COTY INC.
Form 10-K
August 21, 2018

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

Form 10-K
(Mark One)
ý ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
OR
.. TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM TO
COMMISSION FILE NUMBER 001-35964

COTY INC.
(Exact name of registrant as specified in its charter)

Delaware	13-3823358
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
350 Fifth Avenue, New York, NY	10118
(Address of principal executive offices)	(Zip Code)

(212) 389-7300
Registrant's telephone number, including area code

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

Title of each class	Name of each exchange on which registered
Class A Common Stock, $0.01 par value	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 ý No o

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 o No ý

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 ý No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 ý No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

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

Large accelerated filer ý Accelerated filer o
Non-accelerated filer o (Do not check if a smaller reporting company)
Smaller reporting company o
Emerging growth company o

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. o

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

As of December 31, 2017, the aggregate market value of the registrant’s Class A Common Stock held by non-affiliates was $8,993,216,977 based on the number of shares held by non-affiliates as of December 31, 2017 and the last reported sale price of the registrant’s Class A Common Stock on December 31, 2017.

At August 14, 2018, 750,792,022 shares of the registrant’s Class A Common Stock, $0.01 par value were outstanding.

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Forward-looking Statements

Certain statements in this Form 10-K are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements reflect our current views with respect to, among other things, the Company’s targets and outlook for future reporting periods (including the extent and timing of revenue and profit trends and the Consumer Beauty division’s stabilization), establishing the Company as a global leader and challenger in beauty, its future operations and strategy (including brand relaunches and performance in emerging markets and channels), synergies, savings, performance, cost, timing and integration relating to our recent acquisitions (including The Proctor & Gamble Company’s beauty business (the “P&G Beauty Business”)), ongoing and future cost efficiency and restructuring initiatives and programs, strategic transactions (including mergers and acquisitions, joint ventures, investments, divestitures, licenses and portfolio rationalizations), future cash flows and liquidity, future performance in digital and e-commerce and the expected impact of our digital transformation agenda, future effective tax rates, timing and size of cash outflows and debt deleveraging, and impact and timing of supply chain disruptions. These forward-looking statements are generally identified by words or phrases, such as “anticipate”, “are going to”, “estimate”, “plan”, “project”, “expect”, “believe”, “intend”, “foresee”, “forecast”, “will”, “may”, “should”, “ou “target”, “aim”, “potential” and similar words or phrases. These statements are based on certain assumptions and estimates that we consider reasonable, but are subject to a number of risks and uncertainties, many of which are beyond our control, which could cause actual events or results (including our financial condition, results of operations, cash flows and prospects) to differ materially from such statements, including risks and uncertainties relating to:

- our ability to achieve our global business strategies, compete effectively in the beauty industry and achieve the benefits contemplated by our strategic initiatives (including sell-through of our relaunched brands, enhancement of our innovation pipeline, focus on emerging markets and channels, improvement of in-store execution and reduction in discounts in certain markets) within the expected time frame or at all;
- our ability to anticipate, gauge and respond to market trends and consumer preferences, which may change rapidly, and the market acceptance of new products, including any launches or relaunches and their associated costs and discounting, and consumer receptiveness to our marketing and consumer engagement activities (including digital marketing and media);
- use of estimates and assumptions in preparing our financial statements, including with regard to revenue recognition, stock compensation expense, income taxes, the assessment of goodwill, other intangible assets and long-lived assets for impairment, the market value of inventory, pension expense and the fair value of acquired assets and liabilities associated with acquisitions;
- managerial, integration, operational, regulatory, legal and financial risks, including diversion of management attention to and management of cash flows, expenses and costs associated with multiple ongoing and future strategic initiatives, internal reorganizations and restructuring activities;
- the continued integration of the P&G Beauty Business and other recent acquisitions with our business, operations, systems, financial data and culture and the ability to realize synergies, avoid future supply chain and other business disruptions, reduce costs and realize other potential efficiencies and benefits (including through our restructuring initiatives) at the levels and at the costs and within the time frames contemplated or at all;
- increased competition, consolidation among retailers, shifts in consumers’ preferred distribution and marketing channels (including to digital and luxury channels), shelf-space resets or reductions, compression of go-to-market cycles, changes in product and marketing requirements by retailers, and other changes in the retail, e-commerce and wholesale environment in which we do business and sell our products and our ability to respond to such changes;
- our and our business partners' and licensors' abilities to obtain, maintain and protect the intellectual property used in our and their respective businesses, protect our and their respective reputations (including those of our and their executives or influencers), public goodwill, and defend claims by third parties for infringement of intellectual property rights;
- the effect of the divestiture and discontinuation of our non-core brands (including associated subsequent cost reduction programs) and rationalizing wholesale distribution by reducing the amount of product diversion to the value and mass channels;
- any change to our capital allocation and/or cash management priorities;
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any unanticipated problems, liabilities or other challenges associated with an acquired business which could result in increased risk or new, unanticipated or unknown liabilities, including with respect to environmental, competition and other regulatory, compliance or legal matters;

- our international operations and joint ventures, including enforceability and effectiveness of our joint venture agreements and reputational, compliance, regulatory, economic and foreign political risks, including difficulties and costs associated with maintaining compliance with a broad variety of complex local and international regulations;
- our dependence on certain licenses (especially in our Luxury division) and our ability to renew expiring licenses on favorable terms or at all;
- our dependence on entities performing outsourced functions and third-party suppliers, including third party software providers;
- administrative, product development and other difficulties in meeting the expected timing of market expansions, product launches and marketing efforts;
- global political and/or economic uncertainties, disruptions or major legal, regulatory or policy changes, and/or the enforcement thereof that affect our business, financial performance, operations or products, including the impact of Brexit, the current U.S. administration, the results of elections in European countries and future elections in Brazil, changes in the U.S. tax code, and recent changes and future changes in tariffs, retaliatory or trade protection measures, trade policies and other international trade regulations in the U.S. and in other regions where we operate including the European Union and China;
- the number, type, outcomes (by judgment, order or settlement) and costs of legal, compliance, tax, regulatory or administrative proceedings, investigations and/or litigation;
- our ability to manage seasonal and other variability and to anticipate future business trends and business needs;
- disruptions in operations and sales, including due to disruptions in supply chain, logistics, restructurings and other business alignment activities, manufacturing or information technology systems, labor disputes and natural disasters;
- restrictions imposed on us through our license agreements, credit facilities and senior unsecured bonds or other material contracts, our ability to repay, refinance or recapitalize debt, and changes in the manner in which we finance our debt and future capital needs;
- increasing dependency on information technology and our ability to protect against service interruptions, data corruption, cyber-based attacks or network security breaches, costs and timing of implementation and effectiveness of any upgrades or other changes to information technology systems, including our digital transformation initiatives, and the cost of compliance or our failure to comply with any privacy or data security laws (including the European Union General Data Protection Regulation (the “GDPR”)) or to protect against theft of customer, employee and corporate sensitive information;
- our ability to attract and retain key personnel;
- the distribution and sale by third parties of counterfeit and/or gray market versions of our products; and
- other factors described elsewhere in this document and from time to time in documents that we file with the Securities and Exchange Commission (the “SEC”).

When used in this Annual Report on Form 10-K, the term “includes” and “including” means, unless the context otherwise indicates, including without limitation. More information about potential risks and uncertainties that could affect our business and financial results is included under the heading “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in this Annual Report on Form 10-K and other periodic reports we have filed and may file with the SEC from time to time.

All forward-looking statements made in this document are qualified by these cautionary statements. These forward-looking statements are made only as of the date of this document, and we do not undertake any obligation, other than as may be required by law, to update or revise any forward-looking or cautionary statements to reflect changes in assumptions, the occurrence of events, unanticipated or otherwise, or changes in future operating results over time or otherwise.

Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance unless expressed as such, and should only be viewed as historical data.

Industry, Ranking and Market Data

Unless otherwise indicated, information contained in this Annual Report on Form 10-K concerning our industry and the market in which we operate, including our general expectations about our industry, market position and ranking, market opportunity and market size, is based on data from various sources including internal data and estimates as well as third party sources widely available to the public such as independent industry publications, government publications, reports by market research firms or other published independent sources and on our assumptions based on that data and other similar sources. We did not fund and are not otherwise affiliated with the third party sources that we cite. Industry publications and other published sources generally state that the information contained therein has been obtained from third-party sources believed to be reliable. Internal data and estimates are based upon information obtained from trade and business organizations and other contacts in the markets in which we operate and management's understanding of industry conditions, and such information has not been verified by any independent sources. This data involves a number of assumptions and limitations, and you are cautioned not to give undue weight to such estimates. While we believe the market, industry and other information included in this Annual Report on Form 10-K to be the most recently available and to be generally reliable, such information is inherently imprecise and we have not independently verified any third-party information or verified that more recent information is not available.

Our fiscal year ends on June 30. Unless otherwise noted, any reference to a year preceded by the word "fiscal" refers to the fiscal year ended June 30 of that year. For example, references to "fiscal 2018" refer to the fiscal year ended June 30, 2018. Any reference to a year not preceded by "fiscal" refers to a calendar year.

PART I

Item 1. Business.

Overview

Coty Inc. is one of the world's largest beauty companies with a rich entrepreneurial heritage and an iconic portfolio of brands. Founded in 1904, Coty has grown into a multi-segment beauty company with market leading positions in both North America and Europe through new product offerings, diversified sales channels, acquisitions and a global growth strategy. Today, we are the global leader in fragrance, a strong number two in professional salon hair color & styling, and number three in color cosmetics.

Over the past three years, transformational acquisitions and strategic transactions have strengthened and diversified our presence across the countries, product categories and channels in which we compete, including our acquisition of The Proctor & Gamble Company's beauty business (the "P&G Beauty Business"), the acquisition of ghd, a premium brand in high-end hair styling appliances, the acquisition of the Brazilian personal care and beauty business of Hypermarcas S.A. (the "Hypermarcas Brands"), and our joint venture with Younique LLC ("Younique"), a leading online peer-to-peer social selling platform in beauty. In addition, we acquired the exclusive long-term global license rights for Burberry Beauty luxury fragrances, cosmetics and skincare.

We are focused on rejuvenating our core business and amplifying our growth potential, by supporting and strengthening our brands and developing a stronger innovation pipeline, including by accelerating our time to market with on-trend collections and products, and advancing our end-to-end digital transformation and e-commerce efforts. We are also prioritizing our growth opportunities to expand in the faster-growing emerging markets, as we continue our restructuring efforts to optimize our business and reset fixed costs.

Segments

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

Consumer Beauty is primarily focused on color cosmetics, retail hair coloring and styling products, body care and mass fragrances.

Luxury is primarily focused on prestige fragrances, premium skincare and premium cosmetics.

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

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

Brands

The following chart reflects our iconic brand portfolio by segment:

Coty Consumer Beauty	Coty Luxury	Coty Professional Beauty
Adidas	Alexander McQueen	Clairol Professional*
Beckham	Balenciaga	ghd (good hair day)*
Beyonce	Burberry	Kadus Professional*
Biocolor*	Bottega Veneta	Londa Professional*
Bozzano*	Calvin Klein	Nioxin*
Bourjois*	Cavalli	O P I*
Bruno Banani	Chloe	Sassoon Professional
Clairol*	Davidoff	Sebastian*
CoverGirl*	Escada*	System Professional*
Enrique	Gucci	Wella Professionals*
Jovan*	Hugo Boss	
Nautica	Jil Sander	
Max Factor*	Joop!*	
Mexx	Lacoste	
Monange*	Lancaster*	
Paixao*	Marc Jacobs	
Rimmel*	Miu Miu	
Risque*	philosophy*	
Sally Hansen*	Stella McCartney	
Stetson	Tiffany & Co.	
Wella*		
Younique*		
007 James Bond		

* Indicates an owned brand.

Marketing

We have a diverse portfolio of over 75 brands, some owned and some licensed, and we employ different models to create a distinct image and personality suited to each brand's equity, distribution, product focus and consumer. For our licensed brands, we work with licensors to promote brand image. Each of our brands is promoted with logos, packaging and advertising designed to enhance its image and the uniqueness of each brand. We manage our creative marketing work through a combination of our in-house teams and external agencies that design and produce the sales materials, social media strategies, advertisements and packaging for products in each brand. Our marketing teams work closely with our digital marketing agency, increasingly using digital social listening and trend spotting capabilities to expand digital marketing of our brands to different channels as the behaviors of beauty consumers continue to transform.

We promote our brands through various channels to reach and engage beauty consumers, through traditional media, through in-store and in-salon displays, increasingly on digital and social media, and through collaborations, product placements and events. In addition, we seek editorial coverage for products and brands in both traditional media and digital and social media to drive influencer amplification and to build brand equity. We also leverage our relationships with celebrities and on-line influencers to endorse certain of our products.

We have dedicated marketing and sales forces in most of our significant markets. These teams leverage local insights to strategically promote our brands and product offerings and tailor our creative marketing to fit local tastes and resonate with consumers most effectively.

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

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marketing execution strategies and to enhance our in-store execution by implementing "perfect store" methodologies to maximize the consumer experience.

Distribution Channels and Retail Sales

We market, sell and distribute our products in over 150 countries and territories, with dedicated local sales forces in most of our significant markets. We have a balanced multi-channel distribution strategy which complements our product category focused divisions. The Consumer Beauty division primarily sells products through hypermarkets, supermarkets, drug stores and pharmacies, mid-tier department stores, and traditional food and drug retailers. The Luxury division primarily sells products through prestige retailers, including perfumeries, department stores and duty-free shops, with travel retail sales channels accounting for 15% of the division's net revenues. The Professional Beauty division primarily sells products to nail and hair salons, nail and hair professionals and professionals stores.

We also sell our products through third-party distributors. In fiscal 2018, no retailer accounted for more than 10% of our global net revenues; however, certain retailers accounted for more than 10% of net revenues within certain geographic markets and segments. In fiscal 2018, Wal-Mart, our top retailer, accounted for 6% of our net revenues.

We are focused on expanding our e-commerce presence. All of our divisions sell products through direct-to-consumer websites, third party-operated websites and through our own branded websites. In addition, we selectively evaluate opportunities to expand into other channels, such as freestanding retail stores for certain brands and social selling.

Innovation

Innovation is a pillar of our business. We innovate through brand-building and new product lines, as well as through new technology. Our research and development teams work with our marketing and operations teams, as well as our internal digital agency to identify recent trends and consumer needs and to bring products quickly to market.

We are continuously innovating to increase our sales by elevating our digital presence, including e-commerce and digital, social media and influencer marketing designed to build brand equity and consumer engagement. We have also focused our efforts on meeting evolving consumer shopping preferences and behaviors, both on-line and in-store. We have introduced new ways to customize the consumer experience, including using artificial intelligence-powered tools to provide personalized advice on selecting and using products, and augmented reality tools that invite customers to virtually try products with curated looks, tutorials and product recommendations.

In addition, we continuously seek to improve our products through research and development. Our basic and applied research groups, which conduct longer-term and "blue sky" research, seek to develop proprietary new technologies for first-to-market products and for improving existing products. This research and development is done both internally and through affiliations with various universities, technical centers, supply partners, industry associations and technical associations. As of June 30, 2018, we owned approximately 2,000 utility patents and patent applications globally and approximately 1,800 design patents.

Our principal research and development centers are located in the U.S. and Europe. See "Item 2. Properties."

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

Supply Chain

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

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

We purchase the raw materials for all our products from various third parties. We also purchase packaging components that are manufactured to our design specifications. We collaborate with our suppliers to meet our stringent design and creative criteria. We believe that we currently have adequate sources of supply for all our products.

Following the acquisition of the P&G Beauty Business, we have been engaged in a transformation of our supply chain aimed at integrating and optimizing the combined organization, and we continue to focus on restructuring our supply chain footprint and processes in order to increase efficiency, improve utilization and reduce our order lead times. We have experienced disruptions in our supply chain from time to time, including in connection with these restructuring efforts, and we work to anticipate and respond to actual and potential disruptions.

Competition

There is significant competition within each market where our products are sold. We compete against manufacturers and marketers of beauty products, hair care, salon professional and personal care products. In addition to the established multinational brands against which we compete, small targeted niche brands continue to enter the beauty market. Competition is also increasing from private label products sold by retailers.

We believe that we compete primarily on the basis of perceived value, including pricing and innovation, product efficacy, service to the consumer, promotional activities, advertising, special events, new product introductions, e-commerce initiatives, direct sales and other activities (including influencers). It is difficult for us to predict the timing, scale and effectiveness of our competitors' actions in these areas or the timing and impact of new entrants into the marketplace. For additional risks associated with our competitive position, see "Risk Factors—The beauty industry is highly competitive, and if we are unable to compete effectively, our business, prospects, financial condition and results of operation could suffer".

Intellectual Property

We generally own or license the trademark rights in key sales countries in Trademark International Class 3 (covering cosmetics and perfumery) for use in connection with our brands. When we license trademark rights we generally enter into long-term licenses, and we are generally the exclusive trademark licensee for all Class 3 trademarks as used in connection with our products. We or our licensors, as the case may be, actively protect the trademarks used in our principal products in the U.S. and significant markets worldwide. We consider the protection of our trademarks to be essential to our business.

A number of our products also incorporate patented, patent-pending or proprietary technology in their respective formulations and/or packaging, and in some cases our product packaging is subject to copyright, trade dress or design protection. While we consider our patents and copyrights, and the protection thereof, to be important, no single patent or copyright, or group of patents or copyrights, is material to the conduct of our business.

Products representing 39% of our fiscal 2018 net revenues are manufactured and marketed under exclusive license agreements granted to us for use on a worldwide and/or regional basis. As of June 30, 2018, we maintained 31 brand licenses.

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

Most brand licenses have renewal options for one or more terms, which can range from three to ten years. Certain brand licenses provide for automatic extensions, so long as minimum annual royalty payments are made, while renewal of others is contingent upon attaining of specified sales levels or upon agreement of the licensor. One of our brand licenses is up for renewal during fiscal 2019, and, while many of our licenses are long term, licenses relating to certain of our global brands are up for renewal in the next few years. For additional risks associated with our licensing arrangements, see "Risk Factors—Our brand licenses may be terminated if specified conditions are not met, and we may not be able to renew expiring licenses on favorable terms or at all" and "Risk Factors—Our failure to protect our reputation, or the failure of our partners or brand licensors to protect their reputations, could have a material adverse effect on our brand images".

Employees

As of June 30, 2018, we had approximately 20,000 full-time employees in over 46 countries. In addition, we employ a large number of seasonal contractors during our peak manufacturing and promotional season. We expect our overall headcount to decrease as we continue our efforts to restructure and rationalize our business.

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

We recognize the importance of our employees to our business and believe our relationship with our employees is satisfactory.

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Government Regulation

We and our products are subject to regulation by various U.S. federal regulatory agencies as well as by various state and local regulatory authorities and by the applicable regulatory authorities in the countries in which our products are produced or sold. Such regulations principally relate to the ingredients, labeling, manufacturing, packaging, advertising and marketing and sales and distribution of our products. Because we have commercial operations overseas, we are also subject to the U.S. Foreign Corrupt Practices Act (the "FCPA") as well as other countries' anti-corruption and anti-bribery regimes, such as the U.K. Bribery Act.

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

Seasonality

Our sales generally increase during our second fiscal quarter as a result of increased demand by retailers associated with the holiday season. We also experience an increase in sales during our fourth fiscal quarter in our Professional Beauty segment as a result of stronger activity prior to the summer holiday season. Working capital requirements, sales, and cash flows generally experience variability during the three to six months preceding the holiday period due in part to product innovations and new product launches and the size and timing of certain orders from our customers. We generally experience peak inventory levels from July to October and peak receivable balances from September to December. During the months of November, December and January of each year, cash is normally generated as customer payments for holiday season orders are received. For more information, see "Risk Factors—Our business is subject to seasonal variability."

Availability of Reports

We make available financial information, news releases and other information on our website at www.coty.com. There is a direct link from our website to our SEC filings via the EDGAR database at www.sec.gov, where our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to these reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, are available free of charge as soon as reasonably practicable after we file such reports and amendments with, or furnish them to, the SEC. Stockholders may also contact Investor Relations at 350 Fifth Avenue, New York, New York 10118 or call 212-389-7300 to obtain hard copies of these filings without charge.

Item 1A. Risk Factors.

You should consider the following risks and uncertainties and all of the other information in this Annual Report on Form 10-K and our other filings in connection with evaluating our business and the forward-looking information contained in this Annual Report on Form 10-K. Our business and financial results 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, prospects, financial condition, results of operations, cash flows, as well as the trading price of our securities, may be materially and adversely affected. When used in this discussion, the term "includes" and "including" means, unless the context otherwise indicates, including without limitation and the terms "Coty," the "Company," "we," "our," or "us" mean, unless the context otherwise indicates, Coty Inc. and its majority and wholly-owned subsidiaries.

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

The beauty industry is highly competitive and can change rapidly due to consumer preferences and industry trends, such as the expansion of digital channels and advances in technology. Competition in the beauty industry is based on several factors, including pricing, value and quality, product efficacy, packaging and brands, speed or quality of innovation and new product introductions, in-store presence and visibility, promotional activities (including influencers) and brand recognition , distribution channels, advertising, editorials and adaption to evolving technology and device trends, including via e-commerce initiatives.

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

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

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

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

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

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

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

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

Our future growth depends on our ability to successfully implement our global business strategies, which include rejuvenating our core business and amplifying our growth potential, which we believe should ultimately translate into revenue growth, strong cash flow and the creation of long-term shareholder value. Achieving our global business strategies will require investment in new capabilities, products and brands, categories, distribution channels, technologies and emerging and more mature geographies and beauty markets. These investments may result in short-term costs without any current revenues and, therefore, may be dilutive to our earnings and negatively impact our cash flows. As part of this strategy, we are also working to simplify and rationalize our cost structure, including reducing fixed costs, though a number of restructuring and cost-savings initiatives. These cost efficiency measures may require us to change the way that we conduct and structure our operations, may increase demands on our management and operations or disrupt business activities (including supply chain or logistics aspects), and may not achieve the anticipated savings or benefits.

In addition, we have completed our announced portfolio rationalization program, which resulted in the termination or divestiture of 14 brands. We may continue to dispose of or discontinue select brands and/or streamline operations in the future, and incur costs or restructuring and/or other charges in doing so. We may face risks of declines in brand performance and license terminations, due to expirations and/or allegations of breach or for other reasons, including with regard to our potentially divested or discontinued brands. If and when we decide to divest or discontinue any brands or lines of business, we cannot be sure that we will be able to locate suitable buyers or that we will be able to complete such divestitures or discontinuances successfully, timely, on commercially advantageous terms or without significant costs, including relating to any post-closing purchase price adjustments or claims for indemnification. Our recent divestitures and discontinuances, and any future divestitures and discontinuances, could have a dilutive impact on our earnings, create dissynergies, and associated activities have diverted and may continue to divert in the future significant financial, operational and managerial resources from our existing operations, and make it more difficult to achieve our operating and strategic objectives. We also cannot be sure of the effect such divestitures or discontinuances would have on the performance of our remaining business or ability to execute our global strategies.

