Directors of the Company (filed as Exhibit 10.16b to our Annual Report on Form 10-K filed on August 27, 2021) (SEC File No. 1-14064).*†
10.18	Form of Stock Option Agreement for Annual Stock Option Grants under Non-Employee Director Share Incentive Plan (including Form of Notice of Grant) (filed as Exhibit 99.2 to our Registration Statement on Form S-8 filed on November 9, 2007) (SEC File No. 1-14064).*†
10.18a	Form of Stock Option Agreement for Annual Stock Option Grants under the Amended and Restated Non-Employee Director Share Incentive Plan (including Form of Notice of Grant) (filed as Exhibit 10.2 to our Quarterly Report on Form 10-Q filed on October 31, 2019) (SEC File No. 1-14064).*†
10.19	The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (filed as Exhibit 10.17 to our Annual Report on Form 10-K filed on August 17, 2012) (SEC File No. 1-14064).*†
10.19a	The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (filed as Exhibit 10.1 to our Current Report on Form 8-K filed on November 16, 2015) (SEC File No. 1-14064).*†
10.19b	The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (filed as Exhibit 10.16b to our Annual Report on Form 10-K filed on August 25, 2017) (SEC File No. 1-14064).*†
10.19c	The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (filed as Exhibit 10.1 to our Current Report on Form 8-K filed on November 19, 2019) (SEC File No. 1-14064).*†

Exhibit Number	Description
10.19d	Form of Stock Option Agreement under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (including Form of Notice of Grant) (filed as Exhibit 10.1 to our Quarterly Report on Form 10-Q filed on November 4, 2011) (SEC File No. 1-14064).*†
10.19e	Form of Stock Option Agreement under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (including Form of Notice of Grant) (filed as Exhibit 10.1 to our Quarterly Report on Form 10-Q filed on November 2, 2012) (SEC File No. 1-14064).*†
10.19f	Form of Stock Option Agreement under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (including Form of Notice of Grant) (filed as Exhibit 10.16y to our Annual Report on Form 10-K filed on August 20, 2014) (SEC File No. 1-14064).*†
10.19g	Form of Stock Option Agreement with Fabrizio Freda under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (including Form of Notice of Grant) (filed as Exhibit 10.16z to our Annual Report on Form 10-K filed on August 20, 2014) (SEC File No. 1-14064).*†
10.19h	Form of Stock Option Agreement under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (including Form of Notice of Grant) (filed as Exhibit 10.16m to our Annual Report on Form 10-K filed on August 25, 2017) (SEC File No. 1-14064).*†
10.19i	Form of Stock Option Agreement under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (including Form of Notice of Grant) (filed as Exhibit 10.17l to our Annual Report on Form 10-K filed on August 23, 2019) (SEC File No. 1-14064).*†
10.19j	Performance Share Unit Award Agreement with Fabrizio Freda under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (including Notice of Grant) (filed as Exhibit 10.1 to our Current Report on Form 8-K filed on September 11, 2015) (SEC File No. 1-14064).*†
10.19k	Performance Share Unit Award Agreement with Fabrizio Freda (2018) under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (including Notice of Grant) (filed as Exhibit 10.1 to our Current Report on Form 8-K filed on February 15, 2018) (SEC File No. 1-14064).*†
10.19l	Form of Performance Share Unit Award Agreement for Employees including Executive Officers under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (including Form of Notice of Grant) (filed as Exhibit 10.17u to our Annual Report on Form 10-K filed on August 24, 2018) (SEC File No. 1-14064).*†
10.19m	Form of Performance Share Unit Award Agreement for Employees including Executive Officers under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (including Form of Notice of Grant) (filed as Exhibit 10.17t to our Annual Report on Form 10-K filed on August 23, 2019) (SEC File No. 1-14064).*†
10.19n	Form of Performance Share Unit Award Agreement for Employees including Executive Officers under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (including Form of Notice of Grant) (filed as Exhibit 10.1 to our Quarterly Report on Form 10-Q filed on November 2, 2020) (SEC File No. 1-14064).*†
10.19o	Price-Vested Unit Award Agreement with Fabrizio Freda under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (including Notice of Grant) (filed as Exhibit 10.1 to our current Report on Form 8-K filed on March 16, 2021) (SEC File No. 1-14064).*†
10.19p	Performance Share Unit Award Agreement with Fabrizio Freda under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (including Notice of Grant) (filed as Exhibit 10.2 to our Current Report on Form 8-K filed on March 16, 2021) (SEC File No. 1-14064).*†
10.19q	Form of Non-annual Performance Share Unit Award Agreement for Executive Officers under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (including Form of Notice of Grant) (filed as Exhibit 10.18s to our Annual Report on Form 10-K filed on August 27, 2021) (SEC File No. 1-14064).*†
10.19r	Form of Performance Share Unit Award Agreement for Employees including Executive Officers under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (including Form of Notice of Grant) (filed as Exhibit 10.18t to our Annual Report on Form 10-K filed on August 27, 2021) (SEC File No. 1-14064).*†

Exhibit Number	Description
10.19s	Form of Restricted Stock Unit Award Agreement under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (including Form of Notice of Grant) (filed as Exhibit 10.17y to our Annual Report on Form 10-K filed on August 23, 2019) (SEC File No. 1-14064).*†
10.19t	Form of Restricted Stock Unit Award Agreement for Executive Officers under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (including Form of Notice of Grant) (filed as Exhibit 10.17z to our Annual Report on Form 10-K filed on August 23, 2019) (SEC File No. 1-14064).*†
10.19u	Form of Restricted Stock Unit Award Agreement for Employees other than Executive Officers under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (including Form of Notice of Grant) (filed as Exhibit 10.17aa to our Annual Report on Form 10-K filed on August 23, 2019) (SEC File No. 1-14064).*†
10.19v	Form of Restricted Stock Unit Award Agreement for Executive Officers under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (including Form of Notice of Grant) (filed as Exhibit 10.18bb to our Annual Report on Form 10-K filed on August 28, 2020) (SEC File No. 1-14064).*†
10.19w	Form of Restricted Stock Unit Award Agreement for Employees other than Executive Officers under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (including Form of Notice of Grant) (filed as Exhibit 10.18cc to our Annual Report on Form 10-K filed on August 28, 2020) (SEC File No. 1-14064).*†
10.19x	Form of Non-annual Restricted Stock Unit Award Agreement for Executive Officers under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (including Form of Notice of Grant) (filed as Exhibit 10.18dd to our Annual Report on Form 10-K filed on August 28, 2020) (SEC File No. 1-14064).*†
10.20	\$2.5 Billion Credit Facility, dated as of October 22, 2021, among The Estée Lauder Companies Inc., the Eligible Subsidiaries of the Company, as defined therein, the lenders listed therein, and JPMorgan Chase Bank, N.A., as administrative agent (filed as Exhibit 10.1 to our Current Report on Form 8-K filed on October 22, 2021) (SEC File No. 1-14064).*
10.21	Services Agreement, dated January 1, 2003, among Estee Lauder Inc., Melville Management Corp., Leonard A. Lauder, and William P. Lauder (filed as Exhibit 10.2 to our Quarterly Report on Form 10-Q filed on January 28, 2010) (SEC File No. 1-14064).*
10.21a	Agreement of Sublease, dated May 18, 2022, between Editions de Parfums LLC, Sublandlord and Melville Management Corporation, Subtenant (SEC File No. 1-14064).
10.22	Services Agreement, dated November 22, 1995, between Estee Lauder Inc. and RSL Investment Corp. (filed as Exhibit 10.3 to our Quarterly Report on Form 10-Q filed on January 28, 2010) (SEC File No. 1-14064).*
10.23	Agreement of Sublease and Guarantee of Sublease, dated April 1, 2005, among Aramis Inc., RSL Management Corp., and Ronald S. Lauder (filed as Exhibit 10.4 to our Quarterly Report on Form 10-Q filed on January 28, 2010) (SEC File No. 1-14064).*
10.23a	First Amendment to Sublease, dated February 28, 2007, between Aramis Inc. and RSL Management Corp. (filed as Exhibit 10.5 to our Quarterly Report on Form 10-Q filed on January 28, 2010) (SEC File No. 1-14064).*
10.23b	Second Amendment to Sublease, dated January 27, 2010, between Aramis Inc. and RSL Management Corp. (filed as Exhibit 10.6 to our Quarterly Report on Form 10-Q filed on January 28, 2010) (SEC File No. 1-14064).*
10.23c	Third Amendment to Sublease, dated November 3, 2010, between Aramis Inc., and RSL Management Corp. (filed as Exhibit 10.1 to our Quarterly Report on Form 10-Q filed on February 4, 2011) (SEC File No. 1-14064).*
10.23d	Fourth Amendment to Sublease, dated March 4, 2020, between Aramis Inc. and RSL Management Corp. (filed as Exhibit 10.1 to our Quarterly Report on Form 10-Q filed on May 1, 2020) (SEC File No. 1-14064).*
10.24	Form of Art Loan Agreement between Lender and Estee Lauder Inc. (filed as Exhibit 10.7 to our Quarterly Report on Form 10-Q filed on January 28, 2010) (SEC file No. 1-14064).*
10.25	Creative Consultant Agreement, dated April 6, 2011, between Estee Lauder Inc. and Aerin Lauder Zinterhofer (filed as Exhibit 10.1 to our Current Report on Form 8-K filed on April 8, 2011) (SEC File No. 1-14064).*†

Exhibit Number	Description
10.25a	First Amendment to Creative Consultant Agreement between Estee Lauder Inc. and Aerin Lauder Zinterhofer dated October 28, 2014 (filed as Exhibit 10.23a to our Annual Report on Form 10-K filed on August 20, 2015) (SEC File No. 1-14064).*†
10.25b	Second Amendment to Creative Consultant Agreement between Estee Lauder Inc. and Aerin Lauder Zinterhofer effective July 1, 2016 (filed as Exhibit 10.23b to our Annual Report on Form 10-K filed on August 24, 2016) (SEC File No. 1-14064).*†
10.25c	Third Amendment to Creative Consultant Agreement between Estee Lauder Inc. and Aerin Lauder Zinterhofer effective July 1, 2021 (filed as Exhibit 10.24c to our Annual Report on Form 10-K filed on August 27, 2021) (SEC File No. 1-14064).*†
10.26	License Agreement, dated April 6, 2011, by and among Aerin LLC, Aerin Lauder Zinterhofer and Estee Lauder Inc. (filed as Exhibit 10.2 to our Current Report on Form 8-K filed on April 8, 2011) (SEC File No. 1-14064).*
10.26a	First Amendment to the April 6, 2011 License Agreement, dated January 22, 2019, by and among Aerin LLC, Aerin Lauder Zinterhofer and Estee Lauder Inc. (filed as Exhibit 10.1 to our Quarterly Report on Form 10-Q filed on May 1, 2019) (SEC File No. 1-14064).*
10.26b	Second Amendment to the April 6, 2011 License Agreement, dated February 22, 2019, by and among Aerin LLC, Aerin Lauder Zinterhofer and Estee Lauder Inc. (filed as Exhibit 10.2 to our Quarterly Report on Form 10-Q filed on May 1, 2019) (SEC File No. 1-14064).*
21.1	List of significant subsidiaries.
23.1	Consent of PricewaterhouseCoopers LLP.
23.2	Consent of KPMG LLP.
24.1	Power of Attorney.
31.1	Certification pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (CEO).
31.2	Certification pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (CFO).
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (CEO). (furnished)
32.2	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (CFO). (furnished)
101.1	The following materials from The Estée Lauder Companies Inc.'s Annual Report on Form 10-K for the year ended June 30, 2022 are formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) the Consolidated Statements of Earnings, (ii) the Consolidated Statements of Comprehensive Income, (iii) the Consolidated Balance Sheets, (iv) the Consolidated Statements of Cash Flows and (v) Notes to Consolidated Financial Statements
104	The cover page from The Estée Lauder Companies Inc.'s Annual Report on Form 10-K for the year ended June 30, 2022 is formatted in iXBRL

* Incorporated herein by reference.

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

Item 16. Form 10-K Summary.

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

THE ESTÉE LAUDER COMPANIES INC.

By /s/ TRACEY T. TRAVIS

Tracey T. Travis
Executive Vice President
and Chief Financial Officer

Date: August 24, 2022

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

Signature	Title (s)	Date
FABRIZIO FREDA*	President, Chief Executive Officer and a Director (Principal Executive Officer)	August 24, 2022
Fabrizio Freda		
WILLIAM P. LAUDER*	Executive Chairman and a Director	August 24, 2022
William P. Lauder		
LEONARD A. LAUDER*	Director	August 24, 2022
Leonard A. Lauder		
CHARLENE BARSHEFSKY*	Director	August 24, 2022
Charlene Barshefsky		
ROSE MARIE BRAVO*	Director	August 24, 2022
Rose Marie Bravo		
WEI SUN CHRISTIANSON*	Director	August 24, 2022
Wei Sun Christianson		
ANGELA WEI DONG*	Director	August 24, 2022
Angela Wei Dong		
PAUL J. FRIBOURG*	Director	August 24, 2022
Paul J. Fribourg		
JENNIFER HYMAN*	Director	August 24, 2022
Jennifer Hyman		
JANE LAUDER*	Director	August 24, 2022
Jane Lauder		
RONALD S. LAUDER*	Director	August 24, 2022
Ronald S. Lauder		
ARTURO NUÑEZ*	Director	August 24, 2022
Arturo Nuñez		
RICHARD D. PARSONS*	Director	August 24, 2022
Richard D. Parsons		
LYNN FORESTER DE ROTHSCHILD*	Director	August 24, 2022
Lynn Forester de Rothschild		
BARRY S. STERNLICHT*	Director	August 24, 2022
Barry S. Sternlicht		
JENNIFER TEJADA*	Director	August 24, 2022
Jennifer Tejada		
RICHARD F. ZANNINO*	Director	August 24, 2022
Richard F. Zannino		
/s/ TRACEY T. TRAVIS	Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	August 24, 2022
Tracey T. Travis		

* By signing her name hereto, Tracey T. Travis signs this document in the capacities indicated above and on behalf of the persons indicated above pursuant to powers of attorney duly executed by such persons and filed herewith.

By /s/ TRACEY T. TRAVIS

Tracey T. Travis
(Attorney-in-Fact)

THE ESTÉE LAUDER COMPANIES INC.**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS**

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All other schedules are omitted because they are not applicable or the required information is included in the consolidated financial statements or notes thereto.

Management's Report on Internal Control over Financial Reporting

Management of The Estée Lauder Companies Inc. (including its subsidiaries) (the "Company") is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) of the Securities Exchange Act of 1934, as amended).

A company's internal control over financial reporting is a process designed 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 U.S. 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 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.

Under the supervision of and with the participation of the Chief Executive Officer and the Chief Financial Officer, the Company's management conducted an assessment of the effectiveness of the Company's internal control over financial reporting based on the framework and criteria established in *Internal Control - Integrated Framework* (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, the Company's management has concluded that, as of June 30, 2022, the Company's internal control over financial reporting was effective.

The effectiveness of the Company's internal control over financial reporting as of June 30, 2022 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears under the heading "Report of Independent Registered Public Accounting Firm."

/s/ Fabrizio Freda

Fabrizio Freda

President and Chief Executive Officer

August 24, 2022

/s/ Tracey T. Travis

Tracey T. Travis

Executive Vice President and Chief Financial Officer

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors of The Estée Lauder Companies Inc.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of The Estée Lauder Companies Inc. and its subsidiaries (the "Company") as of June 30, 2022 and 2021, and the related consolidated statements of earnings, of comprehensive income, of equity and redeemable noncontrolling interest and of cash flows for each of the two years in the period ended June 30, 2022, including the related notes and schedule of valuation and qualifying accounts for each of the two years in the period ended June 30, 2022 appearing on page S-1 (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of June 30, 2022, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of June 30, 2022 and 2021, and the results of its operations and its cash flows for each of the two years in the period ended June 30, 2022 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of June 30, 2022, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, 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 opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed 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 (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) 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 (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.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Interim and Annual Goodwill and Indefinite-Lived Intangible Assets Impairment Assessments - DECIEM Reporting Unit

As described in Notes 2 and 6 to the consolidated financial statements, the Company's consolidated balance of goodwill and indefinite-lived intangible assets was \$2,521 million and \$1,992 million, respectively, as of June 30, 2022, of which a significant portion relates to the DECIEM reporting unit and indefinite-lived trademarks. Management assesses goodwill and other indefinite-lived intangible assets at least annually for impairment as of the beginning of the fiscal fourth quarter or more frequently if certain events or circumstances exist. Management concluded that the changes in circumstances in the reporting units triggered the need for interim impairment reviews of the Company's trademarks and goodwill. Accordingly, management performed interim impairment tests as of February 28, 2022. To determine the estimated fair value of the reporting units, management uses an equal weighting of the income and market approach. To determine the estimated fair value of other indefinite-lived intangible assets, management uses an income approach, specifically the relief-from-royalty method. The significant assumptions used in these approaches include revenue growth rates and profit margins, and the weighted-average cost of capital used to discount future cash flows for goodwill, and revenue growth rates, the weighted-average cost of capital to discount future cash flows, and royalty rates for trademarks.

The principal considerations for our determination that performing procedures relating to the interim and annual goodwill and indefinite-lived intangible assets impairment assessments - DECIEM reporting unit is a critical audit matter are (i) the significant judgment by management when developing the fair value estimates of the reporting unit and indefinite-lived trademarks; (ii) a high degree of auditor judgment, subjectivity, and effort in performing procedures and evaluating management's significant assumptions related to revenue growth rates and profit margins, and weighted-average cost of capital for goodwill, and revenue growth rates, weighted-average cost of capital, and royalty rates for trademarks; and (iii) the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's goodwill and indefinite-lived intangible assets impairment assessments, including controls over the valuation of the DECIEM reporting unit and trademarks. These procedures also included, among others, (i) testing management's process for developing the fair value estimates; (ii) evaluating the appropriateness of the income and relief-from-royalty approaches; (iii) testing the completeness and accuracy of the underlying data used in the approaches; and (iv) evaluating the reasonableness of the significant assumptions used by management related to revenue growth rates and profit margins, weighted-average cost of capital, and royalty rates. Evaluating management's assumptions related to revenue growth rates and profit margins involved evaluating whether the assumptions were reasonable considering (i) the current and past performance of the brand; (ii) the consistency with external market and industry data; and (iii) whether these assumptions were consistent with evidence obtained in other areas of the audit. Professionals with specialized skill and knowledge were used to assist in evaluating (i) the appropriateness of the income and relief-from-royalty approaches, and (ii) the reasonableness of the weighted-average cost of capital and royalty rates assumptions.

/s/ PricewaterhouseCoopers
LLP

New York, New York

August 24, 2022

We have served as the Company's auditor since
2020.

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
The Estée Lauder Companies Inc.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated statement of earnings, comprehensive income, equity, and cash flow for the year ended June 30, 2020, and the related notes and financial statement schedule (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of June 30, 2020, and the results of its operations and its cash flows for the year ended June 30, 2020, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ KPMG LLP

We served as the Company's auditor from 2002 to 2020.

New York, New York
August 28, 2020

THE ESTÉE LAUDER COMPANIES INC.

CONSOLIDATED STATEMENTS OF EARNINGS

(In millions, except per share data)	Year Ended June 30		
	2022	2021	2020
Net sales	\$ 17,737	\$ 16,215	\$ 14,294
Cost of sales	4,305	3,834	3,552
Gross profit	13,432	12,381	10,742
Operating expenses			
Selling, general and administrative	9,888	9,371	8,637
Restructuring and other charges	133	204	73
Goodwill impairment	—	54	812
Impairment of other intangible and long-lived assets	241	134	614
Total operating expenses	10,262	9,763	10,136
Operating income	3,170	2,618	606
Interest expense	167	173	161
Interest income and investment income, net	30	51	48
Other components of net periodic benefit cost	(2)	12	4
Other income, net	1	847	557
Earnings before income taxes	3,036	3,331	1,046
Provision for income taxes	628	456	350
Net earnings	2,408	2,875	696
Net earnings attributable to noncontrolling interests	(7)	(12)	(12)
Net loss (earnings) attributable to redeemable noncontrolling interest	(11)	7	—
Net earnings attributable to The Estée Lauder Companies Inc.	\$ 2,390	\$ 2,870	\$ 684
Net earnings attributable to The Estée Lauder Companies Inc. per common share			
Basic	\$ 6.64	\$ 7.91	\$ 1.90
Diluted	\$ 6.55	\$ 7.79	\$ 1.86
Weighted-average common shares outstanding			
Basic	360.0	362.9	360.6
Diluted	364.9	368.2	366.9

See notes to consolidated financial statements.

THE ESTÉE LAUDER COMPANIES INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In millions)	Year Ended June 30		
	2022	2021	2020
Net earnings	\$ 2,408	\$ 2,875	\$ 696
Other comprehensive income (loss):			
Net cash flow hedge gain (loss)	91	(21)	(9)
Retirement plan and other retiree benefit adjustments	87	82	12
Translation adjustments	(438)	128	(108)
Benefit (provision) for income taxes on components of other comprehensive income	(61)	(10)	3
Total other comprehensive income (loss), net of tax	(321)	179	(102)
Comprehensive income	2,087	3,054	594
Comprehensive income attributable to noncontrolling interests:			
Net earnings	(7)	(12)	(12)
Translation adjustments	4	(1)	—
Total comprehensive income attributable to noncontrolling interests	(3)	(13)	(12)
Comprehensive loss (income) attributable to redeemable noncontrolling interest:			
Net loss (earnings)	(11)	7	—
Translation adjustments	25	17	—
Total comprehensive loss attributable to redeemable noncontrolling interest	14	24	—
Comprehensive income attributable to The Estée Lauder Companies Inc.	\$ 2,098	\$ 3,065	\$ 582

See notes to consolidated financial statements.

THE ESTÉE LAUDER COMPANIES INC.

CONSOLIDATED BALANCE SHEETS

(In millions, except share data)	June 30	
	2022	2021
ASSETS		
Current assets		
Cash and cash equivalents	\$ 3,957	\$ 4,958
Accounts receivable, net	1,629	1,702
Inventory and promotional merchandise	2,920	2,505
Prepaid expenses and other current assets	792	603
Total current assets	9,298	9,768
Property, plant and equipment, net		
	2,650	2,280
Other assets		
Operating lease right-of-use assets	1,949	2,190
Goodwill	2,521	2,616
Other intangible assets, net	3,428	4,095
Other assets	1,064	1,022
Total other assets	8,962	9,923
Total assets	\$ 20,910	\$ 21,971
LIABILITIES AND EQUITY		
Current liabilities		
Current debt	\$ 268	\$ 32
Accounts payable	1,822	1,692
Operating lease liabilities	365	379
Other accrued liabilities	3,360	3,195
Total current liabilities	5,815	5,298
Noncurrent liabilities		
Long-term debt	5,144	5,537
Long-term operating lease liabilities	1,868	2,151
Other noncurrent liabilities	1,651	2,037
Total noncurrent liabilities	8,663	9,725
Commitments and contingencies		
Redeemable Noncontrolling Interest		
	842	857
Equity		
Common stock, \$.01 par value; Class A shares authorized: 1,300,000,000 at June 30, 2022 and June 30, 2021; shares issued: 467,949,351 at June 30, 2022 and 462,633,034 at June 30, 2021; Class B shares authorized: 304,000,000 at June 30, 2022 and June 30, 2021; shares issued and outstanding: 125,542,029 at June 30, 2022 and 128,242,029 at June 30, 2021	6	6
Paid-in capital	5,796	5,335
Retained earnings	13,912	12,244
Accumulated other comprehensive loss	(762)	(470)
	18,952	17,115
Less: Treasury stock, at cost; 236,435,830 Class A shares at June 30, 2022 and 229,115,665 Class A shares at June 30, 2021	(13,362)	(11,058)
Total stockholders' equity - The Estée Lauder Companies Inc.	5,590	6,057
Noncontrolling interests		
Total equity	5,590	6,091
Total liabilities, redeemable noncontrolling interest and equity	\$ 20,910	\$ 21,971

See notes to consolidated financial statements.

THE ESTÉE LAUDER COMPANIES INC.

CONSOLIDATED STATEMENTS OF EQUITY AND REDEEMABLE NONCONTROLLING INTEREST

(In millions)	Year Ended June 30		
	2022	2021	2020
Common stock, beginning of year	\$ 6	\$ 6	\$ 6
Stock-based compensation	—	—	—
Common stock, end of year	6	6	6
Paid-in capital, beginning of year	5,335	4,790	4,403
Common stock dividends	3	3	3
Stock-based compensation	477	542	384
Purchase of shares from noncontrolling interests	(19)	—	—
Paid-in capital, end of year	5,796	5,335	4,790
Retained earnings, beginning of year	12,244	10,134	9,984
Common stock dividends	(843)	(757)	(505)
Net earnings attributable to The Estée Lauder Companies Inc.	2,390	2,870	684
Cumulative effect of adoption of new accounting standards	121	(3)	(29)
Retained earnings, end of year	13,912	12,244	10,134
Accumulated other comprehensive loss, beginning of year	(470)	(665)	(563)
Other comprehensive income (loss) attributable to The Estée Lauder Companies Inc.	(292)	195	(102)
Accumulated other comprehensive loss, end of year	(762)	(470)	(665)
Treasury stock, beginning of year	(11,058)	(10,330)	(9,444)
Acquisition of treasury stock	(2,130)	(602)	(768)
Stock-based compensation	(174)	(126)	(118)
Treasury stock, end of year	(13,362)	(11,058)	(10,330)
Total stockholders' equity - The Estée Lauder Companies Inc.	5,590	6,057	3,935
Noncontrolling interests, beginning of year	34	27	25
Net earnings attributable to noncontrolling interests	7	12	12
Distribution to noncontrolling interest holders	—	(6)	(10)
Purchase of shares from noncontrolling interests	(34)	—	—
Translation adjustments and other, net	(7)	1	—
Noncontrolling interests, end of year	—	34	27
Total equity	\$ 5,590	\$ 6,091	\$ 3,935
Redeemable noncontrolling interest, beginning of year	\$ 857	\$ —	\$ —
Acquired redeemable noncontrolling interest	—	881	—
Net earnings (loss) attributable to redeemable noncontrolling interest	11	(7)	—
Translation adjustments	(25)	(17)	—
Adjustment of redeemable noncontrolling interest to redemption value	(1)	—	—
Redeemable noncontrolling interest, end of year	\$ 842	\$ 857	\$ —
Cash dividends declared per common share	\$ 2.33	\$ 2.07	\$ 1.39

See notes to consolidated financial statements.

THE ESTÉE LAUDER COMPANIES INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)	Year Ended June 30		
	2022	2021	2020
Cash flows from operating activities			
Net earnings	\$ 2,408	\$ 2,875	\$ 696
Adjustments to reconcile net earnings to net cash flows from operating activities:			
Depreciation and amortization	727	651	611
Deferred income taxes	(149)	(230)	(143)
Non-cash stock-based compensation	331	327	213
Net loss on disposal of property, plant and equipment	8	23	20
Non-cash restructuring and other charges	14	76	20
Pension and post-retirement benefit expense	78	95	82
Pension and post-retirement benefit contributions	(56)	(59)	(73)
Goodwill, other intangible and long-lived asset impairments	241	188	1,426
Changes in fair value of contingent consideration	—	(2)	(17)
Gain on previously held equity method investment	(1)	(847)	(534)
Other non-cash items	(7)	(20)	(10)
Changes in operating assets and liabilities:			
Decrease (increase) in accounts receivable, net	(10)	(398)	625
Increase in inventory and promotional merchandise	(602)	(140)	(3)
Decrease (increase) in other assets, net	(101)	13	(212)
Increase (decrease) in accounts payable	210	440	(308)
Increase (decrease) in other accrued and noncurrent liabilities	1	695	(169)
Increase (decrease) in operating lease assets and liabilities, net	(52)	(56)	56
Net cash flows provided by operating activities	3,040	3,631	2,280
Cash flows from investing activities			
Capital expenditures	(1,040)	(637)	(623)
Proceeds from purchase price refund	—	32	—
Payments for acquired businesses, net of cash acquired	(3)	(1,065)	(1,047)
Purchases of investments	(10)	(42)	(5)
Settlement of net investment hedges	108	(152)	(23)
Net cash flows used for investing activities	(945)	(1,864)	(1,698)
Cash flows from financing activities			
Proceeds (repayments) of current debt, net	(4)	(744)	755
Proceeds from issuance of long-term debt, net	—	596	2,481
Debt issuance costs	(1)	(4)	(18)
Repayments and redemptions of long-term debt	(18)	(459)	(513)
Net proceeds from stock-based compensation transactions	151	215	180
Payment for acquisition of noncontrolling interest	(15)	—	—
Payments to acquire treasury stock	(2,309)	(733)	(893)
Dividends paid to stockholders	(840)	(753)	(503)
Payments to noncontrolling interest holders for dividends	—	(8)	(10)
Payments of contingent consideration	—	(2)	(18)
Net cash flows provided by (used for) financing activities	(3,036)	(1,892)	1,461
Effect of exchange rate changes on Cash and cash equivalents	(60)	61	(8)
Net increase (decrease) in Cash and cash equivalents	(1,001)	(64)	2,035
Cash and cash equivalents at beginning of year	4,958	5,022	2,987
Cash and cash equivalents at end of year	\$ 3,957	\$ 4,958	\$ 5,022

See notes to consolidated financial statements.

