

COTY INC.
Form 10-Q
May 10, 2017

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

Form 10-Q
(Mark One)

QUARTERLY REPORT
PURSUANT TO SECTION 13
OR 15(d) OF THE
SECURITIES EXCHANGE
ACT OF 1934
FOR THE QUARTERLY
PERIOD ENDED MARCH
31, 2017

OR

TRANSITION REPORT
PURSUANT TO SECTION 13
OR 15(d) OF THE
SECURITIES EXCHANGE
ACT OF 1934
FOR THE TRANSITION
PERIOD
FROM TO
COMMISSION FILE
NUMBER 001-35964

COTY INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

13-3823358

(I.R.S. Employer Identification Number)

350 Fifth Avenue, New York, NY

(Address of principal executive offices)

(212) 389-7300

10118

(Zip Code)

Registrant's telephone number, including area code

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

Indicate by check mark whether the registrant has submitted electronically 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 No

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

At May 3, 2017, 747,638,332 shares of the registrant’s Class A Common Stock, \$0.01 par value, were outstanding.

COTY INC.
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PART I. FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

COTY INC. & SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In millions, except per share data)

(Unaudited)

| | Three Months Ended March 31, | | Nine Months Ended March 31, | |
|----------------------------------------------------------------|------------------------------------|-----------|--------------------------------|-----------|
| | 2017 | 2016 | 2017 | 2016 |
| Net revenues | \$2,032.1 | \$950.7 | \$5,409.0 | \$3,273.5 |
| Cost of sales | 816.1 | 369.0 | 2,153.2 | 1,280.4 |
| Gross profit | 1,216.0 | 581.7 | 3,255.8 | 1,993.1 |
| Selling, general and administrative expenses | 1,092.4 | 494.2 | 2,741.5 | 1,493.9 |
| Amortization expense | 102.6 | 20.9 | 219.0 | 59.0 |
| Restructuring costs | 155.8 | 6.6 | 179.0 | 79.3 |
| Acquisition-related costs | 57.7 | 37.0 | 275.1 | 98.3 |
| Asset impairment charges | — | — | — | 5.5 |
| Operating (loss) income | (192.5) | 23.0 | (158.8) | 257.1 |
| Interest expense, net | 60.8 | 25.1 | 159.1 | 55.7 |
| Loss on early extinguishment of debt | — | — | — | 3.1 |
| Other (income) expense, net | (0.5) | 6.6 | 0.2 | 30.4 |
| (Loss) income before income taxes | (252.8) | (8.7) | (318.1) | 167.9 |
| (Benefit) provision for income taxes | (93.4) | 11.6 | (220.6) | (42.5) |
| Net (loss) income | (159.4) | (20.3) | (97.5) | 210.4 |
| Net income attributable to noncontrolling interests | 3.5 | 2.4 | 14.2 | 12.1 |
| Net income attributable to redeemable noncontrolling interests | 1.3 | 4.1 | 5.7 | 10.4 |
| Net (loss) income attributable to Coty Inc. | \$(164.2) | \$(26.8) | \$(117.4) | \$187.9 |
| Net (loss) income attributable to Coty Inc. per common share: | | | | |
| Basic | \$(0.22) | \$(0.08) | \$(0.19) | \$0.54 |
| Diluted | (0.22) | (0.08) | (0.19) | 0.53 |
| Weighted-average common shares outstanding: | | | | |
| Basic | 747.3 | 337.9 | 607.9 | 347.8 |
| Diluted | 747.3 | 337.9 | 607.9 | 356.9 |
| Cash dividend declared per common share | \$0.125 | \$— | \$0.525 | \$0.250 |

See notes to Condensed Consolidated Financial Statements.

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COTY INC. & SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In millions)

(Unaudited)

| | Three Months Ended March 31, | | Nine Months Ended March 31, | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------|----------|-----------------------------------|---------|
| | 2017 | 2016 | 2017 | 2016 |
| Net (loss) income | \$(159.4) | \$(20.3) | \$(97.5) | \$210.4 |
| Other comprehensive income (loss): | | | | |
| Foreign currency translation adjustment | 87.1 | 57.4 | (9.2) | 38.6 |
| Net unrealized derivative gains on cash flow hedges, net of taxes of \$(1.8) and \$1.0, and \$(10.5) and \$0.3 during the three and nine months ended, respectively | 3.0 | (21.9) | 44.9 | (14.6) |
| Pension and other post-employment benefits (losses) adjustment, net of tax of nil and nil, and \$(5.8) and nil during the three and nine months ended, respectively | — | — | 10.1 | 0.2 |
| Total other comprehensive income, net of tax | 90.1 | 35.5 | 45.8 | 24.2 |
| Comprehensive (loss) income | (69.3) | 15.2 | (51.7) | 234.6 |
| Comprehensive income attributable to noncontrolling interests: | | | | |
| Net income | 3.5 | 2.4 | 14.2 | 12.1 |
| Foreign currency translation adjustment | 0.3 | 1.2 | (0.2) | 0.9 |
| Total comprehensive income attributable to noncontrolling interests | 3.8 | 3.6 | 14.0 | 13.0 |
| Comprehensive income attributable to redeemable noncontrolling interests: | | | | |
| Net income | 1.3 | 4.1 | 5.7 | 10.4 |
| Foreign currency translation adjustment | — | 0.2 | — | 0.2 |
| Total comprehensive income attributable to redeemable noncontrolling interests | 1.3 | 4.3 | 5.7 | 10.6 |
| Comprehensive (loss) income attributable to Coty Inc. | \$(74.4) | \$7.3 | \$(71.4) | \$211.0 |

See notes to Condensed Consolidated Financial Statements.

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

| | March 31, 2017 | June 30, 2016 |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$767.0 | \$372.4 |
| Restricted cash | 25.0 | — |
| Trade receivables—less allowances of \$81.7 and \$35.2, respectively | 1,380.9 | 682.9 |
| Inventories | 1,034.3 | 565.8 |
| Prepaid expenses and other current assets | 380.4 | 206.8 |
| Deferred income taxes | 158.6 | 110.5 |
| Total current assets | 3,746.2 | 1,938.4 |
| Property and equipment, net | 1,555.8 | 638.6 |
| Goodwill | 8,111.8 | 2,212.7 |
| Other intangible assets, net | 8,968.8 | 2,050.1 |
| Deferred income taxes | 100.9 | 15.7 |
| Other noncurrent assets | 289.8 | 180.1 |
| TOTAL ASSETS | \$22,773.3 | \$7,035.6 |
| LIABILITIES AND EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$1,456.5 | \$921.4 |
| Accrued expenses and other current liabilities | 1,558.7 | 748.4 |
| Short-term debt and current portion of long-term debt | 193.0 | 161.8 |
| Income and other taxes payable | 9.7 | 18.7 |
| Deferred income taxes | 39.8 | 4.9 |
| Total current liabilities | 3,257.7 | 1,855.2 |
| Long-term debt, net | 6,909.3 | 3,936.4 |
| Pension and other post-employment benefits | 603.6 | 230.6 |
| Deferred income taxes | 1,480.2 | 339.2 |
| Other noncurrent liabilities | 385.5 | 233.8 |
| Total liabilities | 12,636.3 | 6,595.2 |
| COMMITMENTS AND CONTINGENCIES (Note 22) | | |
| REDEEMABLE NONCONTROLLING INTERESTS | 506.4 | 73.3 |
| EQUITY: | | |
| Preferred Stock, \$0.01 par value; 20.0 shares authorized, 4.2 and 1.7 issued and outstanding at March 31, 2017 and June 30, 2016, respectively | — | — |
| Class A Common Stock, \$0.01 par value; 1,000.0 and 800.0 shares authorized, 812.6 and 138.7 issued and 747.6 and 75.1 outstanding, at March 31, 2017 and June 30, 2016, respectively | 8.1 | 1.4 |
| Class B Common Stock, \$0.01 par value; 0.0 and 262.0 shares authorized, 0.0 and 262.0 issued and outstanding at March 31, 2017 and June 30, 2016, respectively | — | 2.6 |
| Additional paid-in capital | 11,391.5 | 2,038.4 |
| Accumulated deficit | (154.4 |) (37.0) |
| Accumulated other comprehensive loss | (193.7 |) (239.7) |
| Treasury stock—at cost, shares: 65.0 and 63.6 at March 31, 2017 and June 30, 2016, respectively | 1,441.8 |) (1,405.5) |
| Total Coty Inc. stockholders' equity | 9,609.7 | 360.2 |
| Noncontrolling interests | 20.9 | 6.9 |

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| | | |
|-------------------------------------------------------------------|------------|-----------|
| Total equity | 9,630.6 | 367.1 |
| TOTAL LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS AND EQUITY | \$22,773.3 | \$7,035.6 |

See notes to Condensed Consolidated Financial Statements.

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COTY INC. & SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF EQUITY AND
 REDEEMABLE NONCONTROLLING INTERESTS

For the Nine Months Ended March 31, 2017

(In millions, except per share data)

(Unaudited)

| | Preferred Stock Shares | Class A Common Stock Amount | Class B Common Stock Shares | Additional Paid-in Capital | (Accumulated Other Comprehensive Loss Deficit) | Treasury Stock Amount | Total Coty Inc. Stockholders' Equity | Noncontrolling Interests | Total Equity | | | | |
|----------------------------------------------------------------------------------------|------------------------------|--------------------------------------|--------------------------------------|----------------------------------|------------------------------------------------------------|-----------------------------|-----------------------------------------------|-----------------------------|-----------------|-------------|----------|--------|---------|
| BALANCE—July 1, 2016 | 1.7 | \$438.7 | \$1.4 | 262.0 | \$2.6 | \$2,038.4 | \$(37.0) | \$(239.7) | 63.6 | \$(1,405.5) | \$360.2 | \$6.9 | \$367.1 |
| Issuance of Class A Common Stock for business combination | | 409.7 | 4.1 | | 9,624.5 | | | | | | 9,628.6 | | 9,628.6 |
| Issuance of Preferred Stock | 2.5 | — | | | | | | | | | | | |
| Conversion of Class B to Class A Common Stock | | 262.0 | 2.6 | (262.0) | (2.6) | — | | | | | — | | — |
| Purchase of Class A Common Stock | | | | | | | | | 1.4 | (36.3) | (36.3) | | (36.3) |
| Exercise of employee stock options and restricted stock units and related tax benefits | | 2.2 | — | | 19.5 | | | | | | 19.5 | | 19.5 |
| Share-based compensation expense | | | | | 15.2 | | | | | | 15.2 | | 15.2 |
| Dividends | | | | | (281.2) | | | | | | (281.2) | | (281.2) |
| Net (loss) income | | | | | | | | | | | (117.4) | 14.2 | (103.2) |
| Other comprehensive (loss) income | | | | | | | | | | 46.0 | 46.0 | (0.2) | 45.8 |
| Distribution to noncontrolling interests, net | | | | | | | | | | | | | |
| Redeemable noncontrolling interest due to business combination (Note 3) | | | | | | | | | | | | | |
| Adjustment of redeemable noncontrolling | | | | | (24.9) | | | | | | (24.9) | | (24.9) |

interests to
redemption value
Adjustment to
repurchase of
redeemable
noncontrolling
interests

| | | | | | | | | | | | | | | | | | | | | | | | | |
|---------------|-----|----|-------|----|-----|---|----|---|----|----------|----|---------|----|---------|------|----|-----------|----|---------|----|------|----|---------|--|
| BALANCE—March | 4.2 | \$ | 812.6 | \$ | 8.1 | — | \$ | — | \$ | 11,391.5 | \$ | (154.4) | \$ | (193.7) | 65.0 | \$ | (1,441.8) | \$ | 9,609.7 | \$ | 20.9 | \$ | 9,630.6 | |
| 31, 2017 | | | | | | | | | | | | | | | | | | | | | | | | |

See notes to Condensed Consolidated Financial Statements.