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

We have incurred significant costs associated with the acquisition and integration of the P&G Beauty Business and simplifying our business that could affect our period-to-period operating results.

We anticipate that we will incur a total of approximately $1.3 billion of operating expenses and capital expenditures of approximately $500 million in connection with the acquisition of the P&G Beauty Business. Through June 30, 2018, we incurred life-to-date operating expenses and capital expenditures against these estimates of approximately $1,150 million and $370 million, respectively, and we expect the remaining operating expenses, including any anticipated restructuring activities, and capital expenditures to be incurred in future periods through fiscal 2021. The cash usage associated with such, and similar, expenses usually occurs in subsequent periods and could impact our ability to execute our business strategies or deleverage. In addition, independent of the final stages of our integration of the P&G Beauty Business, we are implementing a cost restructuring program, which will combine and expand existing initiatives, in order to reduce fixed costs and enable further investment in the business. We expect that this cost restructuring program will result in total pre-tax restructuring costs of approximately $250.0 million. If our management is required to devote a substantial amount of time and attention to this cost restructuring program, its implementation could divert attention from ongoing operations and affect our period-to-period operating results. If our management is not able to effectively manage these initiatives, address fixed and other costs, we incur additional operating expenses or capital expenditures to realize these synergies, simplifications and cost savings, or if any significant business activities are interrupted as a result of these initiatives, our business, prospects, financial condition, results of operations, cash flows, as well as the trading price of our securities may be materially adversely affected. The amount and timing of the above-referenced charges and management distraction could further adversely affect our business, prospects, financial condition, results of operations, cash flows, as well as the trading price of our securities. In addition, the ongoing integration of acquisitions and continuing restructuring initiatives may impact our ability to anticipate future business trends and accurately forecast future results.

Moreover, the diversion of resources to the integration of the P&G Beauty Business and the exit of all three stages of our transition services agreement with The Proctor and Gamble Company ("P&G") (the "TSA exit") in fiscals 2017 and 2018 together with changes in our management teams as we reorganized our business, negatively impacted our fiscal year 2017 and

2018 results. In particular, we incurred significantly higher costs in the fourth fiscal quarter of 2017 due, in part, to the lack of visibility into the operating cash needs of the P&G Beauty Business while the transition services agreement was in place. Although we have instituted initiatives to deliver meaningful, sustainable expense and cost management results, events and circumstances such as financial or strategic difficulties, unexpected employee turnover, business disruption and delays may occur or continue, resulting in new, unexpected or increased costs that could result in us not realizing all of the anticipated benefits of the integration on our expected timetable or at all. In addition, we are executing many initiatives simultaneously, which may result in further diversion of our resources and business disruption (including further supply chain disruptions), and may adversely impact the execution of such initiatives. Any failure to implement the integration, our cost restructuring program and other initiatives in accordance with our expectations could adversely affect our business, prospects, financial condition, results of operations, cash flows, as well as the trading price of our securities.

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

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

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

As part of our ongoing business strategy we expect that we will need to continue to introduce new products in our traditional product categories and channels, while also expanding our product launches into adjacent categories and channels in which we may have little operating experience. For example, we acquired professional and retail hair brands in connection with the acquisition of the P&G Beauty Business, purchased a premium brand in high-end hair styling and appliances and entered into a joint venture with an online peer-to-peer social selling platform in beauty, all of which were new product categories and channels for us. The success of product launches in adjacent product categories could be hampered by our relative inexperience operating in such categories and channels, the strength of our competitors or any of the other risks referred to herein. Our inability to introduce successful products in our traditional categories and channels or in these or other adjacent categories and channels could limit our future growth and have a material adverse effect on our business, prospects, financial condition, results of operations, cash flows, as well as the trading price of our securities.

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

Our acquisition activities and other strategic transactions expose us to certain risks related to integration, including diversion of management attention from existing core businesses and substantial investment of resources to support integration. During the past several years, we have explored and undertaken opportunities to acquire other companies and assets as part of our growth strategy. For example, we completed five significant acquisitions in fiscal 2016 through fiscal 2018 (including the acquisition of P&G Beauty Business in October 2016) and entered into a joint venture with Younique in February 2017. These assets represent a significant portion of our net assets, particularly the P&G Beauty Business. As we focus on re-prioritizing our growth opportunities, we may continue to seek acquisitions that we believe strengthen our competitive position in our key segments and geographies or accelerate our ability to grow into adjacent product categories and channels and emerging markets or which otherwise fit our strategy. There can be no assurance that we will be able to identify suitable acquisition candidates, be the successful bidder or consummate acquisitions on favorable terms or otherwise realize the full intended benefit of such transactions. In addition, acquisitions could adversely impact our deleveraging strategy.

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

We face risks associated with our joint ventures.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

We have taken on significant debt, and the agreements that govern such debt contain various covenants that impose restrictions on us, which may adversely affect our business.

We have a substantial amount of indebtedness. There can be no assurances we will be able to refinance our indebtedness in the future (1) on commercially reasonable terms, (2) on terms, including with respect to interest rates, as favorable as our current debt or (3) at all.

Agreements that govern our indebtedness, including the indenture governing our senior unsecured notes (the “Indenture”) and our credit agreement (the “2018 Coty Credit Agreement”), impose operating and financial restrictions on our activities. These restrictions may limit or prohibit our ability and the ability of our restricted subsidiaries to, among other things:

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

In addition, we are required to maintain certain financial ratios calculated pursuant to a financial maintenance covenant under the 2018 Coty Credit Agreement.

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

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

Prevailing economic conditions and financial, business and other factors, many of which are beyond our control, will affect our ability to make payments on our debt and to meet our deleveraging objectives. In particular, due to the seasonal nature of the beauty industry, with the highest levels of consumer demand generally occurring during the holiday buying season in our second fiscal quarter, our subsidiaries’ cash flow in the second half of the fiscal year may be less than in the first half of the fiscal year, which may affect our ability to satisfy our debt service obligations, including to service our senior unsecured notes and the 2018 Coty Credit Agreement, and to meet our deleveraging objectives. In addition, we earn a significant amount of our operating income, and hold a significant portion of our cash and investments, in our foreign subsidiaries outside the U.S. As of June 30, 2018, the amount of cash and cash equivalents held outside of the U.S. by our foreign subsidiaries was approximately $301.4 million. If our domestic subsidiaries are not able to generate sufficient cash flow to satisfy our debt service obligations, including to service our senior unsecured notes and the 2018 Coty Credit Agreement, we may need to repatriate additional earnings. If we do not generate sufficient cash flow to satisfy our debt service obligations, including payments on our senior unsecured notes and under the 2018 Coty Credit Agreement, we may have to undertake alternative financing plans, such as refinancing or restructuring our debt, selling assets, reducing or delaying capital investments or seeking to raise additional capital. Our ability to restructure or refinance our debt will depend on the capital markets and our financial condition at such time. Any refinancing of our debt could result in higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations. The terms of the Indenture governing our senior unsecured notes, the 2018 Coty Credit Agreement or any existing debt instruments or future debt instruments that we may enter into may restrict us from adopting some of these alternatives. The inability of our subsidiaries to generate sufficient cash flow to satisfy our debt service obligations, including the inability to service our senior unsecured notes and the 2018 Coty Credit Agreement, or to refinance our obligations on commercially reasonable terms, could have a material adverse effect on our business, financial condition, results of operations, profitability, cash flows or liquidity and may impact our ability to satisfy our obligations in respect of our senior unsecured notes and the 2018 Coty Credit Agreement.

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

Borrowings under the 2018 Coty Credit Agreement are at variable rates of interest and expose us to interest rate risk. If interest rates were to increase, our debt service obligations on the variable rate indebtedness referred to above would increase even if the principal amount borrowed remained the same, and our net income and cash flows will correspondingly decrease. We are currently party to, and in the future, we may enter into additional, interest rate swaps that involve the exchange of floating for fixed rate interest payments, in order to reduce interest rate volatility. However, we may not maintain interest rate swaps with respect to all of our variable rate indebtedness, and any swaps we enter into may not fully mitigate our interest rate risk.

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

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

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

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

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

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

Exchange rate fluctuations have affected and may in the future affect our results of operations, financial condition, reported earnings, the value of our foreign assets, the relative prices at which we and foreign competitors sell products in the same markets and the cost of certain inventory and non-inventory items required by our operations. The currencies to which we are exposed include the euro, the British pound, the Chinese yuan, the Polish zloty, the Russian ruble, the Brazilian real, the Argentine peso, the Australian dollar and the Canadian dollar. The exchange rates between these currencies and the U.S. dollar in recent years have fluctuated significantly and may continue to do so in the future. A depreciation of these currencies against the U.S. dollar would decrease the U.S. dollar equivalent of the amounts derived from foreign operations reported in our consolidated financial statements and an appreciation of these currencies would result in a corresponding increase in such amounts. The cost of certain items, such as raw materials, transportation and freight, required by our operations may be affected by changes in the value of the various relevant currencies. To the extent that we are required to pay for goods or services in foreign currencies, the appreciation of such currencies against the U.S. dollar would tend to negatively impact our financial condition and results of operations. Our efforts to hedge certain exposures to foreign currency exchange rates arising in the ordinary course of business may not successfully hedge the effect of such fluctuations.

We are subject to risks related to our international operations.

We operate on a global basis, and approximately 68% of our net revenues in fiscal 2018 were generated outside North America. We maintain offices in over 35 countries, and we market, sell and distribute our products in over 150 countries and territories. Our presence in such geographies has expanded as a result of our acquisitions, including the ghd acquisition, the acquisition of the Hypermarcas Brands and the P&G Beauty Business Acquisition, as well as organic growth, and we are exposed to risks inherent in operating in geographies in which we have not operated in or have been less present in the past.

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

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

The U.S. and the other countries in which our products are manufactured or sold have imposed and may impose additional quotas, duties, tariffs, retaliatory or trade protection measures, or other restrictions or regulations, or may adversely adjust prevailing quota, duty or tariff levels, which can affect both the materials that we use to manufacture or package our products and the sale of finished products. For example, the E.U. recently imposed tariffs on certain luxury products imported from the U.S., which would impact the sale in the E.U. of certain of our Professional Beauty and Consumer Beauty products that are manufactured in the U.S. Similarly, the tariffs imposed by the U.S. on goods and materials from China would impact any materials we import for use in manufacturing or packaging in the U.S. Measures to reduce the impact of tariff increases or trade restrictions, including shifts of production among countries and manufacturers, geographical diversification of our sources of supply, adjustments in product or packaging design and fabrication, or increased prices, could increase our costs and delay our time to market or decrease sales. Other governmental action related to tariffs or international trade agreements has the potential to adversely impact demand for our products, our costs, customers, suppliers and global economic conditions and cause higher volatility in financial markets.

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

We are subject to legal proceedings and legal compliance risks.

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

In addition, we are subject to pending tax assessment matters in Brazil relating to local sales tax credits for the 2016-2017 tax periods. Although we are seeking a favorable administrative decision on the related tax enforcement action, we may not be successful. See Note 24, “Commitments and Contingencies” for more information regarding our potential tax obligations in Brazil.

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

We operate on a global basis. Our employees, contractors and agents, business partners, joint venture and joint venture partners and companies to which we outsource certain of our business operations, may take actions in violation of our compliance policies or applicable law. In addition, some of our recent acquisitions have required us to integrate non-U.S. companies that had not, until our acquisition, been subject to U.S. law or other laws to which we are subject. In many countries, particularly in those with developing economies, it may be common for persons to engage in business practices prohibited by the laws and regulations applicable to us. We are in the process of enhancing our compliance program as a result of the P&G Beauty Business Acquisition and our other recent acquisitions, but we cannot assure you that we will not encounter problems with respect to such programs or that such programs will be effective in ensuring compliance.

Failure by us or our subsidiaries to comply with these laws or policies could subject us to civil and criminal penalties, cause us to be in breach of contract or damage to our or our licensors’ reputation, each of which could materially and adversely affect our business, prospects, financial condition, cash flows, results of operations, cash flows, as well as the trading price of our securities.

In addition, the U.S. may impose additional sanctions at any time on countries where we sell our products. If so, our existing activities may be adversely affected, we may incur costs in order to come into compliance with future sanctions, depending on the nature of any further sanctions that may be imposed, or we may experience reputational

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

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

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

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

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

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

Our brand licenses may be terminated if specified conditions are not met, and we may not be able to renew expiring licenses on favorable terms or at all.

We license trademarks for many of our product lines. Our brand licenses typically impose various obligations on us, including the payment of annual royalties, maintenance of the quality of the licensed products, achievement of minimum sales levels, promotion of sales and qualifications and behavior of our suppliers, distributors and retailers. We have breached, and may in the future breach, certain terms of our brand licenses. If we breach our obligations, our rights under the applicable brand license agreements could be terminated by the licensor and we could, among other things, lose our ability to sell products related to that brand, lose any upfront investments made in connection with such license and sustain reputational damage. In addition, most brand licenses have renewal options for one or more terms, which can range from three to ten years. Certain brand licenses provide for automatic extensions, so long as minimum annual royalty payments are made, while renewal of others is contingent upon attaining of specified sales levels or upon agreement of the licensor. For example, one of our brand licenses is up for renewal in fiscal 2019, and, while many of our licenses are long term, licenses relating to certain of our global brands are up for renewal in the next few years. We may not be able to renew expiring licenses on terms that are favorable to us or at all. We may also face difficulties in finding replacements for terminated or expired licenses. Each of the aforementioned risks could have a material adverse effect on our business, prospects, financial condition, results of operations, cash flows, as well as the trading price of our securities.

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Our business is subject to seasonal variability.

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

A disruption in operations could adversely affect our business.

As a company engaged in manufacturing and distribution on a global scale, we are subject to the risks inherent in such activities, including industrial accidents, environmental events, strikes and other labor disputes, disruptions in supply chain or information systems, loss or impairment of key manufacturing sites or distribution centers, product quality control, safety, licensing requirements and other regulatory issues, as well as natural disasters, pandemics, border disputes, acts of terrorism, possible dawn raids, and other external factors over which we have no control. For example, disruptions in our U.K. planning hub and one of our U.S. distribution centers in the fourth quarter of fiscal 2018 resulted in loss of revenue and increased costs, including penalty payments to retailers for unshipped products, as we were unable to meet consumer demand for certain Consumer Beauty products, which has impacted and is expected to continue to impact our results of operations. As we continue our integration and restructuring activities, any additional or ongoing supply chain disruptions may impact our quarterly results. The loss of, or damage or disruption to, any of our manufacturing facilities or distribution centers could have a material adverse effect on our business, prospects, results of operations, financial condition, results of operations, cash flows, as well as the trading price of our securities.

We manufacture and package a majority of our products. Raw materials, consisting chiefly of essential oils, alcohols, chemicals, containers and packaging components, are purchased from various third-party suppliers. The loss of multiple suppliers or a significant disruption or interruption in the supply chain could have a material adverse effect on the manufacturing and packaging of our products. Increases in the costs of raw materials or other commodities may adversely affect our profit margins if we are unable to pass along any higher costs in the form of price increases or otherwise achieve cost efficiencies in manufacturing and distribution. In addition, failure by our third-party suppliers to comply with ethical, social, product, labor and environmental laws, regulations or standards, or their engagement in politically or socially controversial conduct, such as animal testing, could negatively impact our reputations and lead to various adverse consequences, including decreased sales and consumer boycotts. The Dodd-Frank Wall Street Reform and Consumer Protection Act includes disclosure requirements regarding the use of certain minerals mined from the Democratic Republic of Congo and adjoining countries (each, a “covered country”) and procedures pertaining to a manufacturer’s efforts regarding the source of such minerals. SEC rules implementing these requirements may have the effect of reducing the pool of suppliers who can supply covered country “conflict free” products, and we may not be able to obtain covered country conflict free products or supplies in sufficient quantities for our operations. For calendar year 2017, we determined that we have no reason to believe that any products we manufactured or contracted to manufacture contained conflict minerals that may have originated in the covered countries. However, since our supply chain is complex, we may face operational obstacles and reputational challenges with our customers and stockholders if we are unable to continue to sufficiently verify the origins for the minerals used in our products.

We have also outsourced and may continue to outsource certain functions, and we are dependent on the entities performing those functions. For example, a short-term transportation workers strike in Brazil impacted the distribution of our products and raw materials in the fourth quarter of fiscal 2018, resulting in increased logistical costs and lost revenues for products that could not be shipped. The failure of one or more such providers to provide the expected services, provide them on a timely basis or provide them at the prices we expect, or the costs incurred in returning these outsourced functions to being performed under our management and direct control, may have a material adverse effect on our results of operations or financial condition.

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

We rely on information technology networks and systems, including the Internet, to process, transmit and store electronic and financial information, to manage a variety of business processes and activities, and to comply with regulatory, legal and tax requirements. We also increasingly depend on our information technology infrastructure for digital marketing activities, e-commerce and for electronic communications among our locations, personnel, customers and suppliers around the world. These information technology systems, some of which are managed by third parties that we do not control, may be susceptible to damage, disruptions or shutdowns due to failures during the process of upgrading or replacing software, databases or components thereof, cutover activities in our integration and simplification initiatives, power outages, hardware failures, computer viruses, attacks by computer hackers, telecommunication failures, user errors, catastrophic events or other problems. If our information technology systems suffer severe damage, disruption or shutdown and our business continuity plans do not effectively resolve the issues in a timely manner, our product sales, financial condition and results of operations may be materially and adversely affected, and we could experience delays in reporting our financial results. If not managed and mitigated effectively, these risks could increase in the future as we expand our digital capabilities and e-commerce activities, including through the use of new digital applications and technologies. There are further risks associated with the information systems of our joint ventures and of the companies we acquire, both in terms of systems compatibility, process controls, level of security and functionality. It may cost us significant money and resources to address these risks and if our systems were to fail or we are unable to successfully expand the capacity of these systems, or we are unable to integrate new technologies into our existing systems, our financial condition, results of operations and cash flows may be adversely affected.

We are subject to an evolving body of federal, state and non-U.S. laws, regulations, guidelines, and principles regarding data privacy and security. A data breach or inability on our part to comply with such laws, regulations, guidelines, and principles or to quickly adapt our practices to reflect them as they develop, could potentially subject us to significant liabilities and reputational harm. Several governments, including the E.U., have regulations dealing with the collection and use of personal information obtained from their citizens, and regulators globally are also imposing greater monetary fines for privacy violations. For example, in the E.U. a new law governing data practices and privacy called the GDPR became effective in May 2018. The law establishes new requirements regarding the handling of personal data, and non-compliance with the GDPR may result in monetary penalties of up to 4% of worldwide revenue. In addition, the state of California recently enacted a data privacy law applicable to entities serving or employing California residents (the “California Consumer Privacy Act”) that will require compliance by January 2020. The GDPR, the California Consumer Privacy Act and other changes in laws or regulations associated with the enhanced protection of certain types of sensitive data and other personal information, require us to evaluate our current operations, information technology systems and data handling practices and implement enhancements and adaptations where necessary to comply. Compliance with these laws, could greatly increase our operational costs or require us to adapt certain products, operations or activities, to comply with the stricter regulatory requirements, such as efforts to meet consumer demand for personalized products and services, in jurisdictions where we operate. The regulations are complex and likely require adjustments to our operations. Any failure to comply with all such laws by us, our business partners or third-parties engaged by us could result in significant liabilities and reputational harm.

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

Our information technology systems, operations and security control frameworks require an ongoing commitment of significant resources to maintain, protect, and enhance existing systems to keep pace with continuing changes in technology, legal and regulatory standards, cyber threats and the commercial opportunities that accompany the changing digital and data driven economy. From time to time, we undertake significant information technology systems projects, including enterprise resource planning updates, modifications, integrations and roll-outs. These projects may be subject to cost overruns and delays and may cause disruptions in our daily business operations. These cost overruns and delays and distractions as well as our reliance on certain third parties for certain business and financial information could impact our financial statements and could adversely impact our ability to run our business, correctly forecast future performance and make fully informed decisions.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Our employees or others may engage in misconduct or other improper activities including noncompliance with regulatory standards and regulatory requirements.

We are exposed to the risk of fraud or other misconduct by our personnel or third parties such as independent contractors or agents. Misconduct by employees, independent contractors, or agents could include intentional failures to comply with the laws and regulations to which we are subject or with our policies, provide accurate information to regulatory authorities, comply with ethical, social, product, labor and environmental standards, comply with fraud and abuse laws and regulations, report financial information or data accurately, or disclose unauthorized activities to us. In particular, our business is subject to laws, regulations and policies intended to prevent fraud, kickbacks, self-dealing, and other abusive practices. These laws and regulations may restrict or prohibit a wide range of pricing, discounting, marketing and promotion, sales commission, customer incentive programs, and other business arrangements. Our current and former employees, influencers or independent contractors may also become subject to allegations of sexual harassment, racial and gender discrimination or other similar misconduct, which, regardless of the ultimate outcome, may result in adverse publicity that could significantly harm our company’s brand, reputation and operations. Employee misconduct could also involve improper use of information obtained in the course of employment, which could result in legal or regulatory action and serious harm to our reputation.

Violations of our prohibition on harassment, sexual or otherwise, could result in liabilities and/or litigation.

We prohibit harassment or discrimination in the workplace, in sexual or in any other form. This policy applies to all aspects of employment. Notwithstanding our conducting training and taking disciplinary action against alleged violations, we may encounter additional costs from claims made and/or legal proceedings brought against us, and we could suffer reputational harm.

We face risks associated with our independent contractors.

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

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

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

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

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

If the Distribution (as defined below) does not qualify as a tax-free transaction under sections 355 or 368(a)(1)(D) of the Internal Revenue Code of 1986, as amended (the "Code") or the Green Merger does not qualify as a tax-free "reorganization" under section 368(a) of the Code, including as a result of actions taken in connection with the Distribution or the Green Merger or as a result of subsequent acquisitions of Company, P&G or Galleria common stock, then P&G and its shareholders may incur substantial U.S. federal income tax liability, and we may have substantial indemnification obligations to P&G under the tax matters agreement entered into in connection with the P&G Beauty Business Acquisition dated October 1, 2016 (the "Tax Matters Agreement").