THE ESTÉE LAUDER COMPANIES INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 1 - DESCRIPTION OF BUSINESS**

The Estée Lauder Companies Inc. manufactures, markets and sells skin care, makeup, fragrance and hair care products around the world. Products are marketed under owned brand names, including: Estée Lauder, Aramis, Clinique, Lab Series, Origins, M·A·C, Bobbi Brown, La Mer, Aveda, Jo Malone London, Bumble and bumble, Darphin, Smashbox, Le Labo, Editions de Parfums Frédéric Malle, GLAMGLOW, Kilian Paris, Too Faced, Dr.Jart+, DECIEM and The Ordinary. Certain subsidiaries of The Estée Lauder Companies Inc. are also the global licensee of brand names for fragrances and/or cosmetics, including Tom Ford and AERIN.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***Principles of Consolidation***

The accompanying consolidated financial statements include the accounts of The Estée Lauder Companies Inc. and its subsidiaries (collectively, the "Company"). All significant intercompany balances and transactions have been eliminated.

Certain amounts in the notes to the consolidated financial statements of prior years have been reclassified to conform to current year presentation.

Management Estimates

The preparation of financial statements and related disclosures in conformity with U.S. generally accepted accounting principles ("U.S. 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 the reported amounts of revenues and expenses reported in those financial statements. Certain significant accounting policies that contain subjective management estimates and assumptions include those related to revenue recognition, inventory, pension and other post-retirement benefit costs, business combinations, goodwill, other intangible assets and long-lived assets, income taxes, redeemable noncontrolling interest and Deciem Beauty Group Inc. ("DECIEM") stock options. Management evaluates the related 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, including those related to the impacts of the COVID-19 pandemic, will be reflected in the consolidated financial statements in future periods.

Currency Translation and Transactions

All assets and liabilities of foreign subsidiaries and affiliates are translated at year-end rates of exchange, while revenue and expenses are translated at monthly average rates of exchange for the period. Unrealized translation gains (losses), net of tax, reported as translation adjustments through other comprehensive income (loss) ("OCI") attributable to The Estée Lauder Companies Inc. were \$(427) million, \$ 147 million and \$(106) million, net of tax, in fiscal 2022, 2021 and 2020, respectively. For the Company's subsidiaries operating in highly inflationary economies, the U.S. dollar is the functional currency. Remeasurement adjustments in financial statements in a highly inflationary economy and other transactional gains and losses are reflected in earnings. These subsidiaries are not material to the Company's consolidated financial statements or liquidity in fiscal 2022, 2021 and 2020.

The Company enters into foreign currency forward contracts and may enter into option contracts to hedge foreign currency transactions for periods consistent with its identified exposures. The Company also enters into foreign currency forward contracts to hedge a portion of its net investment in certain foreign operations, which are designated as net investment hedges.

See Note 12 – *Derivative Financial Instruments* for further discussion. The Company categorizes these instruments as entered into for purposes other than trading.

The accompanying consolidated statements of earnings include net exchange gains (losses) on foreign currency transactions of \$(11) million, \$(12) million and \$ 51 million in fiscal 2022, 2021 and 2020, respectively.

THE ESTÉE LAUDER COMPANIES INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****Cash and Cash Equivalents**

Cash and cash equivalents include \$ 1,883 million and \$ 1,490 million of short-term time deposits at June 30, 2022 and 2021, respectively. The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Investments

Investments in the common stock of privately-held companies in which the Company has the ability to exercise significant influence, but less than a controlling financial interest, are accounted for under the equity method of accounting. The Company accounts for its equity securities without readily determinable fair values at cost, less impairment, plus/minus subsequent observable price changes, and performs an assessment each quarter to determine whether or not a triggering event has occurred that results in changes in fair value. These investments and its equity method investments were not material to the Company's consolidated financial statements as of June 30, 2022 and 2021 and are included in Long-term investments in the accompanying consolidated balance sheets.

Accounts Receivable

Accounts receivable, net is stated net of the allowance for doubtful accounts and customer deductions. Payment terms are short-term in nature and are generally less than one year.

During fiscal 2021, the Company adopted Accounting Standards Codification ("ASC") Topic 326 – Financial Instruments – Credit Losses ("ASC 326") and is required to measure credit losses based on the Company's estimate of expected losses rather than incurred losses, which generally results in earlier recognition of allowances for credit losses. In accordance with ASC 326, the Company evaluates certain criteria, including aging and historical write-offs, current economic condition of specific customers and future economic conditions of countries utilizing a consumption index to determine the appropriate allowance for credit losses. The Company writes-off receivables once it is determined that the receivables are no longer collectible and as allowed by local laws. As a result of the adoption of ASC 326, the Company recorded a cumulative adjustment of approximately \$ 3 million, net of tax, as a reduction to its fiscal 2021 opening balance of retained earnings relating to its trade receivables. See Note 14 - Revenue Recognition for additional information.

Inventory and Promotional Merchandise

Inventory and promotional merchandise only includes inventory considered saleable or usable in future periods, and is stated at the lower of cost or net realizable value, with cost being based on standard cost and production variances, which approximate actual cost on the first-in, first-out method. Cost components include raw materials, componentry, direct labor and overhead (e.g., indirect labor, utilities, depreciation, purchasing, receiving, inspection and warehousing) as well as inbound freight. Manufacturing overhead is allocated to the cost of inventory based on the normal production capacity. Unallocated overhead during periods of abnormally low production levels are recognized as cost of sales in the period in which they are incurred. Promotional merchandise is charged to expense at the time the merchandise is shipped to the Company's customers. Included in inventory and promotional merchandise is an inventory obsolescence reserve, which represents the difference between the cost of the inventory and its estimated realizable value. This reserve is calculated using an estimated obsolescence percentage applied to the inventory based on age and historical results. In addition, and as necessary, specific reserves for future known or anticipated events may be established.

THE ESTÉE LAUDER COMPANIES INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS*****Derivative Financial Instruments***

The Company's derivative financial instruments are recorded as either assets or liabilities on the balance sheet and measured at fair value. All derivatives are (i) designated as a hedge of the fair value of a recognized asset or liability or of an unrecognized firm commitment ("fair value" hedge), (ii) designated as a hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability ("cash flow" hedge), or (iii) not designated as a hedging instrument. Changes in the fair value of a derivative that is designated and qualifies as a fair value hedge are recorded in current-period earnings, along with the loss or gain on the hedged asset or liability that is attributable to the hedged risk (including losses or gains on unrecognized firm commitments). Changes in the fair value of a derivative that is designated and qualifies as a cash flow hedge of a forecasted transaction are recorded in OCI. Gains and losses deferred in OCI are then recognized in current-period earnings when earnings are affected by the variability of cash flows of the hedged forecasted transaction (e.g., when periodic settlements on a variable-rate asset or liability are recorded in earnings). Changes in the fair value of derivative instruments not designated as hedging instruments are reported in current-period earnings. All derivative gains and losses relating to cash flow hedges and fair value hedges are recognized in the same income statement line as the hedged items. The Company also enters into foreign currency forward contracts to hedge a portion of its net investment in certain foreign operations, which are designated as net investment hedges. See Note 12 - *Derivative Financial Instruments* for further discussion.

Property, Plant and Equipment

Property, plant and equipment, including leasehold and other improvements that extend an asset's useful life or productive capabilities, are carried at cost less accumulated depreciation and amortization. Costs incurred for computer software developed or obtained for internal use are capitalized during the application development stage and expensed as incurred during the preliminary project and post-implementation stages. Capital costs incurred while an asset is being built are classified as Construction in progress and are reclassified to its respective asset class when placed into service. For financial statement purposes, depreciation is provided principally on the straight-line method over the estimated useful lives of the assets ranging from 3 to 40 years. Leasehold improvements are amortized on a straight-line basis over the shorter of the lives of the respective leases or the expected useful lives of those improvements.

Business Combinations

The Company uses the acquisition method of accounting for acquired businesses. Under the acquisition method, the Company's consolidated financial statements reflect the operations of an acquired business starting from the closing date of the acquisition. The Company allocates the purchase price to the tangible and identifiable intangible assets acquired and liabilities assumed based on their estimated fair values on the acquisition date. Any residual purchase price is recorded as goodwill. The determination of fair value, as well as the expected useful lives of certain assets acquired, requires management to make judgments and may involve the use of significant estimates, including assumptions with respect to estimated future cash flows, discount rates and valuation multiples from comparable publicly traded companies, among other things. See Note 5 - *Acquisition of Businesses* for further information.

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. Other indefinite-lived intangible assets principally consist of trademarks. Goodwill and other indefinite-lived intangible assets are not amortized.

THE ESTÉE LAUDER COMPANIES INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

The Company assesses goodwill and other indefinite-lived intangible assets at least annually for impairment as of the beginning of the fiscal fourth quarter or more frequently if certain events or circumstances exist. The Company tests goodwill for impairment at the reporting unit level, which is one level below the Company's operating segments. The Company identifies its reporting units by assessing whether the components of its operating 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 makes certain judgments and assumptions in allocating assets and liabilities to determine carrying values for its reporting units. 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 a basis for determining whether it is necessary to perform a quantitative goodwill impairment test. The Company uses a single quantitative step when determining the subsequent measurement of goodwill by comparing the fair value of a reporting unit with its carrying amount and recording an impairment charge for the amount that the carrying amount exceeds the fair value, up to the total amount of goodwill allocated to that reporting unit. When testing other indefinite-lived intangible assets for impairment, the Company also has the option of first performing a qualitative assessment to determine whether it is more-likely-than-not that the indefinite-lived intangible asset is impaired as a basis for determining whether it is necessary to perform a quantitative test. The quantitative impairment test for indefinite-lived intangible assets encompasses calculating the fair value of an indefinite-lived intangible asset and comparing the fair value to its carrying value. If the carrying value exceeds the fair value, an impairment charge is recorded.

For fiscal 2022, the Company elected to perform the quantitative assessment for the goodwill in each of its reporting units and indefinite-lived intangible assets. The Company engaged a third-party valuation specialist and used industry accepted valuation models and criteria that were reviewed and approved by various levels of management. To determine the estimated fair value of the reporting units, the Company used an equal weighting of the income and market approaches. Under the income approach, the Company determined 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 reflected the relative risk of the cash flows. Under the market approach, the Company utilized market multiples from publicly traded companies with similar operating and investment characteristics as the reporting unit. The significant assumptions used in these two approaches include revenue growth rates and profit margins, terminal value, the weighted-average cost of capital used to discount future cash flows and comparable market multiples. To determine the estimated fair value of other indefinite-lived intangible assets, the Company used an income approach, specifically the relief-from-royalty method. This method 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. The significant assumptions used in this approach include revenue growth rates, terminal value, the weighted-average cost of capital used to discount future cash flows and royalty rate.

For fiscal 2021, the Company elected to perform the qualitative assessment for the goodwill in certain of its reporting units and indefinite-lived intangible assets. This qualitative assessment included the review of certain macroeconomic factors and entity-specific qualitative factors to determine if it was more-likely-than-not that the fair values of its reporting units were below carrying value. The Company considered macroeconomic factors including the global economic growth, general macroeconomic trends for the markets in which the reporting units operate and the intangible assets are employed, and the growth of the global prestige beauty industry. In addition to these macroeconomic factors, among other things, the Company considered the reporting units' current results and forecasts, any changes in the nature of the business, any significant legal, regulatory, contractual, political or other business climate factors, changes in the industry/competitive environment, changes in the composition or carrying amount of net assets and its intention to sell or dispose of a reporting unit or cease the use of a trademark.

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For fiscal 2021, a quantitative assessment was performed for the Company's other reporting units and other indefinite-lived intangible assets. The Company engaged third-party valuation specialists and used industry accepted valuation models and criteria that were reviewed and approved by various levels of management. To determine the estimated fair value of the reporting units, the Company used an equal weighting of the income and market approaches. Under the income approach, the Company determined 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 reflected the relative risk of the cash flows. Under the market approach, the Company utilized market multiples from publicly traded companies with similar operating and investment characteristics as the reporting unit. The significant assumptions used in these two approaches include revenue growth rates and profit margins, terminal value, the weighted-average cost of capital used to discount future cash flows and comparable market multiples. To determine the estimated fair value of other indefinite-lived intangible assets, the Company used an income approach, specifically the relief-from-royalty method. This method 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. The significant assumptions used in this approach include revenue growth rates, terminal value, the weighted-average cost of capital used to discount future cash flows and royalty rate.

See Note 6 – *Goodwill and Other Intangible Assets* for further information.

Long-Lived Assets

The Company reviews long-lived assets, primarily intangible assets subject to amortization, right-of-use assets and property, plant and equipment, for impairment whenever events or changes in circumstances indicate that the 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, then an impairment charge would be measured and recorded for the excess of the carrying value over the fair value. Specifically for right-of-use assets, estimated fair value is based on discounting market rent using a real estate discount rate.

Leases

The Company recognizes a lease liability and a related right-of-use ("ROU") asset at the commencement date for leases on its consolidated balance sheet, excluding short-term leases as noted below. The lease liability is equal to the present value of unpaid lease payments over the remaining lease term. The Company's lease term at the commencement date may reflect options to extend or terminate the lease when it is reasonably certain that such options will be exercised. To determine the present value of the lease liability, the Company uses an incremental borrowing rate, which is defined as the rate of interest that the Company would have to pay to borrow (on a collateralized basis over a similar term) an amount equal to the lease payments in similar economic environments. The ROU asset is based on the corresponding lease liability adjusted for certain costs such as initial direct costs, prepaid lease payments and lease incentives received. Both operating and finance lease ROU assets are reviewed for impairment, consistent with other long-lived assets, whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. After an ROU asset is impaired, any remaining balance of the ROU asset is amortized on a straight-line basis over the shorter of the remaining lease term or the estimated useful life.

After the lease commencement date, the Company evaluates lease modifications, if any, that could result in a change in the accounting for leases. For a lease modification, an evaluation is performed to determine if it should be treated as either a separate lease or a change in the accounting of an existing lease. In addition, significant changes in events or circumstances within the Company's control are assessed to determine whether a change in the accounting for leases is required.

For lease modifications that result in partial termination of the lease, the Company has elected the proportional method whereby the carrying amount of the ROU asset is decreased in proportion with the full or partial termination of the lease based on the adjustment to the carrying value of the lease liability. The difference between those adjustments is recognized in Selling, general and administrative expense in the accompanying consolidated statements of earnings at the effective date of the termination.

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Certain of the Company's leases provide for variable lease payments for the right to use an underlying asset that vary due to changes in facts and circumstances occurring after the commencement date, other than the passage of time. Variable lease payments that are dependent on an index or rate (e.g., Consumer Price Index) are included in the initial measurement of the lease liability, the initial measurement of the ROU asset, and the lease classification test based on the index or rate as of the commencement date. Any changes from the commencement date estimation of the index- and rate-based variable payments are expensed as incurred in the period of the change. Variable lease payments that are not known at the commencement date and are determinable based on the performance or use of the underlying asset, are not included in the initial measurement of the lease liability or the ROU asset, but instead are expensed as incurred. The Company's variable lease payments primarily include rents based on a percentage of sales in excess of stipulated levels, common area maintenance based on the percentage of the total square footage leased by the Company, as well as costs relating to embedded leases, such as third-party manufacturing agreements.

Certain of the Company's contracts contain lease components as well as non-lease components, such as an agreement to purchase services. For purposes of allocating contract consideration, the Company does not separate the lease components from non-lease components for all asset classes.

Short-term leases (i.e. leases with a term of 12 months or less) are not recorded as ROU assets or lease liabilities on the Company's consolidated balance sheets, and the related lease payments are recognized in net earnings on a straight-line basis over the lease term.

For certain leases relating to automobiles, information technology equipment and office equipment, the Company applies the guidance of ASC Topic 842 – Leases ("ASC 842") utilizing a portfolio approach. Under this approach, the Company combined and accounted for leases (as a portfolio) with similar characteristics (e.g., lease term, discount rates, etc.) as a single lease, provided its application is not materially different when compared to the application at the individual lease level.

See Note 7 – Leases for further information.

Concentration of Credit Risk

The Company is a worldwide manufacturer, marketer and seller of skin care, makeup, fragrance and hair care products. The Company's sales subject to credit risk are made primarily to retailers in its travel retail business, department stores, specialty multi-brand retailers and perfumeries. The Company grants credit to qualified customers. As a result of the COVID-19 pandemic, the Company has enhanced its assessment of its customers' abilities to pay with a greater focus on factors affecting their liquidity and less on historical payment performance. While the Company does not believe it is exposed significantly to any undue concentration of credit risk at this time, it continues to monitor the extent of the impact of the COVID-19 pandemic on its customers' abilities, individually and collectively, to make timely payments.

The Company's largest customer for the year ended June 30, 2022 sells products primarily in China travel retail. This customer accounted for \$ 2,232 million or 13 %, \$ 2,278 million or 14 % and \$ 1,031 million or 7 % of the Company's consolidated net sales for the year ended June 30, 2022, 2021 and 2020, respectively. This customer accounted for \$ 399 million, or 24 %, and \$ 179 million, or 10 %, of the Company's accounts receivable at June 30, 2022 and 2021, respectively.

Revenue Recognition**Performance Obligations**

The Company recognizes revenue at a point in time when it satisfies a performance obligation by transferring control over a product and other promised goods and services to a customer.

The Company sells wholesale to customers in distribution channels that include department stores, travel retail, specialty-multi retailers, perfumeries, salons/spas and through various online sites operated by authorized retailers. The primary performance obligation related to these channels of distribution is product sales where revenue is recognized as control of the product transfers to the customer. In the Americas region, revenue is generally recognized at the time the product is made available and provided to the customer's carrier at the Company's location, and in the Europe, the Middle East & Africa and Asia/Pacific regions, revenue is generally recognized based upon the customer's receipt.

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The Company also sells direct to consumers at Company-operated freestanding stores and online through Company-owned and operated e-commerce and m-commerce sites and through third-party online malls. At Company-operated freestanding stores, revenue is recognized when control of the product is transferred at the point of sale. Revenue from online sales is recognized when control of the product is transferred, generally based upon the consumer's receipt.

In connection with the sale of product, the Company may provide other promised goods and services that are deemed to be performance obligations. These are comprised of customer loyalty program obligations, gift with purchase and purchase with purchase promotions, gift cards and other promotional goods including samples and testers.

The Company offers a number of different loyalty programs to its customers across regions, brands and distribution channels including points-based programs, tier-based programs and other programs. Revenue is allocated between the saleable product revenue and the material right loyalty obligations based on relative standalone selling prices when the consumer purchases the products that are earning them the right to the future benefits. Deferred revenue related to the Company's loyalty programs is estimated based on the standalone selling price and is adjusted for an estimated breakage factor. Standalone selling price is determined primarily using the observable market price of the good or service benefit if it is sold by the Company or a cost plus margin approach for goods/services not directly sold by the Company. Breakage rates consider historical patterns of redemption and/or expiration. Revenue is recognized when the benefits are redeemed or expire.

The Company provides gift with purchase promotional products to certain customers generally without additional charge and also provides purchase with purchase promotional products to certain customers at a discount in relation to prices charged for saleable product. Revenue is allocated between saleable product, gift with purchase product and purchase with purchase product based on the estimated relative standalone selling prices. Revenue is deferred and ultimately recognized based on the timing differences, if any, between when control of promotional goods and control of the related saleable products transfer to the Company's customer (e.g., a third-party retailer), which is calculated based on the weighted-average number of days between promotional periods. The estimated standalone selling price allocated to promotional goods is based on a cost plus margin approach.

In situations where promotional products are provided by the Company to its customers at the same time as the related saleable product, such as shipments of samples and testers, the cost of these promotional products are recognized as a cost of sales at the same time as the related revenue is recognized and no deferral of revenue is required.

The Company also offers gift cards through Company-operated freestanding stores and Company-owned websites. The related deferred revenue is estimated based on expected breakage that considers historical patterns of redemption taking into consideration escheatment laws as applicable.

Product Returns, Sales Incentives and Other Forms of Variable Consideration

In measuring revenue and determining the consideration the Company is entitled to as part of a contract with a customer, the Company takes into account the related elements of variable consideration. Such elements of variable consideration include product returns and sales incentives, such as volume rebates and discounts, markdowns, margin adjustments and early-payment discounts. We also enter into arrangements containing other forms of variable consideration, including certain demonstration arrangements, for which the Company does not receive a distinct good or service or for which the Company cannot reasonably estimate the fair value of the good or service. For these types of arrangements, the adjustments to revenue are recorded at the later of when (i) the Company recognizes revenue for the transfer of the related goods or services to the customer, or (ii) the Company pays, or promises to pay, the consideration.

For the sale of goods with a right of return, the Company only recognizes revenue for the consideration it expects to be entitled to (considering the products to be returned) and records a sales return accrual within Other accrued liabilities for the amount it expects to credit back its customers. In addition, the Company recognizes an asset included in Inventory and promotional merchandise and a corresponding adjustment to Cost of sales for the right to recover goods from customers associated with the estimated returns.

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The sales return accrual and corresponding asset include estimates that directly impact reported net sales. These estimates are calculated based on a history of actual returns, estimated future returns and information provided by retailers regarding their inventory levels. Consideration of these factors results in an estimate for anticipated sales returns that reflects increases or decreases related to seasonal fluctuations. In addition, as necessary, sales return accruals and the related assets may be established for significant future known or anticipated events. The types of known or anticipated events that are considered, and will continue to be considered, include the financial condition of the Company's customers, store closings by retailers, changes in the retail environment and the Company's decision to continue to support new and existing products.

The Company estimates sales incentives and other variable consideration using the most likely amount method and records accruals within Other accrued liabilities when control of the related product is transferred to the customer. Under this method, certain forms of variable consideration are based on expected sell-through results, which requires subjective estimates. These estimates are supported by historical results as well as specific facts and circumstances related to the current period.

The Company also enters into transactions and makes payments to certain of its customers related to demonstration, advertising and counter construction, some of which involve cooperative relationships with customers. These activities may be arranged either with unrelated third parties or in conjunction with the customer. To the extent the Company receives a distinct good or service in exchange for consideration and the fair value of the benefit can be reasonably estimated, the Company's share of the counter depreciation and the other costs of these transactions (regardless of to whom they were paid) are reflected in Selling, general and administrative expenses in the accompanying consolidated statements of earnings.

See Note 14 – Revenue Recognition for further discussion. For revenue disaggregated by product category and geographic region, see Note 22 – Segment Data and Related Information.

Advertising and Promotion

Global net advertising, merchandising, sampling, promotion and product development expenses of \$ 3,877 million, \$ 3,710 million and \$ 3,398 million in fiscal 2022, 2021 and 2020, respectively, are recorded in Selling, general and administrative expenses in the accompanying consolidated statements of earnings and are expensed as incurred. The cost of certain promotional products, including samples and testers, are classified within Cost of sales.

Research and Development

Research and development costs of \$ 307 million, \$ 243 million and \$ 228 million in fiscal 2022, 2021 and 2020, respectively, are recorded in Selling, general and administrative expenses in the accompanying consolidated statements of earnings and are expensed as incurred.

Shipping and Handling

Shipping and handling expenses of \$ 860 million, \$ 680 million and \$ 583 million in fiscal 2022, 2021 and 2020, respectively, are recorded in Selling, general and administrative expenses in the accompanying consolidated statements of earnings and include distribution center costs, promotional shipping costs, third-party logistics costs and outbound freight.

License Arrangements

The Company's license agreements provide the Company with worldwide rights to manufacture, market and sell beauty and beauty-related products (or particular categories thereof) using the licensors' trademarks. The current licenses had an initial term of approximately 5 years to 10 years, and are renewable subject to the Company's compliance with the license agreement provisions. As of June 30, 2022, the remaining terms considering available renewal periods range from 8 years to approximately 10 years. Under each license, the Company is required to pay royalties to the licensor, at least annually, based on net sales to third parties.

Some of the Company's licenses were entered into to create a new business, while other licenses were acquired, or entered into, where the licensor or another licensee was operating a pre-existing beauty products business, in which case, other intangible assets are capitalized and amortized over their useful lives.

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Certain license agreements may require minimum royalty payments, incremental royalties based on net sales levels and minimum spending on advertising and promotional activities. Royalty expenses are accrued in the period in which net sales are recognized while advertising and promotional expenses are accrued at the time these costs are incurred.

Stock-Based Compensation

The Company records stock-based compensation, measured at the fair value of the awards that are ultimately expected to vest, as an expense in the consolidated financial statements and accrues for estimated forfeitures each quarter. All excess tax benefits and tax deficiencies related to share-based compensation awards are recorded as income tax expense or benefit in the accompanying consolidated statements of earnings.

Income Taxes

The Company calculates and provides for income taxes in each tax jurisdiction in which it operates. As the application of various tax laws relevant to the Company's global business is often uncertain, significant judgment is required in determining the Company's annual tax expense and in evaluating the Company's tax positions. The provision for income taxes includes the amounts payable or refundable for the current year, the effect of deferred taxes and impacts from uncertain tax positions.

The Company recognizes deferred tax assets and liabilities for future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax basis, net operating losses, tax credits and other carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates when the assets and liabilities are expected to be realized or settled. The Company regularly reviews deferred tax assets for realizability and establishes valuation allowances based on available evidence including historical operating losses, projected future taxable income, expected timing of the reversals of existing temporary differences, and appropriate tax planning strategies. If the Company's assessment of the realizability of a deferred tax asset changes, an increase to a valuation allowance will result in a reduction to net earnings at that time, while the reduction to a valuation allowance will result in an increase to net earnings at that time.

The Company provides tax reserves for applicable U.S. federal, state, local and foreign tax exposures relating to periods subject to audit. The development of reserves for these exposures requires judgments about tax issues, potential outcomes and timing, and is a subjective critical estimate. The Company assesses its tax positions and records tax benefits for all years subject to examination based upon management's evaluation of the facts, circumstances, and information available at the reporting dates. For those tax positions where it is more-likely-than-not that a tax benefit will be sustained, the Company has recorded the largest amount of tax benefit with a greater than 50% likelihood of being realized upon settlement with a tax authority that has full knowledge of all relevant information. For those tax positions where it is more-likely-than-not that a tax benefit will not be sustained, no tax benefit has been recognized in the consolidated financial statements. The Company classifies applicable interest and penalties as a component of the provision for income taxes. Although the outcome relating to these exposures is uncertain, in management's opinion adequate provisions for income taxes have been made for estimable potential liabilities emanating from these exposures. If actual outcomes differ materially from these estimates, they could have a material impact on the Company's consolidated net earnings.

Redeemable Noncontrolling Interest

On May 18, 2021, the Company acquired additional shares in Deciem Beauty Group Inc. ("DECIEM"), a Toronto-based skin care company. The Company originally acquired a minority interest in DECIEM in June 2017. The acquisition of additional shares increased the Company's equity interest and was considered a step acquisition. As part of the increase in the Company's investment, the Company was granted the right to purchase ("Call Option"), and granted the remaining investors a right to sell to the Company ("Put Option"), the remaining interests after a three-year period, with a purchase price based on the future performance of DECIEM (the "net Put (Call) Option").

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As a result of this redemption feature, the Company recorded redeemable noncontrolling interest, at its acquisition-date fair value, that is classified as mezzanine equity in the accompanying consolidated balance sheets at June 30, 2021. The noncontrolling interest is adjusted each reporting period for income (loss) attributable to the noncontrolling interest. Each reporting period, a measurement period adjustment, if any, is then recorded to adjust the noncontrolling interest to the higher of either the redemption value, assuming it was redeemable at the reporting date, or its carrying value. These adjustments are recorded in Paid-in capital and are not reflected in Net earnings (loss) or Net earnings (loss) attributable to The Estée Lauder Companies Inc. In addition, based on the Company's policy election, if the redemption value exceeds the fair value of the noncontrolling interest on a cumulative basis, a measurement period adjustment is recorded in Retained earnings and the Company will adjust Net earnings (loss) attributable to The Estée Lauder Companies Inc. as it uses the two-class method when calculating earnings per common share. The fair value of the noncontrolling interest per share is calculated by incorporating significant assumptions including the starting equity value, revenue growth rates and earnings before interest, taxes, depreciation and amortization ("EBITDA") and the following key assumptions into the Monte Carlo method: risk-free rate, term to mid of last twelve-month period, operating leverage adjustment, net sales discount rate, EBITDA discount rate, EBITDA volatility and net sales volatility. See Note 5 - *Acquisition of Businesses* for additional information regarding the redeemable noncontrolling interest.

Government Assistance

The Company recognizes amounts received from government assistance programs as a reduction to cost of sales or operating expenses in the consolidated statements of earnings when there is reasonable assurance the Company will receive the amount and has met the conditions, if any, required by the government assistance program. Beginning in the second half of fiscal 2020, many governments in locations where the Company operates announced programs to assist employers whose businesses were impacted by the COVID-19 pandemic, including programs that provide rebates to incentivize employers to maintain employees on payroll who were unable to work for their usual number of hours. During fiscal 2022, 2021 and 2020, the Company qualified for and recorded \$ 12 million, \$ 84 million and \$ 99 million, respectively, in government assistance, which reduced Selling, general and administrative expenses by \$ 9 million, \$ 78 million and \$ 87 million, respectively, and Cost of sales by \$ 3 million, \$ 6 million and \$ 10 million, respectively. The remaining \$ 2 million recorded in fiscal 2020 was deferred and recognized in fiscal 2021 as a reduction to Cost of sales.