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COTY INC. & SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF EQUITY AND
 REDEEMABLE NONCONTROLLING INTERESTS

For the Nine Months Ended March 31, 2016

(In millions, except per share data)

(Unaudited)

| | Preferred Stock | Class A Common Stock | Class B Common Stock | Additional Paid-in Capital | (Accumulated Deficit) | Accumulated Other Comprehensive Loss | Treasury Stock | Total Coty Inc. Stockholders' Equity | Noncontrolling Interest | Equity | Re N | | | | |
|----------------------------------------------------------------------------------------|--------------------|----------------------------|----------------------------|----------------------------------|--------------------------|-----------------------------------------------|-------------------|--------------------------------------------------|----------------------------|--------|-----------|---------|--------|---------|----|
| | Shares | Shares | Amount | Shares | Amount | Shares | Amount | | | | | | | | |
| BALANCE—July 1, 2015 | 1.9 | — | \$1.3 | 262.0 | \$2.6 | \$2,044.4 | — | \$(193.9) | \$(274.0) | 35.2 | \$(610.6) | \$969.8 | \$14.9 | \$984.7 | \$ |
| Cancellation of Preferred Stock | (0.2) | | | | (0.1) | | | | | | | (0.1) | | (0.1) | |
| Purchase of Class A Common Stock | | | | | | | 25.9 | (727.9) | | | | (727.9) | | (727.9) | |
| Reclassification of Class A Common Stock from liability to APIC | | | | | 13.8 | | | | | | | 13.8 | | 13.8 | |
| Exercise of employee stock options and restricted stock units and related tax benefits | | 3.9 | 0.1 | | 36.7 | | | | | | | 36.8 | | 36.8 | |
| Series A Preferred share-based compensation expense | | | | | 1.1 | | | | | | | 1.1 | | 1.1 | |
| Share-based compensation expense | | | | | 17.3 | | | | | | | 17.3 | | 17.3 | |
| Dividends | | | | | (89.7) | | | | | | | (89.7) | | (89.7) | |
| Net income | | | | | | 187.9 | | | | | | 187.9 | 12.1 | 200.0 | 10 |
| Other comprehensive loss | | | | | | | | 23.1 | | | | 23.1 | 0.9 | 24.0 | 0 |
| Distribution to noncontrolling interests, net | | | | | | | | | | | | | (16.3) | (16.3) | (6 |
| Adjustment of redeemable noncontrolling interests to redemption value | | | | | 11.3 | | | | | | | 11.3 | | 11.3 | (1 |

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)

(Unaudited)

| | Nine Months Ended March 31, | |
|----------------------------------------------------------------------------------------------------------|-----------------------------------|-----------|
| | 2017 | 2016 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net (loss) income | \$(97.5) | \$210.4 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 414.9 | 171.0 |
| Asset impairment charges | — | 5.5 |
| Deferred income taxes | (298.3) | (102.6) |
| Provision for bad debts | 23.3 | 1.9 |
| Provision for pension and other post-employment benefits | 44.7 | 9.3 |
| Share-based compensation | 19.1 | 18.4 |
| Loss on early extinguishment of debt | — | 3.1 |
| Other | (0.6) | 13.1 |
| Change in operating assets and liabilities, net of effects from purchase of acquired companies: | | |
| Trade receivables | (216.2) | (0.9) |
| Inventories | 172.6 | 25.0 |
| Prepaid expenses and other current assets | (6.5) | 10.9 |
| Accounts payable | 339.3 | 50.4 |
| Accrued expenses and other current liabilities | 345.4 | 39.9 |
| Income and other taxes payable | 3.1 | (31.0) |
| Other noncurrent assets | 9.9 | 8.8 |
| Other noncurrent liabilities | (46.5) | 12.1 |
| Net cash provided by operating activities | 706.7 | 445.3 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Capital expenditures | (324.0) | (115.1) |
| Payment for business combinations, net of cash acquired | (742.6) | (897.3) |
| Proceeds from sale of asset | 10.5 | — |
| Payments related to loss on foreign currency contracts | — | (29.6) |
| Net cash used in investing activities | (1,056.1) | (1,042.0) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds from short-term debt, original maturity more than three months | 9.5 | 17.0 |
| Repayments of short-term debt, original maturity more than three months | (9.7) | (22.2) |
| Net (repayments) proceeds from short-term debt, original maturity less than three months | (48.7) | 6.1 |
| Proceeds from revolving loan facilities | 1,809.4 | 1,590.0 |
| Repayments of revolving loan facilities | (1,624.4) | (620.0) |
| Proceeds from term loans | 1,075.0 | 2,979.6 |
| Repayments of term loans | (95.7) | (2,474.7) |
| Dividend paid | (279.2) | (89.0) |
| Net proceeds from issuance of Class A Common Stock and Series A Preferred Stock and related tax benefits | 19.5 | 36.8 |
| Payments for purchases of Class A Common Stock held as Treasury Stock | (36.3) | (727.9) |
| Net proceeds from foreign currency contracts | 3.8 | 8.9 |
| Payments for mandatorily redeemable noncontrolling interests | — | (1.7) |

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| | | |
|-----------------------------------------------------------------------------------|---------|---------|
| Purchase of additional noncontrolling interests | (9.8) | — |
| Distributions to noncontrolling interests and redeemable noncontrolling interests | (7.5) | (23.5) |
| Payment of deferred financing fees | (24.8) | (56.3) |
| Other | — | (1.4) |
| Net cash provided by financing activities | 781.1 | 621.7 |
| EFFECT OF EXCHANGE RATES ON CASH AND CASH EQUIVALENTS | (12.1) | 0.3 |
| NET INCREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH | 419.6 | 25.3 |
| CASH, CASH EQUIVALENTS, AND RESTRICTED CASH—Beginning of period | 372.4 | 341.3 |
| CASH, CASH EQUIVALENTS, AND RESTRICTED CASH—End of period | \$792.0 | \$366.6 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION: | | |

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| | | |
|----------------------------------------------------------------------------------|----------|---------|
| Cash paid during the period for interest | \$ 132.9 | \$ 57.8 |
| Cash paid during the period for income taxes, net of refunds received | 63.6 | 89.0 |
| SUPPLEMENTAL DISCLOSURE OF NONCASH FINANCING AND INVESTING ACTIVITIES: | | |
| Accrued capital expenditure additions | \$ 70.8 | \$ 39.5 |
| Non-cash Common Stock issued for business combination | 9,628.6 | — |
| Non-cash debt assumed for business combination | 1,943.0 | — |
| Non-cash capital contribution associated with special share purchase transaction | — | 13.8 |
| Non-cash redeemable noncontrolling interest for business combinations | 410.9 | — |

See notes to Condensed Consolidated Financial Statements

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COTY INC. & SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(\$ in millions, except per share data)

(Unaudited)

1. DESCRIPTION OF BUSINESS

Coty Inc. and its subsidiaries (collectively, the “Company” or “Coty”) manufacture, market, sell and distribute branded beauty products, including fragrances, color cosmetics, hair care products and skin & body related products. Coty is a global beauty company and a new leader and challenger in the beauty industry.

On October 1, 2016, the Company completed its acquisition of certain assets and liabilities related to The Procter & Gamble Company’s (“P&G”) global fine fragrances, salon professional, cosmetics and retail hair color businesses, along with select hair styling brands (the “P&G Beauty Business”). The P&G Beauty Business manufactures, markets and sells various branded beauty products globally including professional and retail hair care, coloring and styling products, fine fragrances and color cosmetics primarily through salons, mass merchandisers, grocery stores, drug stores, department stores and distributors. Refer to Note 3—Business Combinations.

After the closing of the P&G Beauty Business acquisition, the Company reorganized its business into three new divisions: the Luxury division, focused on prestige fragrances, premium skin care and premium cosmetics; the Consumer Beauty division, focused on color cosmetics, retail hair coloring and styling products, mass fragrance, mass skin care and body care; and the Professional Beauty division, focused on hair and nail care products for professionals. In this new organizational structure, each division has full end-to-end responsibility to optimize consumers’ beauty experience in the relevant categories and channels. The three divisions also comprise the Company’s operating and reportable segments.

The Company operates on a fiscal year basis with a year-end of June 30. Unless otherwise noted, any reference to a year preceded by the word “fiscal” refers to the fiscal year ended June 30 of that year. For example, references to “fiscal 2017” refer to the fiscal year ending June 30, 2017.

The Company’s revenues generally increase during the second fiscal quarter as a result of increased demand associated with the holiday season. Accordingly, the Company’s financial performance, working capital requirements, cash flow and borrowings experience seasonal variability during the three to six months preceding this season.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The unaudited interim Condensed Consolidated Financial Statements are presented in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information and include consolidated domestic and international subsidiaries. Certain information and disclosures normally included in consolidated financial statements prepared in accordance with GAAP have been condensed or omitted. Accordingly, these unaudited interim Condensed Consolidated Financial Statements and accompanying footnotes should be read in conjunction with the Company’s Consolidated Financial Statements as of and for the year ended June 30, 2016. In the opinion of management, all adjustments, of a normal recurring nature, considered necessary for a fair presentation have been included in the Condensed Consolidated Financial Statements. The results of operations for the three and nine months ended March 31, 2017 are not necessarily indicative of the results of operations to be expected for the full fiscal year ending June 30, 2017. All dollar amounts (other than per share amounts) in the following discussion are in millions of United States (“U.S.”) dollars, unless otherwise indicated.

Restricted Cash

Restricted cash represents funds that are not readily available for general purpose cash needs due to contractual limitations. Restricted cash is classified as a current or long-term asset based on the timing and nature of when or how the cash is expected to be used or when the restrictions are expected to lapse. As of March 31, 2017 and June 30, 2016, the Company had restricted cash of \$25.0 and \$0.0, respectively, included in Restricted cash in the Condensed Consolidated Balance Sheets. The restricted cash balance as of March 31, 2017 provides collateral for certain bank guarantees on rent, customs and duty accounts. Restricted cash is included as a component of Cash, cash equivalents, and restricted cash in the Condensed Consolidated Statement of Cash Flows.

Customer Loans

Following the closing of the P&G Beauty Business acquisition, the Company now provides loans to certain customers to help finance salon openings, renovations and other improvements. In exchange for this financing, customers become contractually obligated to purchase products from the Company. Certain customer loans may be provided at favorable rates, including interest-free or with below-market interest rates. Customer loans are initially recorded at fair value not to exceed the face value of the loan. The fair value is based on a market based measurement using published market interest rates in the

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country of loan origin. The difference between the face value (generally the amount advanced) and fair value of the loan at origination is reported as a reduction in net sales in the Condensed Consolidated Statements of Operations. The value of the loan after initial recognition is reduced for principal repayments, net of any allowances for uncollectibility. Customer loan payments are allocated between principal and related interest, as appropriate. Payments are received either in the form of scheduled cash payments or via partial or complete offset against rebates or other allowances earned by customers from product purchases. Allowances for uncollectible loans are recorded based on management's assessment of objective evidence of potential uncollectibility. The portion of customer loans due within one year, net of an allowance for uncollectible loans was \$15.9 as of March 31, 2017 and is recorded within Prepaid expenses and other current assets in the Condensed Consolidated Balance Sheet. The portion of customer loans due in greater than one year, net of an allowance for uncollectible loans was \$17.0 as of March 31, 2017 and is recorded within Other noncurrent assets in the Condensed Consolidated Balance Sheet.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the period reported. Significant accounting policies that contain subjective management estimates and assumptions include those related to revenue recognition, the market value of inventory, the fair value of acquired assets and liabilities associated with acquisitions, the fair value of share-based compensation, the fair value of the Company's reporting units, and the assessment of goodwill, other intangible assets and long-lived assets for impairment, the valuation of redeemable noncontrolling interests, income taxes and pension and post-employment benefits. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment, and makes adjustments when facts and circumstances dictate. As future events and their effects cannot be determined with precision, actual results could differ significantly from those estimates and assumptions. Significant changes, if any, in those estimates and assumptions resulting from continuing changes in the economic environment will be reflected in the Condensed Consolidated Financial Statements in future periods.

Recently Adopted Accounting Pronouncements

In November 2016, the FASB issued authoritative guidance amending the classification and presentation of restricted cash on the statement of cash flows. The amendments will require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The Company early adopted this guidance in the second quarter of fiscal 2017 and has applied a retrospective transition method for each period presented. Accordingly, restricted cash and restricted cash equivalents has been reclassified as a component of Cash, cash equivalents, and restricted cash in the Condensed Consolidated Statement of Cash Flows for all periods presented.

In April 2015, the FASB issued authoritative guidance on the treatment of debt issuance costs. The guidance requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The Company adopted this guidance as of the first quarter ended September 30, 2016. With respect to the Company's Revolving Credit Facility (as defined in Note 13 - Debt), the Company has elected to classify unamortized debt issuance costs within the liability section of the balance sheet (as a contra-liability). In circumstances where the unamortized debt issuance costs exceeds the outstanding balance of the Coty Revolving Credit Facility or the Galleria Revolving Credit Facility, the amount of unamortized debt issuance costs exceeding the outstanding balance will be reclassified to assets. The Company has applied the change in accounting principle with retrospective application to prior periods. As such, the amounts previously reported as Other noncurrent assets and Long-term debt, net in the Condensed Consolidated Balance Sheet as of June 30, 2016 were decreased by \$64.6, respectively, for the reclassification of debt issuance costs from assets to liabilities. The change in accounting principle does not have an impact on the Company's Condensed Consolidated Statements of Operations, Statements of Cash Flows and Condensed Consolidated Statements of Equity and Redeemable Noncontrolling Interests.

In April 2015, the FASB issued authoritative guidance to clarify the accounting treatment for fees paid by a customer in cloud computing arrangements. Under the revised guidance, if a cloud computing arrangement includes a software license, then the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If the cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. The revised guidance will not change a customer's accounting for service contracts. The Company adopted this guidance as of the first quarter ended September 30, 2016 on a prospective basis. The adoption of this guidance did not have a material impact on the Company's Condensed Consolidated Financial Statements.

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Recently Issued Accounting Pronouncements

In May 2017, the FASB issued authoritative guidance regarding changes to terms or conditions of share-based payment awards that require an entity to apply modification accounting. Under this amendment, an entity should not account for the effects of a modification if all of the following conditions are met: i) the fair value (or calculated value or intrinsic value, if such an alternative measurement method is used) of the modified and original award (immediately before modification) is the same; ii) the vesting conditions of the modified and original award (immediately before modification) are the same; iii) the classification of the modified and original award (immediately before modification) as an equity or a liability instrument is the same. Early adoption is permitted and the amendment will be effective for the Company in fiscal 2019. The Company is currently evaluating the impact this guidance will have on the Company's Consolidated Financial Statements.

In March 2017, the FASB issued authoritative guidance that requires an employer to report the service cost component of an employee benefits plan in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. The other components of net periodic benefit cost as defined in the current guidance are required to be presented in the income statement separately from the service cost component and outside the subtotal of income from operations, if one is presented. If separate line item or items are not used, the line item or items used in the income statement to present the other components of net periodic benefit cost must be disclosed. The amendment allows only the service cost component to be eligible for capitalization, when applicable. Early adoption is permitted and the amendment will be effective for the Company in fiscal 2019. The Company is currently evaluating the impact this guidance will have on the Company's Consolidated Financial Statements.