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

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

Even if the Galleria Transfer (as used herein, "Galleria Transfer" means the contribution of certain specified assets related to P&G Beauty Business by P&G to Galleria in exchange for Galleria common stock, any distribution to P&G of a portion of the amount calculated pursuant to the transaction agreement entered into in connection with the P&G

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

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

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

The Tax Matters Agreement among us, P&G, Galleria and Green Merger Sub requires that we and Galleria, for a two-year period following the closing of the Merger, generally avoid taking certain actions. This period ends on October 1, 2018. These limitations are designed to restrict actions that might cause the Distribution to be treated under section 355(e) of the Code as part of a plan under which a 50% or greater interest (by vote or value) in us is acquired or that could otherwise cause the Distribution, Green Merger and/or certain related transactions to become taxable to P&G. Unless we deliver an unqualified opinion of tax counsel reasonably acceptable to P&G, confirming that a proposed action would not cause the Distribution, Green Merger and/or certain related transactions to become taxable, or P&G otherwise consents to the action, we and Galleria are each generally prohibited or restricted during the two-year period following the closing of the Green Merger from:

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

- discontinuing, selling, transferring or ceasing to maintain the Galleria active business under section 355(b) of the Code;
- taking any action that permits a proposed acquisition of our stock or Galleria stock to occur by means of an agreement to which none of us, Galleria or their affiliates is a party (including by soliciting a tender offer for Galleria stock or our stock, participating in or otherwise supporting any unsolicited tender offer for such stock or redeeming rights under a shareholder rights plan with respect to such stock); and
- engaging in other actions or transactions that could jeopardize the tax-free status of the Distribution, Merger and/or certain related transactions.

In addition, even if we deliver such an unqualified opinion, or P&G otherwise consents, we generally would be required to indemnify P&G if an action that would be otherwise restricted results in tax-related losses to P&G.
Due to these restrictions and indemnification obligations under the Tax Matters Agreement, including the indemnification obligations described in the preceding risk factor, many strategic alternatives may be unavailable to us during the two-year period following the consummation of the Green Merger, which could have a material adverse effect on our liquidity and financial condition. We may be limited during this period in our ability to pursue strategic transactions, equity or convertible debt financings, internal restructurings or other transactions that may maximize the value of our business and that may otherwise be in our best interests. Also, the restrictions and our potential indemnity obligation to P&G might discourage, delay or prevent a change of control transaction during this two-year period that our stockholders may consider favorable to our ability to pursue strategic alternatives.
JABC is a significant shareholder of the Company, owning approximately 39% of the fully diluted shares of Class A Common Stock, and has the ability to exercise significant influence over decisions requiring stockholder approval, which may be inconsistent with the interests of our other stockholders.
Prior to the close of the P&G Beauty Business Acquisition, we were controlled by JABC, Lucresca and Agnaten. Lucresca and Agnaten indirectly share voting and investment control over the shares of the Class A Common Stock held by JABC. Following the completion of the P&G Beauty Business Acquisition, JABC remains our largest stockholder, owning approximately 39% of the fully diluted shares of Class A Common Stock following the close of the P&G Beauty Business Acquisition. As a result, JABC, Lucresca and Agnaten continue to have the ability to exercise significant influence over decisions requiring stockholder approval, including the election of directors, amendments to our certificate of incorporation and approval of significant corporate transactions, such as a merger or other sale of the Company or our assets. In addition, several of the directors on our Board of Directors are affiliated with JABC.
JABC’s interests may be different from or conflict with the interests of our other shareholders and, as a result, this concentration of ownership may have the effect of delaying, preventing or deterring a change in control of us and may negatively affect the market price of our stock. Also, JABC and its affiliates are in the business of making investments in companies and may from time to time acquire and hold interests in businesses that compete indirectly with us. JABC or its affiliates may also pursue acquisition opportunities that are complementary to our business, and, as a result, those acquisition opportunities may not be available to us.
Item 1B. Unresolved Staff Comments.
None.
Item 2. Properties.
We occupy numerous offices, manufacturing, distribution and research and development facilities in the U.S. and abroad. Our principal executive offices are located in New York, U.S. and our division corporate headquarters are located in New York for Consumer Beauty, Paris, France for Luxury and Geneva, Switzerland for Professional Beauty.
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. The following table sets forth our principal owned and leased corporate, manufacturing and research and development facilities as of June 30, 2018. The leases expire at various times subject to certain renewal options at our option.

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Location/Facility	Use	Segment
London, England (leased)	Corporate/Commercial	Corporate
New York, New York, U.S. (leased)	Corporate/Commercial	Corporate / Consumer Beauty
Paris, France (3 locations) (leased)	Corporate/Commercial	Corporate / Luxury
Geneva, Switzerland (2 locations) (leased)	Corporate/Commercial/R&D	Corporate / Professional Beauty
Ashford, England (land leased, building owned)	Manufacturing	Consumer Beauty
Bangkok, Thailand (owned)	Manufacturing	Professional Beauty
Capella, Russia (owned)	Manufacturing	Consumer Beauty
Chartres, France (owned)	Manufacturing	Luxury
Cologne, Germany (owned)	Manufacturing	Luxury
Granollers, Spain (owned)	Manufacturing	Luxury
Hünfeld, Germany (owned)	Manufacturing	Professional Beauty
Hunt Valley, U.S. (owned)	Manufacturing	Consumer Beauty
Mariscala, Mexico (owned)	Manufacturing	Professional Beauty
Monaco, Monaco (leased)	Manufacturing	Luxury
Rothenkirchen, Germany (owned)	Manufacturing	Professional Beauty
Sanford, North Carolina, U.S. (owned)	Manufacturing	Luxury
Senador Canedo, Brazil (owned)	Manufacturing	Consumer Beauty
Wujiang, China (owned)	Manufacturing	Consumer Beauty
Morris Plains, New Jersey, U.S. (leased)	R&D	All segments

Item 3. Legal Proceedings.

We are involved, from time to time, in various litigation and administrative and other legal proceedings including regulatory actions, incidental or related to our business, including consumer class or collective actions, personal injury (including asbestos-related claims), intellectual property, competition, and advertising claims litigation, among others (collectively, “Legal Proceedings”). While we cannot predict any final outcomes relating thereto, management believes that the outcome of current Legal Proceedings will not have a material effect upon our business, prospects, financial condition, results of operations, cash flows, as well as the trading price of our securities. However, management’s assessment of our Legal Proceedings is ongoing, and could change in light of the discovery of additional facts with respect to Legal Proceedings pending against us not presently known to us or determinations by judges, arbitrators, juries or other finders of fact or deciders of law which are not in accord with management’s evaluation of the probable liability or outcome of such Legal Proceedings. From time to time, we are in discussions with regulators, including discussions initiated by us, about actual or potential violations of law in order to remediate or mitigate associated legal or compliance risks. As the outcomes of such proceedings are unpredictable, we can give no assurance that the results of any such proceedings will not materially affect our reputation, our business, prospects, financial condition, results of operations, cash flows, as well as the trading price of our securities.

PART II

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

Market Information

Our Class A Common Stock is listed and publicly traded on the New York Stock Exchange (“NYSE”) under the symbol “COTY”.

	Fiscal 2018			Fiscal 2017		
	High	Low	Cash Dividends	High	Low	Cash Dividends
July 1 - September 30	$20.88	$15.83	$ 0.125	$30.13	$23.06	$ 0.275
October 1 - December 31	20.31	14.24	0.125	25.34	17.94	0.125
January 1 - March 31	21.68	16.50	0.125	20.09	18.12	0.125
April 1 - June 30	18.75	12.92	0.125	20.51	16.95	0.125

Stockholders of Record

As of June 30, 2018 there were 991 stockholders of record of our Class A Common Stock. The actual number of stockholders is greater than this number of record holders, and includes stockholders who are beneficial owners, but whose shares are held in street name by brokers and other nominees. This number of holders of record also does not include stockholders whose shares may be held in trust by other entities.

Dividend Policy

We have paid an annual dividend since fiscal 2011, and we began paying a quarterly dividend in fiscal 2017. Subject to legally available funds, we expect to continue to pay a quarterly cash dividend on our Class A Common Stock, but there can be no assurance that our Board of Directors (“Board”) will continue to declare dividends or that any dividends will be paid in the anticipated amounts and frequency, or at all.

Furthermore, we are required to comply with certain covenants contained within the agreements that govern our indebtedness, including our credit agreements and the indenture relating to our senior unsecured notes. These agreements contain customary representations and warranties as well as customary affirmative and negative covenants, including but not limited to, restrictions on incurrence of additional debt, liens, dividends and other restricted payments, asset sales, investments, mergers, acquisitions and affiliate transactions. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Financial Condition—Liquidity and Capital Resources—Debt” and Note 13 “Debt” in the notes to our Consolidated Financial Statements.

Market Performance Graph

Comparison of 5 Year Cumulative Total Return [a]

Coty Inc., The S&P 500 Index, and Fiscal 2018 Peer Group [b]

[a] Total return assumes reinvestment of dividends at the closing price at the end of each quarter, since June 30, 2013.
[b] The Peer Group includes L'Oréal S.A., Avon Products, Inc., Estee Lauder Companies, Inc. and Revlon, Inc.

The Market Performance Graph above assumes a $100.00 investment on June 30, 2013, in Coty Inc.'s common stock, the S&P 500 Index and the Peer Group. The dollar amounts indicated in the graph above are as of the last trading day in the quarter. The returns of each company in the Peer Group have been weighted according to their respective stock market capitalization at the beginning of each measurement period for purposes of arriving at a Peer Group average.
Equity Compensation Plan Information

Plan Category	(1) Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans[f] (excluding securities reflected in column(1))
Equity compensation plans approved by security holders			
Options[a]	13,375,385	$ 16.75	
Series A Preferred Stock [b]	3,324,707	23.36	
Restricted Stock Units	7,538,244	N/A	
Subtotal	24,238,336	—	46,825,145
Equity compensation plans not approved by security holders			
Options [c]	16,975	$ 10.50	—
Series A Preferred Stock [b][d]	1,645,921	24.15	
Phantom Units [e]	349,432	N/A	
Subtotal	2,012,328	—	—
Total	26,250,664		46,825,145

N/A is not applicable
[a] For information about options, see Note 22, "Share-Based Compensation Plans" in the notes to our Consolidated Financial Statements.
[b] Upon vesting of the Series A Preferred Stock, the recipient receives, in cash or shares, at our sole election, the fair market value of our Class A Common Stock on the vest date of the Series A Preferred Stock less the sum of the fair market value of our Class A Common Stock on the original issue date of the Series A Preferred Stock and a hurdle price specified in the recipient's subscription agreement. As such, the benefit provided under the Series A Preferred Stock will always be based solely on the increase in value of our Class A Common Stock after the date of grant and the Series A Preferred Stock will not have any value to the participant until the value of our Class A Common Stock exceeds the value of such shares on the date of grant plus the specified hurdle.
[c] Executive Ownership Plan. From fiscal 2008 until December 2012, we invited certain key executives to participate in our Executive Ownership Plan by purchasing shares of our common stock and receiving stock options to match such purchases. The Executive Ownership Plan was replaced by the Platinum Program in December 2012. All matching stock options have five-year cliff vesting tied to continued employment with us and continued ownership of the restricted shares that the matching stock options match.
[d] On April 14, 2015, a duly constituted committee of the Board approved employment inducement awards outside of the Company's Equity and Long-Term Incentive Plan of Series A Preferred Stock in the amount of 645,921 shares to

Camillo Pane who had, at that time, been announced as the Company's new Executive Vice President of Category Development. On March 27, 2017, the Board approved an award of 1,000,000 shares of Series A Preferred Stock, par value $0.01 per share, to Lambertus J.H. Becht in his capacity as a non-employee director to compensate him for services performed in connection with closing the P&G Beauty Business transaction, aiding with the transition of the new chief executive officer into his role and integrating the P&G Beauty Business.

(e) On December 1, 2014, the Board granted Lambertus J.H. Becht an award of 49,432 phantom units (the "December Grant"). On July 21, 2015, the Board granted to Mr. Becht an award of 300,000 phantom units (the "July Grant"). Both the December Grant and July Grant to Mr. Becht were outside of the Company's Equity and Long-Term Incentive Plan. At the time of December Grant, the phantom units had a value of $1,000,009 based on the closing price of the Company's Class A Common Stock on December 1, 2014, and at the time of the July Grant, the phantom units had a value of approximately $8,106,000 based on the closing price of the Class A Common Stock on July 21, 2015. Each phantom unit has an economic value equivalent to one share of the Company's Class A Common Stock. The phantom units vest on the fifth anniversary of the grant date and, in the event of a change in control or Mr. Becht's death or disability, the phantom units shall vest immediately. Within 30 days of the grant date, Mr. Becht had the ability to elect whether to receive payment in respect of the phantom units in cash or shares of Class A Common Stock. Mr. Becht elected to receive payment in respect of the December Grant and the July Grant in shares of Class A Common Stock.

[f] Reflects number of securities remaining available for future issuance under equity compensation plans, excluding share reserves related to terminated equity plans.

Issuer Purchases of Equity Securities

No shares of Class A Common Stock were repurchased during the fiscal quarter ended June 30, 2018.

Item 6. Selected Financial Data.

(in millions, except per share data)	Year Ended June 30, 2018 [a]	2017 [b]	2016 [c]	2015 [c]	2014
Consolidated Statements of Operations Data:					
Net revenues	$9,398.0	$7,650.3	$4,349.1	$4,395.2	$4,551.6
Gross profit	5,789.6	4,621.8	2,603.1	2,638.2	2,685.9
Restructuring costs	173.2	372.2	86.9	75.4	37.3
Acquisition-related costs	64.2	355.4	174.0	34.1	0.7
Asset impairment charges	—	—	5.5	—	316.9
Operating income (loss)	161.2	(437.8)	254.2	395.1	25.7
Interest expense, net	265.0	218.6	81.9	73.0	68.5
Loss on early extinguishment of debt	10.7	—	3.1	88.8	—
Other expense, net	38.0	1.6	30.4	—	1.3
(Loss) income before income taxes	(152.5)	(658.0)	138.8	233.3	(44.1)
(Benefit) provision for income taxes	(24.7)	(259.5)	(40.4)	(26.1)	20.1
Net (loss) income	(127.8)	(398.5)	179.2	259.4	(64.2)
Net income attributable to noncontrolling interests	2.0	15.4	7.6	15.1	17.8
Net income attributable to redeemable noncontrolling interests	39.0	8.3	14.7	11.8	15.4
Net (loss) income attributable to Coty Inc.	$(168.8)	$(422.2)	$156.9	$232.5	$(97.4)
Per Share Data:					
Weighted-average common shares					
Basic	749.7	642.8	345.5	353.3	381.7
Diluted	749.7	642.8	354.2	362.9	381.7
Cash dividends declared per common share	$0.50	$0.65	$0.25	$0.20	$0.20
Net (loss) income attributable to Coty Inc. per common share:					
Basic	$(0.23)	$(0.66)	$0.45	$0.66	$(0.26)
Diluted	(0.23)	(0.66)	0.44	0.64	(0.26)

(in millions)	Year Ended June 30, 2018 [a]	2017 [b]	2016 [c]	2015 [c]	2014
Consolidated Cash Flows Data:					
Net cash provided by operating activities	$413.7	$757.5	$501.4	$526.3	$536.5
Net cash (used in) investing activities	(687.6)	(1,163.6)	(1,059.2)	(171.2)	(257.6)
Net cash provided by (used in) financing activities	69.3	595.2	592.6	(1,138.2)	(5.7)

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(in millions)	As of June 30, 2018 [a]	2017 [b]	2016 [c]	2015 [c]	2014
Consolidated Balance Sheet Data:					
Cash and cash equivalents	$331.6	$ 535.4	$372.4	$341.3	$1,238.0
Total assets [d]	22,630.2	22,548.2	7,035.6	5,998.0	6,570.8
Total debt, net of discount	7,610.5	7,205.0	4,162.8	2,634.7	3,293.5
Total Coty Inc. stockholders' equity	8,849.7	9,314.7	360.2	969.8	843.8

[a] Included in fiscal 2018 are the financial impacts of the acquisition of the Burberry Beauty Business as of October 2, 2017.
[b] Included in fiscal 2017 are the financial impacts of the acquisitions of the P&G Beauty Business as of October 1, 2016, ghd as of November 21, 2016 and Younique as of February 1, 2017.
[c] Included in fiscal 2016 and 2015 are the financial impacts of the Hypermarcas Brands as of February 1, 2016 and the Bourjois acquisition as of April 1, 2015.
[d] In fiscal 2017, we adopted authoritative guidance issued by the Financial Accounting Standards Board requiring that debt issuance costs be presented in the balance sheet as a direct deduction from the carrying amount of the related debt liability, consistent with debt discounts. Prior to the adoption of this guidance, debt issuance costs were presented within total assets in the Consolidated Balance Sheets. Total assets for all periods presented in the table above have been conformed to the current balance sheet presentation.

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

The following discussion and analysis of the financial condition and results of operations of Coty Inc. and its consolidated subsidiaries, should be read in conjunction with the information contained in the Consolidated Financial Statements and related notes included elsewhere in this document. When used in this discussion, the terms "Coty," the "Company," "we," "our," or "us" mean, unless the context otherwise indicates, Coty Inc. and its majority and wholly-owned subsidiaries. The following discussion contains forward-looking statements. See "Forward-Looking Statements" and "Risk Factors" for a discussion on the uncertainties, risks and assumptions associated with these statements as well as any updates to such discussion as may be included in subsequent reports we file with the SEC. Actual results may differ materially and adversely from those contained in any forward-looking statements. The following discussion includes certain non-GAAP financial measures. See "Overview—Non-GAAP Financial Measures" for a discussion of non-GAAP financial measures and how they are calculated.

All dollar amounts in the following discussion are in millions of United States ("U.S.") dollars, unless otherwise indicated.

OVERVIEW

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

Operating and Reportable Segments

Our business is organized into three divisions: Luxury, Consumer Beauty and Professional Beauty, and our operating and reportable segments reflect this divisional structure. Certain shared costs and the results of corporate initiatives are managed outside of our three segments by Corporate.

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

The operating and reportable segments are:

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

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

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

Geographic Structure

We have determined our geographic regions to be North America (Canada and the U.S.), Europe and ALMEA (Asia, Latin America, the Middle East, Africa and Australia).

Overview

We are one of the world's largest beauty companies, with a purpose to celebrate and liberate the diversity of consumers' beauty. Over the past three years, the transformational acquisition of the P&G Beauty Business and our other strategic transactions have strengthened and diversified our presence across the countries, categories and channels in which we compete. As we complete the final stages of the P&G Beauty Business integration, we are focused on rejuvenating our core business and amplifying our growth potential, by supporting and strengthening our brands, developing a stronger innovation pipeline, advancing our end-to-end digital transformation, and expanding our presence in the faster-growing emerging markets.

The beauty industry has continued to evolve, driven by increasing consumer desire for immersive shopping experiences, the importance of digital communication for brand building, the expanding role of e-commerce and specialty retail formats, and new brand introductions. This evolution has put pressure on traditional retail formats and traditional models of brand building and reaching consumers.

We are tailoring our approach to address this evolution of the beauty industry. Revenues from e-commerce channels comprise a small but fast-growing portion of our consolidated net revenues. Transforming our digital and e-commerce capabilities is a central part of our overall strategy. While we are still in the early days of our digital transformation, we are making significant multi-year investments in talent acquisition, in-house content creation capabilities and product management systems that will fuel our e-commerce efforts. This, together with the dedication across each of our divisions to drive momentum in this rapidly expanding channel, will allow for expansion of our e-commerce footprint.

The economics of developing, producing, launching, supporting and discontinuing products impact the timing of our sales and operating performance each period. In addition, as product life cycles shorten, results are driven primarily by successfully developing, introducing and marketing new, innovative products. We are continuing to improve our innovation process, aiming to introduce bigger, more impactful innovations while reducing time-to-market. We also support new and established products through our focus on strategic advertising and merchandising, brand repositioning, innovation and in-store execution.

Certain market segments and geographies in which we compete generally continue to grow moderately. While luxury fragrances and skin care categories are experiencing strong growth, low single digit declines in the retail nail, retail hair, mass body care, mass color cosmetics and mass fragrances categories in the U.S. and certain key countries in Western Europe continue to impact our business and financial results. We experienced strong growth in our Luxury segment supported by strong category trends and our successful brand innovation, steady growth in our Professional Beauty segment and uneven performance in our Consumer Beauty segment. Emerging markets have been a source of growth in many of our categories in fiscal 2018. We are also continuing to expand our presence in faster-growth emerging markets, by building strong relationships with key retailers in those markets and leveraging our broad portfolio of brands.

Transformation of our business

Following our acquisition of the P&G Beauty Business, we have been focused on integrating, restructuring and optimizing the combined organization. In fiscal 2018, we successfully exited the third and final stage of our transition services agreement with P&G, following the successful exit of the first two stages in fiscal 2017. We also instituted new initiatives to deliver meaningful, sustainable expense and cost management to address increases in our fixed cost base as a combined company. The last step of the integration includes the completion of the one order, one invoice, one shipment program which will make Coty a fully integrated company, able to sell, ship and invoice all of our brands in a seamless way for our customers, allowing significant simplification for our employees and increasing our scalability potential.

Further, in connection with the acquisition of the P&G Beauty Business, we are implementing our plan through which we continue to target realizing approximately $750 million of synergies driven by cost, procurement, supply chain and selling, general, and administrative savings through fiscal 2020. We realized cumulative synergies of approximately 20% in fiscal 2017, 50% though fiscal 2018, and we expect to cumulatively generate approximately 80% of the net synergies throughout fiscal 2019 and the full $750 million through fiscal 2020.

A milestone in our transformation was the completion in fiscal 2018 of our announced portfolio rationalization program and, as a result, we divested or terminated 14 brands including: CLC, Celine Dion, Cutex, Esprit, Guess, Halle Berry, JLo, Lady Gaga, Love2Love, Playboy, Summer and Tim McGraw, which were reported in our Consumer Beauty segment and Cerruti and Chopard, which were reported in our Luxury segment. In addition, we continuously evaluate strategic transactions including acquisitions, divestitures and new brand licenses to optimize our portfolio. During fiscal 2018, we acquired the exclusive long-term global license rights and other related assets for the Burberry Beauty luxury fragrances, cosmetics and skincare business (the “Burberry Beauty Business”), which is managed within the Luxury division. We will continue to opportunistically look at strategic opportunities as and when they arise, subject to our strict financial discipline and deleveraging objectives.

Performance

In fiscal 2018, solid operating performance was driven by steady progress on business integration. Modest revenue growth was driven by strong performance in Luxury, due to impactful innovations across the major brands, and solid growth in Professional Beauty supported by growth in both hair and nail categories, offset by declines in Consumer Beauty revenues as we made gradual progress towards stabilizing performance. In the fourth fiscal quarter, strong performance from Luxury and solid growth in Professional Beauty were offset by declines in Consumer Beauty, where a number of temporary supply chain disruptions impacted revenues. Specifically, disruptions in two major distribution centers in the U.S. and U.K., due in part to challenges arising in connection with our restructuring efforts, impacted our ability to meet consumer demand for products in the Consumer Beauty segment and resulted in a loss of revenue and increased costs that we expect to continue into the first half of fiscal 2019. In addition, during the same period, a transportation workers strike in Brazil impacted the delivery of raw materials as well as our ability to ship our products to customers in that country.