Recently Adopted Accounting Standards**Income Taxes (ASU 2019-12 – Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes)**

In December 2019, the Financial Accounting Standards Board ("FASB") issued authoritative guidance that simplifies the accounting for income taxes by removing certain exceptions and making simplifications in other areas.

Effective for the Company – Fiscal 2022 first quarter.

Impact on consolidated financial statements – On July 1, 2021, the Company adopted this standard and recorded a cumulative adjustment of \$ 121 million as an increase to its fiscal 2022 opening retained earnings balance to derecognize a deferred tax liability related to a previously held equity method investment that became a foreign subsidiary.

Recently Issued Accounting Standards**Reference Rate Reform (ASC Topic 848 "ASC 848")**

In March 2020, the FASB issued authoritative guidance to provide optional relief for companies preparing for the discontinuation of interest rates such as the London Interbank Offered Rate ("LIBOR") and applies to lease and other contracts, hedging instruments, held-to-maturity debt securities and debt arrangements that reference LIBOR or another rate that is expected to be discontinued as a result of reference rate reform.

In January 2021, the FASB issued authoritative guidance that makes amendments to the new rules on accounting for reference rate reform. The amendments clarify that for all derivative instruments affected by the changes to interest rates used for discounting, margining or contract price alignment, regardless of whether they reference LIBOR or another rate expected to be discontinued as a result of reference rate reform, an entity may apply certain practical expedients in ASC 848.

Effective for the Company – This guidance can be applied for a limited time through December 31, 2022. The guidance will no longer be available to apply after December 31, 2022.

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Impact on consolidated financial statements – The Company currently has an implementation team in place that is performing a comprehensive evaluation and assessing the impact of applying this guidance, which includes assessing the impact to business processes and internal controls over financial reporting and the related disclosure requirements. For treasury related arrangements, the Company references LIBOR in its interest rate swap agreements and LIBOR is also used for purposes of discounting certain foreign currency and interest rate forward contracts. The Company is currently evaluating the potential impact of modifying treasury related arrangements and applying the relevant ASC 848 optional practical expedients, as needed. For existing lease, debt arrangements and other contracts, the Company does not expect any qualifying contract modifications related to reference rate reform and therefore does not expect that the optional guidance in ASC 848 will need to be applied through December 31, 2022. The Company will continue to monitor new contracts that could potentially be eligible for contract modification relief through December 31, 2022.

No other recently issued accounting pronouncements are expected to have a material impact on the Company's consolidated financial statements.

NOTE 3 - INVENTORY AND PROMOTIONAL MERCHANDISE

Inventory and promotional merchandise consists of the following:

(In millions)	June 30	
	2022	2021
Raw materials	\$ 791	\$ 674
Work in process	366	330
Finished goods	1,449	1,213
Promotional merchandise	314	288
	<u>\$ 2,920</u>	<u>\$ 2,505</u>

NOTE 4 - PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of the following:

(In millions)	June 30	
	2022	2021
Assets (Useful Life)		
Land	\$ 53	\$ 55
Buildings and improvements (10 to 40 years)	491	256
Machinery and equipment (3 to 10 years)	994	920
Computer hardware and software (4 to 10 years)	1,468	1,303
Furniture and fixtures (5 to 10 years)	129	125
Leasehold improvements	2,246	2,312
Construction in progress	759	647
	<u>6,140</u>	<u>5,618</u>
Less accumulated depreciation and amortization	(3,490)	(3,338)
	<u>\$ 2,650</u>	<u>\$ 2,280</u>

Depreciation and amortization of property, plant and equipment was \$ 543 million, \$ 516 million and \$ 514 million in fiscal 2022, 2021 and 2020, respectively. Depreciation and amortization related to the Company's manufacturing process is included in Cost of sales and all other depreciation and amortization is included in Selling, general and administrative expenses in the accompanying consolidated statements of earnings. See Note 7 - Leases for discussion of property, plant and equipment impairments.

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NOTE 5 – ACQUISITION OF BUSINESSES
Fiscal 2021

On May 18, 2021, the Company acquired additional shares in DECIEM, a Toronto-based skin care company, for \$ 1,092 million in cash, including proceeds from the issuance of debt. DECIEM is a multi-brand beauty company with a brand portfolio that includes The Ordinary and NIOD. This acquisition is expected to further strengthen the Company's leadership position in prestige skin care, expand its global consumer reach and complement its business in the online and specialty-multi channels. The Company originally acquired a minority interest in DECIEM in June 2017. The minority interest was accounted for as an equity method investment, which had a carrying value of \$ 65 million at the acquisition date. The acquisition of additional shares increased the Company's fully diluted equity interest from approximately 29 % to approximately 76 % and was considered a step acquisition. On a fully diluted basis, the DECIEM stock options, discussed below, approximated 4 % of the total capital structure. Accordingly, for purposes of determining the consideration transferred, the Company excluded the DECIEM stock options, which resulted in an increase in the Company's post-acquisition undiluted equity interest from approximately 30 % to approximately 78 % and the post-acquisition undiluted equity interest of the remaining noncontrolling interest holders of approximately 22 %. The Company remeasured the previously held equity method investment to its fair value of \$ 913 million, resulting in the recognition of a gain of \$ 848 million. The gain on the Company's previously held equity method investment is included in Other income, net in the accompanying consolidated statements of earnings for the year ended June 30, 2021. As part of the increase in the Company's investment, the Company was granted the right to purchase ("Call Option"), and granted the remaining investors a right to sell to the Company ("Put Option"), the remaining interests after a three-year period, with a purchase price based on the future performance of DECIEM (the "net Put (Call) Option"). As a result of this redemption feature, the Company recorded redeemable noncontrolling interest, at its acquisition-date fair value, that is classified as mezzanine equity in the accompanying consolidated balance sheets at June 30, 2021. The accounting for the DECIEM business combination was finalized during the fiscal 2022 third quarter.

A summary of the total consideration transferred, including immaterial measurement period adjustments was finalized during the fiscal 2022 third quarter and recorded as follows:

(In millions)	March 31, 2022
Cash paid	\$ 1,095
Fair value of DECIEM stock options liability	104
Fair value of net Put (Call) Option	233
Total consideration for the acquired ownership interest (approximately 47.9 %)	1,432
Fair value of previously held equity method investment (approximately 30.5 %)	913
Fair value of redeemable noncontrolling interest (approximately 21.6 %)	647
Total consideration transferred (100 %)	\$ 2,992

As part of the acquisition of additional shares, DECIEM stock options were issued in replacement of and exchange for certain vested and unvested stock options previously issued by DECIEM. The total fair value of the DECIEM stock options of \$ 295 million was recorded as part of the total consideration transferred, comprising of \$ 191 million of Cash paid for vested options settled as of the acquisition date and \$ 104 million reported as a stock options liability on the Company's consolidated balance sheet as it is not an assumed liability of DECIEM and is expected to be settled in cash upon completion of the exercise of the Put (Call). The acquisition-date fair value of the DECIEM stock options liability was calculated by multiplying the acquisition-date fair value by the number of DECIEM stock options replaced the day after the acquisition date. The stock options replaced consist of vested and partially vested stock options. See Note 18 – Stock Programs for information relating to the DECIEM stock options.

The acquisition-date fair value of the previously held equity method investment was calculated by multiplying the gross-up of the total consideration for the acquired ownership interest of \$ 2,992 million by the related effective previously held equity interest of approximately 30.5 %.

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The acquisition-date fair value of the redeemable noncontrolling interest includes the acquisition-date fair value of the net Put (Call) Option of \$ 233 million. The remaining acquisition-date fair value of the redeemable noncontrolling interest of \$ 647 million was calculated by multiplying the gross-up of the total consideration for the acquired ownership interest of \$ 2,992 million by the related noncontrolling interest of approximately 21.6 %.

The acquisition-date fair values of the DECIEM stock options and the net Put (Call) Option were calculated by incorporating significant assumptions including the starting equity value, revenue growth rates and EBITDA and the following key assumptions into the Monte Carlo Method:

	May 18, 2021
Risk-free rate	0.50 %
Term to mid of last twelve-month period	2.54 years
Operating leverage adjustment	0.45
Net sales discount rate	3.30 %
EBITDA discount rate	6.80 %
EBITDA volatility	38.30 %
Net sales volatility	17.20 %

THE ESTÉE LAUDER COMPANIES INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

The Company recorded an allocation of the total consideration transferred to the tangible and identifiable intangible assets acquired and liabilities assumed based on their fair value at the acquisition date. The total consideration transferred includes the cash paid at closing, the fair value of its previously held equity method investment, the fair value of the redeemable noncontrolling interest, including the fair value of the net Put (Call) Option, and the fair value of the DECIEM stock options liability. The excess of the total consideration transferred over the fair value of the net tangible and intangible assets acquired was recorded as goodwill. To determine the acquisition date estimated fair value of intangible assets acquired, the Company applied the income approach, specifically the multi-period excess earnings method for customer relationships and the relief-from-royalty method for trademarks. The significant assumptions used in these approaches include revenue growth rates and profit margins, terminal values, weighted-average cost of capital used to discount future cash flows, and a customer attrition rate for customer relationships and royalty rates for trademarks. The allocation of the total consideration transferred, including immaterial measurement period adjustments was finalized during the fiscal 2022 third quarter and recorded as follows:

(In millions)	March 31, 2022
Cash	\$ 35
Accounts receivable	64
Inventory	190
Other current assets	33
Property, plant and equipment	40
Operating lease right-of-use assets	40
Intangible assets	1,917
Goodwill	1,296
Deferred income taxes	8
Total assets acquired	3,623
Accounts payable	21
Operating lease liabilities	8
Other accrued liabilities	78
Deferred income taxes	479
Long-term operating lease liabilities	45
Total liabilities assumed	631
Total consideration transferred	\$ 2,992

The results of operations for DECIEM and acquisition-related costs were not material to the Company's consolidated statements of earnings for the year ended June 30, 2021. Pro forma results of operations reflecting the acquisition of DECIEM are not presented, as the impact on the Company's consolidated financial results would not have been material.

THE ESTÉE LAUDER COMPANIES INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****Fiscal 2020**

On December 18, 2019, the Company acquired the remaining 66.66 % equity interest in Have&Be Co. Ltd. ("Have & Be"), the global skin care company behind Dr.Jart+ and men's grooming brand Do The Right Thing, for \$ 1,268 million in cash. Based on the final purchase price and working capital adjustments, the Company estimated a refund receivable of \$ 32 million that was outstanding as of June 30, 2020 and was received in fiscal 2021. The Company originally acquired a minority interest in Have & Be in December 2015, and that investment structure included a formula-based call option for the remaining equity interest. The original minority interest was accounted for as an equity method investment, which had a carrying value of \$ 133 million at the acquisition date. The acquisition of the remaining equity interest in Have & Be was considered a step acquisition, whereby the Company remeasured the previously held equity method investment to its fair value of \$ 660 million, resulting in the recognition of a gain of \$ 530 million. The acquisition of the remaining equity interest also resulted in the recognition of a previously unrealized foreign currency gain of \$ 4 million, which was reclassified from accumulated OCI. The total gain on the Company's previously held equity method investment of \$ 534 million is included in Other income, net in the accompanying consolidated statements of earnings for fiscal 2020. The fair value of the previously held equity method investment was determined based upon a valuation of the acquired business, as of the date of acquisition, using an equal weighting of the income and market approaches, utilizing estimated cash flows and a terminal value, discounted at a rate of return that reflects the relative risk of the cash flows, as well as valuation multiples derived from comparable publicly traded companies. The accounting for the Have & Be business combination was finalized as of June 30, 2020.

The amount paid at closing was funded by cash on hand including the proceeds from the issuance of debt. In anticipation of the closing, the Company transferred cash to a foreign subsidiary for purposes of making the closing payment. As a result, the Company recognized a foreign currency gain of \$ 23 million, which is also included in Other income, net in the accompanying consolidated statements of earnings for the year ended June 30, 2020.

NOTE 6 - GOODWILL AND OTHER INTANGIBLE ASSETS

As previously discussed in *Note 5 – Acquisition of Businesses*, in May 2021 the Company increased its investment in DECIEM, which resulted in the inclusion of additional goodwill of \$ 1,296 million, amortizable intangible assets (customer lists) of \$ 701 million with amortization periods of 7 years to 14 years, and non-amortizable intangible assets (trademarks) of \$ 1,216 million. Goodwill associated with the acquisition is primarily attributable to the future revenue growth opportunities associated with sales growth in the skin care category, as well as the value associated with DECIEM's assembled workforce. As such, the goodwill has been allocated to the Company's skin care product category. The goodwill recorded in connection with this acquisition is not deductible for tax purposes.

The intangible assets acquired in connection with the acquisition of DECIEM is classified as level 3 in the fair value hierarchy. The estimate of the fair values of the acquired amortizable intangible assets were determined using a multi-period excess earnings income approach by discounting the incremental after-tax cash flows over multiple periods. Fair value was determined under this approach by estimating future cash flows over multiple periods, 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. The estimate of the fair values of the acquired intangible assets not subject to amortization were determined using an income approach, specifically the relief-from-royalty method. This method 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.

THE ESTÉE LAUDER COMPANIES INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****Goodwill**

The Company assigns goodwill of a reporting unit to the product categories in which that reporting unit operates at the time of acquisition. The following table presents goodwill by product category and the related change in the carrying amount:

(In millions)	Skin Care	Makeup	Fragrance	Hair Care	Total
Balance as of June 30, 2020					
Goodwill	\$ 519	\$ 1,210	\$ 254	\$ 389	\$ 2,372
Accumulated impairments	(95)	(817)	(26)	(33)	(971)
	<u>424</u>	<u>393</u>	<u>228</u>	<u>356</u>	<u>1,401</u>
Goodwill acquired during the year	1,283	6	—	4	1,293
Impairment charges ⁽¹⁾	(54)	(13)	(4)	—	(71)
Translation adjustments, goodwill	(16)	(2)	8	(38)	(48)
Translation adjustments, accumulated impairments	8	—	—	33	41
	<u>1,221</u>	<u>(9)</u>	<u>4</u>	<u>(1)</u>	<u>1,215</u>
Balance as of June 30, 2021					
Goodwill	1,786	1,214	262	355	3,617
Accumulated impairments	(141)	(830)	(30)	—	(1,001)
	<u>1,645</u>	<u>384</u>	<u>232</u>	<u>355</u>	<u>2,616</u>
Goodwill measurement period adjustment	13	—	—	—	13
Translation and other adjustments, goodwill	(97)	(98)	(13)	(2)	(210)
Translation and other adjustments, accumulated impairments	3	98	1	—	102
	<u>(81)</u>	<u>—</u>	<u>(12)</u>	<u>(2)</u>	<u>(95)</u>
Balance as of June 30, 2022					
Goodwill	1,702	1,116	249	353	3,420
Accumulated impairments	(138)	(732)	(29)	—	(899)
	<u>\$ 1,564</u>	<u>\$ 384</u>	<u>\$ 220</u>	<u>\$ 353</u>	<u>\$ 2,521</u>

⁽¹⁾ Goodwill impairment charges of \$ 13 million, recorded in connection with the exit of the global distribution of BECCA products, and \$ 4 million, other, are included in Restructuring and other charges in the accompanying consolidated statements of earnings for the year ended June 30, 2021. See Note 8 – *Charges Associated with Restructuring and Other Activities* for further information relating to the Post-COVID Business Acceleration Program. See “*Fiscal 2021 Impairment Testing*” below for further information relating to fiscal 2021 impairment charges related to GLAMGLOW and Smashbox.

THE ESTÉE LAUDER COMPANIES INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****Other Intangible Assets**

Other intangible assets include trademarks and patents, as well as license agreements and other intangible assets resulting from or related to businesses and assets purchased by the Company. Indefinite-lived intangible assets (e.g., trademarks) are not subject to amortization and are assessed at least annually for impairment during the fiscal fourth quarter or more frequently if certain events or circumstances exist. Other intangible assets (e.g., customer lists) are amortized on a straight-line basis over their expected period of benefit, approximately 7 years to 20 years. Intangible assets related to license agreements were amortized on a straight-line basis over their useful lives based on the terms of the respective agreements. The costs incurred and expensed by the Company to extend or renew the term of acquired intangible assets during fiscal 2022 and 2021 were not significant to the Company's results of operations.

Other intangible assets consist of the following:

(In millions)	June 30, 2022			June 30, 2021		
	Gross Carrying Value	Accumulated Amortization	Total Net Book Value	Gross Carrying Value	Accumulated Amortization	Total Net Book Value
<u>Amortizable intangible assets:</u>						
Customer lists and other License agreements	\$ 2,061 3	\$ 625 3	\$ 1,436 —	\$ 2,273 43	\$ 544 43	\$ 1,729 —
	<u>\$ 2,064</u>	<u>\$ 628</u>	<u>\$ 1,436</u>	<u>\$ 2,316</u>	<u>\$ 587</u>	<u>\$ 1,729</u>
<u>Non-amortizable intangible assets:</u>						
Trademarks and other			1,992			2,366
Total intangible assets			<u>\$ 3,428</u>			<u>\$ 4,095</u>

The aggregate amortization expense related to amortizable intangible assets for fiscal 2022, 2021 and 2020 was \$ 160 million, \$ 110 million and \$ 73 million, respectively. The estimated aggregate amortization expense for each of the next five fiscal years is as follows:

(In millions)	Fiscal				
	2023	2024	2025	2026	2027
Estimated aggregate amortization expense	\$ 149	\$ 148	\$ 148	\$ 148	\$ 131

THE ESTÉE LAUDER COMPANIES INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****Fiscal 2022 Impairment Testing**

For further policy information on the Company's policy relating to its impairment assessment of goodwill and other indefinite-lived intangible assets, see *Goodwill and Other Indefinite-lived Intangible Assets* within *Note 2 – Summary of Significant Accounting Policies*.

During the fiscal 2022 third quarter, given the lower-than-expected results from international expansion to areas that continue to be impacted by COVID-19, the Company made revisions to the internal forecasts relating to its GLAMGLOW reporting unit. The Company concluded that the changes in circumstances in the reporting unit triggered the need for an interim impairment review of its trademark intangible asset. The remaining carrying value of the trademark intangible asset was not recoverable and the Company recorded an impairment charge of \$ 11 million reducing the carrying value to zero .

During the fiscal 2022 third quarter, given the lower-than-expected growth within key geographic regions and channels for Dr.Jart+ that continue to be impacted by the spread of COVID-19 variants and resurgence in cases and the potential future impacts relating to the uncertainty of the duration and severity of COVID-19 impacting the financial performance of the brand, the lower than expected growth in key retail channels for DECIEM, and the lower than expected results from international expansion to areas that continue to be impacted by COVID-19 for Too Faced, the Company made revisions to the internal forecasts relating to its Dr.Jart+, DECIEM and Too Faced reporting units.

The Company concluded that the changes in circumstances in the reporting units triggered the need for interim impairment reviews of their trademarks and goodwill. These changes in circumstances were also an indicator that the carrying amounts of Dr.Jart+'s, DECIEM's and Too Faced's long-lived assets, including customer lists, may not be recoverable. Accordingly, the Company performed interim impairment tests for the trademarks and a recoverability test for the long-lived assets as of February 28, 2022. The Company concluded that the carrying amounts of the long-lived assets were recoverable. For the Dr.Jart+ reporting unit, the Company also concluded that the carrying value of the trademark intangible asset exceeded its estimated fair value, which was determined utilizing the relief-from-royalty method to determine discounted projected future cash flows, and recorded an impairment charge of \$ 205 million. For the Too Faced and DECIEM reporting units, as the carrying values of the trademarks did not exceed their estimated fair values, which were determined utilizing the relief-from-royalty method to determine discounted projected future cash flows, the Company did not record impairment charges. The estimated fair values of Too Faced's and DECIEM's trademarks exceeded their carrying values by 13 % and 3 %, respectively. For the Too Faced and DECIEM trademark intangible assets, if all other assumptions are held constant, an increase of 100 basis points and 50 basis points, respectively, in the weighted average cost of capital would result in an impairment charge. After adjusting the carrying values of the trademarks, the Company completed interim quantitative impairment tests for goodwill. As the estimated fair value of the Dr.Jart+, DECIEM and Too Faced reporting units were in excess of their carrying values, the Company concluded that the carrying amounts of the goodwill were recoverable and did not record a goodwill impairment charge related to these reporting units. The fair values of these reporting units were based upon an equal weighting of the income and market approaches, utilizing estimated cash flows and a terminal value, discounted at a rate of return that reflects the relative risk of the cash flows, as well as valuation multiples derived from comparable publicly traded companies that are applied to operating performance of the reporting units. The significant assumptions used in these approaches include revenue growth rates and profit margins, terminal values, weighted average cost of capital used to discount future cash flows and royalty rates for trademarks. The most significant unobservable input used to estimate the fair value of the Dr.Jart+ trademark intangible asset was the weighted-average cost of capital, which was 10.5 %.

THE ESTÉE LAUDER COMPANIES INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Based on the Company's annual goodwill and other indefinite-lived intangible asset impairment testing as of April 1, 2022, the Company determined that the carrying value of the Dr.Jart+ trademark exceeded its fair value. This determination was made based on updated internal forecasts. Given the lower-than-expected growth within key geographic regions and channels that continued to be impacted by the spread of COVID-19 variants, the resurgence in cases, regional lockdowns and the potential future impacts relating to the uncertainty of the duration and severity of COVID-19 impacting the financial performance of the brand, the Company made revisions to the internal forecasts relating to the Dr.Jart+ reporting unit. These changes in circumstances were also indicators that the carrying amounts of their respective long-lived assets may not be recoverable. The Company concluded that the carrying value of the trademark intangible asset exceeded its estimated fair value, which was determined utilizing the relief-from-royalty method to determine discounted projected future cash flows, and recorded an impairment charge of \$ 25 million. The Company concluded that the carrying amount of the long-lived assets were recoverable. After adjusting the carrying value of the trademark, the Company completed a quantitative impairment test for goodwill. As the estimated fair value of the reporting unit was in excess of its carrying value, the Company concluded that the carrying amount of the goodwill was recoverable and did not record a goodwill impairment charge related to the reporting unit. The fair value of the reporting unit was based upon an equal weighting of the income and market approaches, utilizing estimated cash flows and a terminal value, discounted at a rate of return that reflects the relative risk of the cash flows, as well as valuation multiples derived from comparable publicly traded companies that are applied to operating performance of the reporting units. The significant assumptions used in these approaches include revenue growth rates and profit margins, terminal values, weighted average cost of capital used to discount future cash flows and royalty rates for trademarks. The most significant unobservable input used to estimate the fair value of the trademark intangible asset was the weighted-average cost of capital, which was 10.5 %.

A summary of the trademark impairment charges for the three and twelve months ended June 30, 2022 and the remaining carrying values as of June 30, 2022, for each reporting unit, are as follows:

(In millions)	Reporting Unit:	Geographic Region	Impairment Charge		Carrying Value	
			Three Months Ended June 30, 2022	Twelve Months Ended June 30, 2022	As of June 30, 2022	
GLAMGLOW	The Americas		\$ —	\$ 11	\$ —	—
Dr.Jart+	Asia/Pacific		25	230		428
Total			\$ 25	\$ 241	\$	428

The impairment charges for the three and twelve months ended June 30, 2022 were reflected in the skin care product category.

Fiscal 2021 Impairment Testing

During November 2020, given the actual and the estimate of the potential future impacts relating to the uncertainty of the duration and severity of COVID-19 impacting the Company and lower than expected results from geographic expansion, the Company made further revisions to the internal forecasts relating to its GLAMGLOW reporting unit. The Company concluded that the changes in circumstances in this reporting unit triggered the need for an interim impairment review of its trademark and goodwill. These changes in circumstances were also an indicator that the carrying amounts of GLAMGLOW's long-lived assets, including customer lists, may not be recoverable. Accordingly, the Company performed an interim impairment test for the trademark and a recoverability test for the long-lived assets as of November 30, 2020. The Company concluded that the carrying value of the trademark for GLAMGLOW exceeded its estimated fair value, which was determined utilizing the relief-from-royalty method to determine discounted projected future cash flows, and recorded an impairment charge of \$ 21 million. In addition, the Company concluded that the carrying value of the GLAMGLOW customer lists intangible asset was fully impaired and recorded an impairment charge of \$ 6 million. The fair value of all other long-lived assets of GLAMGLOW exceeded their carrying values and were not impaired as of November 30, 2020. After adjusting the carrying values of the trademark and customer lists intangible assets, the Company completed an interim quantitative impairment test for goodwill and recorded a goodwill impairment charge of \$ 54 million, reducing the carrying value of goodwill for the GLAMGLOW reporting unit to zero . The fair value of the GLAMGLOW reporting unit was based upon an equal weighting of the income and market approaches, utilizing estimated cash flows and a terminal value, discounted at a rate of return that reflects the relative risk of the cash flows, as well as valuation multiples derived from comparable publicly traded companies that are applied to operating performance of the reporting unit.

THE ESTÉE LAUDER COMPANIES INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Based on the Company's annual goodwill and other indefinite-lived intangible asset impairment testing as of April 1, 2021, the Company determined that the carrying value of the GLAMGLOW and Smashbox trademarks exceeded their fair values. This determination was made based on updated internal forecasts, finalized and approved in June 2021, that reflected lower net sales growth projections due to a softer than expected retail environment for these brands, as well as the continued impacts relating to the uncertainty of the duration and severity of the COVID-19 pandemic. These changes in circumstances were also indicators that the carrying amounts of their respective long-lived assets may not be recoverable. The Company concluded that the carrying values of the trademarks exceeded their estimated fair values, which were determined utilizing the relief-from-royalty method to determine discounted projected future cash flows, and recorded impairment charges. The Company concluded that the carrying amounts of the long-lived assets were recoverable. The carrying values of the customer lists and goodwill relating to the GLAMGLOW and Smashbox reporting units were zero as of November 30, 2020 and June 30, 2020, respectively.

A summary of the impairment charges for the three and twelve months ended June 30, 2021 and the remaining trademark, customer lists and goodwill carrying values as of June 30, 2021, for each reporting unit, are as follows:

(In millions)	Reporting Unit:	Product Category	Impairment Charge						Carrying Value as of June 30, 2021		
			Three Months Ended June 30, 2021			Twelve Months Ended June 30, 2021					
			Trademark	Customer Lists	Goodwill	Trademark	Customer Lists	Goodwill	Trademark	Customer Lists	Goodwill
GLAMGLOW	Skin care	Trademark	\$ 25	\$ —	\$ —	\$ 46	\$ 6	\$ 54	\$ 11	\$ —	\$ —
Smashbox	Makeup	Customer Lists	11	—	—	11	—	—	21	—	—
Total		Goodwill	\$ 36	\$ —	\$ —	\$ 57	\$ 6	\$ 54	\$ 32	\$ —	\$ —

The impairment charges for the three and twelve months ended June 30, 2021 were reflected in the Americas region.

Fiscal 2020 Impairment Testing

During December 2019, given the continuing declines in prestige makeup, generally in North America, and the ongoing competitive activity, the Company's Too Faced, BECCA and Smashbox reporting units made revisions to their internal forecasts concurrent with the Company's brand strategy review process. During March 2020, given the actual and the estimate of the potential future impacts relating to the uncertainty of the duration and severity of COVID-19 impacting the Company, the Company made additional revisions to the internal forecasts relating to its Too Faced, BECCA, Smashbox and GLAMGLOW reporting units. The Company concluded that the changes in circumstances in these reporting units triggered the need for an interim impairment review of their respective trademarks and goodwill. These changes in circumstances were also an indicator that the carrying amounts of their respective long-lived assets, including customer lists, may not be recoverable. Accordingly, the Company performed interim impairment tests for the trademarks and recoverability tests for the long-lived assets as of December 31, 2019 and March 31, 2020. The Company concluded that the carrying amounts of the long-lived assets were recoverable. For December 31, 2019 and March 31, 2020, the Company also concluded that the carrying values of the trademarks exceeded their estimated fair values and recorded impairment charges. For December 31, 2019, the Company utilized the relief-from-royalty method to determine discounted projected future cash flows, and for March 31, 2020, the relief-from-royalty method was based on probability weighted cash flows. After adjusting the carrying values of the trademarks, the Company completed interim quantitative impairment tests for goodwill and recorded goodwill impairment charges for each of these reporting units. For December 31, 2019, the fair value of each reporting unit was based upon an equal weighting of the income and market approaches, utilizing estimated cash flows and a terminal value, discounted at a rate of return that reflects the relative risk of the cash flows, as well as valuation multiples derived from comparable publicly traded companies that are applied to operating performance of the reporting unit. For March 31, 2020, the fair value of each reporting unit was based upon an equal weighting of the income and market approaches, utilizing estimated cash flows, based on probability weighted undiscounted cash flows, and a terminal value, discounted at a rate of return that reflects the relative risk of the cash flows, as well as valuation multiples derived from comparable publicly traded companies that are applied to operating performance of the reporting unit.