In January 2017, the FASB issued authoritative guidance that simplifies the subsequent measurement of goodwill by eliminating step two from the goodwill impairment test. Under this amendment, an entity should recognize a goodwill impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. The amendment also eliminated the requirements for any reporting unit with a zero or negative carrying amount to perform a qualitative assessment and, if it fails that qualitative test, to perform step two of the goodwill impairment test. Early adoption is permitted and the amendment will be effective for the Company in fiscal 2021. The Company does not expect this guidance to impact the Company's Consolidated Financial Statements.

In October 2016, the FASB issued authoritative guidance that amends accounting guidance for intra-entity transfer of assets other than inventory to require the recognition of taxes when the transfer occurs. The amendment will be effective for the Company in fiscal 2019 with early adoption permitted as of the beginning of an annual reporting period for which financial statements have not been issued or made available for issuance. The Company is currently evaluating the impact this guidance will have on the Company's Consolidated Financial Statements.

In August 2016, the FASB issued authoritative guidance that changes the classification and presentation of certain items within the statement of cash flows including but not limited to debt prepayment or debt extinguishment costs; contingent consideration payments made after a business combination; proceeds from the settlement of insurance claims; proceeds from the settlement of corporate-owned life insurance policies and distributions received from equity method investees. The amendment will be effective for the Company in fiscal 2019 with early adoption permitted. The Company is currently evaluating the effect that this guidance will have on the Company's Consolidated Financial Statements.

In June 2014, and as further amended, the FASB issued authoritative guidance that implements a common revenue model that will enhance comparability across industries and require enhanced disclosures. The new standard introduces a five step principles based process to determine the timing and amount of revenue ultimately expected to be received. The standard will be effective for the Company in fiscal 2019 with either retrospective or modified retrospective treatment applied. Early adoption is permitted for the Company beginning in fiscal 2018. The Company is in the early stages and has an implementation team in place that is performing a comprehensive evaluation of the impact this standard will have on its Consolidated Financial Statements and related disclosures. The Company has selected the modified retrospective transition method, but has not yet determined the effect of the standard on its ongoing financial reporting.

In February 2016, the FASB issued authoritative guidance requiring that a lessee recognize the assets and liabilities that arise from operating leases. A lessee should recognize in its balance sheet a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. The amendment will be effective for the Company in fiscal 2020 with early adoption permitted. Lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The Company has not yet started its analysis of the impact this standard will have on the Company's Consolidated Financial Statements.

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3. BUSINESS COMBINATIONS

P&G Beauty Business Acquisition

On October 1, 2016, pursuant to the Transaction Agreement (as defined below), the Company completed the Transactions (as defined below) and acquired the P&G Beauty Business in order to further strengthen the Company's position in the global beauty industry. The purchase price was \$11,570.4 and consisted of \$9,628.6 of total equity consideration and \$1,941.8 of assumed debt.

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

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

The Company estimated the preliminary fair value of acquired assets and liabilities as of the date of acquisition based on information currently available. The Company is still evaluating the fair value of the assets and liabilities assumed in the Transactions. As the Company finalizes the fair value of assets acquired and liabilities assumed, additional purchase price adjustments may be recorded during the measurement period. The Company will reflect measurement period adjustments, if any, in the period in which the adjustments are recognized.

The following table summarizes the estimated allocation of the purchase price to the net assets of the P&G Beauty Business as of the October 1, 2016 acquisition date:

| | Estimated fair value as previously reported ^(a) | Measurement period adjustments (b) | Estimated fair value adjusted | Estimated useful life (in years) |
|----------------------------------|------------------------------------------------------------------------|---------------------------------------------|-------------------------------------|----------------------------------------|
| Cash and cash equivalents | \$387.6 | \$ — | \$387.6 | |
| Inventories | 506.7 | (38.3) | 468.4 | |
| Property, plant and equipment | 770.4 | (8.0) | 762.4 | 3 - 40 |
| Goodwill | 5,081.8 | 60.2 | 5,142.0 | Indefinite |
| Trademarks — indefinite | 1,890.0 | — | 1,890.0 | Indefinite |
| Trademarks — finite | 879.1 | 5.6 | 884.7 | 10 - 30 |
| Customer relationships | 1,795.8 | 11.3 | 1,807.1 | 1.5 - 17 |
| License agreements | 1,836.0 | 1.0 | 1,837.0 | 10 - 30 |
| Product formulations | 183.8 | — | 183.8 | 5 - 29 |
| Other net working capital | 65.8 | (27.6) | 38.2 | |
| Net other assets | 54.9 | (5.3) | 49.6 | |
| Unfavorable contract liabilities | (130.0) | — | (130.0) | |
| Pension liabilities | (394.9) | (9.8) | (404.7) | |
| Tax indemnification liability | (55.0) | — | (55.0) | |
| Deferred tax liability, net | (1,301.6) | 10.9 | (1,290.7) | |
| Total purchase price | \$11,570.4 | \$ — | \$11,570.4 | |

^(a) As previously reported in the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2016.

(b) The Company recorded measurement period adjustments in the third quarter of fiscal 2017 to account for a decrease of \$38.3 in the estimated fair value of the P&G Beauty Business inventory primarily related to a decrease in the inventory step-up due to updated valuation assumptions. The measurement period adjustments of \$17.9 related to finite-lived trademarks, customer relationships and license

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agreements was a result of the decrease in the estimated fair value of inventory acquired. Additional measurement period adjustments were recorded as a result of obtaining new facts and circumstances about certain acquired assets and liabilities that existed as of the acquisition date, primarily related to working capital. All measurement period adjustments were offset against goodwill.

Goodwill is primarily attributable to the anticipated company-specific synergies and economies of scale expected from the operations of the combined company. The synergies include certain cost savings, operating efficiencies, and leverage of the acquired brand recognition to be achieved as a result of the Transactions. Goodwill is not expected to be deductible for tax purposes. Goodwill of \$351.6, \$4,276.5, and \$513.9 is allocated to the Luxury, Consumer Beauty and Professional Beauty segments, respectively. The allocation of goodwill to segments was based on the relative fair values of synergies.

For the three months ended March 31, 2017, Net revenues and Net income of the P&G Beauty Business included in the Company's Condensed Consolidated Statements of Operations were \$975.7 and \$55.7, respectively. For the nine months ended March 31, 2017, Net revenues and Net income of the P&G Beauty Business included in the Company's Condensed Consolidated Statements of Operations from the date of acquisition were \$2,086.9 and \$110.9, respectively. Net income for the three and nine months ended March 31, 2017 was impacted by the amortization of certain asset values based on the estimated fair values of the acquired assets as determined during the initial purchase accounting, such as the amortization of inventory step-up. Such amortization activity had an impact to Net income for the three and nine months ended March 31, 2017 of \$(9.5) and \$(37.6), net of tax, respectively.

The Company recognized acquisition-related costs of \$52.0 and \$35.1 during the three months ended March 31, 2017 and 2016, respectively and \$264.4 and \$91.1 for the nine months ended March 31, 2017 and 2016, respectively, which were included in Acquisition-related costs in the Condensed Consolidated Statements of Operations.

ghd Acquisition

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

The Company estimated the preliminary fair value of acquired assets and liabilities as of the date of acquisition based on information currently available. The Company is still evaluating the fair value of the assets and liabilities assumed from the ghd acquisition. As the Company finalizes the fair value of assets acquired and liabilities assumed, additional purchase price adjustments may be recorded during the measurement period. The Company will reflect measurement period adjustments, if any, in the period in which the adjustments are recognized.

The following table summarizes the estimated allocation of the purchase price to the net assets of ghd as of the November 21, 2016 acquisition date:

| | Estimated fair value as previously reported ^(a) | Measurement period adjustments ^(b) | Estimated fair value adjusted | Estimated useful life (in years) |
|-------------------------------------------|------------------------------------------------------------------------|--------------------------------------------------------|-------------------------------------|----------------------------------------|
| Cash and cash equivalents | \$ 7.1 | \$ — | \$ 7.1 | |
| Inventories | 79.8 | — | 79.8 | |
| Property, plant and equipment | 11.3 | — | 11.3 | 3 - 10 |
| Goodwill | 175.5 | (7.4) | 168.1 | Indefinite |
| Indefinite-lived other intangibles assets | 163.8 | — | 163.8 | Indefinite |
| Customer relationships | 44.2 | (7.6) | 36.6 | 11 - 24 |
| Technology | 138.6 | 8.0 | 146.6 | 11 - 16 |
| Other net working capital | (7.4) | 7.1 | (0.3) | |
| Net other assets | 0.9 | — | 0.9 | |

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| | | | | | | |
|-----------------------------|----------|---|------|---|-------|----------|
| Deferred tax liability, net | (75.3 |) | (0.1 |) | (75.4 |) |
| Total purchase price | \$ 538.5 | | \$ | — | | \$ 538.5 |

^(a) As previously reported in the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2016.

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(b) The Company recorded measurement period adjustments in the third quarter of fiscal 2017 to account for a decrease to customer relationships of \$7.6 and an increase to technology of \$8.0 due to changes in valuation assumptions and an increase in the estimated other net working capital of \$7.1 as of the November 21, 2016 acquisition date. These adjustments were offset against Goodwill.

Goodwill is not expected to be deductible for tax purposes. The goodwill is attributable to expected synergies resulting from integrating ghd's products into the Company's existing sales channels.

For the three months ended March 31, 2017, Net revenues and Net income (loss) of ghd included in the Company's Condensed Consolidated Statements of Operations were \$45.2 and \$(41.6), respectively. For the nine months ended March 31, 2017, Net revenues and Net income (loss) of ghd included in the Company's Condensed Consolidated Statements of Operations from the date of acquisition were \$89.6 and \$(47.9), respectively. Net income for the three and nine months ended March 31, 2017 was impacted by the amortization of certain asset values based on the estimated fair values of acquired assets as determined during the initial purchase accounting, such as the amortization of inventory step-up. Such amortization activity had an impact to Net income (loss) for the three and nine months ended March 31, 2017 of \$(26.0) and \$(39.8), net of tax, respectively.

The Company recognized acquisition-related costs of \$3.1 and \$4.9 during the three and nine months ended March 31, 2017, respectively, which are included in Acquisition-related costs in the Condensed Consolidated Statements of Operations.

Younique Acquisition

On February 1, 2017, the Company completed its acquisition of 60% of the membership interest in Foundation, LLC ("Foundation") which held the net assets of Younique, LLC, a Utah limited liability company ("Younique"), for cash consideration of \$600.0, net of acquired cash and debt assumed. The existing Younique membership holders contributed their 100% membership interest in Younique to Foundation in exchange for a 40% membership interest in Foundation and \$600.0 of cash consideration. The purchase consideration is subject to normal working capital adjustments. Younique is expected to strengthen the Consumer Beauty division's color cosmetics and skin and body care product offerings. The acquisition was funded with a combination of cash on hand and borrowings under available debt facilities. The Company accounts for the noncontrolling interest portion of the acquisition as a redeemable noncontrolling interest. Refer to Note 21 — Noncontrolling Interests and Redeemable Noncontrolling Interests for information regarding valuation method and significant assumptions used to calculate the fair value. The Company estimated the preliminary fair value of acquired assets and liabilities as of the date of acquisition based on information currently available. The Company is still evaluating the fair value of the assets and liabilities assumed from the Younique acquisition. As the Company finalizes the fair value of assets acquired and liabilities assumed, additional purchase price adjustments may be recorded during the measurement period. The Company will reflect measurement period adjustments, if any, in the period in which the adjustments are recognized.

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The following table summarizes the estimated allocation of the purchase price to the net assets of Younique as of the February 1, 2017 acquisition date:

| | Estimated fair value | Estimated useful life (in years) |
|-------------------------------|-------------------------|----------------------------------------|
| Cash and cash equivalents | \$ 17.5 | |
| Inventories | 106.5 | |
| Property, plant and equipment | 64.1 | 3 - 7 |
| Goodwill | 559.5 | Indefinite |
| Trademark — finite | 121.0 | 20 |
| Product formulations | 0.6 | 5 |
| Customer relationships | 184.0 | 9 - 15 |
| Other net working capital | (24.8) | |
| Short-term and long-term debt | (1.2) | |
| Total equity value | 1,027.2 | |

Redeemable noncontrolling interest 410.9

Net cash and debt acquired 16.3

Total purchase price \$ 600.0

Goodwill is expected to be deductible for tax purposes. The goodwill is attributable to expected synergies resulting from certain manufacturing and supply chain cost savings.

For the three and nine months ended March 31, 2017, Net revenues and Net income (loss) of Younique were included in the Company's Condensed Consolidated Statements of Operations from the date of acquisition were \$79.6 and \$(1.4), respectively. Net income for the three and nine months ended March 31, 2017 was impacted by the amortization of certain asset values based on the estimated fair values of the acquired assets as determined during the initial purchase accounting, such as the amortization of inventory step-up. Such amortization activity had an impact to Net income (loss) for the three and nine months ended March 31, 2017 of \$(17.6), net of tax.

The Company recognized acquisition-related costs of \$0.1 and \$0.8 during the three and nine months ended March 31, 2017, respectively, which are included in Acquisition-related costs in the Condensed Consolidated Statements of Operations.