Outlook

While we work on the full turnaround of the new Coty, we expect the integration to be largely completed by the end of fiscal 2019. We are focused on returning the business to flat to modest net revenue growth. This level of net revenue growth, combined with our ongoing focus on reducing costs even after the synergies are fully delivered, underpins our medium term target of achieving operating margin growth.

Against this backdrop, we view fiscal 2019 as an important step in the right direction to achieve our medium term ambitions. For fiscal 2019, we are targeting operating margin expansion, which, combined with our target of flat to modest net revenue growth would deliver operating income growth. We believe financial performance across quarters in fiscal 2019 will not be linear and the peak of the impact of the supply chain disruptions, due to logistics and manufacturing consolidation, will come in first half of fiscal 2019. We anticipate that this will have a considerable impact on both net revenue and net income. We do expect that the business disruption related impacts will be substantially complete by the end of first half fiscal 2019 and our fiscal 2019 targets take these disruptions into consideration. We are also focused on increasing our cash flow and reducing our indebtedness.

Non-GAAP Financial Measures

To supplement the financial measures prepared in accordance with GAAP, we use non-GAAP financial measures including Adjusted operating income, Adjusted net income attributable to Coty Inc. and Adjusted net income attributable to Coty Inc. per common share (collectively, the “Adjusted Performance Measures”). The reconciliations of these non-GAAP financial measures to the most directly comparable financial measures calculated and presented in accordance with GAAP are shown in tables below. These non-GAAP financial measures should not be considered in isolation from, or as a substitute for or superior to, financial measures reported in accordance with GAAP. Moreover, these non-GAAP financial measures have limitations in that they do not reflect all the items associated with the operations of the business as determined in accordance with GAAP. Other companies, including companies in the beauty industry, may calculate similarly titled non-GAAP financial measures differently than we do, limiting the usefulness of those measures for comparative purposes.

Despite the limitations of these non-GAAP financial measures, our management uses the Adjusted Performance Measures as key metrics in the evaluation of our performance and annual budgets and to benchmark performance of our business against our competitors. The following are examples of how these Adjusted Performance Measures are utilized by our management:

- strategic plans and annual budgets are prepared using the Adjusted Performance Measures;
- senior management receives a monthly analysis comparing budget to actual operating results that is prepared using the Adjusted Performance Measures; and
- senior management’s annual compensation is calculated, in part, by using the Adjusted Performance Measures.

In addition, our financial covenant compliance calculations under our debt agreements are substantially derived from these Adjusted Performance Measures.

Our management believes that Adjusted Performance Measures are useful to investors in their assessment of our operating performance and the valuation of the Company. In addition, these non-GAAP financial measures address questions we routinely receive from analysts and investors and, in order to ensure that all investors have access to the same data, our management has determined that it is appropriate to make this data available to all investors. The Adjusted Performance Measures exclude the impact of certain items (as further described below) and provide supplemental information regarding our operating performance. By disclosing these non-GAAP financial measures, our management intends to provide investors with a supplemental comparison of our operating results and trends for the periods presented. Our management believes these measures are also useful to investors as such measures allow investors to evaluate our performance using the same metrics that our management uses to evaluate past performance and prospects for future performance. We provide disclosure of the effects of these non-GAAP financial measures by presenting the corresponding measure prepared in conformity with GAAP in our financial statements, and by providing a reconciliation to the corresponding GAAP measure so that investors may understand the adjustments made in arriving at the non-GAAP financial measures and use the information to perform their own analyses.

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

The Adjusted Performance Measures were changed in the fourth quarter of fiscal 2016 to incorporate the exclusion of expense and tax effects associated with the amortization of acquisition-related intangible assets. Our management believes that such amortization is not reflective of the results of operations in a particular year because the intangible assets result from the allocation of the acquisition purchase price to the fair value of identifiable intangible assets acquired. The effect of this exclusion on our non-GAAP presentation was to amend Adjusted operating income in a manner that provides investors with a measure of our operating performance that facilitates period to period comparisons, as well as comparability to our peers. Exclusion of the amortization expense allows investors to compare operating results that are consistent over time for the consolidated company, including newly acquired and long-held businesses, to both acquisitive and nonacquisitive peer companies.

Adjusted Performance Measures reflect adjustments based on the following items:

- Costs related to acquisition activities: We have excluded acquisition-related costs and acquisition accounting impacts such as those related to transaction costs and costs associated with the revaluation of acquired inventory in connection with business combinations because these costs are unique to each transaction. The nature and amount of such costs vary significantly based on the size and timing of the acquisitions and the maturities of the businesses being acquired. Also, the size, complexity and/or volume of past acquisitions, which often drives the magnitude of such expenses, may not be indicative of the size, complexity and/or volume of any future acquisitions.
- Restructuring and other business realignment costs: We have excluded costs associated with restructuring and business structure realignment programs to allow for comparable financial results to historical operations and forward-looking guidance. In addition, the nature and amount of such charges vary significantly based on the size and timing of the programs. By excluding the referenced expenses from our non-GAAP financial measures, our management is able to further evaluate our ability to utilize existing assets and estimate their long-term value. Furthermore, our management believes that the adjustment of these items supplement the GAAP information with a measure that can be used to assess the sustainability of our operating performance.
- Amortization expense: We have excluded the impact of amortization of finite-lived intangible assets, as such non-cash amounts are inconsistent in amount and frequency and are significantly impacted by the timing and/or size of acquisitions. Our management believes that the adjustment of these items supplement the GAAP information with a measure that can be used to assess the sustainability of our operating performance. Although we exclude amortization of intangible assets from our non-GAAP expenses, our management believes that it is important for investors to understand that such intangible assets contribute to revenue generation. Amortization of intangible assets that relate to past acquisitions will recur in future periods until such intangible assets have been fully amortized. Any future acquisitions may result in the amortization of additional intangible assets.
- Asset impairment charges: We have excluded the impact of asset impairments as such non-cash amounts are inconsistent in amount and frequency and are significantly impacted by the timing and/or size of acquisitions. Our management believes that the adjustment of these items supplement the GAAP information with a measure that can be used to assess the sustainability of our operating performance.
- Share-based compensation adjustment: During fiscal 2016, we excluded the impact of the fiscal 2013 accounting modification from liability plan to equity plan accounting for the share-based compensation plans as well as other

share-based compensation transactions that are not reflective of the ongoing and planned pattern of recognition for such expense. Refer to “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies and Estimates” contained in our Annual Report on Form 10-K filed with the SEC for the fiscal year ended June 30, 2016 for a full discussion of the share-based compensation adjustment.

- Interest and other (income) expense: We have excluded foreign currency impacts associated with acquisition-related and debt financing-related forward contracts, as well as debt financing transaction costs as the nature and amount of such charges are not consistent and are significantly impacted by the timing and size of such transactions.
- Loss on early extinguishment of debt: We have excluded loss on extinguishment of debt as this represents a non-cash charge, and the amount and frequency of such charges is not consistent and is significantly impacted by the timing and size of debt financing transactions.
- Noncontrolling interest: This adjustment represents the after-tax impact of the non-GAAP adjustments included in Net income attributable to noncontrolling interests based on the relevant non-controlling interest percentage.
- Tax: This adjustment represents the impact of the tax effect of the pretax items excluded from Adjusted net income. The tax impact of the non-GAAP adjustments are based on the tax rates related to the jurisdiction in which the adjusted items are received or incurred.

While acquiring brands and licenses comprises a part of our overall growth strategy, along with targeting organic growth opportunities, we have excluded acquisition-related costs and acquisition accounting impacts in connection with business combinations because these costs are unique to each transaction and the amount and frequency are not consistent and are significantly impacted by the timing and size of our acquisitions. Our management assesses the success of an acquisition as a component of performance using a variety of indicators depending on the size and nature of the acquisition, including:

- the scale of the combined company by evaluating consolidated and segment financial metrics;
- the expansion of product offerings by evaluating segment, brand, and geographic performance and the respective strength of the brands;
- the evaluation of market share expansion in categories and geographies;
- the earnings per share accretion and substantial incremental free cash flow generation providing financial flexibility for us; and
- the comparison of actual and projected results, including achievement of projected synergies, post integration; provided that timing for any such comparison will depend on the size and complexity of the acquisition.

Constant Currency

We operate on a global basis, with the majority of our net revenues generated outside of the U.S. Accordingly, fluctuations in foreign currency exchange rates can affect our results of operations. Therefore, to supplement financial results presented in accordance with GAAP, certain financial information is presented in “constant currency”, excluding the impact of foreign currency exchange translations to provide a framework for assessing how our underlying businesses performed excluding the impact of foreign currency exchange translations. Constant currency information compares results between periods as if exchange rates had remained constant period-over-period. We calculate constant currency information by translating current and prior-period results for entities reporting in currencies other than U.S. dollars into U.S. dollars using prior year foreign currency exchange rates. The constant currency calculations do not adjust for the impact of revaluing specific transactions denominated in a currency that is different to the functional currency of that entity when exchange rates fluctuate. The constant currency information we present may not be comparable to similarly titled measures reported by other companies.

Basis of Presentation of Acquisitions and Divestitures

During the period when we complete an acquisition, divestiture or early license termination, the financial results of the current year period are not comparable to the financial results presented in the prior year period. When explaining such changes from period to period and to maintain a consistent basis between periods, we exclude the financial contribution of: (i) the acquired brands or businesses in the current year period until we have twelve months of comparable financial results and (ii) the divested brands or businesses or early terminated brands in the prior year period, to maintain comparable financial results with the current fiscal year period. Acquisitions, divestitures and early license terminations that would impact the comparability of financial results between periods presented in the Management's Discussion and Analysis of Financial Condition and Results of Operations are shown in the table below.

	2018	2017
First fiscal quarter	n/a	n/a
Second fiscal quarter	Acquisition: Burberry Beauty Business (Luxury segment)	Acquisitions: P&G Beauty Business (all segments) and ghd (Professional Beauty segment)
Third fiscal quarter	Termination: Guess (Consumer Beauty segment)	Acquisition: Younique (Consumer Beauty segment) Divestiture: J.Lo (Consumer Beauty segment)
Fourth fiscal quarter	Divestitures: Playboy (Consumer Beauty segment) and Cerruti (Luxury segment)	n/a

When used herein, the term "Acquisitions" and "Divestitures" refer to the financial contributions of the related acquisitions or divestitures and early license terminations shown above, during the period that is not comparable as a result of such acquisitions or divestitures and early license terminations.

NET REVENUES

In fiscal 2018, net revenues increased 23%, or $1,747.7, to $9,398.0 from $7,650.3 in fiscal 2017. Incremental net revenues from the acquisition of the P&G Beauty Business comprised 13% of the total percentage increase in net revenues for the fiscal year and the incremental net revenues from the acquisitions of Younique, ghd, and the Burberry Beauty Business combined comprised 6% of the total percentage increase in net revenues for the fiscal year. The incremental net revenues in the first quarter of fiscal 2018 from the acquisition of the P&G Beauty Business in the prior year was the primary driver of the significant increase in total net revenues in all of our segments and geographic regions. Excluding the impacts of the Acquisitions and Divestitures, total net revenues in fiscal 2018 increased 4%, or $340.6, to $7,924.6 from $7,584.0 in fiscal 2017, reflecting a positive price and mix impact of 6%, a positive foreign currency exchange translations impact of 4%, and a decrease in unit volume of 6%. See below for further details of net revenues by segment.

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

Net Revenues by Segment

	Year Ended June 30,			Change %	
(in millions)	2018	2017	2016	2018/2017	2017/2016
NET REVENUES					
Luxury	$3,210.5	$2,566.6	$1,836.6	25%	40 %
Consumer Beauty	4,268.1	3,688.2	2,262.5	16%	63 %
Professional Beauty	1,919.4	1,395.5	250.0	38%	>100%
Total	$9,398.0	$7,650.3	$4,349.1	23%	76 %

Luxury

In fiscal 2018, net revenues from the Luxury segment increased 25%, or $643.9 to $3,210.5 from $2,566.6 in fiscal 2017, primarily due to the impact of the Acquisitions. The incremental net revenues in the first quarter of fiscal 2018 from the acquisition of the P&G Beauty Business in the prior year comprised 12% of the total percentage change in net revenues for the segment, and the acquisition of the Burberry Beauty Business comprised 3% of the total percentage change in net revenues for the segment in fiscal 2018 as compared to fiscal 2017. Excluding the impacts of the Acquisitions and Divestitures, net revenues from the Luxury segment increased 10%, or $267.6, to $2,828.6 in fiscal 2018 from $2,561.0 in fiscal 2017, reflecting a positive price and mix impact of 5%, a positive foreign currency exchange translations impact of 4%, and an increase in unit volume of 1%. This increase in net revenues primarily reflects: (i) the successful launches of Tiffany & Co. and Gucci Bloom and (ii) higher net revenues from Calvin Klein due to the launch of Obsessed by Calvin Klein and from CK One due to the launch of a successful campaign in the third quarter of fiscal 2018. Fiscal 2018 revenues were positively impacted by innovative products across our philosophy, Marc Jacobs and Chloe brands. There was also solid growth in fiscal 2018, compared to fiscal 2017, of Luxury brands sold in China and the Middle East as well as an increased contribution of Luxury brands sold through e-commerce channels.

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

Consumer Beauty

In fiscal 2018, net revenues from the Consumer Beauty segment increased 16%, or $579.9, to $4,268.1 from $3,688.2 in fiscal 2017, due to the impact of the Acquisitions. The incremental net revenues in the first quarter of fiscal 2018 from the acquisition of the P&G Beauty Business in the prior year comprised 11% of the total percentage change in net revenues for the segment, and the acquisition of Younique comprised 6% of the total percentage change in net revenues for the segment in fiscal 2018 compared to fiscal 2017. Excluding the impacts of the Acquisitions and the Divestitures, net revenues from the Consumer Beauty segment decreased 1%, or $21.2, to $3,622.3 in fiscal 2018 from $3,643.5 in fiscal 2017, primarily reflecting a decrease in unit volume of 7%, a positive foreign currency exchange translations impact of 3%, and a positive price and mix impact of 3%. The change in net revenues primarily reflects:

(i) A decline in net revenues from CoverGirl due to declines in existing product lines along with increased markdowns and trade spending. Despite declines in the brand in fiscal 2018, we have launched a multi-year brand turnaround strategy for CoverGirl in North America in the second quarter of fiscal 2018.

(ii) Lower net revenues from Sally Hansen and Playboy due to less innovation in the first half of fiscal 2018 and declines in existing product lines.

(iii) Lower net revenues from Risque due to a reduction in volume in Brazil in response to decreased sales discounts in the second half of fiscal 2018 and trade inventory correction. However, we continue to experience market share growth.

(iv) Lower net revenues from Astor due to shelf-space losses in Germany.

These decreases were partially offset by:
(i) Higher net revenues from Nautica primarily driven by increased volume through value distribution channels.
(ii) Higher net revenues from Max Factor primarily reflecting increased distribution in China.
(iii) Higher net revenues from Guess due to the timing of shipments.

In addition, net revenues from Clairol comprised over 5% of the Consumer Beauty net revenues for fiscal 2018. Clairol, whose core markets are the U.S. and the U.K., was pressured in fiscal 2018 but benefited from the relaunch of the Nice'N'Easy franchise, on the back of a breakthrough new formula, with the relaunch now largely implemented on the shelf.

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

Professional Beauty

In fiscal 2018, net revenues from the Professional Beauty segment increased 38%, or $523.9, to $1,919.4 from $1,395.5 in fiscal 2017, primarily due to the impact of the Acquisitions. The incremental net revenues in the first quarter of fiscal 2018 from the acquisition of the P&G Beauty Business in the prior year comprised 23% of the total percentage change in net revenues for the segment, and incremental net revenues from the acquisition of ghd comprised 8% of the total percentage change in net revenues for the segment in fiscal 2018 as compared to fiscal 2017. Excluding the impacts of the Acquisitions, net revenues from the Professional Beauty segment increased 7%, or $94.2 to $1,473.7 in fiscal 2018, from $1,379.5 in fiscal 2017, primarily reflecting a positive foreign currency exchange translation impact of 5%, a positive price and mix impact of 2%, and no impact from unit volume. The increase in this segment primarily reflects higher net revenues from OPI driven by the launch of the OPI ProHealth GelColor System, an increase in the professional product line of Wella hair products due to the launch of WellaPlex and higher ghd net revenues primarily due to strong performance in Europe. In fiscal 2018, there was solid performance in Wella and other hair brands, as well as OPI and other nail products in both developed and emerging markets.

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

Net Revenues by Geographic Regions

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

	Year Ended June 30,			Change %	
(in millions)	2018	2017	2016	2018/2017	2017/2016
NET REVENUES					
North America	$2,966.0	$2,506.9	$1,413.0	18%	77 %
Europe	4,201.6	3,325.7	1,924.6	26%	73 %
ALMEA	2,230.4	1,817.7	1,011.5	23%	80 %
Total	$9,398.0	$7,650.3	$4,349.1	23%	76 %

North America

In fiscal 2018, net revenues in North America increased 18% or $459.1, to $2,966.0 from $2,506.9 in fiscal 2017, primarily due to the impact of the Acquisitions. Excluding the impacts of the Acquisitions and Divestitures, net revenues in North America decreased 3% or $72.4, to $2,420.9 in fiscal 2018 from $2,493.3 in fiscal 2017, primarily due to declines in color cosmetics in the U.S. The decline in color cosmetics primarily reflects: (i) a decline in net revenues from CoverGirl due to declines in existing product lines, declines in the mass color cosmetics category and increased markdowns and trade spending associated with the CoverGirl brand relaunch which began in the second quarter of fiscal 2018, (ii) lower net revenues from Rimmel as declines in revenues from existing product lines offset current year launch activity. The decline in revenues in the region was partially offset by (i) higher revenues driven by the launches of the Tiffany & Co. and Gucci Bloom fragrances, and (ii) higher revenues in mass fragrances, primarily from Nautica due to an increased volume through value distribution channels. There was no impact from foreign currency exchange translations in fiscal 2018.

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

Europe

In fiscal 2018, net revenues in Europe increased 26%, or 875.9, to $4,201.6 from $3,325.7 in fiscal 2017, primarily due to the impact of the Acquisitions. Excluding the impacts of the Acquisitions and Divestitures, net revenues in Europe increased 8%, or $251.4, to $3,542.8 in fiscal 2018 from $3,291.4 in fiscal 2017, primarily due to: (i) strong growth from prestige fragrances in Western Europe, (ii) incremental revenues from fragrances driven by the launches of the Tiffany & Co. and Gucci Bloom fragrances resulting in higher revenues in Western and Southern Europe, including the U.K., Spain, Italy, and Germany, and (iii) higher revenues from mass fragrances across the region. These increases were partially offset by declines in Playboy and Astor in Western Europe, including France and Germany. Excluding the impact of the Acquisitions, Divestitures and the positive foreign currency exchange translations impact of 8%, net revenues in Europe remained constant.

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

ALMEA

In fiscal 2018, net revenues in ALMEA increased 23%, or $412.7, to $2,230.4 from $1,817.7 in fiscal 2017, primarily due to the impact of the Acquisitions. Excluding the impacts of the Acquisitions and Divestitures, net revenues in ALMEA increased 9%, or $161.7, to $1,961.0 in fiscal 2018 from $1,799.3 in fiscal 2017, primarily due to: (i) incremental revenues from fragrances, driven by the launches of the Tiffany & Co. and Gucci Bloom fragrances, (ii) higher revenues from mass fragrances in Southeast Asia, driven by Nautica, and (iii) higher revenues from color

cosmetics, driven by Max Factor in China. These increases were partially offset by declines in Brazil in response to decreased sales discounts in the third and fourth quarters of fiscal 2018. Excluding the impact of the Acquisitions, Divestitures and the positive foreign currency exchange translations impact of 1%, net revenues in ALMEA increased 8%.
In fiscal 2017, net revenues in ALMEA increased 80% or $806.2, to $1,817.7 from $1,011.5 in fiscal 2016, primarily due to the impact of the Acquisitions. Excluding the impacts of the Acquisitions and Divestitures, net revenues in ALMEA increased 2%, or $19.4, to $1,030.9 in fiscal 2017 from $1,011.5 in fiscal 2016, primarily due to the Hypermarcas Brands in

Brazil during the five months of the comparable periods, partially offset by declines in Calvin Klein in China and Marc Jacobs in our travel retail business in Latin America. Excluding the impact of the Acquisitions, Divestitures and the positive foreign currency exchange translations impact of 1%, net revenues in ALMEA increased 1%.

COST OF SALES

In fiscal 2018, cost of sales increased 19%, or $579.9, to $3,608.4 from $3,028.5 in fiscal 2017, primarily due to the impact of the Acquisitions. Cost of sales as a percentage of net revenues decreased to 38.4% in fiscal 2018 from 39.6% in fiscal 2017, resulting in a gross margin improvement of approximately 120 basis points, primarily reflecting: (i) lower cost related to acquired inventory step-up amortization in fiscal 2018 as compared to fiscal 2017, (ii) mix impact associated with the increased net revenue contribution from higher-margin Luxury and Professional Beauty products in fiscal 2018 as compared to fiscal 2017, in addition to (iii) the continued contribution from our supply chain savings program. These improvements were partially offset by the negative impact of accelerated depreciation of buildings and equipment associated with plant closures, distributor terminations and inventory artwork transition costs related to the Global Integration Activities (as later defined).

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

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

In fiscal 2018, selling, general and administrative expenses increased 23%, or $949.6, to $5,009.6 from $4,060.0 in fiscal 2017, primarily due to the impact of the Acquisitions. Selling, general and administrative expenses as a percentage of net revenues increased to 53.3% in fiscal 2018 from 53.1% in fiscal 2017.

In fiscal 2017, selling, general and administrative expenses increased greater than 100%, or $2,032.2, to $4,060.0 from $2,027.8 in fiscal 2016, primarily due to the impact of the Acquisitions. Selling, general and administrative expenses as a percentage of net revenues increased to 53.1% in fiscal 2017 from 46.6% in fiscal 2016.