THE ESTÉE LAUDER COMPANIES INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Based on the Company's annual goodwill and other indefinite-lived intangible asset impairment testing as of April 1, 2020, the Company determined that the carrying value of the Editions de Parfums Frédéric Malle reporting unit exceeded its fair value. This determination was made based on updated internal forecasts, finalized and approved in June 2020, that reflected lower net sales growth projections due to a softer than expected retail environment for the brand, as well as the impacts relating to the uncertainty of the duration and severity of COVID-19. These changes in circumstances were also an indicator that the carrying amounts of its respective long-lived assets, including customer lists, may not be recoverable. The Company concluded that the carrying value of the trademarks exceeded its estimated fair value, which was determined utilizing the relief-from-royalty method to determine discounted projected future cash flows, and recorded impairment charges. The Company concluded that the carrying amounts of the long-lived assets were recoverable. After adjusting the carrying value of the trademarks, the Company completed the quantitative impairment test for goodwill and recorded a goodwill impairment charge for this reporting unit. The fair value of this reporting unit was based upon an equal weighting of the income and market approaches, utilizing estimated cash flows and a terminal value, discounted at a rate of return that reflects the relative risk of the cash flows, as well as valuation multiples derived from comparable publicly traded companies that are applied to operating performance of the reporting unit.

During June 2020, given the actual and the estimate of the potential future impacts relating to the uncertainty of the duration and severity of COVID-19 impacting the Company, the Company made further revisions to the internal forecasts relating to its BECCA and GLAMGLOW reporting units. The Company concluded that the changes in circumstances in these reporting units triggered the need for an interim impairment review of their respective trademarks and goodwill. These changes in circumstances were also an indicator that the carrying amounts of their respective long-lived assets, including customer lists, may not be recoverable. Accordingly, the Company performed interim impairment tests for the trademarks and recoverability tests for the long-lived assets as of June 30, 2020. The Company concluded that the carrying values of the trademarks for BECCA and GLAMGLOW exceeded their estimated fair values, which were determined utilizing the relief-from-royalty method to determine discounted projected future cash flows, and recorded impairment charges. In addition, the Company concluded that the carrying value of the BECCA customer lists intangible asset exceeded its estimated fair value, which was determined utilizing the multi-period excess earnings income approach by discounting the incremental after-tax cash flows over multiple periods, and recorded an impairment charge. The Company concluded that the carrying amounts of the long-lived assets of GLAMGLOW were recoverable. After adjusting the carrying values of the trademarks and the BECCA customer lists, the Company completed interim quantitative impairment tests for goodwill and recorded goodwill impairment charges for each of these reporting units. The fair value of each reporting unit was based upon an equal weighting of the income and market approaches, utilizing estimated cash flows and a terminal value, discounted at a rate of return that reflects the relative risk of the cash flows, as well as valuation multiples derived from comparable publicly traded companies that are applied to operating performance of the reporting unit.

A summary of the impairment charges for the three and twelve months ended June 30, 2020 and the remaining trademark, customer lists and goodwill carrying values as of June 30, 2020, for each reporting unit, are as follows:

(In millions)	Reporting Unit:	Product Category	Impairment Charge						Carrying Value as of June 30, 2020		
			Three Months Ended June 30, 2020			Twelve Months Ended June 30, 2020					
			Trademark	Customer Lists	Goodwill	Trademark	Customer Lists	Goodwill	Trademark	Customer Lists	Goodwill
Too Faced	Makeup	\$ —	\$ —	\$ —	\$ —	\$ 253	\$ —	\$ 592	\$ 272	\$ 217	\$ 13
BECCA	Makeup	24	35	15	71	35	85	27	7	13	—
Smashbox	Makeup	—	—	—	23	—	72	32	—	—	—
GLAMGLOW	Skin care	5	—	8	6	—	60	57	6	—	54
Editions de Parfums Frédéric Malle	Fragrance	11	—	3	11	—	3	21	2	—	3
Total		\$ 40	\$ 35	\$ 26	\$ 364	\$ 35	\$ 812	\$ 409	\$ 232	\$ 83	

The impairment charges for the three and twelve months ended June 30, 2020 were reflected in the Americas region.

THE ESTÉE LAUDER COMPANIES INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 7 - LEASES**

For further information on the Company's policies relating to leases see *Note 2 - Summary of Significant Accounting Policies*.

The Company has operating and finance leases primarily for real estate properties, including corporate offices, facilities to support the Company's manufacturing, assembly, research and development and distribution operations and retail stores, as well as information technology equipment, automobiles and office equipment, with remaining terms of approximately 1 year to 58 years. Some of the Company's lease contracts include options to extend the leases for up to 30 years, while others include options to terminate the leases within 23 years.

A summary of total lease costs and other information for the periods relating to the Company's finance and operating leases is as follows:

(In millions)	June 30		
	2022	2021	2020
Total lease cost			
Finance lease cost:			
Amortization of right-of-use assets	\$ 12	\$ 9	\$ 11
Interest on lease liabilities	—	—	1
Operating lease cost	465	470	625
Short-term lease cost	24	19	24
Variable lease cost	332	301	158
Total	<u>\$ 833</u>	<u>\$ 799</u>	<u>\$ 819</u>

Other information

Cash paid for amounts included in the measurement of lease liabilities

Operating cash flows from operating leases	\$ 506	\$ 451	\$ 426
Financing cash flows from finance leases	\$ 18	\$ 12	\$ 12
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 279	\$ 267	\$ 266
Right-of-use assets obtained in exchange for new finance lease liabilities	\$ 10	\$ 44	\$ 1
Weighted-average remaining lease term - finance leases	3 years	3 years	2 years
Weighted-average remaining lease term - operating leases	9 years	10 years	11 years
Weighted-average discount rate - finance leases	1.0 %	1.1 %	2.7 %
Weighted-average discount rate - operating leases	2.4 %	2.3 %	2.5 %

THE ESTÉE LAUDER COMPANIES INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

The total future minimum lease payments, over the remaining lease term, relating to the Company's operating and finance leases for each of the next five fiscal years and thereafter is as follows:

(In millions)	Operating Leases	Finance Leases
Fiscal 2023	\$ 414	\$ 13
Fiscal 2024	377	7
Fiscal 2025	308	2
Fiscal 2026	260	1
Fiscal 2027	215	—
Thereafter	941	—
Total future minimum lease payments	2,515	23
Less imputed interest	(282)	—
Total	\$ 2,233	\$ 23

Operating lease and finance lease liabilities included in the consolidated balance sheet are as follows:

(In millions)	June 30			
	2022		2021	
	Operating Leases	Finance Leases	Operating Leases	Finance Leases
Total current liabilities	\$ 365	13	\$ 379	\$ 18
Total noncurrent liabilities	1,868	10	2,151	27
Total	\$ 2,233	\$ 23	\$ 2,530	\$ 45

The ROU assets and lease liabilities related to finance leases are included in Other assets and in Current debt and Long-term debt, respectively, in the accompanying consolidated balance sheets as of June 30, 2022 and 2021.

During fiscal 2021 and fiscal 2020, as a result of the continued challenging retail environment due to the COVID-19 pandemic, certain of the Company's freestanding stores experienced lower net sales and lower expectations of future cash flows. These changes were an indicator that the carrying amounts may not be recoverable. Accordingly, the Company performed a recoverability test by comparing projected undiscounted cash flows from the use and eventual disposition of an asset or asset group to its carrying value. For those freestanding stores that failed step one of this test, the Company then compared the assets carrying values to their estimated fair values. Specifically, for the related ROU assets, the fair value was based on discounting market rent using a real estate discount rate. As a result, the Company recognized \$ 71 million and \$ 215 million of long-lived asset impairments, included in Impairments of other intangible and long-lived assets, in the accompanying consolidated statements of earnings for the year ended June 30, 2021 and 2020, respectively. The fiscal 2021 impairments related to other assets (i.e. rights associated with commercial operating leases) of \$ 27 million, operating lease right-of-use assets of \$ 25 million and the related property, plant and equipment in certain freestanding stores of \$ 19 million. The fiscal 2020 impairments related to operating lease ROU assets of \$ 131 million, as well as the related property, plant and equipment and other long-lived assets in certain freestanding stores of \$ 84 million, combined.

THE ESTÉE LAUDER COMPANIES INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

A summary of impairment charges is as follows:

(In millions)	Year Ended June 30	
	2021	2020
Product Category	Impairment Charge	Impairment Charge
Skin care	\$ 1	\$ 22
Makeup	52	160
Fragrance	14	18
Hair care	4	14
Other	—	1
Total	\$ 71	\$ 215

Region	Impairment Charge	Impairment Charge
The Americas	\$ 23	\$ 103
Europe, the Middle East & Africa	48	104
Asia/Pacific	—	8
Total	\$ 71	\$ 215

NOTE 8 - CHARGES ASSOCIATED WITH RESTRUCTURING AND OTHER ACTIVITIES

During fiscal 2022, the Company incurred charges associated with the Post-COVID Business Acceleration Program restructuring activities as follows:

(In millions)	Sales Returns (included in Net Sales)	Cost of Sales	Operating Expenses		Total
			Restructuring Charges	Other Charges	
Post-COVID Business Acceleration Program	\$ 4	\$ 5	\$ 109	\$ 9	\$ 127

The types of activities included in restructuring and other charges, and the related accounting criteria, are described below.

Charges associated with restructuring and other activities are not allocated to the Company's product categories or geographic regions because they are centrally directed and controlled, are not included in internal measures of product category or geographic region performance and result from activities that are deemed Company-wide initiatives to redesign, resize and reorganize select areas of the business.

Post-COVID Business Acceleration Program

On August 20, 2020, the Company announced a two-year restructuring program, Post-COVID Business Acceleration Program (the "PCBA Program"), designed to realign the Company's business to address the dramatic shifts to its distribution landscape and consumer behaviors in the wake of the COVID-19 pandemic. The PCBA Program is designed to help improve efficiency and effectiveness by rebalancing resources to growth areas of prestige beauty. It is expected to further strengthen the Company by building upon the foundational capabilities in which the Company has invested.

The PCBA Program's main areas of focus include accelerating the shift to online with the realignment of the Company's distribution network reflecting freestanding store and certain department store closures, with a focus on North America and Europe, the Middle East & Africa; the reduction in brick-and-mortar point of sale employees and related support staff; and the redesign of the Company's regional branded marketing organizations, plus select opportunities in global brands and functions. This program is expected to position the Company to better execute its long-term strategy while strengthening its financial flexibility.

THE ESTÉE LAUDER COMPANIES INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

The Company previously estimated a net reduction over the duration of the PCBA Program in the range of approximately 2,000 to 2,500 positions globally, including temporary and part-time employees. The Company has revised these estimates based on the review of the PCBA Program. As of June 30, 2022, the Company estimated a net reduction over the duration of the PCBA Program in the range of 2,500 to 3,000 positions globally, including temporary and part-time employees. This reduction takes into account the elimination of some positions, retraining and redeployment of certain employees and investment in new positions in key areas. The Company also estimated the closure over the duration of the PCBA Program of approximately 10 % to 15 % of its freestanding stores globally, primarily in Europe, the Middle East & Africa and in North America.

The Company approved specific initiatives under the PCBA Program through fiscal 2022 and expects to substantially complete those initiatives through fiscal 2023. The Company previously estimated that the PCBA Program would result in related restructuring and other charges totaling between \$ 400 million and \$ 500 million, before taxes. After concluding the final approvals and reviewing the progress of previously approved initiatives under the PCBA Program that are being implemented, the Company has revised its estimates for cost approvals under the PCBA Program. Inclusive of approvals from inception through June 28, 2022, the Company now estimates that the PCBA Program may result in related restructuring and other charges totaling between \$ 500 million and \$ 515 million, before taxes.

PCBA Program Approvals

The PCBA Program cumulative charges (adjustments) approved by the Company through June 30, 2022 were:

(In millions)	Sales Returns (included in Net Sales)	Cost of Sales	Operating Expenses		Total			
			Restructuring Charges	Other Charges				
Total Charges (Adjustments)								
Approved								
Fiscal 2021	\$ 42	\$ (6)	\$ 257	\$ 21	\$ 314			
Fiscal 2022	1	15	167	18	201			
Cumulative through June 30, 2022	<u>\$ 43</u>	<u>\$ 9</u>	<u>\$ 424</u>	<u>\$ 39</u>	<u>\$ 515</u>			

Included in the above table, cumulative PCBA Program restructuring initiatives approved by the Company through June 30, 2022 by major cost type were:

(In millions)	Employee-Related Costs	Asset-Related Costs	Contract Terminations	Other Exit Costs	Total
Restructuring Charges Approved					
Fiscal 2021	\$ 132	\$ 108	\$ 13	\$ 4	\$ 257
Fiscal 2022	83	53	30	1	167
Cumulative through June 30, 2022	<u>\$ 215</u>	<u>\$ 161</u>	<u>\$ 43</u>	<u>\$ 5</u>	<u>\$ 424</u>

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Specific actions taken since the PCBA Program inception include:

- Optimize Digital Organization and Other Go-To-Market Organizations – The Company approved initiatives to enhance its go-to-market capabilities and shift more resources to support online growth. These actions will result in a net reduction of the workforce, which includes position eliminations, the re-leveling of certain positions and an investment in new capabilities.
- Optimize Select Marketing, Brand and Global Functions – The Company has started to reduce its corporate and certain of its brand office footprints and is moving toward the future of work in a post-COVID environment, by restructuring where and how its employees work and collaborate. In addition, the Company has approved initiatives to reduce organizational complexity and leverage scale across various Global functions. These actions will result in asset write-offs, employee severance, lease termination fees, and consulting and other professional services for the design and implementation of the future structures and processes.
- Optimize Distribution Network – To help restore profitability to pre-COVID-19 pandemic levels in certain areas of its distribution network and, as part of a broader initiative to be completed in phases, the Company has approved initiatives to close a number of underperforming freestanding stores, counters and other retail locations, mainly in certain affiliates across all geographic regions, including the Company's travel retail network. These anticipated closures reflect changing consumer behaviors including higher demand for online and omnichannel capabilities. These activities will result in a net reduction in workforce, inventory and other asset write-offs, termination of contracts, and product returns.
- Exit of the Global Distribution of BECCA Products – In reviewing the Company's brand portfolio to improve efficiency and the sustainability of long-term investments, the decision was made to exit the global distribution of BECCA products due to its limited distribution, the ongoing decline in product demand and the challenging environment caused by the COVID-19 pandemic. These activities resulted in charges for the impairment of goodwill and other intangible assets, product returns, termination of contracts, and employee severance. The Company completed these initiatives during fiscal 2022.
- Exit of Certain Designer Fragrance Licenses – In reviewing the Company's brand portfolio of fragrances and to focus on investing its resources on alternative opportunities for long-term growth and value creation globally, the Company announced that it would not be renewing its existing license agreements for the Donna Karan New York, DKNY, Michael Kors, Tommy Hilfiger and Ermenegildo Zegna product lines when their respective terms expire in June 2023. The Company has since negotiated early termination agreements with each of the licensors effective June 30, 2022 and continued to sell products under these licenses until such time. These actions resulted in employee-related costs, asset write-offs, including charges for the impairment of goodwill, and consulting and legal fees.
- Brand Transformation – In reviewing the Company's brand portfolio to accelerate growth within the makeup product category and to support long-term investments, the decision was made to strategically reposition Smashbox to capitalize on changing consumer preferences and to mitigate the impact caused by the COVID-19 pandemic on the brand. These actions will result primarily in product returns and inventory write-offs.

PCBA Program Restructuring and Other Charges

Restructuring charges are comprised of the following:

Employee-Related Costs – Employee-related costs are primarily comprised of severance and other post-employment benefit costs, calculated based on salary levels, prior service and other statutory minimum benefits, if applicable.

Asset-Related Costs – Asset-related costs primarily consist of asset write-offs or accelerated depreciation related to long-lived assets in certain freestanding stores (including rights associated with commercial operating leases and operating lease right-of-use assets) that will be taken out of service prior to their existing useful life as a direct result of a restructuring initiative. These costs also include goodwill and other intangible asset impairment charges relating to the exit of the global distribution of BECCA products.

THE ESTÉE LAUDER COMPANIES INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Contract Terminations – Costs related to contract terminations include continuing payments to a third party after the Company has ceased benefiting from the rights conveyed in the contract, or a payment made to terminate a contract prior to its expiration.

Other Exit Costs – Other exit costs related to restructuring activities generally include costs to relocate facilities or employees, recruiting to fill positions as a result of relocation of operations, and employee outplacement for separated employees.

Other charges associated with restructuring activities are comprised of the following:

Sales Returns and Cost of Sales – Product returns (offset by the related cost of sales) and inventory write-offs or write-downs as a direct result of an approved restructuring initiative to exit certain businesses or locations will be recorded as a component of Net sales and/or Cost of sales when estimable and reasonably assured.

Other Charges – The Company approved other charges related to the design and implementation of approved initiatives, which are charged to Operating expenses as incurred and primarily include the following:

- Consulting and other professional services for organizational design of the future structures and processes as well as the implementation thereof;
- Temporary labor backfill;
- Costs to establish and maintain a PMO for the duration of the PCBA Program, including internal costs for employees dedicated solely to project management activities, and other PMO-related expenses incremental to the Company's ongoing operations (e.g., rent and utilities); and
- Recruitment and training costs for new and reskilled employees to acquire and apply the capabilities needed to perform responsibilities as a direct result of an approved restructuring initiative.

The Company records approved charges associated with restructuring and other activities once the relevant accounting criteria have been met. Total cumulative charges recorded associated with restructuring and other activities for the PCBA Program were:

(In millions)	Sales Returns (included in Net Sales)	Operating Expenses			Total
		Cost of Sales	Restructuring Charges	Other Charges	
Total Charges					
Fiscal 2021	\$ 14	\$ 2	\$ 201	\$ 4	\$ 221
Fiscal 2022	4	5	109	9	127
Cumulative through June 30, 2022	<u>\$ 18</u>	<u>\$ 7</u>	<u>\$ 310</u>	<u>\$ 13</u>	<u>\$ 348</u>

(In millions)	Employee-Related Costs	Asset-Related Costs ⁽¹⁾	Contract Terminations	Other Exit Costs	Total
Restructuring Charges					
Fiscal 2021	\$ 119	\$ 75	\$ 6	\$ 1	\$ 201
Fiscal 2022	84	11	13	1	109
Cumulative through June 30, 2022	<u>\$ 203</u>	<u>\$ 86</u>	<u>\$ 19</u>	<u>\$ 2</u>	<u>\$ 310</u>

⁽¹⁾ Asset-related costs include fiscal 2021 goodwill and other intangible asset impairment charges of \$ 13 million and \$ 34 million, respectively, relating to the exit of the global distribution of BECCA products.

THE ESTÉE LAUDER COMPANIES INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Changes in accrued restructuring charges for the fiscal year ended June 30, 2022 relating to the PCBA Program were:

(In millions)	Employee-Related Costs	Asset-Related Costs	Contract Terminations	Other Exit Costs	Total
Charges	\$ 119	\$ 75	\$ 6	\$ 1	\$ 201
Cash payments	(18)	—	(6)	(1)	(25)
Non-cash asset write-offs	—	(75)	—	—	(75)
Balance at June 30, 2021	101	—	—	—	101
Charges	84	11	13	1	109
Cash payments	(52)	—	(13)	1	(64)
Non-cash asset write-offs	—	(11)	—	—	(11)
Translation and other adjustments	(8)	—	—	\$ (2)	\$ (10)
Balance at June 30, 2022	<u>\$ 125</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 125</u>

Accrued restructuring charges at June 30, 2022 relating to the PCBA Program are expected to result in cash expenditures funded from cash provided by operations of approximately \$ 87 million, \$ 31 million, and \$ 7 million for each of fiscal 2023, 2024 and 2025, respectively.

NOTE 9 - INCOME TAXES

The provision for income taxes is comprised of the following:

(In millions)	Year Ended June 30		
	2022	2021	2020
Current:			
Federal	\$ 219	\$ 197	\$ 128
Foreign	533	479	368
State and local	25	10	(3)
	<u>777</u>	<u>686</u>	<u>493</u>
Deferred:			
Federal	(12)	(129)	(93)
Foreign	(136)	(100)	(49)
State and local	(1)	(1)	(1)
	<u>(149)</u>	<u>(230)</u>	<u>(143)</u>
	<u>\$ 628</u>	<u>\$ 456</u>	<u>\$ 350</u>

Earnings before income taxes include amounts contributed by the Company's foreign operations of \$ 2,248 million, \$ 3,127 million and \$ 2,277 million for fiscal 2022, 2021 and 2020, respectively. A portion of these earnings is taxed in the United States.

On July 20, 2020, the U.S. government released final and proposed regulations under the global intangible low-taxed income ("GILTI") provisions of the TCJA that provide for a high-tax exception to the GILTI tax. These regulations are retroactive to the original enactment of the GILTI tax provision, commencing with the Company's 2019 fiscal year. The Company has elected to apply the GILTI high-tax exception beginning with fiscal 2019 through 2021, and intends to make the election for fiscal 2022.

THE ESTÉE LAUDER COMPANIES INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

A reconciliation of the U.S. federal statutory income tax rate to the Company's actual effective tax rate on earnings before income taxes is as follows:

	Year Ended June 30		
	2022	2021	2020
Provision for income taxes at statutory rate	21.0 %	21.0 %	21.0 %
Increase (decrease) due to:			
State and local income taxes, net of federal tax benefit	0.7	0.5	(0.1)
Stock-based compensation arrangements - excess tax benefits, net	(2.7)	(3.0)	(7.5)
Previously held equity method investment gain - DECIEM ⁽¹⁾	—	(5.3)	—
GILTI - High-Tax Exception election (adjustment for prior years)	—	(1.4)	—
Taxation of foreign operations	1.4	1.8	11.0
Income tax reserve adjustments	0.3	(0.2)	0.4
Nondeductible goodwill impairment charges	—	0.1	8.0
Other, net	—	0.2	0.7
Effective tax rate ⁽²⁾	20.7 %	13.7 %	33.5 %

⁽¹⁾ Included in Other income, net in the accompanying consolidated statements of earnings for the fiscal year ended June 30, 2021.

⁽²⁾ For fiscal 2021 and 2020, the reconciling items between the Company's U.S. federal statutory income tax rate and the Company's actual effective tax rate were materially impacted by the increase from fiscal 2020 to fiscal 2021 in earnings before income taxes.

Income tax reserve adjustments represent changes in the Company's net liability for unrecognized tax benefits related to prior-year tax positions including the impact of tax settlements and lapses of the applicable statutes of limitations.

All excess tax benefits and tax deficiencies related to share-based compensation awards are recorded as income tax expense or benefit in the consolidated statements of earnings. The Company recognized \$ 82 million, \$ 99 million and \$ 78 million of excess tax benefits, net as a reduction to the provision for income taxes in the accompanying consolidated statements of earnings for the twelve months ended June 30, 2022, 2021 and 2020, respectively.

The Company has \$ 8,089 million of undistributed earnings of foreign subsidiaries at June 30, 2022. Included in this amount is \$ 5,736 million of earnings considered permanently reinvested. There may be foreign tax ramifications associated with the distribution of such permanently reinvested earnings, which the Company is currently evaluating. Since the application of the relevant foreign tax laws to such distribution is largely uncertain at this time, it is not practicable to determine the amount of associated tax. Any state income taxes associated with the distribution of such earnings is not expected to be material.

THE ESTÉE LAUDER COMPANIES INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Significant components of the Company's deferred income tax assets and liabilities were as follows:

(In millions)	June 30	
	2022	2021
Deferred tax assets:		
Compensation-related expenses	\$ 203	\$ 210
Inventory obsolescence and other inventory related reserves	59	72
Retirement benefit obligations	42	54
Various accruals not currently deductible	269	239
Net operating loss, credit and other carryforwards	192	169
Unrecognized state tax benefits and accrued interest	13	12
Lease liabilities	504	591
Other differences between tax and financial statement values	26	74
	1,308	1,421
Valuation allowance for deferred tax assets	(185)	(168)
Total deferred tax assets	1,123	1,253
Deferred tax liabilities:		
Fixed assets and intangibles	(204)	(329)
ROU assets	(452)	(517)
Partnership interest in DECIEM	(431)	(467)
Other differences between tax and financial statement values	(33)	(158)
Total deferred tax liabilities	(1,120)	(1,471)
Total net deferred tax assets (liabilities)	\$ 3	\$ (218)

As of June 30, 2022, the Company had net deferred tax assets of \$ 3 million, of which \$ 695 million is included in Other assets and \$ 692 million is included in Other noncurrent liabilities in the accompanying consolidated balance sheets. As of June 30, 2021, the Company had net deferred tax liabilities of \$ 218 million, of which \$ 631 million is included in Other assets and \$ 849 million is included in Other noncurrent liabilities in the accompanying consolidated balance sheets.

As of June 30, 2022 and 2021, certain subsidiaries had \$ 523 million and \$ 490 million of foreign net operating loss carryforwards, respectively, the tax effect of which was \$ 136 million and \$ 129 million, respectively, as well as U.S. federal tax credit carryforwards of \$ 56 million and \$ 41 million, respectively. With the exception of \$ 459 million of net operating losses with an indefinite carryforward period as of June 30, 2022, these net operating loss carryforwards expire at various dates through fiscal 2042. The tax credit carryforwards will begin to expire in fiscal 2030.

The Company has recorded a valuation allowance of \$ 185 million and \$ 168 million as of June 30, 2022 and 2021, respectively, principally against certain net operating loss carryforwards and tax credit carryforwards. A valuation allowance has been provided for those deferred tax assets for which, in the opinion of management, it is more-likely-than-not that the deferred tax assets will not be realized.

As of June 30, 2022, 2021 and 2020, the Company had gross unrecognized tax benefits of \$ 61 million, \$ 62 million, and \$ 70 million, respectively. At June 30, 2022, the total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate was \$ 51 million.

The Company classifies applicable interest and penalties related to unrecognized tax benefits as a component of the provision for income taxes. The total gross accrued interest and penalty expense recorded during fiscal 2022, 2021 and 2020 in the accompanying consolidated statements of earnings was \$ 4 million, \$ 2 million and \$ 3 million, respectively. The total gross accrued interest and penalties in the accompanying consolidated balance sheets at June 30, 2022 and 2021 was \$ 14 million and \$ 14 million, respectively.

THE ESTÉE LAUDER COMPANIES INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

A reconciliation of the beginning and ending amount of gross unrecognized tax benefits is as follows:

(In millions)	June 30		
	2022	2021	2020
Beginning of the year balance of gross unrecognized tax benefits	\$ 62	\$ 70	\$ 67
Gross amounts of increases as a result of tax positions taken during a prior period	12	9	11
Gross amounts of decreases as a result of tax positions taken during a prior period	(6)	(10)	(9)
Gross amounts of increases as a result of tax positions taken during the current period	7	8	7
Amounts of decreases in unrecognized tax benefits relating to settlements with taxing authorities	(12)	(13)	(4)
Reductions to unrecognized tax benefits as a result of a lapse of the applicable statutes of limitations	(2)	(2)	(2)
End of year balance of gross unrecognized tax benefits	<u>\$ 61</u>	<u>\$ 62</u>	<u>\$ 70</u>

Earnings from the Company's global operations are subject to tax in various jurisdictions both within and outside the United States. The Company participates in the U.S. Internal Revenue Service (the "IRS") Compliance Assurance Program ("CAP"). The objective of CAP is to reduce taxpayer burden and uncertainty while assuring the IRS of the accuracy of income tax returns prior to filing, thereby reducing or eliminating the need for post-filing examinations.

Subsequent to June 30, 2022, the IRS completed its examination procedures with respect to fiscal 2021 under the IRS CAP. There was no impact to the Company's consolidated financial statements. The Company expects to receive formal notification of the conclusion of the IRS CAP process for fiscal 2021 during fiscal 2023. As of June 30, 2022, the compliance process was ongoing with respect to fiscal 2022.

The Company is currently undergoing income tax examinations and controversies in several state, local and foreign jurisdictions. These matters are in various stages of completion and involve complex multi-jurisdictional issues common among multinational enterprises, including transfer pricing, which may require an extended period of time for resolution.

During fiscal 2022, the Company concluded various state, local and foreign income tax audits and examinations while several other matters, including those noted above, were initiated or remained pending. On the basis of the information available in this regard as of June 30, 2022, the Company does not expect significant changes to the total amount of unrecognized tax benefits within the next twelve months.

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The tax years subject to examination vary depending on the tax jurisdiction. As of June 30, 2022, the following tax years remain subject to examination by the major tax jurisdictions indicated:

Major Jurisdiction	Open Fiscal Years
Belgium	2019 - 2022
Canada	2017 - 2022
China	2019 - 2022
France	2019 - 2022
Germany	2017 - 2022
Hong Kong	2016 - 2022
Italy	2018 - 2022
Japan	2020 - 2022
Korea	2019 - 2022
Spain	2018 - 2022
Switzerland	2020 - 2022
United Kingdom	2021 - 2022
United States	2021 - 2022
State of California	2014 - 2022
State and City of New York	2018 - 2022

The Company is also subject to income tax examinations in numerous other state, local and foreign jurisdictions. The Company believes that its tax reserves are adequate for all years subject to examination.

NOTE 10 - OTHER ACCRUED AND NONCURRENT LIABILITIES

Other accrued liabilities consist of the following:

(In millions)	June 30	
	2022	2021
Advertising, merchandising and sampling	\$ 250	\$ 294
Employee compensation	693	670
Deferred revenue	312	322
Payroll and other non-income taxes	345	359
Sales return accrual	252	369
Other	1,508	1,181
	\$ 3,360	\$ 3,195

At June 30, 2022 and 2021, total Other noncurrent liabilities of \$ 1,651 million and \$ 2,037 million included \$ 692 million and \$ 849 million of deferred tax liabilities, respectively.