Brazil Acquisition

On February 1, 2016, the Company completed the acquisition of 100% of the net assets of the personal care and beauty business of Hypermarchas S.A. (the "Brazil Acquisition") pursuant to a share purchase agreement in order to further strengthen its position in the Brazilian beauty and personal care market. The total consideration of R\$3,599.5 million, the equivalent of \$901.9, at the time of closing, was paid during fiscal 2016.

The Company has finalized the valuation of assets acquired and liabilities assumed for the Brazil Acquisition. The Company recognized certain measurement period adjustments as disclosed below during the quarter ended September 30, 2016. The measurement period for the Brazil Acquisition was closed as of September 30, 2016.

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The following table summarizes the allocation of the purchase price to the net assets acquired as of the February 1, 2016 acquisition date:

| | Estimated fair value as previously reported ^(a) | Measurement period adjustments ^(b) | Estimated fair value as adjusted | Estimated useful life (in years) |
|-------------------------------|------------------------------------------------------------------------|--------------------------------------------------------|-------------------------------------------|----------------------------------------|
| Cash and cash equivalents | \$ 11.1 | \$ — | \$ 11.1 | |
| Inventories | 45.6 | — | 45.6 | |
| Property, plant and equipment | 95.4 | — | 95.4 | 2 - 40 |
| Goodwill | 553.7 | (16.6) | 537.1 | Indefinite |
| Trademarks — indefinite | 147.1 | — | 147.1 | Indefinite |
| Trademarks — finite | 10.3 | — | 10.3 | 5 - 15 |
| Customer relationships | 44.6 | — | 44.6 | 13 - 28 |
| Product formulations | 12.8 | — | 12.8 | 3 |
| Other net working capital | 0.7 | — | 0.7 | |
| Net other assets | 2.1 | (0.7) | 1.4 | |
| Deferred tax liability, net | (21.5) | 17.3 | (4.2) | |
| Total purchase price | \$ 901.9 | \$ — | \$ 901.9 | |

^(a) As previously reported in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2016.

^(b) The Company recorded measurement period adjustments in the first quarter of fiscal 2017 to account for a \$0.7 asset retirement obligation, as well as a net decrease in net deferred tax liability of \$17.3 as of the February 1, 2016 acquisition date. These adjustments were offset against Goodwill.

The Company has completed the local tax requirements allowing approximately \$500.0 of goodwill and \$44.6 of customer relationships assets to be tax deductible.

The Company recognized acquisition-related costs of \$0.0 and \$1.1 during the three and nine months ended March 31, 2017, respectively, and \$1.7 and \$2.3 during the three and nine months ended March 31, 2016, respectively which are included in Acquisition-related costs in the Condensed Consolidated Statements of Operations.

Unaudited Pro Forma Information

The unaudited pro forma financial information in the table below summarizes the combined results of the Company and the P&G Beauty Business, Younique and the Brazil Acquisition (the "Pro Forma Acquisitions") as though the companies had been combined on July 1, 2015. The three and nine months ended March 31, 2017 and 2016 include pro forma adjustments for all the Pro Forma Acquisitions.

The pro forma adjustments include incremental amortization of intangible assets and depreciation adjustment of property, plant and equipment, based on preliminary values of each asset as well as costs related to financing the Pro Forma Acquisitions. The unaudited pro forma information also includes non-recurring acquisition-related costs as well as amortization of the inventory step-up. Pro forma adjustments were tax-effected at the Company's statutory rates. For the pro forma basic and diluted earnings per share calculation, 409.7 million shares issued in connection with the P&G Beauty Business acquisition were considered as if issued on July 1, 2015. The pro forma information is presented for informational purposes only and may not be indicative of the results of operations that would have been achieved if the Pro Forma Acquisitions had taken place on July 1, 2015 or that may occur in the future, and does not reflect future synergies, integration costs, or other such costs or savings. The pro forma information for the three months ended March 31, 2017 and 2016 and nine months ended March 31, 2017 and 2016, respectively, are as follows:

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| | Three Months Ended March 31, | | Nine Months Ended March 31, | |
|-------------------------------------------------------------------------|---------------------------------|-----------|--------------------------------|-----------|
| | 2017 (a) | 2016 (b) | 2017 (a) | 2016 (b) |
| Pro forma Net revenues | \$2,063.7 | \$2,070.4 | \$6,647.9 | \$7,049.4 |
| Pro forma Net income (loss) | (77.5) | (28.6) | 68.9 | 126.0 |
| Pro forma Net income (loss) attributable to Coty Inc. | (89.7) | (47.2) | 37.4 | 102.6 |
| Pro forma Net income (loss) attributable to Coty Inc. per common share: | | | | |
| Basic | \$(0.12) | \$(0.06) | \$0.05 | \$0.14 |
| Diluted | \$(0.12) | \$(0.06) | \$0.05 | \$0.13 |

(a) For the three and nine months ended March 31, 2017, the pro forma information excluded \$62.2 and \$378.9 of non-recurring acquisition-related costs and \$34.5 and \$71.0 of amortization of inventory step up, respectively.

(b) For the three months ended March 31, 2016, the pro forma information excluded \$64.8 of non-recurring acquisition-related costs and \$4.9 of amortization of inventory step up. For the nine months ended March 31, 2016, the pro forma information included \$54.7 of non-recurring acquisition-related costs and \$104.1 of amortization of inventory step up.

4. SEGMENT REPORTING

Operating and reportable segments (referred to as “segments”) reflect the way the Company is managed and for which separate financial information is available and evaluated regularly by the chief operating decision maker (“CODM”) in deciding how to allocate resources and assess performance. The Company has designated its Chief Executive Officer as the CODM.

In connection with the Company’s acquisition of the P&G Beauty Business, the Company realigned its operations and determined management’s internal and external reporting based on the following three divisions – Luxury, Consumer Beauty and Professional Beauty. The new organizational structure is category focused, putting the consumer first, by specifically targeting how and where they shop and what and why they purchase. Each division has full end-to-end responsibility to optimize consumers’ beauty experience in the relevant categories and channels. The Company has determined that its three divisions are its operating segments and reportable segments. The operating and reportable segments are:

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

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

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

Additionally, in connection with the Company’s acquisition of the P&G Beauty Business, the Company reorganized its geographical structure into three regions: North America (Canada and the United States), Europe and ALMEA (Asia, Latin America, the Middle East, Africa and Australia).

As a result of this change in segment reporting, the Company restated prior period results, by segment, to conform to current period presentation. Prior to the realignment, the Company operated and managed its business as four operating and reportable segments: Fragrances, Color Cosmetics, Skin & Body Care, and the Brazil Acquisition. Certain revenues and shared costs and the results of corporate initiatives are being managed outside of the three segments by Corporate. The items within Corporate relate to corporate-based responsibilities and decisions and are not used by the CODM to measure the underlying performance of the segments. Corporate primarily includes restructuring costs, costs related to acquisition activities and certain other expense items not attributable to ongoing operating activities of the segments.

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

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| SEGMENT DATA | Three Months Ended March 31, | | Nine Months Ended March 31, | |
|--------------------------------------|------------------------------|----------|-----------------------------|-----------|
| | 2017 | 2016 | 2017 | 2016 |
| Net revenues: | | | | |
| Luxury | \$634.6 | \$405.9 | \$1,918.6 | \$1,433.4 |
| Consumer Beauty | 988.6 | 488.5 | 2,562.2 | 1,653.7 |
| Professional Beauty | 408.9 | 56.3 | 928.2 | 186.4 |
| Total | \$2,032.1 | \$950.7 | \$5,409.0 | \$3,273.5 |
| Operating (loss) income: | | | | |
| Luxury | \$60.9 | \$29.7 | \$203.6 | \$206.1 |
| Consumer Beauty | 63.0 | 39.2 | 178.6 | 210.2 |
| Professional Beauty | (18.2) | 12.8 | 81.5 | 53.4 |
| Corporate | (298.2) | (58.7) | (622.5) | (212.6) |
| Total | \$(192.5) | \$23.0 | \$(158.8) | \$257.1 |
| Reconciliation: | | | | |
| Operating (loss) income | \$(192.5) | \$23.0 | \$(158.8) | \$257.1 |
| Interest expense, net | 60.8 | 25.1 | 159.1 | 55.7 |
| Loss on early extinguishment of debt | — | — | — | 3.1 |
| Other (income) expense, net | (0.5) | 6.6 | 0.2 | 30.4 |
| (Loss) income before income taxes | \$(252.8) | \$(8.7) | \$(318.1) | \$167.9 |

| GEOGRAPHIC DATA | Three Months Ended March 31, | | Nine Months Ended March 31, | |
|-----------------|------------------------------|---------|-----------------------------|-----------|
| | 2017 | 2016 | 2017 | 2016 |
| Net revenues: | | | | |
| North America | \$685.1 | \$311.1 | \$1,727.4 | \$1,072.8 |
| Europe | 848.4 | 402.0 | 2,429.4 | 1,494.8 |
| ALMEA | 498.6 | 237.6 | 1,252.2 | 705.9 |
| Total | \$2,032.1 | \$950.7 | \$5,409.0 | \$3,273.5 |

| Long-lived assets: | March 31, June 30, | |
|------------------------------|--------------------|-----------|
| | 2017 | 2016 |
| United States ^(a) | \$13,472.8 | \$2,688.7 |
| Switzerland | 1,917.2 | 508.0 |
| All other | 3,246.4 | 1,713.6 |
| Total | \$18,636.4 | \$4,910.3 |

^(a) Includes the intangible assets recognized as part of the P&G Beauty Business acquisition which have not been allocated geographically out of the United States as of March 31, 2017. The Company is currently in the process of determining the geographic allocation of these intangible assets.

The table above presents long-lived assets, by our major countries and all other countries. A major country is defined as a group of subsidiaries within a country with combined long-lived assets greater than 10% of consolidated long-lived assets or as otherwise deemed significant. Long-lived assets include property and equipment, goodwill and other intangible assets.

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

| PRODUCT CATEGORY | Three Months Ended March 31, 2017 | | Nine Months Ended March 31, 2016 | |
|------------------|-----------------------------------|--------|----------------------------------|--------|
| | 2017 | 2016 | 2017 | 2016 |
| Fragrance | 32.1 % | 43.8 % | 38.5 % | 48.6 % |
| Color Cosmetics | 31.4 | 39.6 | 28.9 | 34.9 |
| Skin & Body Care | 10.0 | 16.6 | 12.4 | 16.5 |
| Hair Care | 26.5 | — | 20.2 | — |
| Total Coty Inc. | 100.0% | 100.0% | 100.0% | 100.0% |

5. RESTRUCTURING COSTS

Restructuring costs for the three and nine months ended March 31, 2017 and 2016 are presented below:

| | Three Months Ended March 31, 2017 | | Nine Months Ended March 31, 2016 | |
|---------------------------------|-----------------------------------|--------|----------------------------------|---------|
| | 2017 | 2016 | 2017 | 2016 |
| Global Integration Activities | \$ 156.5 | \$— | \$ 170.1 | \$— |
| Acquisition Integration Program | (0.7) | 1.4 | 3.9 | 47.0 |
| Organizational Redesign | (0.1) | 4.6 | 4.4 | 28.0 |
| Other Restructuring | 0.1 | 0.6 | 0.6 | 4.3 |
| Total | \$ 155.8 | \$ 6.6 | \$ 179.0 | \$ 79.3 |

Global Integration Activities

In connection with the acquisition of the P&G Beauty Business, the Company anticipates that it will incur restructuring and related costs aimed at integrating and optimizing the combined organization ("Global Integration Activities").

Of the expected costs, the Company incurred \$183.7 related to approved initiatives in the nine months ended March 31, 2017:

| | Cost of sales ^(a) | Selling, general and administrative ^(b) | Restructuring | Total |
|-----------------------------|------------------------------|----------------------------------------------------|---------------|----------|
| Nine months ended March 31, | \$ 8.1 | \$ 5.5 | \$ 170.1 | \$ 183.7 |

^(a) Primarily related to inventory buyback associated with the conversion of P&G distributors and accelerated depreciation.

^(b) Other business realignment costs, including legal and consulting costs.

The related liability balance and activity for the Global Integration Activities restructuring costs are presented below:

| | Severance and Employee Benefits | Third-Party Contract Terminations | Other Exit Costs | Total Program Costs |
|----------------------------|---------------------------------|-----------------------------------|------------------|---------------------|
| Balance—July 1, 2016 | \$ — | \$ — | \$— | \$— |
| Restructuring charges | 158.7 | 10.6 | 0.8 | 170.1 |
| Acquisition ^(a) | 1.8 | — | 10.0 | 11.8 |
| Payments | (6.6) | — | (2.1) | (8.7) |
| Effect of exchange rates | (0.9) | — | — | (0.9) |

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Balance—March 31, 2015 \$ 153.0 \$ 10.6 \$ 8.7 \$ 172.3

^(a) The Company incurred exit and disposal costs primarily related to an acquired lease, as well as employee separations initiated as a result of the P&G Beauty Business acquisition.

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The Company currently estimates that the total remaining accrual of \$172.3 will result in cash expenditures of approximately \$32.9, \$111.4, \$22.5 and \$5.5 in fiscal 2017, 2018, 2019 and 2020, respectively.

Acquisition Integration Program

In the first quarter of fiscal 2016, the Company's Board of Directors (the "Board") approved an expansion to a restructuring program in connection with the acquisition of the Bourjois brand (the "Acquisition Integration Program"). Actions associated with the program were initiated after the acquisition of Bourjois and are expected to be substantially completed by the end of fiscal 2017. The Company anticipates the Acquisition Integration Program will result in pre-tax restructuring and related costs of approximately \$65.0, all of which will result in cash payments. The Company incurred \$61.5 of restructuring costs life-to-date as of March 31, 2017, which have been recorded in Corporate.