Unfavorable and (favorable) basis point changes in selling, general and administrative expenses as a percentage of net revenues for the fiscal years ended June 30, 2018 and 2017 as compared to the respective prior year periods, are comprised of the following:

	Year Ended June 30,	
(bps rounded to the nearest tenth)	2018/2017	2017/2016
Administrative costs	180	500
Advertising and consumer promotion costs	(110)	240
Foreign currency exchange impact	—	(50)
Share-based compensation	—	(40)
Other selling, general, and administrative expenses	(50)	—
Total basis point unfavorable (favorable) change	20	650

In fiscal 2018, the selling, general and administrative expenses as a percentage of net revenues increased primarily due to higher administrative costs from: (i) incremental consulting and third-party outsourcing expenses and (ii) increased depreciation expense for technological infrastructure which was placed into service with the successful completion of the P&G Beauty Business transition services agreement in the first quarter of fiscal 2018. The lower advertising and consumer promotion spending as a percentage of net revenues is primarily due to a shift in spending programs within our color cosmetics brands as the decrease in marketing spend, recorded in advertising and consumer promotion costs, was offset by an increase in in-store support, which is recorded as a reduction to net revenues.

In fiscal 2017, the selling, general, and administrative expenses as a percentage of net revenues increased primarily due to higher administrative costs as a result of consulting expenses and compensations costs incurred in the connection with the integration of the P&G Beauty Business and the new organizational structure in the Professional Beauty division where we acquired a large sales organization to service the salon business. The higher advertising and consumer promotion spending is primarily due to the impact of the higher spending ratio for the P&G Beauty Business as compared with the Legacy-Coty business in fiscal 2016 and increased spending primarily supporting Rimmel, Sally Hansen, and Bourjois.

OPERATING (LOSS) INCOME

In fiscal 2018, operating income of $161.2 increased greater than 100%, or $599.0, from a loss of $437.8 in fiscal 2017. Operating margin, or operating income (loss) as a percentage of net revenues, increased to 1.7% of net revenues in fiscal 2018 as compared to (5.7)% in fiscal 2017.

In fiscal 2017, operating loss of $437.8 declined greater than 100%, or $692.0, from income of $254.2 in fiscal 2016. Operating margin, or operating (loss) income as a percentage of net revenues, declined to (5.7)% of net revenues in fiscal 2017 as compared to 5.8% in fiscal 2016

Favorable and (unfavorable) basis point changes in operating income (loss) as a percentage of net revenues for the fiscal years ended June 30, 2018 and 2017 as compared to the respective prior year periods, are comprised of the following:

	Year Ended June 30,	
(bps rounded to nearest tenth)	2018/2017	2017/2016
Acquisition-related costs	400	(60)
Restructuring	300	(290)
Cost of sales	120	50
Loss (gain) on sale of assets	(30)	(50)
Selling, general and administrative expenses	(20)	(650)
Amortization	(20)	(180)
Other operating expenses	(10)	20
Asset impairment charges	—	10
Total basis point favorable (unfavorable) change	740	(1,150)

Operating (Loss) Income by Segment

	Year Ended June 30,			Change %	
(in millions)	2018	2017	2016	2018/2017	2017/2016
OPERATING INCOME (LOSS)					
Luxury	$248.7	$158.0	$228.9	57%	(31%)
Consumer Beauty	278.9	261.2	246.5	7%	6%
Professional Beauty	119.4	78.5	68.0	52%	15%
Corporate	(485.8)	(935.5)	(289.2)	48%	<(100%)
Total	$161.2	$(437.8)	$254.2	>100%	<(100%)

Luxury

In fiscal 2018, operating income for Luxury increased 57%, or $90.7, to $248.7 from $158.0 in fiscal 2017. Operating margin increased to 7.7% of net revenues in fiscal 2018 as compared to 6.2% in fiscal 2017, primarily driven by lower selling, general and administrative expenses as a percentage of net revenues and lower amortization expense as a percentage of net revenues.

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

Consumer Beauty

In fiscal 2018, operating income for Consumer Beauty increased 7%, or $17.7, to $278.9 from $261.2 in fiscal 2017. Operating margin decreased to 6.5% of net revenues in fiscal 2018 as compared to 7.1% in fiscal 2017, primarily driven by

higher selling, general and administrative expenses as a percentage of net revenues and higher amortization expense as a percentage of net revenues.

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

Professional Beauty

In fiscal 2018, operating income for Professional Beauty increased 52%, or $40.9 to $119.4 from $78.5 in fiscal 2017. Operating margin increased to 6.2% of net revenues in fiscal 2018 as compared to 5.6% in fiscal 2017, primarily driven by lower amortization as a percentage of net revenues and lower selling, general, and administrative expenses as a percentage of net revenues.

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

Corporate

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

Operating loss for Corporate was $485.8, $935.5 and $289.2 in fiscal 2018, 2017 and 2016, respectively, as described under "Adjusted Operating Income" below.

Adjusted Operating Income by Segment

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

	Year Ended June 30, 2018		
(in millions)	Reported (GAAP)	Adjustments [(a)]	Adjusted (Non-GAAP)
Operating income (loss)			
Luxury	$248.7	$ (145.1)	$ 393.8
Consumer Beauty	278.9	(132.2)	411.1
Professional Beauty	119.4	(75.5)	194.9
Corporate	(485.8)	(485.8)	—
Total	161.2	(838.6)	999.8

	Year Ended June 30, 2017		
(in millions)	Reported (GAAP)	Adjustments [(a)]	Adjusted (Non-GAAP)
Operating income (loss)			
Luxury	$158.0	$ (125.0)	$ 283.0
Consumer Beauty	261.2	(94.5)	355.7
Professional Beauty	78.5	(55.6)	134.1
Corporate	(935.5)	(935.5)	—
Total	(437.8)	(1,210.6)	772.8

(in millions)	Year Ended June 30, 2016 Reported (GAAP)	Adjustments (a)	Adjusted (Non-GAAP)
Operating income (loss)			
Luxury	$228.9	$ (50.5)	$ 279.4
Consumer Beauty	246.5	(20.5)	267.0
Professional Beauty	68.0	(8.5)	76.5
Corporate	(289.2)	(289.2)	—
Total	254.2	(368.7)	622.9

(a) See a reconciliation of reported operating income to adjusted operating income and a description of the adjustments under "adjusted operating income for Coty Inc." below. All adjustments are reflected in Corporate, except for amortization expense which is reflected in the Luxury, Consumer Beauty and Professional Beauty divisions.

Adjusted Operating Income for Coty Inc.

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

(in millions)	Year Ended June 30, 2018	2017	2016	Change % 2018/2017	2017/2016
Reported operating income (loss)	$161.2	$(437.8)	$254.2	>100%	<(100%)
% of Net revenues	1.7 %	(5.7)%	5.8 %		
Restructuring and other business realignment costs	381.1	426.2	109.7	(11 %)	>100%
Amortization expense	352.8	275.1	79.5	28 %	>100%
Costs related to acquisition activities	76.1	494.9	197.5	(85 %)	>100%
Pension settlement	—	17.5	—	(100 %)	100 %
Asset impairment charges	—	—	5.5	N/A	(100 %)
Share-based compensation expense adjustment	—	—	1.3	N/A	(100 %)
Loss/(gain) on sale of assets	28.6	(3.1)	(24.8)	>100%	88 %
Total adjustments to reported operating (loss) income	838.6	1,210.6	368.7	(31 %)	>100%
Adjusted operating income	$999.8	$772.8	$622.9	29 %	24 %
% of Net revenues	10.6 %	10.1 %	14.3 %		

In fiscal 2018, adjusted operating income increased 29%, or $227.0, to $999.8 from $772.8 in fiscal 2017. Adjusted operating margin increased to 10.6% of net revenues in fiscal 2018 as compared to 10.1% in fiscal 2017, driven by approximately 60 basis points related to lower selling, general, and administrative expenses partially offset by approximately 10 basis points related to higher adjusted costs of sales as a percentage of net revenues. Excluding the impact of foreign currency exchange translations, adjusted operating income increased 28%.

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

Restructuring and Other Business Realignment Costs

We periodically undertake activities to integrate, realign and restructure our business to streamline operations and optimize our cost structure.

In connection with the acquisition of the Burberry Beauty Business, we recorded $3.9 of restructuring costs related to distributor terminations which have been recorded in Corporate.

We continue to analyze our cost structure, including opportunities to simplify and streamline operations. Independent of the Global Integration Activities (as defined below), we are considering a range of smaller initiatives and other cost reduction activities, which will combine and expand existing initiatives, in order to reduce fixed costs and enable further investment in the business (the “2018 Restructuring Actions”). We expect that the 2018 Restructuring Actions will result in pre-tax restructuring and related costs of approximately $250.0, out of which approximately $78.0 has been approved through fiscal 2018.

In connection with the acquisition of the P&G Beauty Business, we anticipate that we will incur a total of approximately $1.3 billion of operating expenses, including restructuring and related costs aimed at integrating and optimizing the combined organization (“Global Integration Activities”). We expect that the Global Integration Activities will result in pre-tax restructuring and related costs of approximately $700.0 to $800.0, out of which approximately $700.0 has been approved through fiscal 2018.

In the first quarter of fiscal 2016, our Board approved an expansion to the acquisition integration program in connection with the acquisition of the Bourjois (the “Acquisition Integration Program”). Actions associated with the program were initiated after the Bourjois acquisition and substantially completed during fiscal 2017. We incurred $55.4 of restructuring costs life-to-date as of June 30, 2018, which have been recorded in Corporate.

In fiscal 2018, we incurred restructuring and other business realignment costs of $381.1, as follows:

- We incurred restructuring costs of $173.2 primarily related to the Global Integration Activities and 2018 Restructuring Actions, included in the Consolidated Statements of Operations.
- We incurred business structure realignment costs of $207.9 primarily related to our Global Integration Activities, and certain other programs. This amount includes $156.8 in Selling, general and administrative expenses and $51.1 in Cost of sales.

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

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

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

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

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

Costs related to acquisition activities

Costs related to acquisition activities comprise primarily of: (i) costs included in Acquisition-related costs in the Consolidated Statements of Operations, which may include finder’s fees, legal, accounting, valuation, and other professional or consulting fees, and other internal costs which may include compensation related expenses for dedicated internal resources. and (ii) other costs related to the amortization of acquired inventory step-up, included in Cost of sales in the Consolidated Statements of Operations.

In fiscal 2018, we incurred $76.1 of costs related to acquisition activities. We recognized Acquisition-related costs of $64.2, primarily in connection with the acquisitions of the P&G Beauty Business, the Burberry Beauty Business, ghd and Younique. We also incurred $7.1 of cost related to acquired inventory step-up amortization in connection with the acquisitions of Younique and the Burberry Beauty Business, as well as $4.8 in excess costs associated with the Burberry Beauty Business acquisition, included in Cost of sales in the Consolidated Statements of Operations.

In fiscal 2017, we incurred $494.9 of costs related to acquisition activities. We recognized Acquisition-related costs of $355.4, primarily in connection with the acquisition of P&G Beauty Business, ghd and Younique, included in the

Consolidated Statements of Operations. We also incurred $48.8, $44.4, and $40.8 in Cost of sales in the Consolidated Statements of

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Operations, primarily related to the amortization of acquired inventory step-up in connection with the acquisition of the P&G Beauty Business, ghd, and Younique, respectively.

In fiscal 2016, we incurred $197.5 of costs related to acquisition activities. This includes Acquisition-related costs of $174.0, primarily in connection with the acquisition of P&G Beauty Business, included in the Consolidated Statements of Operations. We also incurred $20.3 of costs, primarily related to the amortization of acquired inventory step-up in connection with the acquisition of the Hypermarcas Brands and Bourjois, included in Cost of sales in the Consolidated Statements of Operations. We also incurred $3.2 of costs related to acquisition activities, included in Selling, general and administrative expense in the Consolidated Statements of Operations.

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

Amortization Expense

In fiscal 2018, amortization expense increased to $352.8 from $275.1 in fiscal 2017 primarily as a result of the Acquisitions. In fiscal 2018, amortization expense of $145.1, $132.2, and $75.5 were reported in the Luxury, Consumer Beauty, and Professional Beauty segments, respectively.

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

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

Pension Settlement Charges

In fiscal 2018 and fiscal 2016, we did not incur any pension settlement charges.

In fiscal 2017, we incurred charges of $17.5 primarily in connection with the settlement of obligations related to the U.S. Del Laboratories, Inc. pension plan. The settlement of the plan was effectuated through lump sum payments to eligible participants during the three months ended September 30, 2016, in addition to, the purchase of annuity contracts from a third party insurance provider, effectively transferring the U.S. Del Laboratories, Inc. pension plan obligation to the insurance provider, during fiscal 2017. The settlement charge for fiscal 2017 is as a result of accelerating the recognition of losses previously deferred in other comprehensive income (loss). Pension settlement charges were reported in Corporate.

Asset Impairment Charges

In fiscal 2018 and 2017, we did not incur any asset impairment charges.

In fiscal 2016, Asset impairment charges of $5.5 were reported in the Consolidated Statements of Operations. The impairment represents the write-off of long-lived assets in Southeast Asia consisting of customer relationships reported in Corporate.

Share-Based Compensation Adjustment

There was no share-based compensation expense adjustment included in the calculation of adjusted operating income in fiscal 2018 and 2017. Share-based compensation adjustment for Pre-IPO grants in fiscal 2016 was $1.3.

Loss (Gain) on sale of assets

In fiscal 2018, we sold certain assets relating to our Playboy and Cerruti fragrance brands and recorded a loss of $28.6 which has been reflected in Loss (gain) on sale of assets in the Consolidated Statements of Operations.

In fiscal 2017, we sold certain assets relating to our J.Lo fragrance brand and recorded a gain of $3.1 which has been reflected in Loss (gain) on sale of assets in the Consolidated Statements of Operations.

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

INTEREST EXPENSE, NET

In fiscal 2018, net interest expense was $265.0 as compared with $218.6 in fiscal 2017. This increase is primarily a result of higher average debt balances and increased average interest rates.

In fiscal 2017, net interest expense was $218.6 as compared with $81.9 in fiscal 2016.This increase is primarily a result of higher average debt balances at increased interest rates due to the assumption of debt under the Galleria Credit Agreement and

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the financings of the acquisitions of ghd and Younique. Additionally included in the prior period interest expense is a onetime foreign currency exchange gain of $11.1 related to our debt refinancing in fiscal 2016.

LOSS ON EARLY EXTINGUISHMENT OF DEBT

In fiscal 2018, we incurred $10.7 in losses related to the write-off of debt discount and deferred financing costs in connection with the refinancing of our credit agreement entered into on October 27, 2017 (the “Coty Credit Agreement”) and the debt facilities available under the Galleria Credit Agreement (the “Galleria Credit Agreement”).

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

In fiscal 2016, we incurred $3.1 in losses related to the write-off of deferred financing costs in connection with the refinancing of our long-term credit facilities.

OTHER EXPENSE (INCOME), NET

In fiscal 2018, we incurred $38.0 of net other expense. The other expense in fiscal 2018 primarily includes $24.1 in expense related to third-party debt issuance costs incurred in connection with the refinancing of the Coty Credit Agreement and Galleria Credit Agreement and $12.5 related to the change in the Mandatorily Redeemable Financial Instrument (“MRFI”) balance primarily associated with a certain Southeast Asian subsidiary.

In fiscal 2017, we incurred $1.6 million of net other expense.

In fiscal 2016, we incurred $30.4 million of net other expense related to losses incurred of $29.6 on foreign currency contracts related to payments to Hypermarcas S.A. in connection with the acquisition of the Hypermarcas Brands and expenses of $0.8 related to the purchase of the remaining mandatorily redeemable financial instrument in a subsidiary.

INCOME TAXES

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

	2018	2017	2016
(Benefit) provision for income taxes	$(24.7)	$(259.5)	$(40.4)
Effective income tax rate	16.2 %	39.4 %	(29.1)%

The effective income tax rate for fiscal 2018 was 16.2% as compared with 39.4% in fiscal 2017 and (29.1)% in fiscal 2016. The effective income tax rate in fiscal 2018 includes an expense of $41.0 as a result of the Tax Act. This expense is due to the one-time deemed repatriation tax offset by a tax benefit on the revaluation of the Company’s deferred taxes. See Note 15—Income Taxes in the notes to our Consolidated Financial Statements for additional information.

The effective income tax rate in fiscal 2017 includes the release of a valuation allowance in the U.S. as a result of the P&G Beauty Business acquisition of $111.2.

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

The effective rates vary from the U.S. federal statutory rate of approximately 28% due to the effect of (i) jurisdictions with different statutory rates, (ii) adjustments to our unrecognized tax benefits and accrued interest, (iii) non-deductible expenses, (iv) audit settlements and (v) valuation allowance changes. Our effective tax rate could fluctuate significantly and could be adversely affected to the extent earnings are lower than anticipated in countries that have lower statutory rates and higher than anticipated in countries that have higher statutory rates.

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

	Year Ended June 30, 2018			Year Ended June 30, 2017			Year Ended June 30, 2016		
(in millions)	(Loss)/ income before income taxes	(Benefit)provision for income taxes	Effective tax rate	(Loss)/ income before income taxes	(Benefit)provision for income taxes	Effective tax rate	Income before income taxes	(Benefit)provision for income taxes	Effective tax rate
Reported (loss) income before income taxes	$(152.5)	(24.7)	16.2 %	$(658.0)	(259.5)	39.4 %	$138.8	(40.4)	(29.1)%
Adjustments to reported operating income (loss) (a) (b)	838.6	152.5		1,210.6	355.0		368.7	50.7	
Other adjustments (b) (c)	33.4	10.4		1.4	0.4		9.6	(0.7)	
Adjusted income before income taxes	$719.5	$ 138.2	19.2 %	$554.0	$ 95.9	17.3 %	$517.1	$ 9.6	1.9 %

(a) See a description of adjustments under “Adjusted Operating Income for Coty Inc.”

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

(c) See “Reconciliation of Reported Net (Loss) Income Attributable to Coty Inc. to Adjusted Net Income Attributable to Coty Inc.”

The adjusted effective tax rate was 19.2% compared to 17.3% in the prior-year period. The differences were primarily due to the release of a valuation allowance in the US in the prior period as a result of the P&G Beauty Business acquisition. Cash paid during the years ended June 30, 2018, 2017 and 2016, for income taxes of $124.6, $90.1 and $118.1 represents 17.3%, 16.3% and 22.8% of Adjusted income before income taxes for the fiscal year ended, respectively.

NET (LOSS) INCOME ATTRIBUTABLE TO COTY INC.

In fiscal 2018, net loss attributable to Coty Inc. decreased $253.4 to a loss of $168.8 from a loss of $422.2 in fiscal 2017. This decrease primarily reflects higher operating income partially offset by higher interest expense in fiscal 2018 and incremental costs related to the loss on early extinguishment of debt and other debt issuance costs.

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

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

(in millions)	Year Ended June 30, 2018	2017	2016	Change % 2018/2017	2017/2016
Reported net (loss) income attributable to Coty Inc.	$(168.8)	$(422.2)	$156.9	60 %	<(100%)
% of Net revenues	(1.8 %)	(5.5 %)	3.6 %		
Adjustments to reported operating income [a]	838.6	1,210.6	368.7	(31 %)	>100%
Adjustments to other expense [b]	24.1	—	30.4	>100%	(100 %)
Loss on early extinguishment of debt [c]	10.7	—	3.1	>100%	(100 %)
Adjustments to interest (income) expense [d]	(1.4)	1.4	(23.9)	<(100%)	>100%
Adjustments to noncontrolling interest expense [e]	(24.0)	(25.9)	—	7 %	(100 %)
Change in tax provision due to adjustments to reported net (loss) income attributable to Coty Inc.	(162.9)	(355.4)	(50.0)	54 %	<(100%)
Adjusted net income attributable to Coty Inc.	$516.3	$408.5	$485.2	26 %	(16 %)
% of Net revenues	5.5 %	5.3 %	11.2 %		
Per Share Data					
Adjusted weighted-average common shares					
Basic	749.7	642.8	345.5		
Diluted	753.1	647.8	354.2		
Adjusted net income attributable to Coty Inc. per common share					
Basic	$0.69	$0.64	$1.40		
Diluted	$0.69	$0.63	$1.37		

(a) See a description of adjustments under “Adjusted Operating Income for Coty Inc.”

(b) In fiscal 2018, we incurred losses of $24.1 related to the expensing of third-party debt issuance costs incurred in connection with the refinancing of the Coty Credit Agreement and Galleria Credit Agreement. In fiscal 2016, we incurred losses of $29.6 on foreign currency contracts related to payments for the acquisition of the Hypermarcas Brands and expenses of $0.8 related to the purchase of the remaining mandatorily redeemable financial interest in a subsidiary, included in Other expense, net in the Consolidated Statements of Operations.

(c) In fiscal 2018, the amount represents the write-off of debt discount and deferred financing costs in connection with the refinancing of the Coty Credit Agreement and Galleria Credit Agreement, included in Loss on early extinguishment of debt in the Consolidated Statements of Operations. In fiscal 2016, the amount represents the write-off of deferred financing costs in connection with the refinancing of debt, included in Loss on early extinguishment of debt in the Consolidated Statements of Operations.

(d) The amount in fiscal 2018 represents one-time gains of $1.4 on short-term forward contracts to exchange euros for U.S. dollars to repay U.S. dollar debt balances outstanding under the Coty Credit Agreement and Galleria Credit Agreement, in connection with the refinancing of those respective agreements in April 2018, included in Interest expense, net in the Consolidated Statements of Operations. The amount in fiscal 2017 represents a net loss of $1.4 incurred in connection with the acquisition of the Hypermarcas Brands and subsequent intercompany loans, included in Interest expense, net in the Consolidated Statements of Operations. The amount in fiscal 2016 primarily represents one-time gains of $11.1 on short-term forward contracts to exchange euros for U.S. dollars related to the euro-denominated debt and a net gain of $12.8 in connection with the acquisition of the Hypermarcas Brands and subsequent intercompany loans, included in Interest expense, net in the Consolidated Statements of Operations.

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

Quarterly Results of Operations Data

The following tables set forth our unaudited quarterly consolidated statements of operations data for each of the eight quarters in the periods ended June 30, 2018. We have prepared the quarterly consolidated statements of operations data on a basis consistent with the consolidated financial statements included in Part II, Item 8, “Financial Statements and Supplementary Data” in this Annual Report on Form 10-K. In the opinion of management, the financial information reflects all adjustments, consisting only of normal recurring adjustments, which we consider necessary for a fair presentation of this data. This information should be read in conjunction with the consolidated financial statements and related notes included in Part II, Item 8, “Financial Statements and Supplementary Data” in this Annual Report. The results of historical periods are not necessarily indicative of the results of operations for any future period.