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NOTE 11 - DEBT

The Company's current and long-term debt and available financing consist of the following:

(In millions)	Debt at June 30		Available financing at June 30, 2022	
	2022	2021	Committed	Uncommitted
3.125 % Senior Notes, due December 1, 2049 ("2049 Senior Notes")	\$ 636	\$ 636	\$ —	\$ —
4.15 % Senior Notes, due March 15, 2047 ("2047 Senior Notes")	494	494	—	—
4.375 % Senior Notes, due June 15, 2045 ("2045 Senior Notes")	454	455	—	—
3.70 % Senior Notes, due August 15, 2042 ("2042 Senior Notes")	247	247	—	—
6.00 % Senior Notes, due May 15, 2037 ("2037 Senior Notes")	294	294	—	—
5.75 % Senior Notes, due October 15, 2033 ("2033 Senior Notes")	197	197	—	—
1.950 % Senior Notes, due March 15, 2031 ("2031 Senior Notes")	561	600	—	—
2.600 % Senior Notes, due April 15, 2030 ("2030 Senior Notes")	613	697	—	—
2.375 % Senior Notes, due December 1, 2029 ("2029 Senior Notes")	642	641	—	—
3.15 % Senior Notes, due March 15, 2027 ("2027 Senior Notes")	498	498	—	—
2.00 % Senior Notes, due December 1, 2024 ("2024 Senior Notes")	498	496	—	—
2.35 % Senior Notes, due August 15, 2022 ("2022 Senior Notes")	250	255	—	—
Commercial paper	—	—	—	2,500
Other long-term borrowings	10	27	—	—
Other current borrowings	18	32	—	171
Revolving credit facility	—	—	2,500	—
	<u>5,412</u>	<u>5,569</u>	<u>\$ 2,500</u>	<u>\$ 2,671</u>
Less current debt including current maturities	<u>(268)</u>	<u>(32)</u>		
	<u><u>\$ 5,144</u></u>	<u><u>\$ 5,537</u></u>		

THE ESTÉE LAUDER COMPANIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As of June 30, 2022, the Company's long-term debt consisted of the following:

Notes (\$ in millions)	Issue Date	Price	Yield	Principal	Unamortized Debt (Discount) Premium	Interest rate swap adjustments	Debt Issuance Costs	Semi-annual interest payments
2049 Senior Notes ⁽⁹⁾	November 2019	98.769 %	3.189 %	\$ 650	\$ (8)	—	\$ (6)	June 1/December 1
2047 Senior Notes ^{(1),(9)}	February 2017	99.739	4.165	500	(1)	—	(5)	March 15/September 15
2045 Senior Notes ^{(2),(9)}	June 2015	97.999	4.497	300	(5)	—	(3)	June 15/December 15
2045 Senior Notes ^{(2),(9)}	May 2016	110.847	3.753	150	14	—	(2)	June 15/December 15
2042 Senior Notes ⁽⁹⁾	August 2012	99.567	3.724	250	(1)	—	(2)	February 15/August 15
2037 Senior Notes ^{(3),(9)}	May 2007	98.722	6.093	300	(3)	—	(3)	May 15/November 15
2033 Senior Notes ^{(4),(9)}	September 2003	98.645	5.846	200	(2)	—	(1)	April 15/October 15
2031 Senior Notes ^{(5),(7),(9)}	March 2021	99.340	2.023	600	(3)	(32)	(4)	March 15/September 15
2030 Senior Notes ^{(7),(9)}	April 2020	99.816	2.621	700	(1)	(83)	(3)	April 15/October 15
2029 Senior Notes ^{(8),(9)}	November 2019	99.046	2.483	650	(5)	—	(3)	June 1/December 1
2027 Senior Notes ^{(6),(9)}	February 2017	99.963	3.154	500	—	—	(2)	March 15/September 15
2024 Senior Notes ⁽⁹⁾	November 2019	99.421	2.122	500	(1)	—	(1)	June 1/December 1
2022 Senior Notes ^{(7),(9)}	August 2012	99.911	2.360	250	—	—	—	February 15/August 15

⁽¹⁾ In November 2016, in anticipation of the issuance of the 2047 Senior Notes, the Company entered into a series of treasury lock agreements on a notional amount totaling \$ 350 million at a weighted-average all-in rate of 3.01 %. The treasury lock agreements were settled upon the issuance of the new debt, and the Company recognized a gain in OCI of \$ 3 million that is being amortized against interest expense over the life of the 2047 Senior Notes. As a result of the treasury lock agreements, the debt discount and debt issuance costs, the effective interest rate on the 2047 Senior Notes will be 4.17 % over the life of the debt.

⁽²⁾ In April and May 2015, in anticipation of the issuance of the 2045 Senior Notes in June 2015, the Company entered into a series of forward-starting interest rate swap agreements on a notional amount totaling \$ 300 million at a weighted-average all-in rate of 2.38 %. The forward-starting interest rate swap agreements were settled upon the issuance of the new debt and the Company recognized a gain in OCI of \$ 18 million that will be amortized against interest expense over the life of the 2045 Senior Notes. As a result of the forward-starting interest rate swap agreements, the debt discount and debt issuance costs, the effective interest rate on the 2045 Senior Notes will be 4.216 % over the life of the debt. In May 2016, the Company reopened this offering with the same terms and issued an additional \$ 150 million for an aggregate amount outstanding of \$ 450 million of 2045 Senior Notes.

⁽³⁾ In April 2007, in anticipation of the issuance of the 2037 Senior Notes, the Company entered into a series of forward-starting interest rate swap agreements on a notional amount totaling \$ 210 million at a weighted-average all-in rate of 5.45 %. The forward-starting interest rate swap agreements were settled upon the issuance of the new debt and the Company recognized a loss in OCI of \$ 1 million that is being amortized to interest expense over the life of the 2037 Senior Notes. As a result of the forward-starting interest rate swap agreements, the debt discount and debt issuance costs, the effective interest rate on the 2037 Senior Notes will be 6.181 % over the life of the debt.

⁽⁴⁾ In May 2003, in anticipation of the issuance of the 2033 Senior Notes, the Company entered into a series of treasury lock agreements on a notional amount totaling \$ 195 million at a weighted-average all-in rate of 4.53 %. The treasury lock agreements were settled upon the issuance of the new debt and the Company received a payment of \$ 15 million that is being amortized against interest expense over the life of the 2033 Senior Notes. As a result of the treasury lock agreements, the debt discount and debt issuance costs, the effective interest rate on the 2033 Senior Notes will be 5.395 % over the life of the debt.

⁽⁵⁾ In March 2020, in anticipation of the issuance of the 2031 Senior Notes, the Company entered into a series of treasury lock agreements on a notional amount totaling \$ 200 million at a weighted-average all-in rate of 0.84 %. The treasury lock agreements were settled upon the issuance of the new debt, and the Company recognized a gain in OCI of \$ 11 million that is being amortized to interest expense over the life of the 2031 Senior Notes. As a result of the treasury lock agreements, as well as the debt discount and debt issuance costs, the effective interest rate on the 2031 Senior Notes will be 1.89 % over the life of the debt.

⁽⁶⁾ In November 2016, in anticipation of the issuance of the 2027 Senior Notes, the Company entered into a series of treasury lock agreements on a notional amount totaling \$ 450 million at a weighted-average all-in rate of 2.37 %. The treasury lock agreements were settled upon the issuance of the new debt, and the Company recognized a gain in OCI of \$ 2 million that is being amortized against interest expense over the life of the 2027 Senior Notes. As a result of the treasury lock agreements, the debt discount and debt issuance costs, the effective interest rate on the 2027 Senior Notes will be 3.18 % over the life of the debt.

⁽⁷⁾ The Company entered into interest rate swap agreements with a notional amount totaling \$ 250 million, \$ 700 million and \$ 300 million to effectively convert the fixed rate interest on its outstanding 2022 Senior Notes, 2030 Senior Notes and 2031 Senior Notes to variable interest rates based on three months LIBOR plus a margin.

⁽⁸⁾ In April and May 2019, in anticipation of the issuance of the 2029 Senior Notes, the Company entered into a series of treasury lock agreements on a notional amount totaling \$ 500 million at a weighted-average all-in rate of 2.50 %. The treasury lock agreements were settled upon the issuance of the new debt, and the Company recognized a loss in OCI of \$ 33 million that is being amortized to interest expense over the life of the 2029 Senior Notes. As a result of the treasury lock agreements, as well as the debt discount and debt issuance costs, the effective interest rate on the 2029 Senior Notes will be 3.15 % over the life of the debt.

⁽⁹⁾ The Senior Notes contain certain customary covenants, including limitations on indebtedness secured by liens.

THE ESTÉE LAUDER COMPANIES INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

In October 2021, the Company replaced its \$ 1,500 million senior unsecured revolving credit facility that was set to expire in October 2023 with a new \$ 2,500 million senior unsecured revolving credit facility (the “New Facility”). The New Facility expires on October 22, 2026 unless extended for up to two additional years in accordance with the terms set forth in the agreement. Up to the equivalent of \$ 750 million of the New Facility is available for multi-currency loans. Interest rates on borrowings under the New Facility will be based on prevailing market interest rates in accordance with the agreement. The costs incurred to establish the New Facility were not material. The New Facility has an annual fee of approximately \$ 1 million, payable quarterly, based on the Company’s current credit ratings. The New Facility contains a cross-default provision whereby a failure to pay other material financial obligations in excess of \$ 175 million (after grace periods and absent a waiver from the lenders) would result in an event of default and the acceleration of the maturity of any outstanding debt under this facility. The New Facility may be increased, at the election of the Company, by up to \$ 500 million in accordance with the terms set forth in the agreement. At June 30, 2022, no borrowings were outstanding under the New Facility.

In March 2021, the Company completed a public offering of \$ 600 million aggregate principal amount of its 2031 Senior Notes. The Company used some of the net proceeds from this offering for general corporate purposes, including to fund the acquisition of DECIEM, operating expenses, working capital and capital expenditures. In April 2021, the Company repaid \$ 450 million aggregate principal amount of its 1.700 % Senior Notes due May 10, 2021 in full, partially from the net proceeds of the 2031 Senior Notes issued and cash on hand, and the corresponding interest rate swaps were settled.

The Company has a \$ 2,500 million commercial paper program under which it may issue commercial paper in the United States. As of June 30, 2022, no amounts were outstanding.

The Company maintains uncommitted credit facilities in various regions throughout the world. Interest rate terms for these facilities vary by region and reflect prevailing market rates for companies with strong credit ratings. During fiscal 2022 and 2021, the average amount outstanding was approximately \$ 8 million and \$ 12 million, respectively, and the annualized weighted-average interest rate incurred was approximately 10.2 % and 13.0 %, respectively.

Refer to *Note 16 – Commitments and Contingencies* for the Company’s projected debt service payments, as of June 30, 2022, over the next five fiscal years.

On August 15, 2022, the Company repaid the outstanding principal balance of its \$ 250 million 2.35 % Senior Notes with cash from operations.

NOTE 12 – DERIVATIVE FINANCIAL INSTRUMENTS

The Company addresses certain financial exposures through a controlled program of risk management that includes the use of derivative financial instruments. The Company enters into foreign currency forward contracts, and may enter into option contracts, to reduce the effects of fluctuating foreign currency exchange rates. In addition, the Company enters into interest rate derivatives to manage the effects of interest rate movements on the Company’s aggregate liability portfolio, including potential future debt issuances. The Company also enters into foreign currency forward contracts to hedge a portion of its net investment in certain foreign operations, which are designated as net investment hedges. The Company enters into the net investment hedges to offset the risk of changes in the U.S. dollar value of the Company’s investment in these foreign operations due to fluctuating foreign exchange rates. Time value is excluded from the effectiveness assessment and is recognized under a systematic and rational method over the life of the hedging instrument in Selling, general and administrative expenses. The net gain or loss on net investment hedges is recorded within translation adjustments, as a component of AOCI on the Company’s consolidated balance sheets, until the sale or substantially complete liquidation of the underlying assets of the Company’s investment. The Company also enters into foreign currency forward contracts, and may use option contracts, not designated as hedging instruments, to mitigate the change in fair value of specific assets and liabilities on the consolidated balance sheets. At June 30, 2022, the notional amount of derivatives not designated as hedging instruments was \$ 4,105 million. The Company does not utilize derivative financial instruments for trading or speculative purposes. Costs associated with entering into derivative financial instruments have not been material to the Company’s consolidated financial results.

THE ESTÉE LAUDER COMPANIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For each derivative contract entered into, where the Company looks to obtain hedge accounting treatment, the Company formally and contemporaneously documents all relationships between hedging instruments and hedged items, as well as its risk-management objective and strategy for undertaking the hedge transaction, the nature of the risk being hedged, and how the hedging instruments' effectiveness in offsetting the hedged risk will be assessed prospectively and retrospectively. This process includes linking all derivatives to specific assets and liabilities on the balance sheet or to specific firm commitments or forecasted transactions. At inception, the Company evaluates the effectiveness of hedge relationships quantitatively, and has elected to perform, after initial evaluation, qualitative effectiveness assessments of certain hedge relationships to support an ongoing expectation of high effectiveness, if effectiveness testing is required. If based on the qualitative assessment, it is determined that a derivative has ceased to be a highly effective hedge, the Company will perform a quantitative assessment to determine whether to discontinue hedge accounting with respect to that derivative prospectively. The fair values of the Company's derivative financial instruments included in the consolidated balance sheets are presented as follows:

(In millions)	Asset Derivatives				Liability Derivatives			
	Balance Sheet Location	Fair Value ⁽¹⁾		Fair Value ⁽¹⁾		Balance Sheet Location	Fair Value ⁽¹⁾	Fair Value ⁽¹⁾
		June 30	2022	June 30	2021		June 30	2021
Derivatives Designated as Hedging Instruments:								
Foreign currency cash flow hedges	Prepaid expenses and other current assets	\$ 57	\$ 12	Other accrued liabilities	\$ 1	\$ 20		
Net investment hedges	Prepaid expenses and other current assets	107	34	Other accrued liabilities	—	—		
Interest rate-related derivatives	Prepaid expenses and other current assets	24	15	Other accrued liabilities	115	—		
Total Derivatives Designated as Hedging Instruments		188	61		116	20		
Derivatives Not Designated as Hedging Instruments:								
Foreign currency forward contracts	Prepaid expenses and other current assets	27	6	Other accrued liabilities	104	36		
Total derivatives		<u>\$ 215</u>	<u>\$ 67</u>		<u>\$ 220</u>	<u>\$ 56</u>		

⁽¹⁾ See Note 13 – Fair Value Measurements for further information about how the fair value of derivative assets and liabilities are determined.

THE ESTÉE LAUDER COMPANIES INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

The amounts of the gains and losses related to the Company's derivative financial instruments designated as hedging instruments that are included in the assessment of effectiveness are as follows:

(In millions)	Amount of Gain (Loss) Recognized in OCI on Derivatives		Location of Gain (Loss) Reclassified from AOCI into Earnings	Amount of Gain (Loss) Reclassified from AOCI into Earnings ⁽¹⁾		
	June 30			June 30		
	2022	2021		2022	2021	
Derivatives in Cash Flow Hedging Relationships:						
Foreign currency forward contracts	\$ 69	\$ (59)	Net sales	\$ 3	\$ (22)	
Interest rate-related derivatives	24	14	Interest expense	(1)	(2)	
	<u>93</u>	<u>(45)</u>		<u>2</u>	<u>(24)</u>	
Derivatives in Net Investment Hedging Relationships⁽²⁾:						
Foreign currency forward contracts ⁽³⁾	175	(73)		—	—	
Total derivatives	<u>\$ 268</u>	<u>\$ (118)</u>		<u>\$ 2</u>	<u>\$ (24)</u>	

⁽¹⁾ The amount reclassified into earnings as a result of the discontinuance of cash flow hedges because probable forecasted transactions will no longer occur by the end of the original time period was not material.

⁽²⁾ During fiscal 2022 and 2021 the gain recognized in earnings from net investment hedges related to the amount excluded from effectiveness testing was \$ 11 million and \$ 19 million, respectively.

⁽³⁾ Included within translation adjustments as a component of AOCI on the Company's consolidated balance sheets.

(In millions)	Location of Gain (Loss) Recognized in Earnings on Derivatives	Amount of Gain (Loss) Recognized in Earnings on Derivatives ⁽¹⁾	
		June 30	
		2022	2021
Derivatives in Fair Value Hedging Relationships:			
Interest rate swap contracts	Interest expense	\$ (130)	—

⁽¹⁾ Changes in the fair value of the interest rate swap agreements are exactly offset by the change in the fair value of the underlying long-term debt.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Additional information regarding the cumulative amount of fair value hedging loss recognized in earnings for items designated and qualifying as hedged items in fair value hedges is as follows:

(In millions)

Line Item in the Consolidated Balance Sheets in Which the Hedged Item is Included	Carrying Amount of the Hedged Liabilities June 30, 2022	Cumulative Amount of Fair Value Hedging Gain (Loss) Included in the Carrying Amount of the Hedged Liability June 30, 2022	
		June 30, 2022	June 30, 2022
Current debt	\$ 250	\$ —	—
Long-term debt	878	(115)	(115)
Total debt	\$ 1,128	\$ —	(115)

Additional information regarding the effects of fair value and cash flow hedging relationships for derivatives designated and qualifying as hedging instruments is as follows:

(In millions)	June 30		2022		2021	
	Net Sales	Interest Expense	Net Sales	Interest Expense	Net Sales	Interest Expense
Total amounts of income and expense line items presented in the consolidated statements of earnings in which the effects of fair value and cash flow hedges are recorded	\$ 17,737	\$ 167	\$ 16,215	\$ 173		
The effects of fair value and cash flow hedging relationships:						
Gain (loss) on fair value hedge relationships - interest rate contracts:						
Hedged item	Not applicable	130	Not applicable	—		
Derivatives designated as hedging instruments	Not applicable	(130)	Not applicable	—		
Gain (loss) on cash flow hedge relationships - interest rate contracts:						
Amount of loss reclassified from AOCI into earnings	Not applicable	(1)	Not applicable	(2)		
Gain (loss) on cash flow hedge relationships - foreign currency forward contracts:						
Amount of gain (loss) reclassified from AOCI into earnings	3	Not applicable	(22)	Not applicable		

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

(In millions)	Location of Gain (Loss) Recognized in Earnings on Derivatives	Amount of Gain (Loss) Recognized in Earnings on Derivatives	
		June 30	
		2022	2021
Derivatives Not Designated as Hedging Instruments:			
Foreign currency forward contracts	Selling, general and administrative	\$ (35)	\$ (17)

THE ESTÉE LAUDER COMPANIES INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****Cash Flow Hedges**

The Company enters into foreign currency forward contracts, and may enter into foreign currency option contracts, to hedge anticipated transactions and receivables and payables denominated in foreign currencies, for periods consistent with the Company's identified exposures. The purpose of the hedging activities is to minimize the effect of foreign exchange rate movements on the cash flows that the Company receives from foreign subsidiaries. The foreign currency forward contracts entered into to hedge anticipated transactions have been designated as cash flow hedges and have varying maturities through the end of March 2024. Hedge effectiveness of the foreign currency forward contracts is based on the forward method, which includes time value in the effectiveness assessment. At June 30, 2022, the Company had cash flow hedges outstanding with a notional amount totaling \$ 1,405 million.

The Company may enter into interest rate forward contracts to hedge anticipated issuance of debt for periods consistent with the Company's identified exposures. The purpose of the hedging activities is to minimize the effect of interest rate movements on the cost of debt issuance.

For hedge contracts that are no longer deemed highly effective, hedge accounting is discontinued and gains and losses in AOCI are reclassified to sales when the underlying forecasted transaction occurs. If it is probable that the forecasted transaction will no longer occur, then any gains or losses in AOCI are reclassified to current-period sales. As of June 30, 2022, the Company's foreign currency cash flow hedges were highly effective.

The estimated net gain on the Company's derivative instruments designated as cash flow hedges as of June 30, 2022 that is expected to be reclassified from AOCI into earnings, net of tax, within the next twelve months is \$ 36 million. The accumulated net gain (loss) on derivative instruments in AOCI was \$ 90 million and \$(1) million as of June 30, 2022 and 2021, respectively.

Fair Value Hedges

The Company enters into interest rate derivative contracts to manage the exposure to interest rate fluctuations on its funded indebtedness. The Company has interest rate swap agreements, with notional amounts totaling \$ 250 million, \$ 700 million and \$ 300 million to effectively convert the fixed rate interest on its 2022 Senior Notes, 2030 Senior Notes and 2031 Senior Notes, respectively, to variable interest rates based on three-month LIBOR plus a margin. These interest rate swap agreements are designated as fair value hedges of the related long-term debt, and the changes in the fair value of the interest rate swap agreements are exactly offset by the change in the fair value of the underlying long-term debt.

Net Investment Hedges

The Company enters into foreign currency forward contracts, designated as net investment hedges, to hedge a portion of its net investment in certain foreign operations. The net gain or loss on these contracts is recorded within translation adjustments, as a component of AOCI on the Company's consolidated balance sheets. The purpose of the hedging activities is to minimize the effect of foreign exchange rate movements on the Company's net investment in these foreign operations. The net investment hedge contracts have varying maturities through the end of July 2022. Hedge effectiveness of the net investment hedge contracts is based on the spot method. At June 30, 2022, the Company had net investment hedges outstanding with a notional amount totaling \$ 1,372 million.

Credit Risk

As a matter of policy, the Company enters into derivative contracts only with counterparties that have a long-term credit rating of at least A- or higher by at least two nationally recognized rating agencies. 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 gross fair value of contracts in asset positions, which totaled \$ 215 million at June 30, 2022. To manage this risk, the Company has strict counterparty credit guidelines that are continually monitored. Accordingly, management believes risk of loss under these hedging contracts is remote.



THE ESTÉE LAUDER COMPANIES INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 13 - FAIR VALUE MEASUREMENTS**

The Company records certain of its financial assets and liabilities at fair value, which is defined as the price that would be received to sell an asset or paid to transfer a liability, in the principal or most advantageous market for the asset or liability, in an orderly transaction between market participants at the measurement date. The accounting for fair value measurements must be applied to nonfinancial assets and nonfinancial liabilities that require initial measurement or remeasurement at fair value, which principally consist of assets and liabilities acquired through business combinations and goodwill, indefinite-lived intangible assets and long-lived assets for the purposes of calculating potential impairment. The Company is required to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs that may be used to measure fair value are as follows:

- Level 1: Inputs based on quoted market prices for identical assets or liabilities in active markets at the measurement date.
- Level 2: Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3: Inputs reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. The inputs are unobservable in the market and significant to the instrument's valuation.

The following table presents the Company's hierarchy for its financial assets and liabilities measured at fair value on a recurring basis as of June 30, 2022:

(In millions)	Level 1	Level 2	Level 3	Total
Assets:				
Money market funds	\$ 961	\$ —	\$ —	\$ 961
Foreign currency forward contracts	—	191	—	191
Interest rate-related derivatives	—	24	—	24
Total	\$ 961	\$ 215	\$ —	\$ 1,176
Liabilities:				
Foreign currency forward contracts	\$ —	\$ 105	\$ —	\$ 105
Interest rate-related derivatives	—	115	—	115
DECIM stock options	—	—	74	74
Total	\$ —	\$ 220	\$ 74	\$ 294

THE ESTÉE LAUDER COMPANIES INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

The following table presents the Company's hierarchy for its financial assets and liabilities measured at fair value on a recurring basis as of June 30, 2021:

(In millions)	Level 1	Level 2	Level 3	Total
Assets:				
Money market funds	\$ 2,079	\$ —	\$ —	\$ 2,079
Foreign currency forward contracts	—	52	—	52
Interest rate-related derivatives	—	15	—	15
Total	\$ 2,079	\$ 67	\$ —	\$ 2,146
Liabilities:				
Foreign currency forward contracts	\$ —	\$ 56	\$ —	\$ 56
DECIEM stock options	—	—	141	141
Total	\$ —	\$ 56	\$ 141	\$ 197

The estimated fair values of the Company's financial instruments are as follows:

(In millions)	June 30			
	2022		2021	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Nonderivatives				
Cash and cash equivalents	\$ 3,957	\$ 3,957	\$ 4,958	\$ 4,958
Current and long-term debt	5,412	5,139	5,569	6,262
DECIEM stock options	74	74	141	141
Derivatives				
Foreign currency forward contracts – asset (liability), net	86	86	(4)	(4)
Interest rate-related derivatives – asset (liability), net	(91)	(91)	15	15

THE ESTÉE LAUDER COMPANIES INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

The following table presents the Company's impairment charges for certain of its nonfinancial assets measured at fair value on a nonrecurring basis, classified as Level 3, during fiscal 2022, 2021 and 2020:

Fiscal 2022

(In millions)	Impairment charges	Date of Fair Value Measurement	Fair Value⁽¹⁾
Other intangible assets, net (trademarks)			
GLAMGLOW	\$ 11	March 31, 2022	\$ —
Dr.Jart+	230	February 28, 2022 April 1, 2022	428
Total	<u><u>\$ 241</u></u>		<u><u>\$ 428</u></u>

⁽¹⁾ See Note 6 - *Goodwill and Other Intangible Assets* for discussion of the valuation techniques used to measure fair value, the description of the inputs and information used to develop those inputs.

Fiscal 2021

(In millions)	Impairment Charges	Date of Fair Value Measurement	Fair Value⁽¹⁾
Goodwill			
GLAMGLOW	\$ 54	November 30, 2020	\$ —
BECCA ⁽²⁾	13	February 28, 2021	—
Other	4	June 30, 2021	—
Total	<u><u>71</u></u>		<u><u>—</u></u>
Other intangible assets, net (trademark and customer lists)			
GLAMGLOW	52	November 30, 2020 April 1, 2021	11
BECCA ⁽²⁾	34	February 28, 2021	—
Smashbox	11	April 1, 2021	21
Total	<u><u>97</u></u>		<u><u>32</u></u>
Long-lived assets			
Total	<u><u>71</u></u>	March 31, 2021 June 30, 2021	<u><u>66</u></u>
	<u><u>\$ 239</u></u>		<u><u>\$ 98</u></u>

⁽¹⁾ See Note 6 - *Goodwill and Other Intangible Assets* for discussion of the valuation techniques used to measure fair value, the description of the inputs and information used to develop those inputs.

⁽²⁾ See Note 8 - *Charges Associated with Restructuring and Other Activities* for further information relating to goodwill and other intangible asset impairment charges recorded in connection with the exit of the global distribution of BECCA products.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Fiscal 2020

(In millions)	Impairment Charges	Date of Fair Value Measurement	Fair Value⁽¹⁾
Goodwill			
Too Faced	\$ 592	March 31, 2020	\$ 13
Smashbox	72	March 31, 2020	—
Editions de Parfums Frédéric Malle	3	April 1, 2020	3
BECCA	85	June 30, 2020	13
GLAMGLOW	60	June 30, 2020	54
Total	812		83
Other intangible assets, net (trademark)			
Too Faced	253	March 31, 2020	272
Smashbox	23	March 31, 2020	32
Editions de Parfums Frédéric Malle	11	April 1, 2020	21
BECCA	71	June 30, 2020	27
GLAMGLOW	6	June 30, 2020	57
Total	364		409
Other intangible assets, net (customer lists)			
BECCA	35	June 30, 2020	7
Long-lived assets			
Total	215	June 30, 2020	200
	<u>\$ 1,426</u>		<u>\$ 699</u>

⁽¹⁾ See Note 6 – *Goodwill and Other Intangible Assets* and Note 7 – *Leases* for discussion of the valuation techniques used to measure fair value, the description of the inputs and information used to develop those inputs.

The following methods and assumptions were used to estimate the fair value of the Company's financial instruments for which it is practicable to estimate that value:

Cash and cash equivalents – Cash and all highly-liquid securities with original maturities of three months or less are classified as cash and cash equivalents, primarily consisting of cash deposits in interest bearing accounts, time deposits and money market funds (classified within Level 1 of the valuation hierarchy). Cash deposits in interest bearing accounts and time deposits are carried at cost, which approximates fair value, due to the short maturity of cash equivalent instruments.

Foreign currency forward contracts – The fair values of the Company's foreign currency forward contracts were determined using an industry-standard valuation model, which is based on an income approach. The significant observable inputs to the model, such as swap yield curves and currency spot and forward rates, were obtained from an independent pricing service. To determine the fair value of contracts under the model, the difference between the contract price and the current forward rate was discounted using LIBOR for contracts with maturities up to 12 months, and swap yield curves for contracts with maturities greater than 12 months.

Interest rate-related derivatives – The fair values of the Company's interest rate contracts were determined using an industry-standard valuation model, which is based on the income approach. The significant observable inputs to the model, such as treasury yield curves, swap yield curves and LIBOR forward rates, were obtained from independent pricing services.

Current and long-term debt – The fair value of the Company's debt was estimated based on the current rates offered to the Company for debt with the same remaining maturities. To a lesser extent, debt also includes finance lease obligations for which the carrying amount approximates the fair value. The Company's debt is classified within Level 2 of the valuation hierarchy.