Restructuring costs in the Company's Condensed Consolidated Statements of Operations for the three months ended September 30, 2016 included a curtailment gain of \$1.8, recognized in connection with involuntary employee terminations as part of the Acquisition Integration Program. This gain resulted in a corresponding decrease to the net pension liability as of March 31, 2017. Refer to Note 16 — Employee Benefit Plans for further information.

The related liability balance and activity for the Acquisition Integration Program costs are presented below:

| | Severance and Employee Benefits | Third-Party Contract Terminations | Other Exit Costs | Total Program Costs |
|--------------------------|------------------------------------------|-----------------------------------------|------------------------|---------------------------|
| Balance—July 1, 2016 | \$ 35.7 | \$ 7.6 | \$0.1 | \$ 43.4 |
| Restructuring charges | 0.8 | — | 6.6 | 7.4 |
| Payments | (8.7) | (3.7) | (2.0) | (14.4) |
| Changes in estimates | (0.8) | (0.9) | — | (1.7) |
| Effect of exchange rates | (1.0) | (0.1) | (0.4) | (1.5) |
| Balance—March, 31, 2017 | \$ 26.0 | \$ 2.9 | \$4.3 | \$ 33.2 |

The Company currently estimates that the total remaining accrual of \$33.2 will result in cash expenditures of approximately \$4.5, \$26.1, \$1.3 and \$1.3 in fiscal 2017, 2018, 2019 and 2020, respectively.

Organizational Redesign

During the fourth quarter of fiscal 2014, the Board approved a program associated with a new organizational structure ("Organizational Redesign") that aims to reinforce the Company's growth path and strengthen its position as a new global leader and challenger in the beauty industry. The Company anticipates that the Organizational Redesign will result in pre-tax restructuring and related costs of \$145.0 to \$180.0, all of which will result in cash payments. The Company anticipates substantial completion of all project activities by the end of fiscal 2017, with the remaining costs primarily charged to Corporate. The Company incurred \$110.5 of restructuring costs life-to-date as of March 31, 2017, which have been recorded in Corporate. The Company incurred \$35.3 of other business realignment costs life-to-date as of March 31, 2017 which have been primarily reported in Selling, general and administrative expenses in the Condensed Consolidated Statements of Operations in Corporate.

The related liability balance and activity for the Organizational Redesign costs are presented below:

| | Severance and Employee Benefits | Third-Party Contract Terminations | Other Exit Costs | Total Program Costs |
|--------------------------|------------------------------------------|-----------------------------------------|------------------------|---------------------------|
| Balance—July 1, 2016 | \$ 33.6 | \$ 0.4 | \$0.5 | \$ 34.5 |
| Restructuring charges | 6.2 | — | — | 6.2 |
| Payments | (27.6) | — | (0.2) | (27.8) |
| Changes in estimates | (1.8) | — | — | (1.8) |
| Effect of exchange rates | — | — | (0.2) | (0.2) |
| Balance—March, 31, 2017 | \$ 10.4 | \$ 0.4 | \$0.1 | \$ 10.9 |

The Company currently estimates that the total remaining accrual of \$10.9 will result in cash expenditures of \$6.0 and \$4.9 in fiscal 2017 and 2018, respectively.

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Other Restructuring

Other restructuring primarily relates to the Company's programs to integrate supply chain and selling activities, which were substantially completed during fiscal 2016 with cash payments expected to continue through fiscal 2018. The Company incurred expenses of \$0.6 and \$4.3 during the nine months ended March 31, 2017 and 2016, respectively. The related liability balances were \$4.5 and \$6.2 at March 31, 2017 and June 30, 2016, respectively. The Company currently estimates that the total remaining accrual of \$4.5 will result in cash expenditures of approximately \$3.2 and \$1.3 in fiscal 2017 and 2018, respectively.

In connection with the acquisition of the P&G Beauty Business, the Company assumed restructuring liabilities of approximately \$8.8 at October 1, 2016. The Company estimates that the remaining accrual of \$7.1 at March 31, 2017 will result in cash expenditures of \$4.9 and \$2.2 in fiscal 2017 and 2018, respectively.

6. ACQUISITION-RELATED COSTS

Acquisition-related costs, which are expensed as incurred, represent non-restructuring costs directly related to acquiring and integrating an entity, for both completed and contemplated acquisitions and can include finder's fees, legal, accounting, valuation, other professional or consulting fees, and other internal costs which can include compensation related expenses for dedicated internal resources. The Company recognized acquisition-related costs of \$57.7 and \$37.0 for the three months ended March 31, 2017 and 2016, respectively, and \$275.1 and \$98.3 for the nine months ended March 31, 2017 and 2016, respectively, which have been recorded in Acquisition-related costs in the Condensed Consolidated Statements of Operations.

7. INCOME TAXES

The effective income tax rate for the three months ended March 31, 2017 and 2016 was 36.9% and (133.3)%, respectively, and 69.3% and (25.3)% for the nine months ended March 31, 2017 and 2016, respectively.

The effective tax rate for the three months ended March 31, 2017 includes an increase in the accrual for unrecognized tax benefits, the expiration of foreign statutes of limitation and audit settlements.

The effective income tax rate for the three months ended March 31, 2016 includes the impact of additional U.S. losses with minimal tax benefit, the decrease in the accrual for unrecognized tax benefits, audit settlements and the expiration of foreign statutes of limitation.

The effective tax rate for the nine months ended March 31, 2017 includes the release of a valuation allowance in the US as a result of the P&G Beauty Business acquisition of \$111.2. The negative effective income tax rate for the nine months ended March 31, 2016 was primarily the result of the net impact of the settlements with the Internal Revenue Service ("IRS") as described below.

The effective income tax rate for the nine months ended March 31, 2016 included the final settlement with the IRS in connection with the 2004 - 2012 examination periods. The settlement primarily related to the acquisition of the Calvin Klein fragrance business. In connection with the settlement, the Company recognized a tax benefit of approximately \$193.9 of which \$164.2 was mainly due to the recognition of additional deferred tax assets related to the basis of the Calvin Klein trademark, and approximately \$29.7 resulted from the reduction of gross unrecognized tax benefits. Of the \$193.9 tax benefit, \$113.0 was offset by a valuation allowance due to on-going operating losses in the U.S.

There was an increase of \$1,042.6 in deferred tax liability for the nine months ended March 31, 2017 compared to fiscal year ended June 30, 2016. The increase was primarily due to the acquisition of the P&G Beauty Business and the step up in the book basis of certain assets.

The effective income tax rates vary from the U.S. federal statutory rate of 35% due to the effect of (i) jurisdictions with different statutory rates, (ii) adjustments to the Company's unrealized tax benefits ("UTBs") and accrued interest, (iii) non-deductible expenses, (iv) audit settlements and (v) valuation allowance changes.

As of March 31, 2017 and June 30, 2016, the gross amount of UTBs was \$237.4 and \$228.9, respectively. As of March 31, 2017, the total amount of UTBs that, if recognized, would impact the effective income tax rate was \$226.6.

As of March 31, 2017 and June 30, 2016, the liability associated with UTBs, including accrued interest and penalties, was \$154.7 and \$131.9, respectively, which was recorded in Income and other taxes payable and Other non-current liabilities in the Condensed Consolidated Balance Sheets. The total interest and penalties recorded in the Condensed Consolidated Statements of Operations related to UTBs for the three months ended March 31, 2017 and 2016 was

\$(0.6) and \$0.7, and for the nine months ended March 31, 2017 and 2016 was \$0.4 and \$2.7, respectively. The total gross accrued interest and penalties recorded in the Condensed Consolidated Balance Sheets as of March 31, 2017 and June 30, 2016 was \$10.6 and \$9.9, respectively. On the basis of the information available as of March 31, 2017, it is reasonably possible that a decrease of up to \$9.0 in UTBs may occur within 12 months as a result of projected resolutions of global tax examinations and a potential lapse of the applicable statutes of limitations.

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8. INVENTORIES

Inventories as of March 31, 2017 and June 30, 2016 are presented below:

| | March 31, June 30, | |
|-------------------|--------------------|----------|
| | 2017 | 2016 |
| Raw materials | \$ 241.9 | \$ 159.8 |
| Work-in-process | 34.0 | 9.5 |
| Finished goods | 758.4 | 396.5 |
| Total inventories | \$ 1,034.3 | \$ 565.8 |

9. PROPERTY AND EQUIPMENT, NET

Property and equipment, net as of March 31, 2017 and June 30, 2016 are presented below:

| | March 31, 2017 | June 30, 2016 |
|--------------------------------------------|----------------------|------------------|
| Land, buildings and leasehold improvements | \$623.7 | \$284.8 |
| Machinery and equipment | 812.3 | 523.1 |
| Marketing furniture and fixtures | 427.8 | 295.2 |
| Computer equipment and software | 469.6 | 346.7 |
| Construction in progress | 244.6 | 79.6 |
| Property and Equipment, gross | 2,578.0 | 1,529.4 |
| Accumulated depreciation and amortization | (1,022.2) | (890.8) |
| Property and equipment, net | \$1,555.8 | \$638.6 |

Depreciation and amortization expense of property and equipment totaled \$82.0 and \$37.1 for the three months ended March 31, 2017 and 2016, respectively, and \$195.9 and \$111.9 for the nine months ended March 31, 2017 and 2016, respectively, and are recorded in Cost of sales and Selling, general and administrative expenses in the Condensed Consolidated Statements of Operations.

10. GOODWILL AND OTHER INTANGIBLE ASSETS, NET

Goodwill

Goodwill as of March 31, 2017 and June 30, 2016 is presented below:

| | Luxury | Consumer Beauty | Professional Beauty | Total |
|--------------------------------|-----------|--------------------|------------------------|-----------|
| Gross balance at June 30, 2016 | \$1,294.5 | \$1,288.2 | \$ 270.8 | \$2,853.5 |
| Accumulated impairments | (403.7) | (237.1) | — | (640.8) |
| Net balance at June 30, 2016 | \$890.8 | \$1,051.1 | \$ 270.8 | \$2,212.7 |

Changes during the period ended March 31, 2017:

| | | | | |
|-----------------------------------------------|-----------|-----------|----------|-----------|
| Measurement Period Adjustments ^(a) | 4.2 | 33.4 | (1.4) | 36.2 |
| Acquisitions ^(b) | 347.4 | 4,786.0 | 683.4 | 5,816.8 |
| Foreign currency translation | 4.8 | 37.0 | 4.3 | 46.1 |
| Gross balance at March 31, 2017 | \$1,650.9 | \$6,144.6 | \$ 957.1 | \$8,752.6 |
| Accumulated impairments | (403.7) | (237.1) | — | (640.8) |
| Net balance at March 31, 2017 | \$1,247.2 | \$5,907.5 | \$ 957.1 | \$8,111.8 |

^(a) Includes measurement period adjustments in connection with the Brazil Acquisition, P&G Beauty Business and ghd acquisitions (Refer to Note 3 — Business Combinations).

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(b) Includes goodwill resulting from the P&G Beauty Business, ghd and Younique acquisitions during the nine months ended March 31, 2017 (Refer to Note 3 — Business Combinations).

As described in Note 4 — Segment Reporting, the Company changed its segments during the second quarter ended December 31, 2016. As a result, the Company allocated goodwill to the new segments using a relative fair value approach. In addition, the Company completed an assessment of any potential goodwill impairment for all reporting units immediately prior to the reallocation and determined that no impairment existed. Further, the Company recast the goodwill and indefinite-lived intangible asset tables for the new segments.

Other Intangible Assets, net

Other intangible assets, net as of March 31, 2017 and June 30, 2016 are presented below:

| | March 31, 2017 | June 30, 2016 |
|-------------------------------------------|-------------------|------------------|
| Indefinite-lived other intangible assets | \$3,442.8 | \$1,417.0 |
| Finite-lived other intangible assets, net | 5,526.0 | 633.1 |
| Total Other intangible assets, net | \$8,968.8 | \$2,050.1 |

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

| | Luxury | Consumer Beauty | Professional Beauty | Total |
|-------------------------------------------------|----------|--------------------|------------------------|-----------|
| Gross balance at June 30, 2016 | \$401.2 | \$551.5 | \$662.1 | \$1,614.8 |
| Accumulated impairments | (118.8) | (75.9) | (3.1) | (197.8) |
| Net balance at June 30, 2016 | 282.4 | 475.6 | 659.0 | 1,417.0 |
| Changes during the period ended March 31, 2017: | | | | |
| Acquisitions ^(a) | — | 1,390.0 | 663.8 | 2,053.8 |
| Foreign currency translation | (10.9) | (14.2) | (2.9) | (28.0) |
| Gross balance at March 31, 2017 | 390.3 | 1,927.3 | 1,323.0 | 3,640.6 |
| Accumulated impairments | (118.8) | (75.9) | (3.1) | (197.8) |
| Net balance at March 31, 2017 | \$271.5 | \$1,851.4 | \$1,319.9 | \$3,442.8 |

^(a) Includes Indefinite-lived other intangible assets resulting from the P&G Beauty Business and ghd acquisitions during the nine months ended March 31, 2017 (Refer to Note 3 — Business Combinations).