	Fiscal 2018 [a] Three Months Ended				Fiscal 2017 [b] Three Months Ended			
	June 30,	March 31,	December 31,	September 30,	June 30,	March 31,	December 31,	September 30,
(in millions, except per share data)	2018	2018	2017	2017	2017	2017	2016	2016
Consolidated Statements of Operations Data:								
Net revenues	$2,299.4	$2,222.7	$2,637.6	$2,238.3	$2,241.3	$2,032.1	$2,296.7	$1,080.2
Gross profit	1,402.7	1,410.3	1,612.6	1,364.0	1,366.0	1,216.0	1,404.4	635.4
Restructuring costs	97.6	42.7	21.7	11.2	193.2	155.8	15.8	7.4
Acquisition-related costs	0.5	2.6	7.0	54.1	80.3	57.7	135.9	81.5
Operating (loss) income	(61.8)	19.9	174.4	28.7	(279.0)	(192.5)	(12.7)	46.4
Interest expense, net	65.7	72.6	60.3	66.4	59.5	60.8	57.9	40.4
Loss on early extinguishment of debt	10.7	—	—	—	—	—	—	—
Other expense (income), net	27.9	3.0	3.4	3.7	1.4	(0.5)	(0.6)	1.3
(Loss) income before income taxes	(166.1)	(55.7)	110.7	(41.4)	(339.9)	(252.8)	(70.0)	4.7
Provision (benefit) for income taxes	4.1	4.4	(7.9)	(25.3)	(38.9)	(93.4)	(122.1)	(5.1)
Net (loss) income	$(170.2)	$(60.1)	$118.6	$(16.1)	$(301.0)	$(159.4)	$52.1	$9.8
Net income (loss) attributable to noncontrolling interests	$5.0	$1.1	$(1.9)	$(2.2)	$1.2	$3.5	$2.5	$8.2
Net income attributable to redeemable noncontrolling interests	$6.1	$15.8	$11.3	$5.8	$2.6	$1.3	$2.8	$1.6
Net (loss) income attributable to Coty Inc.	$(181.3)	$(77.0)	$109.2	$(19.7)	$(304.8)	$(164.2)	$46.8	$—
Per Share Data:								
Weighted-average common shares:								
Basic	750.6	750.1	749.6	748.6	747.7	747.3	746.6	336.3
Diluted	750.6	750.1	752.7	748.6	747.7	747.3	752.4	336.6
Cash dividends declared per common share	$0.125	$0.125	$0.125	$0.125	$0.125	$0.125	$0.125	$0.275
Net (loss) income attributable to Coty Inc. per common share:								
Basic	$(0.24)	$(0.10)	$0.15	$(0.03)	$(0.41)	$(0.22)	$0.06	$—
Diluted	(0.24)	(0.10)	0.15	(0.03)	(0.41)	(0.22)	0.06	—

[a] Beginning in the second quarter of fiscal 2018, the financial results presented above include the impacts of the Burberry Beauty Business acquisition.
[b] Beginning in the second quarter of fiscal 2017, the financial results presented above include the impacts of the acquisitions of the P&G Beauty Business and ghd. Beginning in the third quarter of fiscal 2017, the financial results presented above include the impacts of the Younique acquisition.

FINANCIAL CONDITION

LIQUIDITY AND CAPITAL RESOURCES

Overview

As of June 30, 2018, we had cash and cash equivalents of $331.6 compared with $535.4 at June 30, 2017. Our cash and cash equivalents balances decreased by $203.8 during fiscal 2018 primarily as a result of cash used for capital expenditures, dividend payments to shareholders and acquisitions, partially offset by cash generated from operations and net borrowings from long-term debt. During fiscal 2018, we reduced our cash held outside of the U.S. by $168.8, which was utilized for corporate purposes.

Our cash flows are subject to seasonal variation throughout the year, including demands on cash made during our first fiscal quarter in anticipation of higher global sales during the second fiscal quarter and strong cash generation in the second fiscal quarter as a result of increased demand by retailers associated with the holiday season. Our principal uses of cash are to fund planned operating expenditures, capital expenditures, interest payments, acquisitions, dividends, share repurchases and any principal payments on debt. The working capital movements are based on the sourcing of materials related to the production of products within each of our segments. The phasing of payments to vendors also impacts our working capital from time-to-time as we seek to efficiently manage our cash and working capital requirements.

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

Debt

The balances consisted of the following as of June 30, 2018 and June 30, 2017, respectively:

	June 30, 2018	June 30, 2017
Short-term debt	$9.2	$3.7
2018 Coty Credit Agreement		
2018 Coty Revolving Credit Facility due April 2023	368.1	—
2018 Coty Term A Facility due April 2023	3,371.5	—
2018 Coty Term B Facility due April 2025	2,390.5	—
Senior Unsecured Notes		
2026 Dollar Notes due April 2026	550.0	—
2023 Euro Notes due April 2023	640.9	—
2026 Euro Notes due April 2026	291.4	—
Galleria Credit Agreement		
Galleria Revolving Credit Facility due September 2021	—	—
Galleria Term Loan A Facility due September 2021	—	944.3
Galleria Term Loan B Facility due September 2023	—	1,000.0
Coty Credit Agreement		
Coty Revolving Credit Facility due October 2020	—	810.0
Coty Term Loan A Facility due October 2020	—	1,792.8
Coty Term Loan A Facility due October 2021	—	950.6
Coty Term Loan B Facility due October 2022	—	1,712.5
Other long-term debt and capital lease obligations	1.6	1.7
Total debt	7,623.2	7,215.6
Less: Short-term debt and current portion of long-term debt	(218.9)	(209.1)
Total Long-term debt	7,404.3	7,006.5
Less: Unamortized debt issuance costs [(a)] [(b)]	(86.2)	(67.6)
Less: Discount on Long-term debt	(12.7)	(10.6)
Total Long-term debt, net	$7,305.4	$6,928.3

[(a)] Balances as of June 30, 2018 consist of unamortized debt issuance costs of $31.4 for the 2018 Coty Revolving Credit Facility, $29.2 for the 2018 Coty Term A Facility, $10.9 for the 2018 Coty Term B Facility, $8.3 for the 2026 Dollar and Euro Notes and $6.4 for the 2023 Euro Notes.

[(b)] Balances as of June 30, 2017 consist of unamortized debt issuance costs of $17.5 for the Coty Revolving Credit Facility, $33.2 for the Coty Term Loan A Facility, $11.3 for the Coty Term Loan B Facility, $2.7 for the Galleria Term Loan A Facility and $3.0 for the Galleria Term Loan B Facility. Unamortized debt issuance costs of $4.2 for the Galleria Revolving Credit Facility were classified as Other noncurrent assets as of June 30, 2017.

Short-Term Debt

We maintain short-term lines of credit with financial institutions around the world. Total available lines of credit were $129.2 and $132.4, of which $4.7 and $3.2 were outstanding at June 30, 2018 and 2017, respectively. Interest rates on these short-term lines of credit vary depending on market rates for borrowings within the respective geographic locations plus applicable spreads. Interest rates plus applicable spreads on these lines ranged from 0.2% to 10.7% and from 0.4% to 11.2% as of June 30, 2018 and 2017, respectively. The weighted-average interest rate on short-term debt outstanding was 2.2% and 3.0%

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as of June 30, 2018 and 2017, respectively. In addition, we had undrawn letters of credit of $5.4 and $5.5 as of June 30, 2018 and 2017, respectively.

Long-Term Debt

Our long-term debt facilities consisted of the following as of June 30, 2018:

Facility	Maturity Date	Borrowing Capacity (in millions)	Interest Rate Terms	Applicable Interest Rate Spread as of June 30, 2018	Debt Discount	Repayment Schedule
2018 Coty Revolving Credit Facility	April 2023	$3,250.0	LIBOR[(a)] plus a margin ranging from 1.00% to 2.00% per annum or a base rate plus a margin ranging from 0.00% to 1.00% per annum, based on the Company's total net leverage ratio [(c) (d) (e)]	1.75%	N/A[(b)]	Payable in full at maturity date
2018 Coty Term A Facility - USD Portion	April 2023	$1,000.0	LIBOR[(a)] plus a margin ranging from 1.00% to 2.00% per annum or a base rate plus a margin ranging from 0.00% to 1.00% per annum, based on the Company's total net leverage ratio [(c) (d)]	1.75%	N/A[(b)]	Quarterly repayments beginning September 30, 2018 at 1.25% of original principal amount
2018 Coty Term A Facility - EUR Portion	April 2023	€2,035.0	LIBOR[(a)] plus a margin ranging from 1.00% to 2.00% per annum or a base rate plus a margin ranging from 0.00% to 1.00% per annum, based on the Company's total net leverage ratio [(c) (d)]	1.75%	N/A[(b)]	Quarterly repayments beginning September 30, 2018 at 1.25% of original principal amount
2018 Coty Term B Facility - USD Portion	April 2025	$1,400.0	LIBOR[(a)] plus a margin of 2.25% per annum or a base rate plus a margin of 1.25% per annum [(d)]	2.25%	0.25%	Quarterly repayments beginning September 30, 2018 at 0.25% of original principal amount
2018 Coty Term B Facility - EUR Portion	April 2025	€850.0	LIBOR[(a)] plus a margin of 2.50% per annum [(d)]	2.50%	0.25%	Quarterly repayments beginning September 30, 2018 at 0.25% of original principal amount
2026 Dollar Notes	April 2026	$550.0	6.5% per annum, payable semi-annually in arrears on April 15 and October 15 of each year, beginning on October 15, 2018	N/A[(b)]	N/A[(b)]	Payable in full at maturity date
2023 Euro Notes	April 2023	€550.0	4.0% per annum, payable semi-annually in arrears on April 15 and October 15 of each year,	N/A[(b)]	N/A[(b)]	Payable in full at maturity date

			beginning on October 15, 2018			
2026 Euro Notes	April 2026	€250.0	4.75% per annum, payable semi-annually in arrears on April 15 and October 15 of each year, beginning on October 15, 2018	N/A[b]	N/A[b]	Payable in full at maturity date

[a] As defined below.
[b] N/A - Not Applicable.
[c] As defined per the 2018 Coty Credit Agreement.
[d] The selection of the applicable one, two, three, six or twelve month interest rate for the period is at the discretion of the Company.
[e] The Company will pay to the Revolving Credit Facility lenders an unused commitment fee calculated at a rate ranging from 0.10% to 0.35% per annum, based on the Company's total net leverage ratio[c]. As of June 30, 2018, the applicable rate on the unused commitment fee was 0.30%.

See Note 13—Debt in the notes to our Consolidated Financial Statements for additional information on our debt arrangements.

Offering of Senior Unsecured Notes

On April 5, 2018 we issued, at par, $550.0 of 6.50% senior unsecured notes due 2026 (the "2026 Dollar Notes"), €550.0 million of 4.00% senior unsecured notes due 2023 (the "2023 Euro Notes") and €250.0 million of 4.75% senior unsecured notes due 2026 (the "2026 Euro Notes" and, together with the 2023 Euro Notes, the "Euro Notes," and the Euro Notes together with the 2026 Dollar Notes, the "Senior Unsecured Notes") in a private offering to qualified institutional buyers pursuant to Rule 144A under the Securities Act and to non-U.S. persons outside the U.S. pursuant to Regulation S under the Securities

Act. The net proceeds of this offering, together with borrowings under our 2018 Credit Agreement were used to repay in full and refinance the indebtedness outstanding under the 2015 Coty Credit Agreement and Galleria Credit Agreement and to pay accrued interest, related premiums, fees and expenses in connection therewith.
The Senior Unsecured Notes are our senior unsecured debt obligations and will be pari passu in right of payment with all of our existing and future senior indebtedness (including the 2018 Coty Credit Facilities described below). The Senior Unsecured Notes are guaranteed, jointly and severally, on a senior basis by the Guarantors (as later defined under "2018 Coty Credit Agreement"). The Senior Unsecured Notes are our senior unsecured obligations and are effectively junior to all our existing and future secured indebtedness to the extent of the value of the collateral securing such secured indebtedness. The related guarantees are senior unsecured obligations of each Guarantor and are effectively junior to all existing and future secured indebtedness of such Guarantor to the extent of the value of the collateral securing such indebtedness.
In addition to the optional redemption outlined below, we may, at our option, redeem either series of the Euro Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Euro Notes to be redeemed, together with any accrued and unpaid interest thereon to, but excluding, the redemption date, at any time, upon the occurrence of certain tax events.
Upon the occurrence of certain change of control triggering events with respect to a series of Senior Unsecured Notes, we will be required to offer to repurchase all or part of the Senior Unsecured Notes of such series at 101% of their principal amount, plus accrued and unpaid interest, if any, to, but excluding, the purchase date applicable to such Senior Unsecured Notes.
The Notes contain customary covenants that place restrictions in certain circumstances on, among other things, incurrence of liens, entry into sale or leaseback transactions, sales of all or substantially all of our assets and certain merger or consolidation transactions. The Notes also provide for customary events of default.
Optional Redemption
Applicable Premium
The indenture governing the Senior Unsecured Notes (the "Indenture") specifies the Applicable Premium (as defined in the Indenture) to be paid upon early redemption of some or all of the 2026 Dollar Notes, 2023 Euro Notes or 2026 Euro Notes.
The Applicable Premium related to the 2026 Dollar Notes, 2023 Euro Notes and 2026 Euro Notes on any redemption date and as calculated by the Company is the greater of:

(1) 1.0% of the then outstanding principal amount of the respective 2026 Dollar Notes, 2023 Euro Notes and 2026 Euro Notes; and

(2) the excess, if any, of (a) the present value at such redemption date of (i) the redemption price of such 2026 Dollar Notes, 2023 Euro Notes or 2026 Euro Notes that would apply if such 2026 Dollar Notes, 2023 Euro Notes or 2026 Euro Notes were redeemed on April 15, 2021, April 15, 2020 or April 15, 2021, respectively (such redemption price is expressed as a percentage of the principal amount being set forth in the table appearing in the Redemption Pricing section below), plus (ii) all remaining scheduled payments of interest due on the 2026 Dollar Notes, 2023 Euro Notes or 2026 Euro Notes to and including April 15, 2021, April 15, 2020 and April 15, 2021, respectively (excluding accrued but unpaid interest, if any, to, but excluding, the redemption date), with respect to each of subclause (i) and (ii), computed using a discount rate equal to the Treasury Rate in the case of the 2026 Dollar Notes or Bund Rate in the case of both the 2020 Euro Notes or 2026 Euro Notes (both Treasury Rate and Bund Rate as defined in the Indenture) as of such redemption date plus 50 basis points; over (b) the principal amount of the respective 2026 Dollar Notes, 2023 Euro Notes or 2026 Euro Notes.

Redemption Pricing
At any time and from time to time prior to April 15, 2021, April 15, 2020 and April 15, 2021, we may redeem some or all of the 2026 Dollar Notes, 2023 Euro Notes and 2026 Euro Notes, respectively, at redemption prices equal to 100% of the respective principal amounts being redeemed plus the Applicable Premium, plus accrued and unpaid interest, if any, to, but excluding, the redemption dates.
At any time on or after April 15, 2021, April 15, 2020 and April 15, 2021, we may redeem some or all of the 2026 Dollar Notes, 2023 Euro Notes and 2026 Euro Notes, respectively, at the redemption prices (expressed in percentage of principal amount) set forth below, plus accrued and unpaid interest, if any, to, but excluding, the redemption dates,

if redeemed during the twelve-month period beginning on April 15 of each of the years indicated below:

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	Price		
Year	2026 Dollar Notes	2023 Euro Notes	2026 Euro Notes
2020	N/A	102.0000%	N/A
2021	104.8750%	101.0000%	103.5625%
2022	103.2500%	100.0000%	102.3750%
2023	101.6250%	100.0000%	101.1875%
2024 and thereafter	100.0000%	N/A	100.0000%

In addition, at any time prior to April 15, 2021, April 15, 2020 and April 15, 2021, we may redeem up to 35% of the aggregate principal amounts of the outstanding 2026 Dollar Notes, 2023 Euro Notes and 2026 Euro Notes, respectively, using the net cash proceeds from certain equity offerings at redemption prices (expressed as a percentage of the principal amount) of 106.50%, 104.00% and 104.75%, respectively, plus accrued and unpaid interest, if any, to, but excluding, the redemption dates; provided that (i) at least 65% of the aggregate principal amount of 2026 Dollar Notes, 2023 Euro Notes and 2026 Euro Notes, respectively, originally issued on the date of the Indenture remain outstanding after each such redemption, and (ii) notice of any such redemption is delivered to the Trustee within 90 days of the closing of each such equity offering.

2018 Coty Credit Agreement

On April 5, 2018, we entered into a new credit agreement (the “2018 Coty Credit Agreement”), which amended and restated the previously existing 2015 Coty Credit Agreement. The 2018 Coty Credit Agreement provides for (a) our incurrence of (1) a senior secured term A facility in an aggregate principal amount of (i) $1,000.0 denominated in U.S. dollars and (ii) €2,035.0 million denominated in euros (the “2018 Coty Term A Facility”) and (2) a senior secured term B facility in an aggregate principal amount of (i) $1,400.0 denominated in U.S. dollars and (ii) €850.0 million denominated in euros (the “2018 Coty Term B Facility”) and (b) the incurrence by us and Coty B.V., a Dutch subsidiary of ours (the “Dutch Borrower” and, together with us, the “Borrowers”), of a senior secured revolving facility in an aggregate principal amount of $3,250.0 denominated in U.S. dollars, specified alternative currencies or other currencies freely convertible into U.S. dollars and readily available in the London interbank market (the “2018 Coty Revolving Credit Facility”) (the 2018 Coty Term A Facility, together with the 2018 Coty Term B Facility and the 2018 Coty Revolving Credit Facility, the “2018 Coty Credit Facilities”). Initial borrowings under the 2018 Coty Term Loan B Facility were issued at a 0.250% discount.

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

The net proceeds of the Senior Unsecured Notes and the 2018 Coty Credit Facilities were used to repay in full and refinance the indebtedness outstanding under the 2015 Coty Credit Agreement and Galleria Credit Agreement and to pay accrued interest, related premiums, fees and expenses in connection therewith. Future borrowings under the 2018 Coty Credit Agreement could be used for corporate purposes.

Our obligations under the 2018 Coty Credit Agreement are guaranteed by our material wholly-owned subsidiaries organized in the U.S., subject to certain exceptions (the “Guarantors”) and the obligations of the Company and the Guarantors under the 2018 Coty Credit Agreement are secured by a perfected first priority lien (subject to permitted liens) on substantially all of ours and the Guarantors’ assets, subject to certain exceptions. The Dutch Borrower does not guarantee our obligations under the 2018 Coty Credit Agreement or grant any liens on its assets to secure any obligations under the 2018 Coty Credit Agreement.

See Note 13—Debt in the notes to our Consolidated Financial Statements for additional information on our prior period credit agreements.

Interest

The 2018 Coty Credit Agreement facilities bears interest at rates equal to, at our option, either:

- LIBOR of the applicable qualified currency, of which the we can elect the applicable one, two, three, six or twelve month rate, plus the applicable margin; or

•ABR plus the applicable margin.

In the case of the 2018 Coty Revolving Credit Facility and the 2018 Coty Term A Facility, the applicable margin means the lesser of a percentage per annum to be determined in accordance with the leverage-based pricing grid and the debt rating-based grid below:

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

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

In the case of the USD portion of the 2018 Coty Term B Facility, the applicable margin means 2.25% per annum, in the case of LIBOR loans, and 1.25% per annum, in the case of ABR loans. In the case of the Euro portion of the 2018 Coty Term B Facility, the applicable margin means 2.50% per annum, in the case of EURIBOR loans.

In no event will LIBOR be deemed to be less than 0.00% per annum.

Debt Maturities Schedule

Aggregate maturities of all long-term debt, including current portion of long-term debt and excluding capital lease obligations as of June 30, 2018, are presented below:

Fiscal Year Ending June 30,	
2019	$192.5
2020	192.5
2021	192.5
2022	192.5
2023	3,730.1
Thereafter	3,112.3
Total	$7,612.4

Covenants

The 2018 Coty Credit Agreement contains affirmative and negative covenants. The negative covenants include, among other things, limitations on debt, liens, dispositions, investments, fundamental changes, restricted payments and affiliate transactions. With certain exceptions as described below, the 2018 Coty Credit Agreement includes a financial covenant that requires us to maintain a Total Net Leverage Ratio (as defined below), equal to or less than the ratios shown below for each respective test period.

Quarterly Test Period Ending	Total Net Leverage Ratio[a]
June 30, 2018	5.50 to 1.00
September 30, 2018 through December 31, 2018	5.50 to 1.00
March 31, 2019 through June 30, 2019	5.25 to 1.00
September 30, 2019 through December 31, 2019	5.00 to 1.00
March 31, 2020 through June 30, 2020	4.75 to 1.00
September 30, 2020 through December 31, 2020	4.50 to 1.00
March 31, 2021 through June 30, 2021	4.25 to 1.00
September 30, 2021 through June 30, 2023	4.00 to 1.00

[a] Total Net Leverage Ratio means, as of any date of determination, the ratio of: (a) (i) Total Indebtedness minus (ii) unrestricted cash and Cash Equivalents of the Parent Borrower and its Restricted Subsidiaries as determined in accordance with GAAP to (b) Adjusted EBITDA for the most recently ended Test Period (each of the defined terms used within the definition of Total Net Leverage Ratio have the meanings ascribed to them within the 2018 Coty Credit Agreement).

In the four fiscal quarters following the closing of any Material Acquisition (as defined in the 2018 Coty Credit Agreement), including the fiscal quarter in which such Material Acquisition occurs, the maximum Total Net Leverage Ratio shall be the lesser of (i) 5.95 to 1.00 and (ii) 1.00 higher than the otherwise applicable maximum Total Net Leverage Ratio for such quarter (as set forth in the table above). Immediately after any such four fiscal quarter period, there shall be at least two consecutive fiscal quarters during which our Total Net Leverage Ratio is no greater than the maximum Total Net Leverage Ratio that would otherwise have been required in the absence of such Material Acquisition, regardless of whether any additional Material Acquisitions are consummated during such period.

Business Combinations

Burberry Beauty Business Acquisition

On October 2, 2017, we acquired the exclusive global license rights and other related assets for the Burberry Limited (“Burberry”) luxury fragrances, cosmetics and skincare business (the “Burberry Beauty Business”). The Burberry Beauty Business acquisition is expected to further strengthen our position in the global luxury beauty industry. Total purchase consideration, after post-closing adjustments, was £191.7 million, the equivalent of $256.3, at the time of closing. Included in the purchase price was cash consideration of £183.3 million, the equivalent of $245.1, at the time of closing, in addition to £8.4 million, the equivalent of $11.2, of estimated contingent consideration, at the time of closing.

P&G Beauty Business Acquisition

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

We issued 409.7 million shares of common stock to the former holders of Galleria Co. (“Galleria”) (which held the assets of the P&G Beauty Business) common stock, together with cash in lieu of fractional shares. Coty Inc. is considered to be the acquiring company for accounting purposes.