THE ESTÉE LAUDER COMPANIES INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

DECIEM stock options – The stock option liability represents the employee stock options issued by DECIEM in replacement and exchange for certain vested and unvested DECIEM employee stock options previously issued by DECIEM, in connection with the Company's acquisition of DECIEM. The DECIEM stock options are subject to the terms and conditions of DECIEM's 2021 Stock Option Plan. The initial fair value of the DECIEM stock option liability was calculated using the acquisition date fair value multiplied by the number of options replaced (consisting of vested and partially vested stock options) on the day following the acquisition date. The acquisition date fair value was calculated using the Monte Carlo Method, which requires certain assumptions. Significant changes in the projected future operating results would result in a higher or lower fair value measurement. Changes to the discount rates or volatilities would have a lesser effect. These inputs are categorized as Level 3 of the valuation hierarchy. The DECIEM stock options are remeasured to fair value at each reporting date through the period when the options are exercised or repurchased (i.e. when they are settled), with an offsetting entry to compensation expense. See Note 5 – Acquisition of Businesses and Note 18 – Stock Programs for discussion.

Changes in the DECIEM stock option liability for the year ended June 30, 2022 are included in Selling, general and administrative expenses in the accompanying consolidated statements of earnings and were as follows:

(In millions)	Fair Value
DECIEM stock option liability as of June 30, 2021	\$ 141
Changes in fair value, net of foreign currency remeasurements ⁽¹⁾	(55)
Translation adjustments and other, net	(12)
DECIEM stock option liability as of June 30, 2022	<u>\$ 74</u>

⁽¹⁾ Amount includes expense attributable to graded vesting of stock options which is not material for the year ended June 30, 2022.

THE ESTÉE LAUDER COMPANIES INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 14 - REVENUE RECOGNITION**

For further information on the Company's policies relating to revenue recognition and accounts receivable see *Note 2 - Summary of Significant Accounting Policies*.

Accounts Receivable

Accounts receivable, net is stated net of the allowance for doubtful accounts and customer deductions totaling \$ 27 million and \$ 40 million as of June 30, 2022 and June 30, 2021, respectively. Payment terms are short-term in nature and are generally less than one year.

Changes in the allowance for credit losses are as follows:

(In millions)	June 30	
	2022	2021
Allowance for credit losses, beginning of period	\$ 20	\$ 36
ASC 326 cumulative effect adjustment (pre-tax)	—	4
Adjustment for expected credit losses	(3)	(8)
Write-offs, net & other	(7)	(12)
Allowance for credit losses, end of period	<u>\$ 10</u>	<u>20</u>

As a result of the adoption of ASC 326, the Company recorded a cumulative adjustment of approximately \$ 3 million, net of tax, as a reduction to its fiscal 2021 opening balance of retained earnings relating to its trade receivables.

The remaining balance of the allowance for doubtful accounts of \$ 17 million, as of June 30, 2022, relates to non-credit losses, which are primarily due to customer deductions.

Deferred Revenue

Changes in deferred revenue are as follows:

(In millions)	June 30	
	2022	2021
Deferred revenue, beginning of period	\$ 371	\$ 279
Revenue recognized that was included in the deferred revenue balance at the beginning of the period	(285)	(201)
Revenue deferred during the period	284	294
Other	(8)	(1)
Deferred revenue, end of period	<u>\$ 362</u>	<u>\$ 371</u>

Transaction Price Allocated to the Remaining Performance Obligations

At June 30, 2022, the combined estimated revenue expected to be recognized in the next twelve months related to performance obligations for customer loyalty programs, gift with purchase promotions, purchase with purchase promotions and gift card liabilities that are unsatisfied (or partially unsatisfied) is \$ 312 million. The remaining balance of deferred revenue at June 30, 2022 will be recognized beyond the next twelve months .

NOTE 15 - PENSION, DEFERRED COMPENSATION AND POST-RETIREMENT BENEFIT PLANS

The Company maintains pension plans covering substantially all of its full-time employees for its U.S. operations and a majority of its international operations. Several plans provide pension benefits based primarily on years of service and employees' earnings. In certain instances, the Company adjusts benefits in connection with international employee transfers.

THE ESTÉE LAUDER COMPANIES INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS*****Retirement Growth Account Plan (U.S.)***

The Retirement Growth Account Plan is a trust-based, noncontributory qualified defined benefit pension plan. The Company seeks to maintain appropriate funded percentages. For contributions, the Company would seek to contribute an amount or amounts that would not be less than the minimum required by the Employee Retirement Income Security Act of 1974 ("ERISA"), as amended, and subsequent pension legislation, and would not be more than the maximum amount deductible for income tax purposes.

Restoration Plan (U.S.)

The Company also has an unfunded, non-qualified domestic noncontributory pension Restoration Plan to provide benefits in excess of Internal Revenue Code limitations.

International Pension Plans

The Company maintains international pension plans, the most significant of which are defined benefit pension plans. The Company's funding policies for these plans are determined by local laws and regulations. The Company's most significant defined benefit pension obligations are included in the plan summaries below.

Post-retirement Benefit Plans

The Company maintains a domestic post-retirement benefit plan which provides certain medical and dental benefits to eligible employees. Employees hired after January 1, 2002 are not eligible for retiree medical benefits when they retire. Certain retired employees who are receiving monthly pension benefits are eligible for participation in the plan. Contributions required and benefits received by retirees and eligible family members are dependent on the age of the retiree. It is the Company's practice to fund a portion of these benefits as incurred and may provide discretionary funding for future liabilities up to the maximum amount deductible for income tax purposes.

Certain of the Company's international subsidiaries and affiliates have post-retirement plans, although most participants are covered by government-sponsored or administered programs.

THE ESTÉE LAUDER COMPANIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Plan Summaries

The components of the above-mentioned plans as of and for the years ended June 30 are summarized as follows:

(In millions)	Pension Plans				Other than Pension Plans	
	U.S.		International		Post-retirement	
	2022	2021	2022	2021	2022	2021
Change in benefit obligation:						
Benefit obligation at beginning of year	\$ 1,075	\$ 1,082	\$ 700	\$ 636	\$ 209	\$ 190
Service cost	46	45	31	36	2	2
Interest cost	31	31	10	10	6	6
Plan participant contributions	—	—	7	7	1	—
Actuarial loss (gain)	(164)	(10)	(82)	(9)	(29)	11
Foreign currency exchange rate impact	—	—	(64)	67	(2)	6
Benefits, expenses, taxes and premiums paid	(66)	(74)	(39)	(35)	(10)	(6)
Plan amendments	—	1	1	—	—	—
Settlements	—	—	(6)	(22)	—	—
Special termination benefits	—	—	4	10	—	—
Benefit obligation at end of year	<u>\$ 922</u>	<u>\$ 1,075</u>	<u>\$ 562</u>	<u>\$ 700</u>	<u>\$ 177</u>	<u>\$ 209</u>
Change in plan assets:						
Fair value of plan assets at beginning of year	\$ 981	\$ 930	\$ 681	\$ 611	\$ 24	\$ 27
Actual return on plan assets	(95)	106	(37)	11	(1)	3
Foreign currency exchange rate impact	—	—	(64)	69	—	—
Employer contributions	18	19	38	40	—	—
Plan participant contributions	—	—	7	7	1	—
Settlements	—	—	(7)	(22)	—	—
Benefits, expenses, taxes and premiums paid from plan assets	(66)	(74)	(39)	(35)	(10)	(6)
Fair value of plan assets at end of year	<u>\$ 838</u>	<u>\$ 981</u>	<u>\$ 579</u>	<u>\$ 681</u>	<u>\$ 14</u>	<u>\$ 24</u>
Funded status	<u>\$ (84)</u>	<u>\$ (94)</u>	<u>\$ 17</u>	<u>\$ (19)</u>	<u>\$ (163)</u>	<u>\$ (185)</u>
Amounts recognized in the Balance Sheet consist of:						
Other assets	\$ 26	\$ 35	\$ 125	\$ 127	\$ —	\$ —
Other accrued liabilities	(20)	(23)	(3)	(4)	(1)	(1)
Other noncurrent liabilities	(90)	(106)	(105)	(142)	(162)	(184)
Funded status	(84)	(94)	17	(19)	(163)	(185)
Accumulated other comprehensive loss	172	200	(16)	15	(1)	27
Net amount recognized	<u>\$ 88</u>	<u>\$ 106</u>	<u>\$ 1</u>	<u>\$ (4)</u>	<u>\$ (164)</u>	<u>\$ (158)</u>

For the twelve months ended June 30, 2022, the \$ 164 million actuarial gain relating to the U.S. pension plans was primarily due to the increase in the weighted average discount rate relating to the Retirement Growth Account Plan and the Restoration Plan from 3.0 % to 4.5 % and 2.5 % to 4.3 %, respectively.

For the twelve months ended June 30, 2021, the actuarial gains and losses affecting the benefit obligations were not material.

THE ESTÉE LAUDER COMPANIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(\$ in millions)	Pension Plans						Other than Pension Plans		
	U.S.			International			Post-retirement		
	2022	2021	2020	2022	2021	2020	2022	2021	2020
Components of net periodic benefit cost:									
Service cost	\$ 46	\$ 45	\$ 39	\$ 31	\$ 36	\$ 36	\$ 2	\$ 2	\$ 3
Interest cost	31	31	35	10	10	11	6	6	6
Expected return on assets	(55)	(53)	(53)	(13)	(14)	(14)	(1)	(1)	(2)
Amortization of:									
Actuarial loss	15	20	15	2	4	6	1	—	—
Prior service cost	—	—	—	(1)	(1)	—	—	—	—
Settlements	—	—	—	—	—	—	—	—	—
Special termination benefits	—	—	—	4	10	—	—	—	—
Net periodic benefit cost	<u>\$ 37</u>	<u>\$ 43</u>	<u>\$ 36</u>	<u>\$ 33</u>	<u>\$ 45</u>	<u>\$ 39</u>	<u>\$ 8</u>	<u>\$ 7</u>	<u>\$ 7</u>
Assumptions used to determine benefit obligations at June 30⁽¹⁾:									
Discount rate	4.30 - 4.50 %	2.50 - 3.00 %	2.50 - 3.00 %	0.75 - 9.00 %	0.50 - 7.25 %	0.50 - 7.00 %	4.50 - 9.75 %	2.70 - 9.00 %	2.70 - 9.00 %
Rate of compensation increase	2.50 - 8.00 %	2.50 - 8.00 %	2.50 - 8.00 %	1.50 - 5.00 %	1.00 - 5.00 %	1.00 - 5.50 %	N/A	N/A	N/A
Assumptions used to determine net periodic benefit cost for the year ended June 30⁽²⁾:									
Discount rate	2.50 - 3.00 %	2.50 - 3.00 %	3.40 - 3.80 %	.50 - 7.25 %	.50 - 7.00 %	.25 - 8.50 %	2.70 - 9.00 %	2.70 - 9.00 %	3.25 - 9.75 %
Expected return on assets	6.25 %	6.25 %	6.75 %	1.25 - 7.25 %	1.25 - 7.00 %	1.50 - 8.50 %	6.25 %	6.25 %	6.75 %
Rate of compensation increase	2.50 - 8.00 %	2.50 - 8.00 %	2.50 - 8.00 %	— - 5.00 %	1.00 - 5.50 %	1.00 - 5.50 %	N/A	N/A	N/A

⁽¹⁾ The weighted-average assumptions used to determine benefit obligations at June 30, 2022 were as follows:

- a. Discount rate - 4.48 % (U.S.), 2.77 % (International) and 4.68 % (Other than Pension Plans, Post-retirement)
- b. Rate of compensation increase - 2.50 % - 8.00 %, graded (U.S.), 2.96 % (International) and N/A (Other than Pension Plans, Post-retirement)

The weighted-average assumptions used to determine benefit obligations at June 30, 2021 were as follows:

- a. Discount rate - 2.94 % (U.S.), 1.59 % (International) and 2.92 % (Other than Pension Plans, Post-retirement)
- b. Rate of compensation increase - 2.50 % - 8.00 %, graded (U.S.), 2.81 % (International) and N/A (Other than Pension Plans, Post-retirement)

⁽²⁾ The weighted-average assumptions used to determine net periodic benefit cost for the year ended June 30, 2022 were as follows:

- a. Discount rate - 2.94 % (U.S.), 1.59 % (International) and 2.92 % (Other than Pension Plans, Post-retirement)
- b. Expected return on assets - 6.25 % (U.S. and Other than Pension Plans, Post-retirement) and 2.19 % (International)
- c. Rate of compensation increase - 2.50 % - 8.00 %, graded (U.S.), 2.81 % (International) and N/A (Other than Pension Plans, Post-retirement)

The weighted-average assumptions used to determine net periodic benefit cost for the year ended June 30, 2021 were as follows:

- a. Discount rate - 2.93 % (U.S.), 1.44 % (International) and 2.90 % (Other than Pension Plans, Post-retirement)
- b. Expected return on assets - 6.25 % (U.S. and Other than Pension Plans, Post-retirement) and 2.06 % (International)
- c. Rate of compensation increase - 2.50 % - 8.00 %, graded (U.S.), 2.72 % (International) and N/A (Other than Pension Plans, Post-retirement)

THE ESTÉE LAUDER COMPANIES INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

The discount rate for each plan used for determining future net periodic benefit cost is based on a review of highly rated long-term bonds. The discount rate for the Company's Domestic Plans is based on a bond portfolio that includes only long-term bonds with an Aa rating, or equivalent, from a major rating agency. The Company used an above-mean yield curve which represents an estimate of the effective settlement rate of the obligation, and the timing and amount of cash flows related to the bonds included in this portfolio are expected to match the estimated defined benefit payment streams of the Company's Domestic Plans. For the Company's international plans, the discount rate in a particular country was principally determined based on a yield curve constructed from high quality corporate bonds in each country, with the resulting portfolio having a duration matching that particular plan. In determining the long-term rate of return for a plan, the Company considers the historical rates of return, the nature of the plan's investments and an expectation for the plan's investment strategies.

The weighted-average interest crediting rate used to determine the benefit obligation and net periodic benefit cost relating to the Company's U.S. Retirement Growth Account Plan was 4.02 % as of and for the years ended June 30, 2022 and 2021.

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. The assumed weighted-average health care cost trend rate for the coming year is 5.84 % while the weighted-average ultimate trend rate of 4.03 % is expected to be reached in approximately 18 years to 24 years.

Amounts recognized in AOCI (before tax) as of June 30, 2022 are as follows:

(In millions)	Pension Plans		Other than Pension Plans		Total
	U.S.	International	Post-retirement		
Net actuarial losses, beginning of year	\$ 198	\$ 20	\$ 27	\$ 245	
Actuarial gains recognized	(13)	(31)	(27)	(71)	
Amortization and settlements included in net periodic benefit cost	(15)	(2)	(1)	(18)	
Translation adjustments	—	—	—	—	
Net actuarial losses, end of year	170	(13)	(1)	156	
Net prior service cost, beginning of year	2	(5)	—	(3)	
Amortization included in net periodic benefit cost	—	2	—	2	
Net prior service cost, end of year	2	(3)	—	(1)	
Total amounts recognized in AOCI	\$ 172	\$ (16)	\$ (1)	\$ 155	

The projected benefit obligation, accumulated benefit obligation and fair value of plan assets for the Company's pension plans at June 30 are as follows:

(In millions)	Pension Plans						Other than Pension Plans	
	Retirement Growth Account		Restoration		International		Post-retirement	
	2022	2021	2022	2021	2022	2021	2022	2021
Projected benefit obligation	\$ 811	\$ 946	\$ 111	\$ 129	\$ 562	\$ 700	\$ 177	\$ 209
Accumulated benefit obligation	\$ 777	\$ 897	\$ 100	\$ 113	\$ 507	\$ 636	\$ —	\$ —
Fair value of plan assets	\$ 838	\$ 981	\$ —	\$ —	\$ 579	\$ 681	\$ 14	\$ 24

International pension plans with projected benefit obligations in excess of the plans' assets had aggregate projected benefit obligations of \$ 265 million and \$ 369 million and aggregate fair value of plan assets of \$ 156 million and \$ 223 million at June 30, 2022 and 2021, respectively. International pension plans with accumulated benefit obligations in excess of the plans' assets had aggregate accumulated benefit obligations of \$ 95 million and \$ 127 million and aggregate fair value of plan assets of \$ 6 million and \$ 5 million at June 30, 2022 and 2021, respectively.

THE ESTÉE LAUDER COMPANIES INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

The expected cash flows for the Company's pension and post-retirement plans are as follows:

(In millions)	Pension Plans		Other than Pension Plans
	U.S.	International	Post- retirement
Expected employer contributions for year ending June 30, 2023	\$ —	\$ 26	\$ —
Expected benefit payments for year ending June 30,			
2023	69	35	10
2024	52	34	10
2025	53	34	11
2026	53	33	11
2027	54	32	12
Years 2028 – 2032	302	159	67

Plan Assets

The Company's investment strategy for its pension and post-retirement plan assets is to maintain a diversified portfolio of asset classes with the primary goal of meeting long-term cash requirements as they become due. Assets are primarily invested in diversified funds that hold equity or debt securities to maintain the security of the funds while maximizing the returns within each plan's investment policy. The investment policy for each plan specifies the type of investment vehicles appropriate for the plan, asset allocation guidelines, criteria for selection of investment managers and procedures to monitor overall investment performance, as well as investment manager performance.

The Company's target asset allocation at June 30, 2022 is as follows:

	Pension Plans		Other than Pension Plans
	U.S.	International	Post- retirement
Equity	42 %	14 %	42 %
Debt securities	50 %	60 %	50 %
Other	8 %	26 %	8 %
	100 %	100 %	100 %

The following is a description of the valuation methodologies used for plan assets measured at fair value:

Cash and Cash Equivalents – Cash and all highly-liquid securities with original maturities of three months or less are classified as cash and cash equivalents, primarily consisting of cash deposits in interest bearing accounts, time deposits and money market funds. These assets are classified within Level 1 of the valuation hierarchy.

Short-term investment funds – The fair values are determined using the Net Asset Value ("NAV") provided by the administrator of the fund when the Company has the ability to redeem the assets at the measurement date. These assets are classified within Level 2 of the valuation hierarchy. For some assets the Company is utilizing the NAV as a practical expedient and those investments are not included in the valuation hierarchy.

Government and agency securities – The fair values are determined using third-party pricing services using market prices or prices derived from observable market inputs such as benchmark curves, broker/dealer quotes, and other industry and economic factors. These investments are classified within Level 2 of the valuation hierarchy.

THE ESTÉE LAUDER COMPANIES INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Commingled funds – The fair values of publicly traded funds are based upon market quotes and are classified within Level 1 of the valuation hierarchy. The fair values for non-publicly traded funds are determined using the NAV provided by the administrator of the fund when the Company has the ability to redeem the assets at the measurement date. These assets are classified within Level 2 of the valuation hierarchy. When the Company is utilizing the NAV as a practical expedient those investments are not included in the valuation hierarchy. These investments have monthly redemption frequencies with redemption notice periods ranging from 10 to 30 days. There are no unfunded commitments related to these investments.

Insurance contracts – The fair values are based on negotiated value and the underlying investments held in separate account portfolios, as well as the consideration of the creditworthiness of the issuer. The underlying investments are primarily government, asset-backed and fixed income securities. Insurance contracts are generally classified as Level 3 as there are no quoted prices or other observable inputs for pricing.

Interests in limited partnerships and hedge fund investments – The fair values are determined using the NAV provided by the administrator as a practical expedient, and therefore these investments are not included in the valuation hierarchy. These investments have monthly and quarterly redemption frequencies with redemption notice periods ranging from 30 to 90 days. Unfunded commitments related to these investments are de minimis.

The following table presents the fair values of the Company's pension and post-retirement plan assets by asset category as of June 30, 2022:

(In millions)	Level 1	Level 2	Level 3	Assets Measured at NAV	Total
Cash and cash equivalents	\$ 6	\$ —	\$ —	\$ —	\$ 6
Short-term investment funds	—	59	—	6	65
Government and agency securities	—	103	—	—	103
Commingled funds	378	574	—	144	1,096
Insurance contracts	—	—	46	—	46
Limited partnerships and hedge fund investments	—	—	—	115	115
Total	\$ 384	\$ 736	\$ 46	\$ 265	\$ 1,431

The following table presents the fair values of the Company's pension and post-retirement plan assets by asset category as of June 30, 2021:

(In millions)	Level 1	Level 2	Level 3	Assets Measured at NAV	Total
Cash and cash equivalents	\$ 2	\$ —	\$ —	\$ —	\$ 2
Short-term investment funds	—	7	—	6	13
Government and agency securities	—	124	—	—	124
Commingled funds	455	660	—	274	1,389
Insurance contracts	—	—	54	—	54
Limited partnerships and hedge fund investments	—	—	—	104	104
Total	\$ 457	\$ 791	\$ 54	\$ 384	\$ 1,686

THE ESTÉE LAUDER COMPANIES INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

The following table presents the changes in Level 3 plan assets:

(In millions)	June 30	
	2022	2021
Insurance Contracts		
Balance at beginning of year	\$ 54	\$ 49
Actual return on plan assets:		
Relating to assets still held at the reporting date	(3)	1
Purchases, sales, issuances and settlements, net	1	(1)
Foreign exchange impact	(6)	5
Balance at end of year	<u>\$ 46</u>	<u>\$ 54</u>

401(k) Savings Plan (U.S.)

The Company's 401(k) Savings Plan ("Savings Plan") is a contributory defined contribution plan covering substantially all regular U.S. employees who have completed the hours and service requirements, as defined by the plan document. Regular full-time employees are eligible to participate in the Savings Plan thirty days following their date of hire. The Savings Plan is subject to the applicable provisions of ERISA. The Company matches a portion of the participant's contributions after one year of service under a predetermined formula based on the participant's contribution level. The Company's contributions were \$ 47 million, \$ 49 million and \$ 37 million for fiscal 2022, 2021 and 2020, respectively. Shares of the Company's Class A Common Stock are not an investment option in the Savings Plan and the Company does not use such shares to match participants' contributions.

Deferred Compensation

The Company has agreements with certain employees and outside directors who defer compensation. The Company accrues for such compensation, and either interest thereon or for the change in the value of cash units. The amounts included in the accompanying consolidated balance sheets under these plans were \$ 74 million and \$ 108 million as of June 30, 2022 and 2021, respectively. The expense (benefit) for fiscal 2022, 2021 and 2020 was \$(33) million, \$ 31 million and \$ 5 million, respectively.

THE ESTÉE LAUDER COMPANIES INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 16 - COMMITMENTS AND CONTINGENCIES*****Contractual Obligations***

The following table summarizes scheduled maturities of the Company's contractual obligations for which cash flows are fixed and determinable as of June 30, 2022:

(In millions)	Total	Payments Due in Fiscal						Thereafter
		2023	2024	2025	2026	2027		
Debt service ⁽¹⁾	\$ 8,151	\$ 429	\$ 170	\$ 665	\$ 161	\$ 661		\$ 6,065
Unconditional purchase obligations ⁽²⁾	4,742	2,852	705	637	132	133		283
Gross unrecognized tax benefits and interest - current ⁽³⁾	2	2	—	—	—	—		—
Transition Tax payable ⁽⁴⁾	215	27	42	65	81	—		—
Total contractual obligations⁽⁵⁾	\$ 13,110	\$ 3,310	\$ 917	\$ 1,367	\$ 374	\$ 794		\$ 6,348

⁽¹⁾ Includes long-term and current debt and the related projected interest costs. Refer to Note 7 - Leases for information regarding future minimum lease payments relating to the Company's finance leases. Interest costs on long-term and current debt in fiscal 2023, 2024, 2025, 2026, 2027 and thereafter are projected to be \$ 174 million, \$ 170 million, \$ 165 million, \$ 161 million, \$ 161 million and \$ 1,765 million, respectively. Projected interest costs on variable rate instruments were calculated using market rates at June 30, 2022.

⁽²⁾ Unconditional purchase obligations primarily include: royalty payments pursuant to license agreements, inventory commitments, information technology contract commitments, capital expenditure commitments, advertising commitments and third-party distribution commitments. Future royalty and advertising commitments were estimated based on planned future sales for the term that was in effect at June 30, 2022, without consideration for potential renewal periods.

⁽³⁾ Refer to Note 9 - Income Taxes for information regarding unrecognized tax benefits. As of June 30, 2022, the noncurrent portion of the Company's unrecognized tax benefits, including related accrued interest and penalties, was \$ 73 million. At this time, the settlement period for the noncurrent portion of the unrecognized tax benefits, including related accrued interest and penalties, cannot be determined and therefore was not included.

⁽⁴⁾ The Transition Tax may be paid over an eight-year period and this amount represents the remaining liability as of June 30, 2022.

⁽⁵⁾ Refer to Note 7 - Leases for information regarding future minimum lease payments relating to the Company's operating leases.

Legal Proceedings

The Company is involved, from time to time, in litigation and other legal proceedings incidental to its business, including product liability matters (including asbestos-related claims), advertising, regulatory, employment, intellectual property, real estate, environmental, trade relations, tax and privacy. Management believes that the outcome of current litigation and legal proceedings will not have a material adverse effect upon the Company's business, results of operations, financial condition or cash flows. However, management's assessment of the Company's current litigation and other legal proceedings could change in light of the discovery of facts with respect to legal actions or other proceedings pending against the Company not presently known to the Company or determinations by judges, juries or other finders of fact which are not in accord with management's evaluation of the possible liability or outcome of such litigation or proceedings. Reasonably possible losses in addition to the amounts accrued for such litigation and legal proceedings are not material to the Company's consolidated financial statements.

THE ESTÉE LAUDER COMPANIES INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 17 - COMMON STOCK**

As of June 30, 2022, the Company's authorized common stock consists of 1,300 million shares of Class A Common Stock, par value \$.01 per share, and 304 million shares of Class B Common Stock, par value \$.01 per share. Class B Common Stock is convertible into Class A Common Stock, in whole or in part, at any time and from time to time at the option of the holder, on the basis of one share of Class A Common Stock for each share of Class B Common Stock converted. Holders of the Company's Class A Common Stock are entitled to one vote per share and holders of the Company's Class B Common Stock are entitled to ten votes per share.

Information about the Company's common stock outstanding is as follows:

(Shares in thousands)	Class A	Class B
Balance at June 30, 2019	221,564.5	139,537.8
Acquisition of treasury stock	(4,665.0)	—
Conversion of Class B to Class A	4,302.4	(4,302.4)
Stock-based compensation	4,088.3	—
Balance at June 30, 2020	225,290.2	135,235.4
Acquisition of treasury stock	(2,580.5)	—
Conversion of Class B to Class A	6,993.4	(6,993.4)
Stock-based compensation	3,814.3	—
Balance at June 30, 2021	233,517.4	128,242.0
Acquisition of treasury stock	(7,393.6)	—
Conversion of Class B to Class A	2,700.0	(2,700.0)
Stock-based compensation	2,689.7	—
Balance at June 30, 2022	231,513.5	125,542.0

The Company is authorized by the Board of Directors to repurchase Class A Common Stock in the open market or in privately negotiated transactions, depending on market conditions and other factors. As of June 30, 2022, the remaining authorized share repurchase balance was 25.9 million shares. Subsequent to June 30, 2022 and as of August 17, 2022, the Company purchased approximately 0.2 million additional shares of the Company's Class A Common Stock for \$ 63 million pursuant to its share repurchase program.

The following is a summary of cash dividends declared per share on the Company's Class A and Class B Common Stock during the year ended June 30, 2022:

Date Declared	Record Date	Payable Date	Amount per Share
August 18, 2021	August 31, 2021	September 15, 2021	\$.53
November 1, 2021	November 30, 2021	December 15, 2021	\$.60
February 2, 2022	February 28, 2022	March 15, 2022	\$.60
May 2, 2022	May 31, 2022	June 15, 2022	\$.60

On August 17, 2022, a dividend was declared in the amount of \$.60 per share on the Company's Class A and Class B Common Stock. The dividend is payable in cash on September 15, 2022 to stockholders of record at the close of business on August 31, 2022.

THE ESTÉE LAUDER COMPANIES INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 18 - STOCK PROGRAMS**

As of June 30, 2022, the Company has two active equity compensation plans which include the Amended and Restated Fiscal 2002 Share Incentive Plan (the "Fiscal 2002 Plan") and the Amended and Restated Non-Employee Director Share Incentive Plan (collectively, the "Plans"). These Plans currently provide for the issuance of approximately 88.8 million shares of Class A Common Stock, which consist of shares originally provided for and shares transferred to the Fiscal 2002 Plan from other inactive plans and employment agreements, to be granted in the form of stock-based awards to key employees, consultants and non-employee directors of the Company. As of June 30, 2022, approximately 11.5 million shares of Class A Common Stock were reserved and available to be granted pursuant to these Plans. The Company may satisfy the obligation of its stock-based compensation awards with either new or treasury shares. The Company's equity compensation awards include stock options, restricted stock units ("RSUs"), performance share units ("PSUs"), long-term PSUs, including long-term price-vested units ("PVUs"), and share units.