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Intangible assets subject to amortization are presented below:

| | Cost | Accumulated Amortization | Accumulated Impairment | Net |
|----------------------------------------------------|-----------|-----------------------------|---------------------------|-----------|
| June 30, 2016 | | | | |
| License agreements | \$798.3 | \$ (532.2) | \$ — | \$266.1 |
| Customer relationships | 611.7 | (274.2) | (5.5) | 332.0 |
| Trademarks | 128.3 | (108.6) | — | 19.7 |
| Product formulations | 48.0 | (32.7) | — | 15.3 |
| Total | \$1,586.3 | \$ (947.7) | \$ (5.5) | \$633.1 |
| March 31, 2017 | | | | |
| License agreements ^(a) | \$2,542.7 | \$ (585.5) | \$ — | \$1,957.2 |
| Customer relationships ^(a) | 2,633.5 | (389.4) | (5.5) | 2,238.6 |
| Trademarks ^(a) | 1,133.0 | (131.2) | — | 1,001.8 |
| Product formulations and technology ^(a) | 380.6 | (52.2) | — | 328.4 |
| Total | \$6,689.8 | \$ (1,158.3) | \$ (5.5) | \$5,526.0 |

^(a) Includes License agreements, Customer relationships, Trademarks, and Product formulations and technology of \$1,837.0, \$2,027.7, \$1,005.7 and \$331.0, respectively resulting from the P&G Beauty Business, ghd and Younique acquisitions during the nine months ended March 31, 2017 (Refer to Note 3 — Business Combinations).

Amortization expense totaled \$102.6 and \$20.9, for the three months ended March 31, 2017 and 2016, respectively, and \$219.0 and \$59.0 for the nine months ended March 31, 2017 and 2016, respectively.

Intangible assets subject to amortization are amortized principally using the straight-line method and have the following weighted-average remaining lives:

| Description | |
|-------------------------------------|------------|
| License agreements | 25.9 years |
| Customer relationships | 13.5 years |
| Trademarks | 23.5 years |
| Product formulations and technology | 11.1 years |

As of March 31, 2017, the remaining weighted-average life of all intangible assets subject to amortization is 19.6 years.

The estimated aggregate amortization expense for each of the following fiscal years ending June 30 is presented below:

| | |
|-----------------|---------|
| 2017, remaining | \$104.4 |
| 2018 | 403.3 |
| 2019 | 359.9 |
| 2020 | 354.7 |
| 2021 | 346.0 |
| 2022 | 329.0 |

License Agreements

The Company records assets for license agreements (“licenses”) acquired in transactions accounted for as business combinations. These licenses provide the Company with the exclusive right to manufacture and market on a worldwide and/or regional basis certain of the Company’s products which comprise a significant portion of the Company’s revenues. These licenses have initial terms covering various periods. Certain licenses provide for automatic extensions ranging from 2 to 18 year terms, at the Company’s discretion.

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11. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities as of March 31, 2017 and June 30, 2016 are presented below:

| | March 31, 2017 | June 30, 2016 |
|------------------------------------------------------|-------------------|---------------------|
| Advertising, marketing and licensing | \$ 430.2 | \$180.2 |
| Customer returns, discounts, allowances and bonuses | 306.5 | 164.8 |
| Compensation and other compensation related benefits | 270.6 | 157.5 |
| Restructuring costs | 183.4 | 60.8 |
| VAT, sales and other non-income taxes | 58.4 | 36.2 |
| Tax indemnification liability | 55.0 | — |
| Acquisition-related costs | 39.4 | 42.4 |
| Deferred income | 25.3 | 3.8 |
| Interest | 17.4 | 9.4 |
| Audit and consulting | 9.1 | 6.3 |
| Lease related liabilities | 4.4 | 3.7 |
| Derivative liabilities | 3.0 | 20.9 |
| Other | 156.0 | 62.4 |
| Total accrued expenses and other current liabilities | \$ 1,558.7 | \$748.4 |

12. OTHER NONCURRENT LIABILITIES

Other noncurrent liabilities as of March 31, 2017 and June 30, 2016 are presented below:

| | March 31, 2017 | June 30, 2016 |
|------------------------------------|-------------------|------------------|
| Noncurrent income tax liabilities | \$ 154.2 | \$ 131.9 |
| Unfavorable contract liabilities | 108.2 | — |
| Deferred rent | 47.5 | 47.2 |
| Restructuring | 44.6 | 23.5 |
| Other | 31.0 | 31.2 |
| Total other noncurrent liabilities | \$ 385.5 | \$ 233.8 |

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13. DEBT

The Company's debt balances consisted of the following as of March 31, 2017 and June 30, 2016, respectively:

| | March 31, June 30, | |
|-------------------------------------------------------------|--------------------|-----------|
| | 2017 | 2016 |
| Short-term debt | \$3.4 | \$19.8 |
| Galleria Credit Agreement | | |
| Galleria Revolving Credit Facility due September 2021 | — | — |
| Galleria Term Loan A Facility due September 2021 | 944.3 | — |
| Galleria Term Loan B Facility due September 2023 | 1,000.0 | — |
| Coty Credit Agreement | | |
| Coty Revolving Credit Facility due October 2020 | 825.0 | 670.0 |
| Coty Term Loan A Facility due October 2020 | 1,806.3 | 1,883.6 |
| Coty Term Loan A Facility due October 2021 | 962.8 | — |
| Coty Term Loan B Facility due October 2022 | 1,641.6 | 1,596.0 |
| Other long-term debt and capital lease obligations | 1.4 | 0.7 |
| Total debt | 7,184.8 | 4,170.1 |
| Less: Short-term debt and current portion of long-term debt | (193.0) | (161.8) |
| Total Long-term debt | 6,991.8 | 4,008.3 |
| Less: Unamortized debt issuance costs ^{(a) (b)} | (71.7) | (64.6) |
| Less: Discount on Long-term debt | (10.8) | (7.3) |
| Total Long-term debt, net | \$6,909.3 | \$3,936.4 |

^(a) Consists of unamortized debt issuance costs of \$18.8 and \$22.7 for the Coty Revolving Credit Facility, \$34.9 and \$30.3 for the Coty Term Loan A Facility and \$11.6 and \$11.6 for the Coty Term Loan B Facility as of March 31, 2017 and June 30, 2016, respectively.

^(b) Consists of unamortized debt issuance costs of \$3.1 and \$0.0 for the Galleria Term Loan A Facility and \$3.3 and \$0.0 for the Galleria Term Loan B Facility as of March 31, 2017 and June 30, 2016, respectively. Unamortized debt issuance costs of \$4.9 for the Galleria Revolving Credit Facility were classified as Other noncurrent assets in the Condensed Consolidated Balance Sheets as of March 31, 2017.

Coty Credit Agreement

On October 27, 2015, the Company entered into a Credit Agreement (the "Coty Credit Agreement") with JPMorgan Chase Bank, N.A., as administrative agent. The Coty Credit Agreement provides for senior secured credit facilities comprised of (i) a revolving credit facility in an aggregate principal amount up to \$1,500.0 (the "Coty Revolving Credit Facility") which includes up to \$80.0 in swingline loans available for short term borrowings, (ii) a \$1,750.0 term loan A facility ("Coty Term Loan A Facility") and (iii) a term loan B facility comprising of a \$500.0 tranche and a €665.0 million tranche ("Coty Term Loan B Facility"). The Coty Term Loan B Facility was issued at a 0.50% discount. On April 8, 2016, the Company entered into an Incremental Assumption Agreement and Amendment No. 1 (the "Incremental Credit Agreement") to the Coty Credit Agreement. The Incremental Credit Agreement provides for an additional €140.0 million in commitments under the Coty Term Loan A Facility and an additional €325.0 million in commitments under the Coty Term Loan B Facility of the Coty Credit Agreement (the "Incremental Term Loans"). The terms of the €140.0 million and €325.0 million portions of the Incremental Term Loans are substantially the same as the respective existing Coty Term Loan A Facility and Euro denominated portion of the Coty Term Loan B Facility. On October 28, 2016, the Company entered into an Incremental Assumption Agreement and Refinancing Amendment (the "Incremental and Refinancing Agreement"), which amended the Coty Credit Agreement. The Incremental and Refinancing Agreement provides for: (i) an additional Coty Term Loan A Facility in aggregate principal amount of \$975.0 in commitments (the "Incremental Term A Facility"), (ii) an additional Coty Term Loan B Facility in aggregate principal amount of \$100.0 in commitments (the "Incremental Term B Facility") and (iii) a refinancing of the previously existing USD and Euro denominated Coty Term Loan B Facility loans (the "Refinancing Facilities") under the Coty Credit Agreement.

The loans made under the Incremental Term A Facility have terms that are substantially identical to the existing Coty Term Loan A Facility except that the loans will mature on the date that is five years after October 28, 2016. The loans under the Incremental Term B Facility and the Refinancing Facilities have substantially identical terms as the term B loans existing under the Coty Credit Agreement prior to effectiveness of the Incremental and Refinancing Agreement, except that, among other things: (i) the interest rate with respect to the USD denominated tranche of the Refinancing Facilities and the Incremental Term

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B Facility will be, at the Company's option, either the London Interbank Offered Rate ("LIBOR") plus an applicable margin of 2.50% or an alternate base rate ("ABR") equal to the highest of (1) JPMorgan Chase Bank N.A.'s prime rate, (2) the federal funds rate plus 0.50% and (3) one-month LIBOR plus 1.0%, in each case plus an applicable margin of 1.50% and (ii) the LIBOR floor with respect to the LIBOR loans under the Incremental Term B Facility and the Refinancing Facilities is 0.00%.

The Company recognized \$12.4 of deferred debt issuance costs in connection with the Incremental and Refinancing Agreement.

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

Galleria Credit Agreement

On October 1, 2016, at the closing of the Transactions, the Company assumed the debt facilities available under the Galleria Credit Agreement (the "Galleria Credit Agreement") which was initially entered into by Galleria on January 26, 2016. The Galleria Credit Agreement provides for the senior secured credit facilities comprised of (i) a \$2,000.0 five year term loan A facility ("Galleria Term Loan A Facility"), (ii) a \$1,000.0 seven year term loan B facility ("Galleria Term Loan B Facility") and (iii) a \$1,500.0 five year revolving credit facility ("Galleria Revolving Facility"). The Galleria Term Loan B Facility was issued at a 0.5% discount. In connection with the closing of the Transactions, the Company assumed \$1,941.8 of aggregate debt outstanding consisting of \$944.3 Galleria Term Loan A Facility, \$995.0 Galleria Term Loan B Facility, net of a discount and \$0.0 outstanding under the Galleria Revolving Facility, as well as \$2.5 in assumed fees payable. At the closing of the Transactions, the remaining unused loan commitments for the Galleria Term Loan A Facility expired.

The Company recognized \$12.4 of deferred debt issuance costs in connection with the Galleria Credit Agreement.

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

Interest Terms:

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

• the LIBOR of the applicable qualified currency plus the applicable margin; or

• ABR plus the applicable margin.

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

| Pricing Tier | Total Net Leverage Ratio: | LIBOR plus: | Alternative Base Rate Margin: |
|--------------|------------------------------------------------------|-------------|-------------------------------|
| 1.0 | Greater than or equal to 5.00:1 | 2.000% | 1.000% |
| 2.0 | Less than 5.00:1 but greater than or equal to 4.00:1 | 1.750% | 0.750% |
| 3.0 | Less than 4.00:1 but greater than or equal to 2.75:1 | 1.500% | 0.500% |
| 4.0 | Less than 2.75:1 but greater than or equal to 2.00:1 | 1.250% | 0.250% |
| 5.0 | Less than 2.00:1 but greater than or equal to 1.50:1 | 1.125% | 0.125% |
| 6.0 | Less than 1.50:1 | 1.000% | —% |

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

Scheduled Amortization

Beginning in the second quarter of fiscal 2018 and ending at maturity, the Company will make quarterly repayments of 1.25% and 0.25% of the initial aggregate Galleria Term Loan A Facility and Galleria Term Loan B Facility, respectively. The remaining balance of the initial aggregate Galleria Term Loan A Facility and Galleria Term Loan B Facility amount will be payable on the maturity date for each facility, respectively.

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Fair Value of Debt

| | March 31, 2017 | | June 30, 2016 | |
|---------------------------|-----------------|------------|-----------------|------------|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| Galleria Credit Agreement | \$1,944.3 | \$1,949.0 | \$ — | \$ — |
| Coty Credit Agreement | 5,235.7 | 5,244.9 | 4,149.6 | 4,106.9 |

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

Debt Maturities Schedule

Aggregate maturities of the Company's long-term debt, including current portion of long-term debt and excluding capital lease obligations as of March 31, 2017, are presented below:

Fiscal Year Ending June 30

| | |
|-----------------|-----------|
| 2017, remaining | \$40.0 |
| 2018 | 203.2 |
| 2019 | 217.5 |
| 2020 | 217.5 |
| 2021 | 2,445.2 |
| Thereafter | 4,056.6 |
| Total | \$7,180.0 |

Debt Covenants

The Company is required to comply with certain affirmative and negative covenants contained within the Coty Credit Agreement and the Galleria Credit Agreement (collectively the "Agreements"). The Agreements include a financial covenant that requires the Company to maintain a total net leverage ratio (as defined therein), equal to or less than 5.25 to 1.00 for each fiscal quarter through June 30, 2017 subject to certain agreed step-downs thereafter. In the four fiscal quarters following the closing of any material acquisition (as defined in the Agreements respectively), 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 described in the prior sentence). Immediately after any such four fiscal quarter period, there shall be at least two consecutive fiscal quarters during which the Company's total net leverage ratio is no greater than the maximum total net leverage ratio that would otherwise have been required in the absence of such material acquisition, regardless of whether any additional material acquisitions are consummated during such period. As of March 31, 2017, the Company was in compliance with all covenants within the Agreements.