Acquisition of ghd

On November 21, 2016, we completed the acquisition of 100% of the equity interest of Lion/Gloria Topco Limited, which held the assets of ghd (“ghd”) which stands for “Good Hair Day”, a premium brand in high-end hair styling appliances, pursuant to a sale and purchase agreement. The ghd acquisition further strengthens our professional hair category. The total cash consideration paid net of acquired cash and cash equivalents was £430.2 million, the equivalent of $531.5, at the time of closing.

Acquisition of Younique

On February 1, 2017, we completed our acquisition of 60% of the membership interest in Foundation, LLC (“Foundation”), which held the net assets of Younique, LLC, a Utah limited liability company (“Younique”), for cash consideration of $600.0, net of acquired cash and debt assumed, and an additional payment of $7.5 for working capital adjustments paid in the first half of fiscal 2018. The existing Younique membership holders contributed their 100%

membership interest in Younique to Foundation in exchange for a 40% membership interest in Foundation and $607.5 of cash consideration. Younique strengthens the Consumer Beauty division’s color cosmetics and skin and body care product offerings. We account for the noncontrolling interest portion of the acquisition as a redeemable noncontrolling interest. Refer to Note 20—

Redeemable Noncontrolling Interests for information regarding valuation method and significant assumptions used to calculate the fair value.

Hypermarcas Brands Acquisition

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

Dispositions

During fiscal 2018, we divested the Playboy and Cerruti brands and related assets for total proceeds of $33.0. We allocated $12.3 of goodwill to these brands as part of the sale. We recorded a non-cash loss of $28.6 which has been reflected in Loss (gain) on sale of assets in the Consolidated Statements of Operations for the fiscal year ended June 30, 2018.

During fiscal 2017, we sold assets of the J.Lo brand for a total purchase price of $10.5. We allocated $2.4 of goodwill to the brand as part of the sale. We recorded a gain of $3.1 which has been reflected in Loss (gain) on sale of assets in the Consolidated Statements of Operations for the fiscal year ended June 30, 2017.

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

Cash Flows

	Year Ended June 30,		
	2018	2017	2016
Consolidated Statements of Cash Flows Data:			
(in millions)			
Net cash provided by operating activities	$413.7	$757.5	$501.4
Net cash (used in) investing activities	(687.6)	(1,163.6)	(1,059.2)
Net cash provided by (used in) financing activities	69.3	595.2	592.6

Net cash provided by operating activities

Net cash provided by operating activities was $413.7, $757.5 and $501.4 for fiscal 2018, 2017 and 2016, respectively. The decrease in operating cash inflows in fiscal 2018 compared with fiscal 2017 was $343.8. This decrease is primarily due to an increase in cash outflows related to working capital of $907.1, partially offset by an increase in net income after adjusting for non-cash items of $573.3. Working capital changes in fiscal 2018 generated cash outflows of $110.2, compared with generating cash inflows of $796.9 in fiscal 2017. The working capital cash inflows in fiscal 2017 included the impact of (i) an increase in accounts payable in fiscal 2017 due to implementing significantly longer Coty payment terms to the vendors associated with the P&G Beauty Business, as compared to the prior P&G payment terms and (ii) an increase in accrued expenses and other current liabilities in fiscal 2017 due to the establishment of accruals for the Global Integration Activities along with incrementally larger accruals resulting from the larger combined business subsequent to the acquisition of the P&G Beauty Business. The working capital cash outflows in fiscal 2018 included the positive impact of the phasing of payments to vendors. The increase in net income after adjusting for non-cash items in fiscal 2018, compared to fiscal 2017, resulted primarily from changes in the net loss, deferred income taxes and depreciation and amortization from recent acquisitions.

The increase in operating cash inflows in fiscal 2017 compared with fiscal 2016 was $256.1. This increase is primarily due to an increase of $687.0 resulting from the change in operating assets and liabilities acquired in the P&G Beauty Business acquisition, coupled with changes in working capital. The increase in accounts payable during fiscal 2017 was primarily due to implementing significantly longer Coty payment terms to the vendors associated with the P&G Beauty Business, as compared to the prior P&G payment terms. The increase in accrued expenses and other current liabilities during fiscal 2017 resulted primarily from the establishment of the restructuring accrual for the Global Integration Activities along with incrementally larger accruals (e.g., accruals for advertising and marketing expenditures, for customer rebates and for compensation and other related employee benefits) resulting from the larger combined business subsequent to the acquisition of the P&G Beauty Business. In addition, the increase also included a change of $323.1 for depreciation and amortization as a result of the new acquisitions. This is offset by a decrease in deferred income tax of $250.8 primarily due to a release of valuation allowance as a result of the P&G Beauty Business acquisition and a decrease of $577.7 in Net income (loss).

Net cash used in investing activities

Net cash used in investing activities was $(687.6), $(1,163.6) and $(1,059.2) for fiscal 2018, 2017 and 2016, respectively. The decrease in cash outflows of $476.0 was primarily due to lower cash payments for business combinations of $464.6. The business combinations in the current period included $245.1 for the Burberry Beauty Business, $25.4 for other acquisitions and $7.5 of net working capital adjustments from the Younique acquisition previously accrued for and paid in the current period.

The increase in cash outflows in fiscal 2017 as compared to fiscal 2016 of $104.4 is primarily driven by higher cash payments for capital projects of $282.2, partially offset by a decrease of $166.1 for net payments in connection with the P&G Beauty Business, ghd and Younique acquisitions.

Net cash provided by financing activities

Net cash provided by financing activities was $69.3, $595.2 and $592.6 for fiscal 2018, 2017 and 2016, respectively. The decrease in cash inflows of $525.9 was primarily due to lower net borrowings of debt of $521.1, higher debt issuance costs of $30.7 and higher distributions to noncontrolling interests and redeemable noncontrolling interests of $24.1. These amounts were partially offset by lower repurchases of Class A Common Stock held as Treasury Stock of $36.3.

The increase in cash inflows in fiscal 2017 as compared to fiscal 2016 of $2.6 is primarily driven by a decrease of $758.6 in payments for Class A Common Stock compared to the prior year, partially offset by an increase of $474.0 in net repayments of short term debt, the revolving loan and term loan facilities and an increase of $283.6 in cash dividends paid.

Dividends

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

The following dividends were declared during fiscal years 2018, 2017 and 2016:

Declaration Date	Dividend Type	Dividend Per Share	Holders of Record Date	Dividend Value	Dividend Payment Date	Dividends Paid	Dividends Payable
Fiscal 2018							
August 22, 2017	Quarterly	$ 0.125	September 1, 2017	$ 94.4	September 14, 2017	$ 93.6	$ 0.8
November 9, 2017	Quarterly	$ 0.125	November 30, 2017	$ 94.6	December 14, 2017	$ 93.7	$ 0.9
February 8, 2018	Quarterly	$ 0.125	February 28, 2018	$ 94.6	March 15, 2018	$ 93.8	$ 0.8
May 9, 2018	Quarterly	$ 0.125	May 31, 2018	$ 94.6	June 14, 2018	$ 93.8	$ 0.8
Fiscal 2018		$ 0.500		$ 378.2		$ 374.9	$ 3.3
Fiscal 2017							
August 1, 2016	Annual	$ 0.275	August 11, 2016	$ 93.4	August 19, 2016	$ 92.4	$ 1.0
December 9, 2016	Quarterly	$ 0.125	December 19, 2016	$ 94.0	December 28, 2016	$ 93.4	$ 0.6
February 9, 2017	Quarterly	$ 0.125	February 28, 2017	$ 94.0	March 10, 2017	$ 93.4	$ 0.6
May 10, 2017	Quarterly	$ 0.125	May 31, 2017	$ 94.0	June 13, 2017	$ 93.4	$ 0.6
Fiscal 2017		$ 0.650		$ 375.4		$ 372.6	$ 2.8
Fiscal 2016							
September 11, 2015	Annual	$ 0.250	October 1, 2015	$ 90.1	October 15, 2015	$ 89.0	$ 1.1

Treasury Stock - Share Repurchase Program

Since February 2014, the Board has authorized us to repurchase our Class A Common Stock under approved repurchase programs. Repurchases may be made from time to time at our discretion, based, among other things, on ongoing assessments of the capital needs of the business, the market price of our Class A Common Stock, our deleveraging strategy, and general market conditions. As of June 30, 2018, we had $396.8 remaining under the current repurchase program that was approved by our Board on February 3, 2016. The following table summarizes the share repurchase activities during the fiscal years ended June 30, 2018, 2017, and 2016:

Period	Number of shares repurchased (in millions)	Cost of shares repurchased (in millions)	Lowest fair value of shares repurchased per share	Highest fair value of shares repurchased per share
Fiscal Year Ended June 30, 2018	—	$ —	$ —	$ —
Fiscal Year Ended June 30, 2017	1.4	$ 36.3	$ 25.35	$ 27.40
Fiscal Year Ended June 30, 2016	27.4	$ 767.0	$ 25.10	$ 30.35

Treasury Stock - Other Repurchases

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

Contractual Obligations and Commitments

Our principal contractual obligations and commitments as of June 30, 2018 are presented below:

(in millions)	Total	Payments Due in Fiscal					
		2019	2020	2021	2022	2023	Thereafter
Long-term debt obligations	$7,612.4	$192.5	$192.5	$192.5	$192.5	$3,730.1	$3,112.3
Interest on long-term debt obligations [a]	2,577.0	281.0	304.4	333.9	365.8	367.1	924.8
Operating lease obligations	829.5	128.9	112.1	97.0	80.4	71.8	339.3
License agreements: [b]							
Royalty payments	673.9	126.0	85.3	63.0	46.7	47.9	305.0
Advertising and promotional spend obligations	0.7	0.7	—	—	—	—	—
Other contractual obligations [c]	418.2	258.8	60.2	55.1	34.5	7.7	1.9
Other long-term obligations:							
Pension obligations (mandated) [d]	87.6	19.0	18.2	17.4	16.8	16.2	—
Total	$12,199.3	$1,006.9	$772.7	$758.9	$736.7	$4,240.8	$4,683.3

[a] Interest costs on our debt after consideration of our interest rate swap arrangements are determined based on interest rate forecast and assumptions of the amount of debt outstanding. A 25 basis-point increase in our variable interest rate debt would have increased our interest costs by $103.1 over the term of our long-term debt.

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

[c] Other contractual obligations primarily represent advertising/marketing, manufacturing, logistics and capital improvements commitments. Additionally, we have included the mandatorily redeemable financial instruments arising out of our subsidiaries as discussed in Note 19—Mandatorily Redeemable Financial Interest. We also maintain several distribution agreements for which early termination could result in potential future cash outflows that have not been reflected above.

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

The table above excludes obligations for uncertain tax benefits, including interest and penalties, of $135.4 as of June 30, 2018, as we are unable to predict when, or if, any payments would be made. See Note 15—Income Taxes in the

notes to our Consolidated Financial Statements for additional information on our uncertain tax benefits.
The table excludes $661.3 of RNCI which is reflected in Redeemable noncontrolling interests in the Consolidated Balance Sheet as of June 30, 2018 related to our 25.0% RNCI in our subsidiary in the Middle East ("Middle East Subsidiary") and our 40.6% interest in Foundation. Given the provisions of the associated Put and Call rights, both RNCI are redeemable outside of our control and are recorded in temporary equity.

See Note 20—Redeemable Noncontrolling Interests in the notes to our Consolidated Financial Statements for further discussion related to the calculation of the redemption value for each of these noncontrolling interests.

Derivative Financial Instruments and Hedging Activities

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

Foreign Currency Exchange Risk Management

We operate in multiple functional currencies and are exposed to the impact of foreign currency fluctuations. For foreign currency exposures, which primarily relate to receivables, inventory purchases and sales, payables and intercompany loans, derivatives are used to better manage the earnings and cash flow volatility arising from foreign currency exchange rate fluctuations. We recorded foreign currency losses of $3.9, $1.5 and $7.2 in fiscal 2018, 2017 and 2016, respectively, resulting from non-financing foreign currency exchange transactions which are included in their associated expense type and are included in the Consolidated Statements of Operations. Net gains (losses) of $8.5, $(12.8) and $19.2 in fiscal 2018, 2017 and 2016, respectively, resulting from financing foreign exchange currency transactions are included in Interest expense, net in the Consolidated Statements of Operations. Net (losses) of nil, $(1.7) and $(29.4) in fiscal 2018, 2017 and 2016, respectively, resulting from acquisition-related foreign exchange currency transactions are included in Other expense, net in the Consolidated Statements of Operations. Exchange gains or losses are also partially offset through the use of qualified derivatives under hedge accounting, for which we record accumulated gains or losses in Accumulated other comprehensive income until the underlying transaction occurs at which time the gain or loss is reclassified into the respective account in the Consolidated Statements of Operations.

We have experienced and will continue to experience fluctuations in our net income as a result of balance sheet transactional exposures. As of June 30, 2018, in the event of a 10.0% unfavorable change in the prevailing market rates of hedged foreign currencies versus the U.S. dollar, the change in fair value of all foreign exchange forward contracts would result in a $26.3 increase in the fair value of the forward contracts. In the view of management, these hypothetical gains resulting from an assumed change in foreign currency exchange rates are not material to our consolidated financial statement position or results of operations. This gain does not include the impact on our underlying foreign currency exposures.

Interest Rate Risk Management

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

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

If interest rates had been 10% higher/lower and all other variables were held constant, (Loss) income before income taxes in fiscal 2018 would decrease/increase by $25.2.

During August 2018, we extended the maturity of our interest rate swap portfolio, in order to maintain a 50:50 ratio of fixed to floating rate debt through 2021 to better manage our medium term exposure to interest rate increases. Looking forward, we expect that the fixed to floating rate debt ratio will improve as we reduce the notional value of our floating rate debt. We intend to continue to target a 50:50 euro to U.S. dollar liability split under our long term debt agreements which would match our underlying cash inflows, to manage our exposure to foreign exchange risk in the financial markets.

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Credit Risk Management

We attempt to minimize credit exposure to counterparties by generally entering into derivative contracts with counterparties that have an “A” (or equivalent) credit rating. The counterparties to these contracts are major financial institutions. Exposure to credit risk in the event of nonperformance by any of the counterparties is limited to the fair value of contracts in net asset positions, which totaled $44.6 as of June 30, 2018. Accordingly, management believes risk of material loss under these hedging contracts is remote.

Inflation Risk

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

Off-Balance Sheet Arrangements

We had no material off-balance sheet arrangements as of June 30, 2018 and 2017.

Critical Accounting Policies

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

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

Revenue Recognition

Revenue is recognized when realized or realizable and earned. Our policy is to recognize revenue when risk of loss and title to the product transfers to the customer, which usually occurs upon delivery. Net revenues comprise gross revenues less customer discounts and allowances, actual and expected returns (estimated based on returns history and position in product life cycle) and various trade spending activities. Trade spending activities relate to advertising, product promotions and demonstrations, some of which involve cooperative relationships with customers. Returns represent 2%, 2% and 3% of gross revenue after customer discounts and allowances in fiscal 2018, 2017 and 2016, respectively. Trade spending activities recorded as a reduction to gross revenue after customer discounts and allowances represent 8%, 7%, and 8% in fiscal 2018, 2017 and 2016, respectively.

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

Goodwill, Other Intangible Assets and Long-Lived Assets

Goodwill

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

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

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

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

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

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

The key estimates and factors used in these approaches include revenue growth rates and profit margins based on our internal forecasts, our specific weighted-average cost of capital used to discount future cash flows, and comparable market multiples for the industry segment as well as our historical operating trends. Certain future events and circumstances, including deterioration of market conditions, higher cost of capital, a decline in actual and expected consumer consumption and demands, could result in changes to these assumptions and judgments. A revision of these assumptions could cause the fair values of the reporting units to fall below their respective carrying values. We would then perform the second step of the goodwill impairment test to determine the amount of any non-cash impairment charge. Such charge could have a material effect on the Consolidated Statements of Operations and Balance Sheets.

There were no impairments of goodwill at our reporting units in fiscal 2018, 2017 and 2016.

Based on the annual impairment test performed at May 1, 2018, we determined that the fair values of our reporting units exceeded their respective carrying values at that date by a range of approximately 20.1% to 97.6%. To determine the fair value of our reporting units, we have used expected growth rates that are in line with expected market growth rates for the respective product categories and include a discount rate of 7.25%.

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

Other Intangible Assets

We assess indefinite-lived other intangible assets (trademarks) at least annually as of May 1 for impairment, or more frequently if certain events occur or circumstances change that would more likely than not reduce the fair value of an indefinite-lived intangible asset below its carrying value. Trademarks are tested for impairment on a brand level basis. The trademarks' fair values are based upon the income approach, primarily utilizing the relief from royalty methodology. This methodology assumes that, in lieu of ownership, a third party would be willing to pay a royalty in order to obtain the rights to use the comparable asset. An impairment loss is recognized when the estimated fair value of the intangible asset is less than the carrying value. Fair value calculation requires significant judgments in determining both the assets' estimated cash flows as well as the appropriate discount and royalty rates applied to those cash flows to determine fair value. Variations in the economic conditions or a change in general consumer demands, operating results estimates or the application of alternative assumptions could produce significantly different results.

On May 1, 2018, 2017 and 2016, we performed our annual impairment testing of indefinite-lived other intangible assets and determined that no adjustments to carrying values were required.

The carrying value of our indefinite-lived other intangible assets was $3,186.2 as of June 30, 2018, and is comprised of trademarks for the following brands: OPI of $664.9, CoverGirl of $610.0, the professional product line of Wella of $440.0, Max Factor of $340.0, philosophy of $274.2, Sally Hansen of $184.5, ghd of $158.2, and other trademarks totaling $514.4. As of May 1, 2018, we determined that the fair value of our ghd trademark exceeded its carrying value by approximately 7% using projections that assumed an average revenue growth rate of 4.7% and discount rate of 9.25%. The fair value of the ghd trademark would fall below its carrying value if the average annual revenue growth rate decreased by approximately 106 basis points or the discount rate increased by 75 basis points. The fair values of the remaining indefinite-lived trademarks exceeded their carrying values by amounts ranging from 13.0% to 100%.

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

Long-Lived Assets

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

During fiscal 2018, we recorded asset impairment charges of $15.6, primarily relating to the planned disposal of certain manufacturing facilities, and the write-off of machinery and equipment in excess of our needs due to our Global Integration Activities. The impairment charges are included in Restructuring costs in the Consolidated Statements of Operations. There were no impairments on long-lived assets in fiscal 2017.

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

Business Combinations

We allocate the cost of an acquired business to the assets acquired and liabilities assumed based on their estimated fair values as of the date of acquisition. The excess value of the cost of an acquired business over the estimated fair value of the assets acquired and liabilities assumed is recognized as goodwill. The valuation of the acquired assets and liabilities will impact our future operating results, as we recognize depreciation and amortization expense on long lived assets. We use a variety of information sources to determine the value of acquired assets and liabilities including: third-party appraisers for the values and lives of property, identifiable intangibles and inventories; and legal counsel or other experts to assess the obligations and liabilities associated with legal, environmental or other claims. Significant judgment is required in estimating the fair value of intangible assets and in assigning their respective useful lives. The fair value estimates are based on historical information and on future expectations and assumptions deemed reasonable by management, but are inherently uncertain. Determining the useful life of an intangible asset also requires judgment. Certain brand intangibles are expected to have indefinite lives based on their history and our plans to manage the acquired brands. Other intangible assets are expected to have determinable useful lives. Our assessment of intangible assets that have an indefinite life and those that have a determinable life is based on a number of factors including the competitive environment, market share, brand history, underlying product life cycles, operating plans and the macroeconomic environment. The costs of determinable-lived intangible assets are amortized to expense over the estimated useful life.

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

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

Inventory

Inventories include items which are considered salable or usable in future periods, and are stated at the lower of cost or net realizable value, with cost being based on standard cost which approximates actual cost on a first-in, first-out basis. Costs include direct materials, direct labor and overhead (e.g., indirect labor, rent and utilities, depreciation, purchasing, receiving, inspection and quality control) and in-bound freight costs. We classify inventories into various categories based upon their stage in the product life cycle, future marketing sales plans and the disposition process. We also record an inventory obsolescence reserve, which represents the excess of the cost of the inventory over its estimated net realizable value, based on various product sales projections. This reserve is calculated using an estimated obsolescence percentage applied to the inventory based on age, historical trends, and requirements to support forecasted sales. In addition, and as necessary, we may establish specific reserves for future known or anticipated events. These estimates could vary significantly, either favorably or unfavorably, from the amounts that we may ultimately realize upon the disposition of inventories if future economic conditions, customer inventory levels, product discontinuances, sales return levels, competitive conditions or other factors differ from our estimates and expectations.

Pension Benefit Costs

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

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

The long-term rates of return on our pension plan assets are based on management's expectations of long-term average rates of return to be achieved by the underlying investment portfolios. In establishing this assumption, management considers historical and expected returns for the assets in which the plan is invested, as well as current economic and market conditions. The difference between actual and expected return on plan assets is reported as a component of accumulated other comprehensive income (loss). Those gains or losses that are subject to amortization over future periods will be recognized as a component of the net periodic benefit cost in such future periods. In fiscal 2018, our pension plans had actual returns on assets of $18.8 as compared with expected return on assets of $7.5, which resulted in a net deferred gain of $11.3, substantially all of which is currently subject to be amortized over periods ranging from approximately 9 to 29 years. The actual return on assets was primarily related to the performance of equity markets during the past fiscal year.

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

	Pension Plans			
	U.S.		International	
	2018	2017	2018	2017
Discount rates	4.0%	3.6%	0.6%-8.0%	0.4%-7.5%

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

	Pension Plans					
	U.S.			International		
	2018	2017	2016	2018	2017	2016
Discount rates	3.6%	3.3%-3.8%	4.1%-4.5%	0.4%-7.5%	0.2%-7.8%	1.0%-2.7%
Expected long-term rates of return on plan assets	N/A	N/A	5.1%	1.8%-8.2%	1.6%-6.0%	2.3%-4.3%

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

Income Taxes

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

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

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

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

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

As a result of the 2017 Tax Act changing the U.S. to a modified territorial tax system, the Company no longer asserts that any of its undistributed foreign earnings are permanently reinvested. We do not expect to incur significant withholding or state taxes on future distributions. To the extent there remains a basis difference between the financial reporting and tax basis of an investment in a foreign subsidiary after the repatriation of the previously taxed income of $4,500.0, the Company is permanently reinvested.

Redeemable Noncontrolling Interests

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

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

Younique

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

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

We have operations both within the U.S. and internationally, and we are exposed to market risks in the ordinary course of our business, including the effect of foreign currency fluctuations, interest rate changes and inflation. Information relating to quantitative and qualitative disclosures about these market risks is set forth in under the captions “Foreign Currency Exchange Risk Management,” “Interest Rate Risk Management,” and “Credit Risk Management” within Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources” and is incorporated in this Item 7A 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 in this Item 8 by reference.