Total net stock-based compensation expense is attributable to the granting of and the remaining requisite service periods of stock options, RSUs, PSUs, long-term PSUs and share units. Compensation expense attributable to net stock-based compensation is as follows:

(In millions)	Year Ended June 30		
	2022	2021	2020
Compensation expense ⁽¹⁾	\$ 331	\$ 327	\$ 213
Income tax benefit	\$ 51	\$ 50	\$ 41

⁽¹⁾ Excludes compensation expense relating to liability-classified awards, including DECIEM stock options discussed below.

As of June 30, 2022, the total unrecognized compensation cost related to unvested stock-based awards was \$ 237 million and the related weighted-average period over which it is expected to be recognized is approximately one year .

Stock Options

The following is a summary of the Company's stock option programs as of June 30, 2022 and changes during the fiscal year then ended:

(Shares in thousands)	Shares	Weighted-Average Exercise Price Per Share	Aggregate Intrinsic Value⁽¹⁾ (in millions)	Weighted-Average Contractual Life Remaining in Years
Outstanding at June 30, 2021	7,615.2	\$ 136.24		
Granted at fair value	1,061.4	344.09		
Exercised	(1,353.5)	111.90		
Expired	(5.8)	146.77		
Forfeited	(145.5)	253.41		
Outstanding at June 30, 2022	<u>7,171.8</u>	169.20	<u>\$ 704</u>	<u>6.0</u>
Vested and expected to vest at June 30, 2022	<u>7,117.3</u>	168.25	<u>\$ 703</u>	<u>6.0</u>
Exercisable at June 30, 2022	<u>5,056.6</u>	125.93	<u>\$ 656</u>	<u>5.0</u>

⁽¹⁾ The intrinsic value of a stock option is the amount by which the market value of the underlying stock exceeds the exercise price of the option.

THE ESTÉE LAUDER COMPANIES INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

The exercise period for all stock options generally may not exceed ten years from the date of grant. Stock option grants to individuals generally become exercisable in three substantively equal tranches over a service period of up to four years. The Company attributes the value of option awards on a straight-line basis over the requisite service period for each separately vesting portion of the award as if the award was, in substance, multiple awards.

The following is a summary of the per-share weighted-average grant date fair value of stock options granted and total intrinsic value of stock options exercised:

(In millions, except per share data)	Year Ended June 30		
	2022	2021	2020
Per-share weighted-average grant date fair value of stock options granted	\$ 85.56	\$ 54.83	\$ 51.46
Intrinsic value of stock options exercised	\$ 276	\$ 407	\$ 309

The fair value of each of the Company's option grant was estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions:

	Year Ended June 30		
	2022	2021	2020
Weighted-average expected stock-price volatility	27.3 %	26.1 %	25.1 %
Weighted-average expected option life	6 years	8 years	7 years
Average risk-free interest rate	0.9 %	0.5 %	1.5 %
Average dividend yield	0.7 %	1.0 %	1.0 %

The Company uses a weighted-average expected stock-price volatility assumption that is a combination of both current and historical implied volatilities of the underlying stock. The implied volatilities were obtained from publicly available data sources. For the weighted-average expected option life assumption, the Company considers the exercise behavior for past grants and models the pattern of aggregate exercises. The average risk-free interest rate is based on the U.S. Treasury strip rate for the expected term of the options and the average dividend yield is based on historical experience.

Restricted Stock Units

The Company granted RSUs in respect of approximately 0.7 million shares of Class A Common Stock during fiscal 2022 with a weighted-average grant date fair value per share of \$ 337.91 that, at the time of grant, are scheduled to vest as follows: 0.2 million in fiscal 2023, 0.2 million in fiscal 2024 and 0.3 million in fiscal 2025. Vesting of RSUs granted is generally subject to the continued employment or the retirement of the grantees. The RSUs are generally accompanied by dividend equivalent rights, payable upon settlement of the RSUs either in cash or shares (based on the terms of the particular award) and, as such, were generally valued at the closing market price of the Company's Class A Common Stock on the date of grant.

The following is a summary of the status of the Company's RSUs as of June 30, 2022 and activity during the fiscal year then ended:

(Shares in thousands)	Shares	Weighted-Average Grant Date Fair Value Per Share
Nonvested at June 30, 2021	1,857.2	\$ 195.77
Granted	745.9	337.91
Dividend equivalents	11.7	249.11
Vested	(970.6)	178.66
Forfeited	(126.3)	252.38
Nonvested at June 30, 2022	1,517.9	272.26

THE ESTÉE LAUDER COMPANIES INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****Performance Share Units**

During fiscal 2022, the Company granted PSUs with a target payout of approximately 0.1 million shares of Class A Common Stock with a weighted-average grant date fair value per share of \$ 344.06 , which will be settled in stock subject to the achievement of the Company's net sales, diluted net earnings per common share and return on invested capital goals for the three fiscal years ending June 30, 2023, all subject to continued employment or the retirement of the grantees. For PSUs granted, no settlement will occur for results below the applicable minimum threshold. PSUs are accompanied by dividend equivalent rights that will be payable in cash upon settlement of the PSUs and, as such, were valued at the closing market value of the Company's Class A Common Stock on the date of grant.

In September 2021, approximately 0.2 million shares of the Company's Class A Common Stock were issued, and related accrued dividends were paid, relative to the target goals set at the time of the issuance, in settlement of 0.2 million PSUs which vested as of June 30, 2021.

The following is a summary of the status of the Company's PSUs as of June 30, 2022 and activity during the fiscal year then ended:

(Shares in thousands)	Shares	Weighted-Average Grant Date Fair Value Per Share
Nonvested at June 30, 2021	800.1	\$ 158.33
Granted	149.4	281.11
Vested and issued	(213.5)	138.15
Forfeited	(7.1)	251.48
Nonvested at June 30, 2022 ⁽¹⁾	<u>728.9</u>	<u>188.49</u>

⁽¹⁾ Included approximately 0.1 million PSUs with a performance period ended June 30, 2022 expected to be issued in September 2022 are included in Nonvested at June 30, 2022.

Long-term Performance Share Units

During September 2015, the Company granted PSUs to the Company's Chief Executive Officer ("CEO") with an aggregate target payout of 387,848 shares (in three tranches of approximately 129,283 each) of the Company's Class A Common Stock, generally subject to continued employment through the end of relative performance periods, which end June 30, 2018, 2019, and 2020. Since the Company achieved positive Net Earnings, as defined in the PSU award agreement, for the fiscal year ended June 30, 2016, performance and vesting of each tranche will be based on the Company achieving positive Cumulative Operating Income, as defined in the PSU award agreement, during the relative performance period. Payment with respect to a tranche will be made on the third anniversary of the last day of the respective performance period. The PSUs are accompanied by dividend equivalent rights that will be payable in cash at the same time as the payment of shares of Class A Common Stock. The grant date fair value of these PSUs of \$ 30 million was estimated using the closing stock price of the Company's Class A Common Stock as of September 4, 2015, the date of grant. Through June 30, 2022, 258,565 shares of the Company's Class A Common Stock were issued, and the related dividends paid, in accordance with the terms of the grant, related to the performance periods ended June 30, 2018 and 2019.

THE ESTÉE LAUDER COMPANIES INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

In February 2018, the Company granted to the Company's CEO PSUs with an aggregate payout of 195,940 shares (in two tranches of 97,970 shares each) of the Company's Class A Common Stock, generally subject to continued employment through the end of the respective performance periods ending June 30, 2021 and 2022. No portion of the award will generally vest unless the Company has achieved positive Cumulative Operating Income, as defined in the performance share unit award agreement, during the relevant performance period. Settlement, if any, with respect to both tranches will be made on September 3, 2024. The PSUs are accompanied by dividend equivalent rights that will be payable in cash at the same time as any payment of shares of Class A Common Stock. The grant date fair value of these PSUs of \$ 27 million was estimated using the closing stock price of the Company's Class A Common Stock as of the date of grant. Since the Company achieved positive Cumulative Operating Income, as defined in the PSU award agreement, and since the executive completed the requisite service, 195,940 shares of the Company's Class A Common Stock are anticipated to be issued, and the related dividends to be paid, in accordance with the terms of the grant on September 3, 2024.

In March 2021, the Company granted to the Company's CEO PSUs with an aggregate payout of 68,578 shares of the Company's Class A Common Stock, to incentivize him to continue serving through at least June 30, 2024. Generally, no portion of this award will vest unless the Company has achieved positive Cumulative Operating Income, as defined in the performance share unit award agreement, during the relevant performance period, and delivery of shares of the Company's Class A Common Stock, if any, will be made on September 2, 2025. The PSUs are accompanied by dividend equivalent rights that will be payable in cash at the same time as any delivery of shares of the Company's Class A Common Stock. The aggregate grant date fair value of the PSUs of approximately \$ 20 million was estimated using the closing stock price of the Company's Class A Common Stock on the date of grant.

Long-term Price-Vested Units

In March 2021, the Company granted to the Company's CEO PVUs with an aggregate payout of 85,927 shares, divided into three tranches, of the Company's Class A Common Stock, to incentivize him to continue serving through at least June 30, 2024. Generally, no portion of this award will vest unless the Company has achieved positive Cumulative Operating Income, as defined in the price-vested unit award agreement, during the relevant performance period. In addition, the vesting of each tranche is contingent upon the Company's achievement of the respective stock price goal, which means that the average closing price per share of the Company's Class A Common Stock traded on the New York Stock Exchange be at or above the applicable stock price goal (noted in the table below) for 20 consecutive trading days during the applicable performance period.

The number of shares subject to each tranche of the price-vested unit award, as well as the stock price goals, service periods, performance periods and share delivery dates for each tranche are as follows:

	Number of Shares per Tranche	Stock Price Goal (per Share)	Service Period	Performance Period for Stock Price Goal	Performance Period for Cumulative Operating Income Goal	Share Delivery Date
First tranche	27,457	\$ 323.03	March 11, 2021 - June 30, 2024	March 11, 2021 - June 30, 2024	July 1, 2021 - June 30, 2025	September 2, 2025
Second tranche	28,598	\$ 333.21	March 11, 2021 - June 30, 2024	March 11, 2021 - June 30, 2024	July 1, 2021 - June 30, 2025	September 2, 2025
Third tranche	29,872	\$ 343.61	March 11, 2021 - June 30, 2024	March 11, 2021 - June 30, 2024	July 1, 2021 - June 30, 2025	September 2, 2025
Total shares	<u>85,927</u>					

The Stock Price Goals (per Share) were all achieved during Fiscal 2022 but delivery of the shares are still subject to achievement of the Cumulative Operating Income goal and other terms and conditions in accordance with the terms of the award agreement.

THE ESTÉE LAUDER COMPANIES INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Generally, delivery of shares of the Company's Class A Common Stock, if any, will be made on September 2, 2025. The PVUs are accompanied by dividend equivalent rights that will be payable in cash at the same time as any delivery of shares of the Company's Class A Common Stock. The aggregate grant date fair value of the PVUs of approximately \$ 20 million was estimated using the Monte Carlo Method, which requires certain assumptions. The significant assumptions used for this award were as follows:

Expected volatility	31.8 %
Dividend yield	0.8 %
Risk-free interest rate	0.4 %
Expected term	3.3 years

Share Units

The Company grants share units to certain non-employee directors under the Amended and Restated Non-Employee Director Share Incentive Plan. The share units are convertible into shares of the Company's Class A Common Stock as provided for in that plan. Share units are accompanied by dividend equivalent rights that are converted to additional share units when such dividends are declared.

The following is a summary of the status of the Company's share units as of June 30, 2022 and activity during the fiscal year then ended:

(Shares in thousands)	Shares	Weighted-Average Grant Date Fair Value Per Share
Outstanding at June 30, 2021	141.6	\$ 68.73
Granted	2.2	332.07
Dividend equivalents	1.0	293.15
Converted	(22.9)	55.65
Outstanding at June 30, 2022	<u>121.9</u>	<u>78.01</u>

Cash Units

Certain non-employee directors defer cash compensation in the form of cash payout share units, which are not subject to the Plans. These share units are classified as liabilities and, as such, their fair value is adjusted to reflect the current market value of the Company's Class A Common Stock. The Company recorded \$(5) million, \$ 29 million and \$ 2 million as compensation expense (income) to reflect additional deferrals and the change in the market value for fiscal 2022, 2021 and 2020, respectively.

DECIEM Stock Options

As a result of the fiscal 2021 acquisition of additional shares of DECIEM, the Company has a stock option plan relating to its majority-owned subsidiary DECIEM ("DECIEM Stock Option Plan"). The DECIEM stock options were issued in replacement of and exchange for certain vested and unvested DECIEM employee stock options previously issued by DECIEM. The DECIEM stock options are subject to the terms and conditions of the DECIEM 2021 Stock Option Plan. As of June 30, 2022, post-combination vested options totaled 92,028 options and post-combination unvested options totaled 2,073 options.

The DECIEM stock options are liability-classified awards as they are expected to be settled in cash and are remeasured to fair value at each reporting date through date of settlement. Total stock-based compensation expense is attributable to the exchange or replacement of and the remaining requisite service period of stock options. Due to a reduction in the fair value of the DECIEM stock options, the total stock option expense for the year ended June 30, 2022 resulted in income of \$ 55 million, net of foreign currency remeasurements. There were no DECIEM stock options exercised during the year ended June 30, 2022.

THE ESTÉE LAUDER COMPANIES INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

As of June 30, 2022, the total unrecognized compensation cost related to unvested stock awards of the DECIEM Stock Option Plan was not material and the related weighted-average period over which it is expected to be recognized is approximately one year .

The following is a summary of the DECIEM stock option program as of June 30, 2022 and changes during the fiscal year then ended:

(Shares in thousands)	Shares	Weighted-Average Exercise Price Per Share	Aggregate Intrinsic Value⁽¹⁾ (in millions)	Weighted-Average Contractual Life Remaining in Years
Outstanding at June 30, 2021	94.1	\$ 62.51		
Granted at fair value	—	—		
Exercised	—	—		
Expired	—	—		
Forfeited	—	—		
Outstanding at June 30, 2022	<u>94.1</u>	60.11	<u>\$ 74</u>	<u>1.9</u>
Vested and expected to vest at June 30, 2022	<u>92.0</u>	54.80	<u>\$ 73</u>	<u>1.9</u>
Exercisable at June 30, 2022	<u>—</u>	—	<u>\$ —</u>	<u>—</u>

⁽¹⁾ The intrinsic value of a stock option is the amount by which the market value of the underlying stock exceeds the exercise price of the option.

Stock option grants to individuals under the DECIEM Stock Option Plan will vest between two to seven tranches over a service period of up to two years . The Company attributes the value of option awards under the DECIEM Stock Option Plan on a graded vesting basis where awards vest at specified rates over a specified period.

The following is a summary of the per-share weighted-average grant date fair value of stock options granted and total intrinsic value of stock options exercised:

	Year Ended June 30		
	2022	2021	2020
Per-share weighted-average grant date fair value of stock options granted	\$ —	\$ 1,557	\$ —
Intrinsic value of stock options exercised	\$ —	\$ —	\$ —

THE ESTÉE LAUDER COMPANIES INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

The initial fair value of the DECIEM stock option liability was calculated using the acquisition date fair value multiplied by the number of options replaced (consisting of vested and partially vested stock options) on the day following the acquisition date. As discussed in *Note 5 – Acquisition of Businesses*, DECIEM stock options, with total fair value of \$ 295 million, were reported as part of the total consideration transferred. The DECIEM stock options are reported as a stock option liability of \$ 74 million and \$ 141 million in Other noncurrent liabilities in the accompanying consolidated balance sheets at June 30, 2022 and June 30, 2021, respectively. The fair value of the stock options were calculated by incorporating significant assumptions including the starting equity value, revenue growth rates and EBITDA and the following key assumptions into the Monte Carlo Method:

	June 30, 2022	June 30, 2021	May 18, 2021
Risk-free rate	3.20 %	0.50 %	0.50 %
Term to mid of last twelve-month period	1.42 years	2.42 years	2.54 years
Operating leverage adjustment	0.45	0.45	0.45
Net sales discount rate	6.00 %	3.40 %	3.30 %
EBITDA discount rate	9.40 %	6.90 %	6.80 %
EBITDA volatility	33.90 %	37.70 %	38.30 %
Net sales volatility	15.30 %	17.00 %	17.20 %

NOTE 19 – NET EARNINGS ATTRIBUTABLE TO THE ESTÉE LAUDER COMPANIES INC. PER COMMON SHARE

Net earnings attributable to The Estée Lauder Companies Inc. per common share (“basic EPS”) is computed by dividing net earnings attributable to The Estée Lauder Companies Inc. by the weighted-average number of common shares outstanding and shares underlying PSUs and RSUs where the vesting conditions have been met. Net earnings attributable to The Estée Lauder Companies Inc. per common share assuming dilution (“diluted EPS”) is computed by reflecting potential dilution from stock-based awards.

A reconciliation between the numerator and denominator of the basic and diluted EPS computations is as follows:

(In millions, except per share data)	Year Ended June 30		
	2022	2021	2020
Numerator:			
Net earnings attributable to The Estée Lauder Companies Inc.	\$ 2,390	\$ 2,870	\$ 684
Denominator:			
Weighted-average common shares outstanding – Basic	360.0	362.9	360.6
Effect of dilutive stock options	3.7	4.0	4.4
Effect of PSUs	0.2	0.2	0.3
Effect of RSUs	1.0	1.1	1.6
Weighted-average common shares outstanding – Diluted	364.9	368.2	366.9
Net earnings attributable to The Estée Lauder Companies Inc. per common share:			
Basic	\$ 6.64	\$ 7.91	\$ 1.90
Diluted	\$ 6.55	\$ 7.79	\$ 1.86

THE ESTÉE LAUDER COMPANIES INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

The shares of Class A Common Stock underlying stock options, RSUs and PSUs that were excluded in the computation of diluted EPS because their inclusion would be anti-dilutive were as follows:

(In millions)	Year Ended June 30		
	2022	2021	2020
Stock options	0.9	0.7	1.3
RSUs and PSUs	0.1	0.1	—

As of June 30, 2022, 2021 and 2020, 0.7 million shares, 0.9 million shares and 1.2 million shares at target, respectively, of Class A Common Stock underlying PSUs have been excluded from the calculation of diluted EPS because the number of shares ultimately issued is contingent on the achievement of certain performance targets of the Company, as discussed in *Note 18 – Stock Programs*.

THE ESTÉE LAUDER COMPANIES INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 20 - ACCUMULATED OTHER COMPREHENSIVE LOSS**

The components of AOCI included in the accompanying consolidated balance sheets consist of the following:

(In millions)	Year Ended June 30		
	2022	2021	2020
Net derivative instruments, beginning of year	\$ (2)	\$ 14	\$ 21
Gain (loss) on derivative instruments	93	(45)	26
Benefit (provision) for deferred income taxes	(21)	10	(7)
Reclassification to earnings during the year:			
Foreign currency forward contracts ⁽¹⁾	(3)	22	(35)
Interest rate-related derivatives ⁽²⁾	1	2	—
Benefit (provision) for deferred income taxes on reclassification ⁽³⁾	—	(5)	9
Net derivative instruments, end of year	<u>68</u>	<u>(2)</u>	<u>14</u>
Net pension and post-retirement adjustments, beginning of year	(179)	(244)	(253)
Changes in plan assets and benefit obligations:			
Net actuarial gains (losses) recognized	71	60	(9)
Prior service credit recognized	(1)	(1)	—
Translation adjustments	—	—	(2)
Benefit (provision) for deferred income taxes	(18)	(12)	4
Amortization and settlements included in net periodic benefit cost ⁽⁴⁾ :			
Net actuarial losses	18	24	21
Net prior service cost	(1)	(1)	—
Provision for deferred income taxes on reclassification ⁽³⁾	(4)	(5)	(5)
Net pension and post-retirement adjustments, end of year	<u>(114)</u>	<u>(179)</u>	<u>(244)</u>
Cumulative translation adjustments, beginning of year	(289)	(435)	(331)
Reclassification to earnings during the year	—	(1)	2
Translation adjustments	(409)	145	(108)
Benefit (provision) for deferred income taxes	(18)	2	2
Cumulative translation adjustments, end of year	<u>(716)</u>	<u>(289)</u>	<u>(435)</u>
Accumulated other comprehensive loss	<u>\$ (762)</u>	<u>\$ (470)</u>	<u>\$ (665)</u>

⁽¹⁾ Amounts recorded in Net sales in the accompanying consolidated statements of earnings.

⁽²⁾ Amounts recorded in Interest expense in the accompanying consolidated statements of earnings.

⁽³⁾ Amounts recorded in Provision for income taxes in the accompanying consolidated statements of earnings.

⁽⁴⁾ See Note 15 – Pension, Deferred Compensation and Post-Retirement Benefit Plans for additional information.

THE ESTÉE LAUDER COMPANIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 21 - STATEMENT OF CASH FLOWS

Supplemental cash flow information is as follows:

(In millions)	Year Ended June 30		
	2022	2021	2020
Cash:			
Cash paid during the year for interest	\$ 163	\$ 166	\$ 153
Cash paid during the year for income taxes	\$ 760	\$ 664	\$ 537
Non-cash investing and financing activities:			
Property, plant and equipment accrued but unpaid	\$ 106	\$ 97	\$ 39
Purchase price payable - shares purchased from noncontrolling interests	\$ 38	\$ —	\$ —
Purchase price payable - DECIEM stock option	\$ —	\$ 103	\$ —
Purchase price refund receivable	\$ —	\$ —	\$ 32

NOTE 22 - SEGMENT DATA AND RELATED INFORMATION

Reportable operating segments include components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker (the "Chief Executive") in deciding how to allocate resources and in assessing performance. As a result of the similarities in the manufacturing, marketing and distribution processes for all of the Company's products, much of the information provided in the consolidated financial statements is similar to, or the same as, that reviewed on a regular basis by the Chief Executive. Although the Company operates in one business segment, beauty products, management also evaluates performance on a product category basis. While the Company's results of operations are also reviewed on a consolidated basis, the Chief Executive reviews data segmented on a basis that facilitates comparison to industry statistics. Accordingly, net sales, depreciation and amortization, and operating income are available with respect to the manufacture and distribution of skin care, makeup, fragrance, hair care and other products. These product categories meet the definition of operating segments and, accordingly, additional financial data are provided below. The "other" segment includes the sales and related results of ancillary products and services that do not fit the definition of skin care, makeup, fragrance and hair care. Product category performance is measured based upon net sales before returns associated with restructuring and other activities, and earnings before income taxes, other components of net periodic benefit cost, interest expense, interest income and investment income, net, other income, net and charges associated with restructuring and other activities. Returns and charges associated with restructuring and other activities are not allocated to the Company's product categories or geographic regions because they are centrally directed and controlled, are not included in internal measures of product category or geographic region performance and result from activities that are deemed Company-wide initiatives to redesign, resize and reorganize select areas of the business.

The accounting policies for the Company's reportable segments are substantially the same as those described in the summary of significant accounting policies, except for depreciation and amortization charges, which are allocated, primarily, based upon net sales. The assets and liabilities of the Company are managed centrally and are reported internally in the same manner as the consolidated financial statements; thus, no additional information is produced for the Chief Executive or included herein.

THE ESTÉE LAUDER COMPANIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In millions)	Year Ended June 30		
	2022	2021	2020
PRODUCT CATEGORY DATA			
Net sales:			
Skin Care	\$ 9,886	\$ 9,484	\$ 7,382
Makeup	4,667	4,203	4,794
Fragrance	2,508	1,926	1,563
Hair Care	631	571	515
Other	49	45	40
	<u>17,741</u>	<u>16,229</u>	<u>14,294</u>
Returns associated with restructuring and other activities	(4)	(14)	—
Net sales	<u><u>\$ 17,737</u></u>	<u><u>\$ 16,215</u></u>	<u><u>\$ 14,294</u></u>
Depreciation and amortization:			
Skin Care	\$ 404	\$ 330	\$ 268
Makeup	213	210	242
Fragrance	89	78	71
Hair Care	20	31	28
Other	1	2	2
	<u><u>\$ 727</u></u>	<u><u>\$ 651</u></u>	<u><u>\$ 611</u></u>
Operating income (loss) before charges associated with restructuring and other activities:			
Skin Care	\$ 2,753	\$ 3,036	\$ 2,125
Makeup	133	(384)	(1,438)
Fragrance	456	215	17
Hair Care	(28)	(19)	(19)
Other	—	(2)	4
	<u><u>3,314</u></u>	<u><u>2,846</u></u>	<u><u>689</u></u>
Reconciliation:			
Charges associated with restructuring and other activities	(144)	(228)	(83)
Interest expense	(167)	(173)	(161)
Interest income and investment income, net	30	51	48
Other components of net periodic benefit cost	2	(12)	(4)
Other income, net	1	847	557
Earnings before income taxes	<u><u>\$ 3,036</u></u>	<u><u>\$ 3,331</u></u>	<u><u>\$ 1,046</u></u>

THE ESTÉE LAUDER COMPANIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In millions)	Year Ended June 30		
	2022	2021	2020
GEOGRAPHIC DATA⁽¹⁾			
Net sales:			
The Americas	\$ 4,623	\$ 3,797	\$ 3,794
Europe, the Middle East & Africa	7,681	6,946	6,262
Asia/Pacific	5,437	5,486	4,238
	<u>17,741</u>	<u>16,229</u>	<u>14,294</u>
Returns associated with restructuring and other activities	(4)	(14)	—
Net sales	<u><u>\$ 17,737</u></u>	<u><u>\$ 16,215</u></u>	<u><u>\$ 14,294</u></u>
Operating income (loss):			
The Americas	\$ 1,159	\$ 518	\$ (1,044)
Europe, the Middle East & Africa	1,360	1,335	997
Asia/Pacific	795	993	736
	<u>3,314</u>	<u>2,846</u>	<u>689</u>
Charges associated with restructuring and other activities	(144)	(228)	(83)
Operating income	<u><u>\$ 3,170</u></u>	<u><u>\$ 2,618</u></u>	<u><u>\$ 606</u></u>
Total assets:			
The Americas	\$ 10,989	\$ 11,387	\$ 9,189
Europe, the Middle East & Africa	5,781	5,907	4,319
Asia/Pacific	4,140	4,677	4,273
	<u><u>\$ 20,910</u></u>	<u><u>\$ 21,971</u></u>	<u><u>\$ 17,781</u></u>
Long-lived assets⁽²⁾:			
The Americas	\$ 2,609	\$ 2,521	\$ 2,512
Europe, the Middle East & Africa	1,133	1,314	1,306
Asia/Pacific	857	635	519
	<u><u>\$ 4,599</u></u>	<u><u>\$ 4,470</u></u>	<u><u>\$ 4,337</u></u>

⁽¹⁾ The net sales from the Company's travel retail business are included in the Europe, the Middle East & Africa region, with the exception of net sales of Dr.Jart+ in the travel retail channel that are reflected in Korea in the Asia/Pacific region. Operating income attributable to the travel retail sales included in Europe, the Middle East & Africa is included in that region and in The Americas.

⁽²⁾ Includes property, plant and equipment, net and operating lease ROU assets.

Net sales are predominantly attributed to a country within a geographic region based on the location of the customer. The Company is domiciled in the United States. Net sales in the United States, including net sales from travel retail locations, in fiscal 2022, 2021 and 2020 were \$ 4,009 million, \$ 3,356 million and \$ 3,449 million, respectively. Net sales in mainland China, as well as net sales from travel retail locations, in fiscal 2022, 2021 and 2020 were approximately 34 %, 36 % and 24 % of consolidated net sales, respectively. In fiscal 2022, net sales in Korea, including net sales from travel retail locations, were approximately 11 % and no other country represented greater than 10% of the Company's consolidated net sales.

The Company's long-lived assets in the United States at June 30, 2022, 2021 and 2020 were \$ 2,153 million, \$ 2,075 million and \$ 2,192 million, respectively.

THE ESTÉE LAUDER COMPANIES INC.

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
Three Years Ended June 30, 2022
(In millions)

Description	Balance at Beginning of Period	Additions			Deductions	Balance at End of Period
		(1) Charged to Costs and Expenses	(2) Charged to Other Accounts (a)			
Reserves deducted in the balance sheet from the assets to which they apply:						
Allowance for doubtful accounts and customer deductions:						
Year ended June 30, 2022	\$ 40	\$ 5	\$ —	\$ 18	(b)	\$ 27
Year ended June 30, 2021	<u>\$ 63</u>	<u>\$ (5)</u>	<u>\$ 4</u>	<u>\$ 22</u>	(b)	<u>\$ 40</u>
Year ended June 30, 2020	<u>\$ 32</u>	<u>\$ 45</u>	<u>\$ —</u>	<u>\$ 14</u>	(b)	<u>\$ 63</u>
Deferred tax valuation allowance:						
Year ended June 30, 2022	\$ 168	\$ 41	\$ —	\$ 24		\$ 185
Year ended June 30, 2021	<u>\$ 107</u>	<u>\$ 61</u>	<u>\$ 1</u>	<u>\$ 1</u>		<u>\$ 168</u>
Year ended June 30, 2020	<u>\$ 49</u>	<u>\$ 32</u>	<u>\$ 28</u>	<u>\$ 2</u>		<u>\$ 107</u>

(a) For the year ended June 30, 2021, "Charged to Other Accounts" includes the impact of the fiscal 2021 adoption of ASC 326 of \$ 4 million, pre-tax.

(b) Includes amounts written-off, net of recoveries.

THE ESTÉE LAUDER COMPANIES INC.