14. LEASE COMMITMENTS

The Company leases various buildings and equipment. The leases generally provide for payment of additional rent based upon increases in items such as real estate taxes and insurance. Certain lease agreements have renewal options for periods typically ranging between two and five years. Certain lease agreements have escalation clauses for rent, which have been straight-lined over the life of the respective lease agreements. The minimum rental lease commitments for non-cancellable operating leases as of March 31, 2017 are presented below:

Fiscal Year Ending June 30

| | |
|-----------------|--------|
| 2017, remaining | \$32.6 |
| 2018 | 124.0 |
| 2019 | 110.4 |
| 2020 | 94.4 |
| 2021 | 81.6 |
| Thereafter | 375.2 |
| | 818.2 |

Less: sublease income (32.3)
Total minimum payments required \$785.9

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The Company incurred rent expense of \$42.9 and \$20.5 relating to operating leases during the three months ended March 31, 2017 and 2016 respectively and \$103.6 and \$60.2 during the nine months ended March 31, 2017 and 2016 respectively.

15. INTEREST EXPENSE, NET

Interest expense, net for the three and nine months ended March 31, 2017 and 2016 is presented below:

| | Three Months Ended | | Nine Months Ended | |
|-----------------------------------------------------------------------------|--------------------|--------|-------------------|---------|
| | March 31, | | March 31, | |
| | 2017 | 2016 | 2017 | 2016 |
| Interest expense | \$59.0 | \$33.1 | \$157.9 | \$73.4 |
| Foreign exchange (gains) losses, net of derivative contracts ^(a) | 2.6 | (6.2) | 3.8 | (14.9) |
| Interest income | (0.8) | (1.8) | (2.6) | (2.8) |
| Total interest expense, net | \$60.8 | \$25.1 | \$159.1 | \$55.7 |

^(a) During the nine months ended March 31, 2016 the Company recorded a gain of \$11.1 related to short-term forward contracts to exchange Euros for U.S. Dollars related to the Euro tranche of the Coty Term Loan B Facility debt issued during the quarter. These short-term forward contracts were entered into to facilitate the repayment of the Company's then existing U.S. Dollar denominated term loans as part of the Company's fiscal 2016 debt refinancing. Fluctuations in exchange rates between the dates the short-term forward contracts were entered into and the settlement date resulted in a gain upon settlement of \$11.1 included within Foreign exchange (gains) losses, net of derivative contracts for the nine months ended March 31, 2016.

16. EMPLOYEE BENEFIT PLANS

The components of net periodic benefit cost for pension plans and other post-employment benefit plans recognized in the Condensed Consolidated Statements of Operations are presented below for the three and nine months ended March 31, 2017 and 2016:

| | Three Months Ended March 31, | | | | | | | | | |
|---------------------------------------------|------------------------------|--------|---------------|--------|--------------------------------|---------|---------------|------|---------|--------|
| | Pension Plans | | | | Other Post-Employment Benefits | | | | | |
| | U.S. | | International | | U.S. | | International | | Total | |
| 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | |
| Service cost | \$— | \$— | \$15.4 | \$1.7 | \$0.3 | \$0.3 | \$ 0.3 | \$ — | —\$16.0 | \$2.0 |
| Interest cost | 0.2 | 0.8 | 2.0 | 0.9 | 0.4 | 0.5 | 0.1 | — | 2.7 | 2.2 |
| Expected return on plan assets | — | (0.6) | (2.6) | (0.3) | — | — | — | — | (2.6) | (0.9) |
| Amortization of prior service cost (credit) | — | — | 0.1 | 0.1 | (1.5) | (1.4) | — | — | (1.4) | (1.3) |
| Amortization of net loss | 0.4 | 0.3 | 1.1 | 0.8 | — | — | — | — | 1.5 | 1.1 |
| Settlement loss recognized | — | — | — | — | — | — | — | — | — | — |
| Net periodic benefit cost (credit) | \$0.6 | \$0.5 | \$16.0 | \$3.2 | \$(0.8) | \$(0.6) | \$ 0.4 | \$ — | —\$16.2 | \$3.1 |
| | Nine Months Ended March 31, | | | | | | | | | |
| | Pension Plans | | | | Other Post-Employment Benefits | | | | | |
| | U.S. | | International | | U.S. | | International | | Total | |
| 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | |
| Service cost | \$— | \$— | \$24.5 | \$5.1 | \$0.9 | \$0.9 | \$ 0.6 | \$ — | —\$26.0 | \$6.0 |
| Interest cost | 1.5 | 2.4 | 4.7 | 2.7 | 1.2 | 1.5 | 0.2 | — | 7.6 | 6.6 |
| Expected return on plan assets | (0.9) | (1.8) | (4.4) | (0.9) | — | — | — | — | (5.3) | (2.7) |
| Amortization of prior service cost (credit) | — | — | 0.3 | 0.3 | (4.5) | (4.2) | — | — | (4.2) | (3.9) |
| Amortization of net loss | 1.4 | 0.9 | 3.3 | 2.4 | — | — | — | — | 4.7 | 3.3 |
| Settlement loss recognized | 15.9 | — | — | — | — | — | — | — | 15.9 | — |

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| | | | | | | | | | | |
|------------------------------------|--------|-------|--------|-------|---------|---------|--------|----|---------|-------|
| Net periodic benefit cost (credit) | \$17.9 | \$1.5 | \$28.4 | \$9.6 | \$(2.4) | \$(1.8) | \$ 0.8 | \$ | -\$44.7 | \$9.3 |
|------------------------------------|--------|-------|--------|-------|---------|---------|--------|----|---------|-------|

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U.S. Del Laboratories, Inc. Pension Plan Settlement

The Company settled obligations to U.S. Del Laboratories, Inc. pension plan (the “Plan”) participants during the first and second quarters of fiscal year 2017 resulting in the recognition of pre-tax settlement losses of \$15.9, included in Selling, general and administrative expenses in the Condensed Consolidated Statement of Operations for the nine months ended March 31, 2017. The settlement occurred in two phases as described below. In the first phase, lump sum payments were made to a group of plan participants and in the second phase, the Company transferred the remainder of the Plan’s obligation to a third-party insurance company by purchasing annuity contracts. As of December 31, 2016 the Plan had been fully terminated as a result of these actions.

In the first phase, which occurred during the three months ended September 30, 2016, the Plan’s assets and benefit obligation were remeasured, immediately prior to lump sum payments, using a discount rate of 3.7% compared to 3.8% as of June 30, 2016. As a result of the re-measurement, the net pension liability decreased by \$2.9 as compared to the June 30, 2016 net pension liability. The net pension liability decrease was primarily a result of differences in interest rate and mortality assumptions used by Company to measure the plan liability as of June 30, 2016 compared to those assumptions used to determine lump sum benefits to be paid to participants, as mandated by the IRS. The decrease in the Plan’s net pension liability resulted in a corresponding increase in other comprehensive (loss) income for the three months ended September 30, 2016. In connection with this partial settlement the Company recognized a pre-tax settlement loss of \$3.1, during the three months ended September 30, 2016, due to accelerated recognition of losses previously deferred within accumulated other comprehensive loss.

In the second phase, which occurred during the three months ended December 31, 2016, the Company transferred the remainder of the Plan’s pension obligation to a third-party insurance provider by purchasing annuity contracts. The settlement was facilitated by a cash contribution of \$8.8 followed by liquidation of the Plan’s assets totaling \$47.0 at the settlement date. As a result of this transaction the Company recognized a pre-tax settlement loss of \$12.8, during the three months ended December 31, 2016, due to accelerated recognition of losses previously deferred within accumulated other comprehensive loss.

During the three months ended September 30, 2016, the Company recognized a curtailment gain of \$1.8 in connection with involuntary employee terminations as part of the Acquisition Integration Program, which significantly reduced the expected years of future service of employees within one of the Company’s international pension plans. The curtailment gain is included in Restructuring costs in the Company’s Condensed Consolidated Statements of Operations for the nine months ended March 31, 2017. Refer to Note 5 - Restructuring Costs for further information about the Acquisition Integration Program.

P&G Beauty Business Employee Benefit Plans

In connection with the P&G Beauty Business acquisition, the Company assumed certain international pension and other post-employment benefit plan obligations and assets. The following is a summary of the preliminary fair value of the acquired pension and other post-employment plan obligations and assets as of the October 1, 2016 acquisition date:

| | Pension Plans | Other Post-Employment Benefits | Total |
|---------------------------|------------------|--------------------------------------|-----------|
| Benefit obligation | \$545.9 | \$ 15.4 | \$561.3 |
| Fair value of plan assets | 156.2 | 0.4 | 156.6 |
| Funded status | \$(389.7) | \$ (15.0) | \$(404.7) |

With respect to the acquired pension and other post-employment benefit plans, amounts recognized in the Company’s Condensed Consolidated Balance Sheet as of October 1, 2016 are presented below:

| | Pension Plans | Other Post-Employment Benefits | Total |
|---------------------|------------------|--------------------------------------|--------|
| Noncurrent assets | \$— | \$ — | \$— |
| Current liabilities | (0.9) | — | (0.9) |

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| | | | |
|------------------------|-----------|----------|-----------|
| Noncurrent liabilities | (388.8) | (15.0) | (403.8) |
| Funded Status | (389.7) | (15.0) | (404.7) |
| Net amount recognized | \$(389.7) | \$(15.0) | \$(404.7) |

The accumulated benefit obligation for the defined benefit pension plans acquired was \$479.1 as of October 1, 2016.

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Pension plans acquired with accumulated benefit obligations in excess of plan assets and projected benefit obligations in excess of plan assets as of October 1, 2016 are presented below:

| | Pension plans with accumulated benefit obligations in excess of plan assets | Pension plans with projected benefit obligations in excess of plan assets |
|--------------------------------|-----------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------|
| Projected benefit obligation | \$ 545.9 | \$ 545.9 |
| Accumulated benefit obligation | 479.1 | 479.1 |
| Fair value of plan assets | 156.2 | 156.2 |

Pension and Other Post-Employment Benefit Assumptions

The weighted-average assumptions used to determine the Company's projected benefit obligation above are presented below:

| | Pension Plans | Other Post-Employment Benefits |
|----------------------------------|------------------|--------------------------------------|
| Discount rates | 1.1 % | 1.6 % |
| Future compensation growth rates | 2.5 % | 4.2 % |

The weighted-average assumptions used to determine the Company's net periodic benefit cost for the three months ended March 31, 2017 are presented below:

| | Pension Plans | Other Post-Employment Benefits |
|---------------------------------------------------|------------------|--------------------------------------|
| Discount rates | 1.1 % | 1.6 % |
| Future compensation growth rates | 2.5 % | 4.2 % |
| Expected long-term rates of return on plan assets | 4.4 % | 6.0 % |

Asset Allocations

The target asset allocations for the acquired P&G Beauty Business pension plans as of March 31, 2017 and by asset category are presented below:

| | % of Target Plan Assets October 1, 2016 | |
|----------------------------|-----------------------------------------------------|--------|
| Equity securities | 56.3 % | 32.9 % |
| Fixed income securities | 35.7 % | 20.8 % |
| Cash and other investments | 8.1 % | 46.3 % |

Contributions

The Company plans to contribute approximately \$16.0 to fund the acquired pension plans in fiscal 2017.

17. DERIVATIVE INSTRUMENTS

Derivative and non-derivative financial instruments which are designated as hedging instruments:

The accumulated gain (loss) on foreign currency borrowings classified as net investment hedges in the foreign currency translation adjustment component of Accumulated other comprehensive income (loss) ("AOCI(L)") was \$26.6 and \$(2.5) as of March 31, 2017 and June 30, 2016, respectively.

The amount of gains and losses recognized in Other comprehensive income (loss) ("OCI") in the Condensed Consolidated Balance Sheets related to the Company's derivative and non-derivative financial instruments which are

designated as hedging instruments for the three and nine months ended March 31, 2017 and 2016 is presented below:

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| Gain (Loss) Recognized in OCI | Three Months | | Nine Months | |
|------------------------------------|--------------|-----------|-------------|-----------|
| | Ended | Ended | Ended | Ended |
| | March 31, | March 31, | March 31, | March 31, |
| | 2017 | 2016 | 2017 | 2016 |
| Foreign exchange forward contracts | \$(0.9) | \$(2.1) | \$(0.3) | \$5.5 |
| Interest rate swap contracts | 2.8 | (22.1) | 48.1 | (19.6) |
| Net investment hedge | (9.0) | (26.1) | 29.1 | (17.0) |

As of March 31, 2017, all of the Company's remaining foreign currency forward contracts designated as hedges were highly effective. The accumulated gain (loss) on derivative instruments classified as cash flow hedges in AOCI/(L), net of tax, was \$16.0 and \$(28.9) as of March 31, 2017 and June 30, 2016, respectively. The estimated net loss related to these effective hedges that is expected to be reclassified from AOCI/(L) into earnings, net of tax, within the next twelve months is \$1.2.