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

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

Our management, with the participation of our Chief Executive Officer (“CEO”) and our Chief Financial Officer (“CFO”), evaluated the effectiveness of our disclosure controls and procedures as of June 30, 2018. Based on the evaluation of our disclosure controls and procedures as of June 30, 2018, our CEO and CFO concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

We have included our Management Report over Internal Control over Financial Reporting in “Item 15. Exhibits, Financial Statement Schedules” and is incorporated in this Item 9A by reference.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting identified in management’s evaluation pursuant to Rules 13a-15(f) and 15d-15(f) of the Exchange Act during the year that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

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

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PART III

Item 10. Directors, Executive Officers and Corporate Governance.

Directors

Information regarding directors is incorporated by reference to the “Directors” and “Corporate Governance” sections of our proxy statement on Schedule 14A for the 2018 Annual Meeting of Stockholders (the “2018 Proxy Statement”).

Executive Officers

Information regarding executive officers is incorporated by reference to the “Executive Officers” section of our 2018 Proxy Statement.

Section 16(a) Beneficial Ownership Reporting Compliance

This information is incorporated by reference to the “Section 16(a) Beneficial Ownership Reporting Compliance” section of our 2018 Proxy Statement.

Code of Ethics

This information is incorporated by reference to the “Corporate Governance Guidelines and Code of Business Conduct” section of our 2018 Proxy Statement.

Item 11. Executive Compensation.

This information is incorporated by reference to the “Executive Compensation” and “Director Compensation” sections of our 2018 Proxy Statement.

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

This information is incorporated by reference to the “Security Ownership of Certain Beneficial Owners and Management” section of our 2018 Proxy Statement.

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

This information is incorporated by reference to the “Certain Relationships and Transactions of Related Persons” and “Corporate Governance” section of our 2018 Proxy Statement.

Item 14. Principal Accounting Fees and Services.

This information is incorporated by reference to the “Audit Fees and Other Fees” section of our 2018 Proxy Statement.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

List of documents filed as part of this Report:

(1) Consolidated Financial Statements and Reports of Independent Registered Public Accounting Firm included herein: See Index on page F-1.

(2) Financial Statement Schedule: See S-1.

(3) All other schedules are omitted as they are inapplicable or the required information is furnished in the Company’s Consolidated Financial Statements or the Notes thereto.

(4) List of Exhibits:

Exhibit Number	Document
2.1	Transaction Agreement dated as of July 8, 2015 among The Procter & Gamble Company, Coty Inc., Galleria Co. and Green Acquisition Sub Inc. (incorporated by reference to Exhibit 2.2 to the Company’s Annual Report on Form 10-K filed on August 17, 2015).*
2.2	Repurchase Letter Agreement dated August 13, 2015 among The Procter & Gamble Company, Coty Inc., Galleria Co. and Green Acquisition Sub Inc. (incorporated by reference to Exhibit 2.3 to the Company’s Annual Report on Form 10-K filed on August 17, 2015).

2.3	Letter Agreement, dated February 19, 2016, by and among The Procter & Gamble Company, the registrant, Galleria Co. and Green Acquisition Sub Inc. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on February 25, 2016).
2.4	Third Amendment to Transaction Agreement, dated May 25, 2016, by and among The Procter & Gamble Company, Coty Inc., Galleria Co. and Green Acquisition Sub Inc. (incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed on May 27, 2016).
2.5	Fourth Amendment to Transaction Agreement, dated August 25, 2016, by and among The Procter & Gamble Company, Coty Inc., Galleria Co. and Green Acquisition Sub Inc. (incorporated by reference to Exhibit 2.5 to Amendment No. 4 to the Company's Registration Statement on Form S-4, filed on August 25, 2016).*
2.6	Side Letter, dated September 13, 2016, between Coty Inc. and The Procter & Gamble Company (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on November 9, 2016).
2.7	Assignment and Transfer Agreement, dated as of November 2, 2015, by and between JAB Cosmetics B.V. and Coty Inc., including as an exhibit thereto that certain Shares and Trademarks Sale and Purchase Agreement, dated as of November 2, 2015, by and among JAB Cosmetics B.V., Hypermarcas S.A., Cosmed Indústria de Cosméticos e Medicamentos S.A., and as intervening and consenting parties, Novita Distribuição, Armazenamento e Transportes S.A., and Savoy Indústria de Cosméticos S.A. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on November 3, 2015).
2.8	Sale and Purchase Agreement, dated as of October 17, 2016, by and among Coty Inc., Gloria Coinvest 1 L.P., Lion Capital Fund III L.P., Lion Capital Fund III SBS L.P., Lion Capital Fund III (USD) L.P., Lion Capital Fund III SBS (USD) L.P., Ghd Nominees Limited ("GHD"), the management sellers named therein, and the other individual sellers named therein (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed on October 17, 2016).*
2.9	Tax Matters Agreement, effective as of October 1, 2016, by and among Coty Inc., The Procter & Gamble Company, Galleria Co. and Green Acquisition Sub Inc. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on October 3, 2016).
2.10	Contribution Agreement, dated as of January 10, 2017, by and among Coty Inc., Coty US Holdings Inc., Foundation, LLC, Younique, LLC, UEV Holdings, LLC, Aspen Cove Holdings, Inc., each of the other unit holders of Younique, LLC, and Derek Maxfield (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed on February 1, 2017).
3.1	Amended and Restated Certificate of Incorporation of Coty Inc. (incorporated by reference to Exhibit 3.1 to Amendment No. 5 of the Company's Registration Statement on Form S-1 (File No. 333-182420) filed on May 14, 2013)
3.2	Certificate of Amendment to the Amended and Restated Certificate of Incorporation of Coty Inc.(incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on October 3, 2016).
3.3	Amended and Restated By-Laws (incorporated by reference to Exhibit 3.2 to Amendment No. 4 to the Company's Registration Statement on Form S-1 (File No. 333-182420) filed on April 24, 2013).
4.1	Specimen Class A Common Stock Certificate of the registrant (incorporated by reference to Exhibit 4.1 to Amendment No. 6 to the Company's Registration Statement on Form S-1 (File No. 333-182420) filed on May 28, 2013)
4.2	Certificate of Designations of Preferred Stock, Series A, dated April 17, 2015 (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on April 20, 2015).
4.3	Indenture, dated as of April 5, 2018, among Coty Inc., the guarantors named therein, Deutsche Bank Trust Company Americas, as Trustee, Registrar and U.S. Paying Agent with respect to the 2026 Dollar Notes, and Deutsche Bank AG. London Branch, as London Paying Agent with respect to the Euro Notes (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on April 10, 2018).
4.4	Form of 2026 Dollar notes (included in Exhibit 4.4) (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on April 10, 2018).
4.5	Form of 2023 Euro Notes (included in Exhibit 4.4) (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on April 10, 2018).
4.6	

	Form of 2036 Euro Notes (included in Exhibit 4.4) (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on April 10, 2018).
10.1	Credit Agreement, dated as of October 27, 2015, by and among Coty Inc., the other borrowers party thereto from time to time, the lenders party thereto, JPMorgan Chase Bank, N.A., as administrative agent, and the other agents from time to time party thereto (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on October 30, 2015).

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10.2	Pledge and Security Agreement, dated as of October 27, 2015, by and among Coty Inc., its subsidiaries signatory thereto and any other subsidiary who may become a party thereto and JPMorgan Chase Bank, N.A, as collateral agent (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on October 30, 2015).
10.3	Credit Agreement, dated January 26, 2016, among Galleria Co., as initial borrower, the other borrowers from time to time party thereto, J.P. Morgan Chase Bank, N.A., as administrative agent and collateral agent, and the other agents and lenders party thereto (incorporated by reference to Exhibit 10.4 of Galleria Co.'s Registration Statement on Form S-4 filed on April 22, 2016).
10.4	Guaranty Agreement, dated as of October 27, 2015, by and among Coty Inc., its subsidiaries signatory thereto and any other subsidiary who may become a party thereto and JPMorgan Chase Bank, N.A., as administrative agent and collateral agent (incorporate by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on October 30, 2015).
10.5	Incremental Assumption Agreement and Amendment No. 1, dated April 8, 2016 to the Credit Agreement, by and among Coty Inc., Coty B.V., certain subsidiaries of Coty Inc. party thereto, the incremental lenders party thereto and JPMorgan Chase Bank, N.A., as administrative agent (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on April 14, 2016).
10.6	Incremental Assumption Agreement and Refinancing Amendment to Credit Agreement, dated as of October 28, 2016, among Coty Inc., Coty B.V., the other loan parties party thereto, the lenders party thereto and JPMorgan Chase Bank, N.A., as administrative agent (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on October 28, 2016).
10.7	Amended and Restated Credit Agreement, dated as of April 5,2018, by and among Coty Inc., Coty B.V., the other borrowers party thereto from time to time, the lenders and other parties from time to time party thereto and JPMorgan Chase Bank, N.A., as administrative agent and collateral agent (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on April 10, 2018).
10.8	Registration Rights Agreement, dated April 1, 2015, between Coty Inc. and Mousseluxe S.a.r.l. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on April 1, 2015).
10.9	Transition Services Agreement, effective as of October 1, 2016, by and between The Procter & Gamble Company and Galleria Co. (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on October 3, 2016).
10.10	Incremental Facility Activation Notice, dated as of October 28, 2016, among Coty Inc., each incremental term A lender and JPMorgan Chase Bank, N.A. as administrative agent (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on October 28, 2016).
10.11	Employment Agreement, dated June 20, 2016, between Coty Services UK Limited and Patrice de Talhouët (incorporated by reference to Exhibit 10.1 to the Company's Current Report on From 8-K filed on June 24, 2016).†
10.12	Employment Agreement, dated January 2014, between Coty Geneva S.A. Versoix and Mario Reis (incorporated by reference to Exhibit 10.22 to the Company's Annual Report on Form 10-K filed on August 28, 2014).†
10.13	Employment Agreement, dated July 20, 2016, by and between Camillo Pane and Coty Services UK Limited, as amended October 24, 2016 (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed on October 28, 2016).†
10.14	Open-Ended Employment Agreement, dated August 24, 2015, between Coty S.A.S. and Sebastien Froidefond (incorporated by reference to Exhibit 10.58 to the Company's Current Report on Form 8-K filed on November 5, 2015).†
10.15	Side Letter, dated as of March 31, 2017, between Coty Services UK Limited and Sébastien Froidefond (incorporated by reference to Exhibit 10.7 to the Company's Quarterly Report on Form 10-Q filed on May 10, 2017).†
10.16	Offer Letter, dated as of April 1, 2016, between Ayesha Zafar and the Company (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on May 11, 2016).†
10.17	

	Employment Agreement, dated October 12, 2015, between Coty Geneva SA Versoix and Sylvie Moreau (incorporated by reference to Exhibit 10.30 to the Company's Quarterly Report on Form 10-Q filed on February 4, 2016).†
10.18	Employment Agreement, dated November 2, 2015, between Coty S.A.S. and Edgar Huber (incorporated by reference to Exhibit 10.31 to the Company's Quarterly Report on Form 10-Q filed on February 4, 2016).†
10.19	Employment Agreement, dated as of October 11, 2016, between Coty Services UK Limited and Greerson McMullen (incorporated by reference to Exhibit 10.7 to the Company's Quarterly Report on Form 10-Q filed on February 9, 2017).†

10.20	Employment Agreement, dated as of January 16, 2017, between Coty Inc. and Laurent Kleitman (incorporated by reference to Exhibit 10.26 to the Company's Annual Report on Form 10-K filed on August 23, 2017).†
10.21	Employment Agreement, dated as of February 12, 2018, between Coty Services U.K. Limited and Esra Erkal-Paler. †
10.22	Offer Letter, dated as of September 4, 2017, between Daniel Ramos and the Company (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on November 9, 2017).†
10.23	Form of Indemnification Agreement between the registrant and its directors and officers (incorporated by reference to Exhibit 10.24 to Amendment No. 4 to the Company's Registration Statement on Form S-1(File No. 333-182420) filed on April 24, 2013).
10.24	Amended and Restated Annual Performance Plan, as of February 1, 2017 (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed on May 10, 2017).†
10.25	Adoption of Amendments to Pre-2008 Stock Options Granted Under the Coty Inc. 2007 Stock Plan for Directors Or the Coty Inc. Stock Plan for Non-Employee Directors (applicable to awards outstanding on September 14, 2010) (incorporated by reference to Exhibit 10.40 to Amendment No. 4 to the Company's Registration Statement on Form S-1 (File No. 333-182420) filed on April 24, 2013).†
10.26	Form of Restricted Stock Unit Award under Coty Inc. 2007 Stock Plan for Directors, as amended on April 8, 2013 (incorporated by reference to Exhibit 10.41 to Amendment No. 4 to the Company's Registration Statement on Form S-1 (File No. 333-182420) filed on April 24, 2013).†
10.27	Amended and Restated Coty Inc. Equity and Long-Term Incentive Plan, as amended and restated on February 1, 2017. (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed on May 10, 2017).†
10.28	Restricted Stock Unit Award Terms and Conditions Under Coty Inc. Equity and Long-Term Incentive Plan, as amended and restated on April 8, 2013 (incorporated by reference to Exhibit 10.44 to Amendment No. 4 to the Company's Registration Statement on Form S-1 (File No. 333-182420) filed on April 24, 2013).†
10.29	Restricted Stock and Restricted Stock Unit Tandem Award Terms and Conditions under the Coty Inc. Equity and Long-Term Incentive Plan, as amended and restated on April 8, 2013 (incorporated by reference to Exhibit 10.45 to Amendment No. 4 to the Company's Registration Statement on Form S-1 (File No. 333-182420) filed on April 14, 2013).†
10.30	Form of Subscription Agreement for Series A Preferred Stock (incorporated by reference to Exhibit 10.55 to the Company's Annual Report on Form 10-K filed on August 17, 2015).†
10.31	Subscription Agreement, dated as of November 23, 2016, between Coty Inc. and Camillo Pane (incorporated by reference to Exhibit 10.10 to the Company's Quarterly Report on Form 10-Q filed on February 9, 2017).†
10.32	Subscription Agreement, dated as of February 16, 2017, between Coty Inc. and Sébastien Froidefond (incorporated by reference to Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q filed on May 10, 2017).†
10.33	Subscription Agreement, dated as of March 27, 2017, between Coty Inc. and Lambertus J.H. Becht. (incorporated by reference to Exhibit 10.8 to the Company's Quarterly Report on Form 10-Q filed on May 10, 2017).†
10.34	Amended Form of Elite Subscription and Stock Option Agreement (incorporated by reference to Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q filed on May 10, 2017).†
10.35	Form of Phantom Unit Award Terms and Conditions (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on December 5, 2014).†
10.36	Terms and Conditions Performance Stock Options under Coty Inc. Equity and Long-Term Incentive Plan, as amended and restated on October 28, 2015 (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on February 8, 2018).†
10.37	Side Letter, dated as of November 29, 2017, between Coty Services UK Limited and Camillo Pane (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed on February 8, 2018).†
10.38	Side Letter, dated November 29, 2017, between Coty Services UK Limited and Patrice de Talhouët (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed on February

	8, 2018).†
21.1	List of significant subsidiaries.
23.1	Consent of Deloitte & Touche LLP.
24.1	Power of Attorney (included in signature page).
31.1	Certification of Chief Executive Officer, pursuant to Rules 13a-14a and 15d-14(a)
31.2	Certification of Chief Financial Officer, pursuant to Rules 13a-14(d) and 15d-14(d)

32.1	Certification of Chief Executive Officer, pursuant to 18 U.S. C. Section 1350
32.2	Certification of Chief Financial Officer, pursuant to 18 U.S. C. Section 1350
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

*	Schedules and similar attachments have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The Company agrees to furnish supplementary to the Securities and Exchange Commission a copy of any omitted schedule or similar attachment upon request.
†	Exhibit is a management contract or compensatory plan or arrangement.

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, in the city of New York, New York on August 21, 2018.

COTY INC.

By: /s/Patrice de Talhouët
Name: Patrice de Talhouët
Title: Chief Financial Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Greerson G. McMullen, as his true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming that all said attorney-in-fact and agent, or his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

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

Signature	Title	Date
/s/Camillo Pane (Camillo Pane)	Chief Executive Officer and Director (Principal Executive Officer)	August 21, 2018
/s/Patrice de Talhouët (Patrice de Talhouët)	Chief Financial Officer (Principal Financial Officer)	August 21, 2018
/s/Ayesha Zafar (Ayesha Zafar)	Senior Vice President, Group Controller (Principal Accounting Officer)	August 21, 2018
/s/ Lambertus J.H. Becht (Lambertus J.H. Becht)	Chairman of the Board of Directors	August 21, 2018
/s/Sabine Chalmers (Sabine Chalmers)	Director	August 21, 2018
/s/Joachim Faber (Joachim Faber)	Director	August 21, 2018
/s/Olivier Goudet (Olivier Goudet)	Director	August 21, 2018
/s/Peter Harf (Peter Harf)	Director	August 21, 2018
/s/Paul Michaels (Paul Michaels)	Director	August 21, 2018
/s/Erhard Schoewel (Erhard Schoewel)	Director	August 21, 2018
/s/Robert Singer (Robert Singer)	Director	August 21, 2018

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MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Coty’s management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) of the Securities Exchange Act of 1934) to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles in the United States of America ("GAAP"). Coty’s internal control over financial reporting includes those policies and procedures that:

(i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets;

(ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors; and

(iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Coty’s management evaluated the effectiveness of internal control over financial reporting as of June 30, 2018 based on the criteria established in “Internal Control - Integrated Framework (2013)” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on the evaluation, management has concluded that Coty maintained effective internal control over financial reporting as of June 30, 2018.

The Company's internal control over financial reporting as of June 30, 2018 has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their attestation report which appears herein.

/s/Camillo Pane	/s/Patrice de Talhouët
Camillo Pane	Patrice de Talhouët
Chief Executive Officer and Director	Chief Financial Officer

August 21, 2018

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Coty Inc.

We have audited the internal control over financial reporting of Coty Inc. and subsidiaries (the “Company”) as of June 30, 2018, 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 Company maintained, in all material respects, effective internal control over financial reporting as of June 30, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements, and financial statement schedule as of and for the year ended June 30, 2018 of the Company and our report dated August 21, 2018 expressed an unqualified opinion on those financial statements and financial statement schedule.

Basis for Opinion

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the 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 audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

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 (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of 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.

/s/ Deloitte & Touche LLP
New York, New York
August 21, 2018

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Coty Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Coty Inc. and subsidiaries (the "Company") as of June 30, 2018 and 2017, the related consolidated statements of operations, comprehensive income (loss), equity and redeemable noncontrolling interests, and cash flows, for each of the three years in the period ended June 30, 2018, and the related notes, and the financial statement schedule listed in the Index at Item 15 (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of June 30, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended June 30, 2018, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of June 30, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated August 21, 2018, expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the 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 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 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 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 financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Deloitte & Touche LLP
New York, New York
August 21, 2018

We have served as the Company's auditor since 1995.

COTY INC. & SUBSIDIARIES
INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

	Year Ended June 30, 2018	2017	2016
Net revenues	$9,398.0	$7,650.3	$4,349.1
Cost of sales	3,608.4	3,028.5	1,746.0
Gross profit	5,789.6	4,621.8	2,603.1
Selling, general and administrative expenses	5,009.6	4,060.0	2,027.8
Amortization expense	352.8	275.1	79.5
Restructuring costs	173.2	372.2	86.9
Acquisition-related costs	64.2	355.4	174.0
Asset impairment charges	—	—	5.5
Loss (gain) on sale of assets	28.6	(3.1)	(24.8)
Operating income (loss)	161.2	(437.8)	254.2
Interest expense, net	265.0	218.6	81.9
Loss on early extinguishment of debt	10.7	—	3.1
Other expense, net	38.0	1.6	30.4
(Loss) income before income taxes	(152.5)	(658.0)	138.8
Benefit for income taxes	(24.7)	(259.5)	(40.4)
Net (loss) income	(127.8)	(398.5)	179.2
Net income attributable to noncontrolling interests	2.0	15.4	7.6
Net income attributable to redeemable noncontrolling interests	39.0	8.3	14.7
Net (loss) income attributable to Coty Inc.	$(168.8)	$(422.2)	$156.9
Net (loss) income attributable to Coty Inc. per common share:			
Basic	$(0.23)	$(0.66)	$0.45
Diluted	(0.23)	(0.66)	0.44
Weighted-average common shares outstanding:			
Basic	749.7	642.8	345.5
Diluted	749.7	642.8	354.2

See notes to Consolidated Financial Statements.

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

	Year Ended June 30,		
	2018	2017	2016
Net (loss) income	$(127.8)	$(398.5)	$179.2
Other comprehensive income (loss):			
Foreign currency translation adjustment	115.7	121.9	83.3
Net unrealized derivative gain (loss) on cash flow hedges, net of taxes of $(2.2), $(7.7) and $0.3, respectively	15.2	41.5	(28.8)
Pension and other post-employment benefits, net of tax of $1.5, $(25.1) and $7.9, respectively	17.5	80.6	(19.7)
Total other comprehensive income (loss), net of tax	148.4	244.0	34.8
Comprehensive income (loss)	20.6	(154.5)	214.0
Comprehensive income attributable to noncontrolling interests:			
Net income	2.0	15.4	7.6
Foreign currency translation adjustment	0.5	(0.1)	0.1
Total comprehensive income attributable to noncontrolling interests	2.5	15.3	7.7
Comprehensive income attributable to redeemable noncontrolling interests:			
Net income	39.0	8.3	14.7
Foreign currency translation adjustment	—	—	0.4
Total comprehensive income attributable to redeemable noncontrolling interests	39.0	8.3	15.1
Comprehensive (loss) income attributable to Coty Inc.	$(20.9)	$(178.1)	$191.2

See notes to Consolidated Financial Statements.

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

	June 30, 2018	June 30, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	$331.6	$535.4
Restricted cash	30.6	35.3
Trade receivables—less allowances of $81.8 and $58.5, respectively	1,536.0	1,470.3
Inventories	1,148.9	1,052.6
Prepaid expenses and other current assets	603.9	487.9
Total current assets	3,651.0	3,581.5
Property and equipment, net	1,680.8	1,632.1
Goodwill	8,607.1	8,555.5
Other intangible assets, net	8,284.4	8,425.2
Deferred income taxes	107.4	72.6
Other noncurrent assets	299.5	281.3
TOTAL ASSETS	$22,630.2	$22,548.2
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$1,928.6	