INDEX TO EXHIBITS

Exhibit Number	Description
3.1	Restated Certificate of Incorporation, dated November 16, 1995 (filed as Exhibit 3.1 to our Annual Report on Form 10-K filed on September 15, 2003) (SEC File No. 1-14064).*
3.1a	Certificate of Amendment of the Restated Certificate of Incorporation of The Estée Lauder Companies Inc. (filed as Exhibit 3.1 to our Current Report on Form 8-K filed on November 13, 2012) (SEC File No. 1-14064).*
3.2	Certificate of Retirement of \$6.50 Cumulative Redeemable Preferred Stock (filed as Exhibit 3.2 to our Current Report on Form 8-K filed on July 19, 2012) (SEC File No. 1-14064).*
3.3	Amended and Restated Bylaws (filed as Exhibit 3.1 to our Current Report on Form 8-K filed on May 23, 2012) (SEC File No. 1-14064).*
4.1	Description of Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934.
4.2	Indenture, dated November 5, 1999, between the Company and State Street Bank and Trust Company, N.A. (filed as Exhibit 4 to Amendment No. 1 to our Registration Statement on Form S-3 (No. 333-85947) filed on November 5, 1999) (SEC File No. 1-14064).*
4.3	Officers' Certificate, dated September 29, 2003, defining certain terms of the 5.75% Senior Notes due 2033 (filed as Exhibit 4.2 to our Current Report on Form 8-K filed on September 29, 2003) (SEC File No. 1-14064).*
4.4	Global Note for 5.75% Senior Notes due 2033 (filed as Exhibit 4.3 to our Current Report on Form 8-K filed on September 29, 2003) (SEC File No. 1-14064).*
4.5	Officers' Certificate, dated May 1, 2007, defining certain terms of the 6.000% Senior Notes due 2037 (filed as Exhibit 4.2 to our Current Report on Form 8-K filed on May 1, 2007) (SEC File No. 1-14064).*
4.6	Global Note for 6.000% Senior Notes due 2037 (filed as Exhibit 4.4 to our Current Report on Form 8-K filed on May 1, 2007) (SEC File No. 1-14064).*
4.7	Officers' Certificate, dated August 2, 2012, defining certain terms of the 2.350% Senior Notes due 2022 (filed as Exhibit 4.1 to our Current Report on Form 8-K filed on August 2, 2012) (SEC File No. 1-14064).*
4.8	Global Note for the 2.350% Senior Notes due 2022 (filed as Exhibit 4.3 to our Current Report on Form 8-K filed on August 2, 2012) (SEC File No. 1-14064).*
4.9	Officers' Certificate, dated August 2, 2012, defining certain terms of the 3.700% Senior Notes due 2042 (filed as Exhibit 4.2 to our Current Report on Form 8-K filed on August 2, 2012) (SEC File No. 1-14064).*
4.10	Global Note for the 3.700% Senior Notes due 2042 (filed as Exhibit 4.4 to our Current Report on Form 8-K filed on August 2, 2012) (SEC File No. 1-14064).*
4.11	Officers' Certificate, dated June 4, 2015, defining certain terms of the 4.375% Senior Notes due 2045 (filed as Exhibit 4.1 to our Current Report on Form 8-K filed on June 4, 2015) (SEC File No. 1-14064).*
4.12	Global Note for the 4.375% Senior Notes due 2045 (filed as Exhibit 4.2 to our Current Report on Form 8-K filed on June 4, 2015) (SEC File No. 1-14064).*
4.13	Officers' Certificate, dated May 10, 2016, defining certain terms of the 4.375% Senior Notes due 2045 (filed as Exhibit 4.3 to our Current Report on Form 8-K filed on May 10, 2016) (SEC File No. 1-14064).*
4.14	Global Note for the 4.375% Senior Notes due 2045 (filed as Exhibit B in Exhibit 4.3 to our Current Report on Form 8-K filed on May 10, 2016) (SEC File No. 1-14064).*
4.15	Officers' Certificate, dated February 9, 2017, defining certain terms of the 3.150% Senior Notes due 2027 (filed as Exhibit 4.3 to our Current Report on Form 8-K filed on February 9, 2017) (SEC File No. 1-14064).*
4.16	Form of Global Note for the 3.150% Senior Notes due 2027 (included as Exhibit A in Exhibit 4.3 to our Current Report on Form 8-K filed on February 9, 2017) (SEC File No. 1-14064).*
4.17	Officers' Certificate, dated February 9, 2017, defining certain terms of the 4.150% Senior Notes due 2047 (filed as Exhibit 4.5 to our Current Report on Form 8-K filed on February 9, 2017) (SEC File No. 1-14064).*
4.18	Form of Global Note for the 4.150% Senior Notes due 2047 (included as Exhibit A in Exhibit 4.5 to our Current Report on Form 8-K filed on February 9, 2017) (SEC File No. 1-14064).*

Exhibit Number	Description
4.19	Officers' Certificate, dated November 21, 2019, defining certain terms of the 2.000% Senior Notes due 2024 (filed as Exhibit 4.1 to our Current Report on Form 8-K filed on November 21, 2019) (SEC File No. 1-14064).*
4.20	Form of Global Note for the 2.000% Senior Notes due 2024 (included as Exhibit A in Exhibit 4.1 to our Current Report on Form 8-K filed on November 21, 2019) (SEC File No. 1-14064).*
4.21	Officers' Certificate, dated November 21, 2019, defining certain terms of the 2.375% Senior Notes due 2029 (filed as Exhibit 4.3 to our Current Report on Form 8-K filed on November 21, 2019) (SEC File No. 1-14064).*
4.22	Form of Global Note for the 2.375% Senior Notes due 2029 (included as Exhibit A in Exhibit 4.3 to our Current Report on Form 8-K filed on November 21, 2019) (SEC File No. 1-14064).*
4.23	Officers' Certificate, dated November 21, 2019, defining certain terms of the 3.125% Senior Notes due 2049 (filed as Exhibit 4.5 to our Current Report on Form 8-K filed on November 21, 2019) (SEC File No. 1-14064).*
4.24	Form of Global Note for the 3.125% Senior Notes due 2049 (included as Exhibit A in Exhibit 4.5 to our Current Report on Form 8-K filed on November 21, 2019) (SEC File No. 1-14064).*
4.25	Officers' Certificate, dated April 13, 2020, defining certain terms of the 2.600% Senior Notes due 2030 (filed as Exhibit 4.1 to our Current Report on Form 8-K filed on April 13, 2020) (SEC File No. 1-14064).*
4.26	Form of Global Note for the 2.600% Senior Notes due 2030 (included as Exhibit A in Exhibit 4.1 to our Current Report on Form 8-K filed on April 13, 2020) (SEC File No. 1-14064).*
4.27	Officers' Certificate, dated March 4, 2021, defining certain terms of the 1.950% Senior Notes due 2031 (filed as Exhibit 4.1 to our Current Report on Form 8-K filed on March 4, 2021) (SEC File No. 1-14064).*
4.28	Form of Global Note for the 1.950% Senior Notes due 2031 (included as Exhibit A in Exhibit 4.1 to our Current Report on Form 8-K filed on March 4, 2021) (SEC File No. 1-14064).*
10.1	Stockholders' Agreement, dated November 22, 1995 (filed as Exhibit 10.1 to our Annual Report on Form 10-K filed on September 15, 2003) (SEC File No. 1-14064).*
10.1a	Amendment No. 1 to Stockholders' Agreement (filed as Exhibit 10.1 to our Quarterly Report on Form 10-Q filed on October 30, 1996) (SEC File No. 1-14064).*
10.1b	Amendment No. 2 to Stockholders' Agreement (filed as Exhibit 10.2 to our Quarterly Report on Form 10-Q filed on January 28, 1997) (SEC File No. 1-14064).*
10.1c	Amendment No. 3 to Stockholders' Agreement (filed as Exhibit 10.2 to our Quarterly Report on Form 10-Q filed on April 29, 1997) (SEC File No. 1-14064).*
10.1d	Amendment No. 4 to Stockholders' Agreement (filed as Exhibit 10.1d to our Annual Report on Form 10-K filed on September 18, 2000) (SEC File No. 1-14064).*
10.1e	Amendment No. 5 to Stockholders' Agreement (filed as Exhibit 10.1e to our Annual Report on Form 10-K filed on September 17, 2002) (SEC File No. 1-14064).*
10.1f	Amendment No. 6 to Stockholders' Agreement (filed as Exhibit 10.2 to our Quarterly Report on Form 10-Q filed on January 27, 2005) (SEC File No. 1-14064).*
10.1g	Amendment No. 7 to Stockholders' Agreement (filed as Exhibit 10.7 to our Quarterly Report on Form 10-Q filed on October 30, 2009) (SEC File No. 1-14064).*
10.2	Registration Rights Agreement, dated November 22, 1995 (filed as Exhibit 10.2 to our Annual Report on Form 10-K filed on September 15, 2003) (SEC File No. 1-14064).*
10.2a	First Amendment to Registration Rights Agreement (originally filed as Exhibit 10.3 to our Annual Report on Form 10-K filed on September 10, 1996) (re-filed as Exhibit 10.2a to our Annual Report on Form 10-K filed on August 25, 2017) (SEC File No. 1-14064).*
10.2b	Second Amendment to Registration Rights Agreement (filed as Exhibit 10.1 to our Quarterly Report on Form 10-Q filed on April 29, 1997) (SEC File No. 1-14064).*
10.2c	Third Amendment to Registration Rights Agreement (filed as Exhibit 10.2c to our Annual Report on Form 10-K filed on September 17, 2001) (SEC File No. 1-14064).*
10.2d	Fourth Amendment to Registration Rights Agreement (filed as Exhibit 10.2 to our Quarterly Report on Form 10-Q filed on January 29, 2004) (SEC File No. 1-14064).*

Exhibit Number	Description
10.3	The Estee Lauder Companies Retirement Growth Account Plan, as amended and restated, effective as of January 1, 2019, as further amended through January 1, 2022 (filed as Exhibit 10.2 to our Quarterly Report on Form 10-Q filed on February 3, 2022) (SEC File No. 1-14064).*†
10.3a	Amendment to amended and restated The Estee Lauder Companies Retirement Growth Account Plan, effective as of May 31, 2022 (filed as Exhibit 10.1 on our Quarterly Report on Form 10-Q filed on May 3, 2022) (SEC File No. 1-14064).*†
10.4	The Estee Lauder Inc. Retirement Benefits Restoration Plan (filed as Exhibit 10.5 to our Annual Report on Form 10-K filed on August 20, 2010) (SEC File No. 1-14064).*†
10.5	Executive Annual Incentive Plan (filed as Exhibit 10.1 to our Current Report on Form 8-K filed on November 14, 2013) (SEC File No. 1-14064).*†
10.6	Employment Agreement with Tracey T. Travis (filed as Exhibit 10.1 to our Current Report on Form 8-K filed on July 20, 2012) (SEC File No. 1-14064).*†
10.7	Employment Agreement with Leonard A. Lauder (filed as Exhibit 10.8 to our Annual Report on Form 10-K filed on September 17, 2001) (SEC File No. 1-14064).*†
10.7a	Amendment to Employment Agreement with Leonard A. Lauder (filed as Exhibit 10.8a to our Annual Report on Form 10-K filed on September 17, 2002) (SEC File No. 1-14064).*†
10.7b	Amendment to Employment Agreement with Leonard A. Lauder (filed as Exhibit 10.2 to our Current Report on Form 8-K filed on November 17, 2005) (SEC File No. 1-14064).*†
10.7c	Amendment to Employment Agreement with Leonard A. Lauder (filed as Exhibit 10.1 to our Quarterly Report on Form 10-Q filed on February 5, 2009) (SEC File No. 1-14064).*†
10.7d	Amendment to Employment Agreement with Leonard A. Lauder (filed as Exhibit 10.8 to our Quarterly Report on Form 10-Q filed on October 30, 2009) (SEC File No. 1-14064).*†
10.7e	Amendment to Employment Agreement with Leonard A. Lauder (filed as Exhibit 10.6 to our Quarterly Report on Form 10-Q filed on November 1, 2010) (SEC File No. 1-14064).*†
10.7f	Amendment to Employment Agreement with Leonard A. Lauder (filed as Exhibit 10.7f to our Annual Report on Form 10-K filed on August 20, 2015) (SEC File No. 1-14064).*†
10.7g	Amendment to Employment Agreement with Leonard A. Lauder (filed as Exhibit 10.2 to our Quarterly Report on Form 10-Q filed on May 1, 2020) (SEC File No. 1-14064).*†
10.8	Employment Agreement with William P. Lauder (filed as Exhibit 10.1 to our Current Report on Form 8-K filed on September 17, 2010) (SEC File No. 1-14064).*†
10.8a	Amendment to Employment Agreement with William P. Lauder (filed as Exhibit 10.1 to our Current Report on Form 8-K filed on February 27, 2013) (SEC File No. 1-14064).*†
10.9	Employment Agreement with Fabrizio Freda (filed as Exhibit 10.1 to our Current Report on Form 8-K filed on February 11, 2011) (SEC File No. 1-14064).*†
10.9a	Amendment to Employment Agreement with Fabrizio Freda and Stock Option Agreements (filed as Exhibit 10.2 to our Current Report on Form 8-K filed on February 27, 2013) (SEC File No. 1-14064).*†
10.10	Employment Agreement with John Demsey (filed as Exhibit 10.1 to our Current Report on Form 8-K filed on September 24, 2010) (SEC File No. 1-14064).*†
10.10a	Amendment to Employment Agreement with John Demsey (filed as Exhibit 10.3 to our Current Report on Form 8-K filed on February 27, 2013) (SEC File No. 1-14064).*†
10.11	Employment Agreement with Cedric Prouvé (filed as Exhibit 10.1 to our Current Report on Form 8-K filed on September 20, 2011) (SEC File No. 1-14064).*†
10.11a	Amendment to Employment Agreement with Cedric Prouvé (filed as Exhibit 10.4 to our Current Report on Form 8-K filed on February 27, 2013) (SEC File No. 1-14064).*†
10.12	Employment Agreement with Deirdre Stanley filed as Exhibit 10.12 to our Annual Report on Form 10-K filed on August 28, 2020) (SEC File No. 1-14064).*†
10.12a	Amendment to Employment Agreement with Deirdre Stanley filed as Exhibit 10.12a to our Annual Report on Form 10-K filed on August 28, 2020) (SEC File No. 1-14064).*†

Exhibit Number	Description
10.13	Employment Agreement with Jane Hertzmark Hudis (SEC File No. 1-14064).†
10.14	Form of Deferred Compensation Agreement (interest-based) with Outside Directors (filed as Exhibit 10.14 to our Annual Report on Form 10-K filed on September 17, 2001) (SEC File No. 1-14064).†
10.14a	Form of Deferred Compensation Agreement (interest-based) with Outside Directors (including Election Form) (filed as Exhibit 10.12a to our Annual Report on Form 10-K filed on August 24, 2018) (SEC File No. 1-14064).†
10.15	Form of Deferred Compensation Agreement (stock-based) with Outside Directors (filed as Exhibit 10.15 to our Annual Report on Form 10-K filed on September 17, 2001) (SEC File No. 1-14064).†
10.15a	Form of Deferred Compensation Agreement (stock-based) with Outside Directors (including Election Form) (filed as Exhibit 10.13a to our Annual Report on Form 10-K filed on August 24, 2018) (SEC File No. 1-14064).†
10.16	The Estee Lauder Companies Inc. Non-Employee Director Share Incentive Plan (as amended and restated on November 9, 2007) (filed as Exhibit 99.1 to our Registration Statement on Form S-8 filed on November 9, 2007) (SEC File No. 1-14064).†
10.16a	The Estee Lauder Companies Inc. Non-Employee Director Share Incentive Plan (as amended on July 14, 2011) (filed as exhibit 10.15a to our Annual Report on Form 10-K filed on August 22, 2011) (SEC File No. 1-14064).†
10.16b	The Estée Lauder Companies Inc. Amended and Restated Non-Employee Director Share Incentive Plan (filed as Exhibit 10.2 to our Current Report on Form 8-K filed on November 16, 2015) (SEC File No. 1-14064).†
10.16c	The Estée Lauder Companies Inc. Amended and Restated Non-Employee Director Share Incentive Plan (as of November 1, 2017) (filed as Exhibit 10.1 to our Quarterly Report on Form 10-Q filed on November 1, 2017) (SEC File No. 1-14064).†
10.16d	The Estée Lauder Companies Inc. Amended and Restated Non-Employee Director Share Incentive Plan (as of August 22, 2019) (filed as Exhibit 10.1 to our Quarterly Report on Form 10-Q filed on October 31, 2019) (SEC File No. 1-14064).†
10.16e	The Estée Lauder Companies Inc. Amended and Restated Non-Employee Director Share Incentive Plan (as of July 13, 2021) (filed as Exhibit 10.15e to our Annual Report on Form 10-K filed on August 27, 2021) (SEC File No. 1-14064).†
10.17	Summary of Compensation For Non-Employee Directors of the Company (filed as Exhibit 10.2 to our Quarterly Report on Form 10-Q filed on November 1, 2013) (SEC File No. 1-14064).†
10.17a	Summary of Compensation For Non-Employee Directors of the Company (filed as Exhibit 10.2 to our Quarterly Report on Form 10-Q filed on November 1, 2017) (SEC File No. 1-14064).†
10.17b	Summary of Compensation For Non-Employee Directors of the Company (filed as Exhibit 10.16b to our Annual Report on Form 10-K filed on August 27, 2021) (SEC File No. 1-14064).†
10.18	Form of Stock Option Agreement for Annual Stock Option Grants under Non-Employee Director Share Incentive Plan (including Form of Notice of Grant) (filed as Exhibit 99.2 to our Registration Statement on Form S-8 filed on November 9, 2007) (SEC File No. 1-14064).†
10.18a	Form of Stock Option Agreement for Annual Stock Option Grants under the Amended and Restated Non-Employee Director Share Incentive Plan (including Form of Notice of Grant) (filed as Exhibit 10.2 to our Quarterly Report on Form 10-Q filed on October 31, 2019) (SEC File No. 1-14064).†
10.19	The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (filed as Exhibit 10.17 to our Annual Report on Form 10-K filed on August 17, 2012) (SEC File No. 1-14064).†
10.19a	The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (filed as Exhibit 10.1 to our Current Report on Form 8-K filed on November 16, 2015) (SEC File No. 1-14064).†
10.19b	The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (filed as Exhibit 10.16b to our Annual Report on Form 10-K filed on August 25, 2017) (SEC File No. 1-14064).†
10.19c	The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (filed as Exhibit 10.1 to our Current Report on Form 8-K filed on November 19, 2019) (SEC File No. 1-14064).†

Exhibit Number	Description
10.19d	Form of Stock Option Agreement under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (including Form of Notice of Grant) (filed as Exhibit 10.1 to our Quarterly Report on Form 10-Q filed on November 4, 2011) (SEC File No. 1-14064).* †
10.19e	Form of Stock Option Agreement under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (including Form of Notice of Grant) (filed as Exhibit 10.1 to our Quarterly Report on Form 10-Q filed on November 2, 2012) (SEC File No. 1-14064).* †
10.19f	Form of Stock Option Agreement under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (including Form of Notice of Grant) (filed as Exhibit 10.16y to our Annual Report on Form 10-K filed on August 20, 2014) (SEC File No. 1-14064).* †
10.19g	Form of Stock Option Agreement with Fabrizio Freda under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (including Form of Notice of Grant) (filed as Exhibit 10.16z to our Annual Report on Form 10-K filed on August 20, 2014) (SEC File No. 1-14064).* †
10.19h	Form of Stock Option Agreement under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (including Form of Notice of Grant) (filed as Exhibit 10.16m to our Annual Report on Form 10-K filed on August 25, 2017) (SEC File No. 1-14064).* †
10.19i	Form of Stock Option Agreement under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (including Form of Notice of Grant) (filed as Exhibit 10.17l to our Annual Report on Form 10-K filed on August 23, 2019) (SEC File No. 1-14064).* †
10.19j	Performance Share Unit Award Agreement with Fabrizio Freda under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (including Notice of Grant) (filed as Exhibit 10.1 to our Current Report on Form 8-K filed on September 11, 2015) (SEC File No. 1-14064).* †
10.19k	Performance Share Unit Award Agreement with Fabrizio Freda (2018) under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (including Notice of Grant) (filed as Exhibit 10.1 to our Current Report on Form 8-K filed on February 15, 2018) (SEC File No. 1-14064).* †
10.19l	Form of Performance Share Unit Award Agreement for Employees including Executive Officers under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (including Form of Notice of Grant) (filed as Exhibit 10.17u to our Annual Report on Form 10-K filed on August 24, 2018) (SEC File No. 1-14064).* †
10.19m	Form of Performance Share Unit Award Agreement for Employees including Executive Officers under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (including Form of Notice of Grant) (filed as Exhibit 10.17t to our Annual Report on Form 10-K filed on August 23, 2019) (SEC File No. 1-14064).* †
10.19n	Form of Performance Share Unit Award Agreement for Employees including Executive Officers under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (including Form of Notice of Grant) (filed as Exhibit 10.1 to our Quarterly Report on Form 10-Q filed on November 2, 2020) (SEC File No. 1-14064).* †
10.19o	Price-Vested Unit Award Agreement with Fabrizio Freda under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (including Notice of Grant) (filed as Exhibit 10.1 to our current Report on Form 8-K filed on March 16, 2021) (SEC File No. 1-14064).* †
10.19p	Performance Share Unit Award Agreement with Fabrizio Freda under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (including Notice of Grant) (filed as Exhibit 10.2 to our Current Report on Form 8-K filed on March 16, 2021) (SEC File No. 1-14064).* †
10.19q	Form of Non-annual Performance Share Unit Award Agreement for Executive Officers under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (including Form of Notice of Grant) (filed as Exhibit 10.18s to our Annual Report on Form 10-K filed on August 27, 2021 (SEC File No. 1-14064).* †
10.19r	Form of Performance Share Unit Award Agreement for Employees including Executive Officers under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (including Form of Notice of Grant) (filed as Exhibit 10.18t to our Annual Report on Form 10-K filed on August 27, 2021) (SEC File No. 1-14064).* †
10.19s	Form of Restricted Stock Unit Award Agreement under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (including Form of Notice of Grant) (filed as Exhibit 10.17y to our Annual Report on Form 10-K filed on August 23, 2019) (SEC File No. 1-14064).* †

Exhibit Number	Description
10.19t	Form of Restricted Stock Unit Award Agreement for Executive Officers under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (including Form of Notice of Grant) (filed as Exhibit 10.17z to our Annual Report on Form 10-K filed on August 23, 2019) (SEC File No. 1-14064).*†
10.19u	Form of Restricted Stock Unit Award Agreement for Employees other than Executive Officers under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (including Form of Notice of Grant) (filed as Exhibit 10.17aa to our Annual Report on Form 10-K filed on August 23, 2019) (SEC File No. 1-14064).*†
10.19v	Form of Restricted Stock Unit Award Agreement for Executive Officers under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (including Form of Notice of Grant) (filed as Exhibit 10.18bb to our Annual Report on Form 10-K filed on August 28, 2020) (SEC File No. 1-14064).*†
10.19w	Form of Restricted Stock Unit Award Agreement for Employees other than Executive Officers under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (including Form of Notice of Grant) (filed as Exhibit 10.18cc to our Annual Report on Form 10-K filed on August 28, 2020) (SEC File No. 1-14064).*†
10.19x	Form of Non-annual Restricted Stock Unit Award Agreement for Executive Officers under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (including Form of Notice of Grant) filed as Exhibit 10.18dd to our Annual Report on Form 10-K filed on August 28, 2020) (SEC File No. 1-14064).*†
10.20	\$2.5 Billion Credit Facility, dated as of October 22, 2021, among The Estée Lauder Companies Inc., the Eligible Subsidiaries of the Company, as defined therein, the lenders listed therein, and JPMorgan Chase Bank, N.A., as administrative agent (filed as Exhibit 10.1 to our Current Report on Form 8-K filed on October 22, 2021). (SEC File No. 1-14064).*
10.21	Services Agreement, dated January 1, 2003, among Estee Lauder Inc., Melville Management Corp., Leonard A. Lauder, and William P. Lauder (filed as Exhibit 10.2 to our Quarterly Report on Form 10-Q filed on January 28, 2010) (SEC File No. 1-14064).*
10.21a	Agreement of Sublease, dated May 18, 2022, between Editions de Parfums LLC, Sublandlord and Melville Management Corporation, Subtenant (SEC File No. 1-14064).
10.22	Services Agreement, dated November 22, 1995, between Estee Lauder Inc. and RSL Investment Corp. (filed as Exhibit 10.3 to our Quarterly Report on Form 10-Q filed on January 28, 2010) (SEC File No. 1-14064).*
10.23	Agreement of Sublease and Guarantee of Sublease, dated April 1, 2005, among Aramis Inc., RSL Management Corp., and Ronald S. Lauder (filed as Exhibit 10.4 to our Quarterly Report on Form 10-Q filed on January 28, 2010) (SEC File No. 1-14064).*
10.23a	First Amendment to Sublease, dated February 28, 2007, between Aramis Inc. and RSL Management Corp. (filed as Exhibit 10.5 to our Quarterly Report on Form 10-Q filed on January 28, 2010) (SEC File No. 1-14064).*
10.23b	Second Amendment to Sublease, dated January 27, 2010, between Aramis Inc. and RSL Management Corp. (filed as Exhibit 10.6 to our Quarterly Report on Form 10-Q filed on January 28, 2010) (SEC File No. 1-14064).*
10.23c	Third Amendment to Sublease, dated November 3, 2010, between Aramis Inc., and RSL Management Corp. (filed as Exhibit 10.1 to our Quarterly Report on Form 10-Q filed on February 4, 2011) (SEC File No. 1-14064).*
10.23d	Fourth Amendment to Sublease, dated March 4, 2020, between Aramis Inc. and RSL Management Corp. (filed as Exhibit 10.1 to our Quarterly Report on Form 10-Q filed on May 1, 2020) (SEC File No. 1-14064).*
10.24	Form of Art Loan Agreement between Lender and Estee Lauder Inc. (filed as Exhibit 10.7 to our Quarterly Report on Form 10-Q filed on January 28, 2010) (SEC file No. 1-14064).*
10.25	Creative Consultant Agreement, dated April 6, 2011, between Estee Lauder Inc. and Aerin Lauder Zinterhofer (filed as Exhibit 10.1 to our Current Report on Form 8-K filed on April 8, 2011) (SEC File No. 1-14064).*†
10.25a	First Amendment to Creative Consultant Agreement between Estee Lauder Inc. and Aerin Lauder Zinterhofer dated October 28, 2014 (filed as Exhibit 10.23a to our Annual Report on Form 10-K filed on August 20, 2015) (SEC File No. 1-14064).*†

Exhibit Number	Description
10.25b	<u>Second Amendment to Creative Consultant Agreement between Estee Lauder Inc. and Aerin Lauder Zinterhofer effective July 1, 2016 (filed as Exhibit 10.23b to our Annual Report on Form 10-K filed on August 24, 2016) (SEC File No. 1-14064).†</u>
10.25c	<u>Third Amendment to Creative Consultant Agreement between Estee Lauder Inc. and Aerin Lauder Zinterhofer effective July 1, 2021 (filed as Exhibit 10.24c to our Annual Report on Form 10-K filed on August 27, 2021) (SEC File No. 1-14064).†</u>
10.26	<u>License Agreement, dated April 6, 2011, by and among Aerin LLC, Aerin Lauder Zinterhofer and Estee Lauder Inc. (filed as Exhibit 10.2 to our Current Report on Form 8-K filed on April 8, 2011) (SEC File No. 1-14064).*</u>
10.26a	<u>First Amendment to the April 6, 2011 License Agreement, dated January 22, 2019, by and among Aerin LLC, Aerin Lauder Zinterhofer and Estee Lauder Inc. (filed as Exhibit 10.1 to our Quarterly Report on Form 10-Q filed on May 1, 2019) (SEC File No. 1-14064).*</u>
10.26b	<u>Second Amendment to the April 6, 2011 License Agreement, dated February 22, 2019, by and among Aerin LLC, Aerin Lauder Zinterhofer and Estee Lauder Inc. (filed as Exhibit 10.2 to our Quarterly Report on Form 10-Q filed on May 1, 2019) (SEC File No. 1-14064).*</u>
21.1	<u>List of significant subsidiaries.</u>
23.1	<u>Consent of PricewaterhouseCoopers LLP.</u>
23.2	<u>Consent of KPMG LLP.</u>
24.1	<u>Power of Attorney.</u>
31.1	<u>Certification pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (CEO).</u>
31.2	<u>Certification pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (CFO).</u>
32.1	<u>Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (CEO). (furnished)</u>
32.2	<u>Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (CFO). (furnished)</u>
101.1	The following materials from The Estée Lauder Companies Inc.'s Annual Report on Form 10-K for the year ended June 30, 2022 are formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) the Consolidated Statements of Earnings, (ii) the Consolidated Statements of Comprehensive Income, (iii) the Consolidated Balance Sheets, (iv) the Consolidated Statements of Cash Flows and (v) Notes to Consolidated Financial Statements
104	The cover page from The Estée Lauder Companies Inc.'s Annual Report on Form 10-K for the year ended June 30, 2022 is formatted in iXBRL

* Incorporated herein by reference.

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