The amount of gains and losses reclassified from AOCI/(L) to the Condensed Consolidated Statements of Operations related to the Company's derivative financial instruments which are designated as hedging instruments during the three and nine months ended March 31, 2017 and 2016 is presented below:

| Condensed Consolidated Statements of Operations Classification of Gain (Loss) Reclassified from AOCI/(L) | Three Months | | Nine Months | |
|----------------------------------------------------------------------------------------------------------|--------------|-----------|-------------|-----------|
| | Ended | Ended | Ended | Ended |
| | March 31, | March 31, | March 31, | March 31, |
| | 2017 | 2016 | 2017 | 2016 |
| Foreign exchange forward contracts: | | | | |
| Net revenue | \$0.5 | \$1.7 | \$2.1 | \$4.5 |
| Cost of sales | (1.5) | 0.3 | (1.2) | 0.4 |
| Interest rate swap contracts: | | | | |
| Interest expense | \$(1.9) | \$(3.3) | \$(8.5) | \$(4.1) |

Derivatives not designated as hedging:

The amount of gains and losses related to the Company's derivative financial instruments not designated as hedging instruments during the three and nine months ended March 31, 2017 and 2016 is presented below:

| Condensed Consolidated Statements of Operations Classification of Gain (Loss) Recognized in Operations | Three Months | | Nine Months | |
|--------------------------------------------------------------------------------------------------------|--------------|-----------|-------------|-----------|
| | Ended | Ended | Ended | Ended |
| | March 31, | March 31, | March 31, | March 31, |
| | 2017 | 2016 | 2017 | 2016 |
| Selling, general and administrative expenses | \$(2.3) | \$(0.1) | (1.9) | 1.2 |
| Interest expense, net | (5.9) | (39.3) | 4.1 | (15.6) |
| Other (expense) income, net ^(a) | (0.1) | (5.4) | (0.5) | (29.6) |

^(a) During the three and nine months ended March 31, 2016, the Company recognized \$5.4 and \$29.6 of realized losses, respectively, on foreign currency forward contracts related to an advance payment for the Brazil Acquisition.

18. EQUITY

Common Stock

As of March 31, 2017, the Company's common stock consisted of Class A Common Stock with a par value of \$0.01 per share. The holders of Class A Common Stock are entitled to one vote per share. Prior to September 30, 2016, the Company had Class B Common Stock outstanding, which had special voting rights.

On September 29, 2016, the Company filed with the Secretary of State of the State of Delaware a Certificate of Amendment to the Company's Amended and Restated Certificate of Incorporation amending the Amended and Restated Certificate of Incorporation of the Company to increase the number of authorized shares of Class A Common Stock from 800.0 million shares to 1,000.0 million shares.

Prior to October 1, 2016, the Company was a majority-owned subsidiary of JAB Cosmetics B.V. ("JABC"). Both JABC and the shares of the Company held by JABC are indirectly controlled by Lucreca SE, Agnaten SE and JAB

Holdings B.V. (“JAB”). On August 1, 2016, JABC, began to purchase the Company’s Class A Common Stock in open market purchases on the New York Stock Exchange. During the nine months ended March 31, 2017, JABC acquired 2.6 million shares of Class A Common Stock. The Company did not receive any proceeds from these stock purchases conducted by JABC.

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On September 30, 2016, JABC converted all of its shares of Class B Common Stock of the Company into shares of Class A Common Stock of the Company. The Company issued approximately 262.0 million shares of Class A Common Stock to JABC upon the conversion of JABC's shares of Class B Common Stock.

On October 1, 2016 the Company issued 409.7 million shares of Class A Common Stock in connection with the closing of the Transactions as described in Note 3 — Business Combinations.

As of March 31, 2017, total authorized shares of Class A Common Stock was 1,000.0 million and total outstanding shares of Class A Common Stock was 747.6 million. As of March 31, 2017, the Company was no longer a majority-owned subsidiary of JAB.

Preferred Stock

As of March 31, 2017, the Company's preferred stock consisted of Series A Preferred Stock with a par value of \$0.01 per share. The Series A Preferred Stock is not entitled to receive any dividends and has no voting rights except as required by law. Series A Preferred Stock were accounted for partially as a liability and partially as equity as of March 31, 2017.

On November 25, 2016, the Company sold 1.0 million shares of Series A Preferred Stock for \$0.01 par value to Camillo Pane ("Mr. Pane"), the Company's Chief Executive Officer. Under the terms provided in the subscription agreement, the holder of the vested Series A Preferred Stock is entitled to exchange the Series A Preferred Stock into either cash or shares, at the election of the Company, equal to the fair market value of a share of Class A Common Stock based on the 10-day trailing average closing price on the date of conversion less \$22.34. If the holder does not exchange the vested Series A Preferred Stock by a certain expiration date, the Company must automatically exchange the Series A Preferred Stock into cash or shares, at the election of the Company. Additionally, Mr. Pane is entitled to a cash bonus of \$2.60 per share upon exchanging shares of Series A Preferred stock if the market value of Class A Common Stock on the date of conversion exceeds \$22.34.

On December 21, 2016, the Company filed with the Secretary of State of the State of Delaware (i) a Certificate of Retirement with respect to 5,493,894 shares of Series A Preferred Stock previously retired, cancelled and redeemed by the Company and (ii) filed a Certificate of Increase to increase the number of shares designated as Series A Preferred Stock from 3,506,106 to 6,506,106.

On February 16, 2017, the Company sold 0.5 million shares of Series A Preferred Stock for \$0.01 par value to Sebastien Froidefond ("Mr. Froidefond"), the Company's Chief Human Resources Officer. Under the terms provided in the subscription agreement, the holder of the vested Series A Preferred Stock is entitled to exchange the Series A Preferred Stock into either cash or shares, at the election of the Company, equal to the fair market value of a share of Class A Common Stock based on the 10-day trailing average closing price on the date of conversion less \$22.66. If the holder does not exchange the vested Series A Preferred Stock by a certain expiration date, the Company must automatically exchange the Series A Preferred Stock into cash or shares, at the election of the Company. Additionally, Mr. Froidefond is entitled to a cash bonus of \$2.62 per share upon exchanging shares of Series A Preferred Stock if the market value of Class A Common Stock on the date of conversion exceeds \$22.66.

On March 27, 2017, the Company sold 1.0 million shares of Series A Preferred Stock for \$0.01 par value to Lambertus J.H. Becht ("Mr. Becht"), the Company's Chairman of the Board. Under the terms provided in the subscription agreement, the Series A Preferred Stock immediately vests on the grant date and the holder is entitled to exchange the vested Series A Preferred Stock after the fifth anniversary of the grant date into either cash or shares, at the election of the Company equal to the fair market value of a share of Class A Common Stock based on the 10-day trailing average closing price on the date of conversion less \$22.39. If the holder does not exchange the vested Series A Preferred Stock by a certain expiration date, the Company must automatically exchange the Series A Preferred Stock into cash or shares, at election of the Company. The Company requires shareholder approval to settle the conversion in shares. The award is accounted for as a liability as of March 31, 2017 and recorded an expense of \$3.6 in Selling, general and administrative expense on the Condensed Consolidated Statements of Operations.

As of March 31, 2017, total authorized shares of Series A Preferred Stock are 6.5 million and total outstanding shares of Series A Preferred Stock are 4.2 million. Of the 4.2 million outstanding shares of Series A Preferred Stock, 1.0 million shares vested on March 27, 2017, 1.7 million shares vest on April 15, 2020, 1.0 million shares vest on November 25, 2021 and 0.5 million shares vest on February 16, 2022. As of March 31, 2017, the Company classified

\$1.1 Series A Preferred Stock as equity, and \$4.7 as a liability recorded in Other noncurrent liabilities in the Condensed Consolidated Balance Sheet.

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Treasury Stock - Share Repurchase Program

On February 3, 2016, the Board authorized the Company to repurchase up to \$500.0 of its Class A Common Stock (the “Incremental Repurchase Program”). Subject to certain restrictions on repurchases of shares through September 30, 2018 imposed by the tax matters agreement, dated October 1, 2016, as amended, between the Company and P&G entered into in connection with the P&G Beauty Business acquisition, repurchases may be made from time to time at the Company’s discretion, based on ongoing assessments of the capital needs of the business, the market price of its Class A Common Stock, and general market conditions. For the three and nine months ended March 31, 2017, the Company has repurchased nil and 1.4 million shares, respectively, of its Class A Common Stock. The shares were purchased in multiple transactions at prices ranging from \$25.35 to \$27.40. The aggregate fair value of shares repurchased during the nine months ended March 31, 2017 was \$36.3, and was recorded as an increase to Treasury stock in the Condensed Consolidated Balance Sheets and Condensed Consolidated Statements of Equity and Redeemable Noncontrolling Interests. As of March 31, 2017, the Company had \$396.8 remaining under the Incremental Repurchase Program.

Dividends

On August 1, 2016, the Company declared an annual cash dividend of \$0.275 per share, or \$93.4 on its Common Stock, restricted stock units (the “RSUs”) and phantom units. Of the \$93.4, \$92.4 was paid on August 19, 2016 to holders of record of Common Stock on August 11, 2016. The remaining \$1.0 is payable upon settlement of the RSUs and phantom units outstanding as of August 11, 2016.

On December 9, 2016, the Company declared a quarterly cash dividend of \$0.125 per share, or \$94.0 on its Common Stock, RSUs and phantom units. Of the \$94.0, \$93.4 was paid on December 28, 2016 to holders of record of Common Stock on December 19, 2016. The remaining \$0.6 is payable upon settlement of the RSUs and phantom units outstanding as of December 19, 2016.

On February 9, 2017, the Company declared a quarterly cash dividend of \$0.125 per share, or \$94.0 on its Common Stock, RSUs and phantom units. Of the \$94.0, \$93.4 was paid on March 10, 2017 to holders of record of Common Stock on February 28, 2017. The remaining \$0.6 is payable upon settlement of the RSUs and phantom units outstanding as of February 28, 2017.

Additionally, the Company decreased the dividend accrual recorded in a prior period by \$0.2 to adjust for accrued dividends on RSUs no longer expected to vest, which was recorded as an increase to APIC in the Condensed Consolidated Balance Sheet as of March 31, 2017. Total accrued dividends on unvested RSUs and phantom units of \$1.0 and \$2.8 are included in Accrued expense and other current liabilities and Other noncurrent liabilities, respectively, in the Condensed Consolidated Balance Sheet as of March 31, 2017.

Accumulated Other Comprehensive Loss

| | Gain (Loss) on Cash Flow Hedges | Foreign Currency Translation Adjustments Gain (Loss) on Net Investment Hedges | Other Foreign Currency Translation Adjustments | Pension and Other Post-Employment Benefit Plans | Total |
|------------------------------------------------------------|---------------------------------------------|----------------------------------------------------------------------------------------------------|------------------------------------------------------------|-------------------------------------------------------|-----------|
| Balance—July 1, 2016 | \$(28.9) | \$(2.5) | \$ (164.0) | \$ (44.3) | \$(239.7) |
| Other comprehensive (loss) income before reclassifications | 40.7 | 29.1 | (38.1) | 0.4 | 32.1 |
| Net amounts reclassified from AOCI/(L) | 4.2 | — | — | 9.7 | 13.9 |
| Net current-period other comprehensive (loss) income | 44.9 | 29.1 | (38.1) | 10.1 | 46.0 |
| Balance—March 31, 2017 | \$ 16.0 | \$ 26.6 | \$ (202.1) | \$ (34.2) | \$(193.7) |

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| | Losses on Cash Flow Hedges | Foreign Currency Translation Adjustments Loss on Foreign Net Currency Investment Hedge | Adjustments Translation | Pension and Other Post-Employment Benefit Plans | Total |
|------------------------------------------------------------|-------------------------------------|----------------------------------------------------------------------------------------------------------|----------------------------|----------------------------------------------------------|-----------|
| Balance—July 1, 2015 | \$(0.1) | \$— | \$ (249.3) | \$ (24.6) | \$(274.0) |
| Other comprehensive (loss) income before reclassifications | (14.7) | (17.0) | 54.5 | 0.2 | 23.0 |
| Net amounts reclassified from AOCI/(L) | 0.1 | — | — | — | 0.1 |
| Net current-period other comprehensive (loss) income | (14.6) | (17.0) | 54.5 | 0.2 | 23.1 |
| Balance—March 31, 2016 | \$(14.7) | \$(17.0) | \$ (194.8) | \$ (24.4) | \$(250.9) |

19. SHARE-BASED COMPENSATION PLANS

Total share-based compensation expense was \$10.4 and \$12.4 for the three months ended March 31, 2017 and 2016, respectively, \$22.7 and \$29.3 for the nine months ended March 31, 2017 and 2016, respectively, which is included in Selling, general and administrative expenses in the Condensed Consolidated Statements of Operations. As of March 31, 2017, the total unrecognized share-based compensation expense related to unvested stock options, Series A Preferred Stock, and restricted and other share awards is \$27.1, \$5.2 and \$61.8, respectively. The unrecognized share-based compensation expense related to unvested stock options, Series A Preferred stock, and restricted and other share awards is expected to be recognized over a weighted-average period of 4.62, 4.02 and 3.20 years, respectively.

Restricted Share Units

The Company granted approximately nil and 2.8 million RSUs during the three and nine months ended March 31, 2017, respectively, with a weighted-average grant date fair value per share of \$24.60, which vests on the fifth anniversary of the grant date. The RSUs granted are accompanied by dividend equivalent rights and, as such, were valued at the closing market price of the Company's Class A Common Stock on the date of grant. The Company recognized share-based compensation expense of \$4.4 and \$12.7 for the three and nine months ended March 31, 2017, respectively. The Company recognized share-based compensation expense of \$4.0 and \$15.4 for the three and nine months ended March 31, 2016, respectively.

Series A Preferred Stock

The Company granted 1.5 million and 2.5 million shares of Series A Preferred Stock during the three and nine months ended March 31, 2017, respectively, which are accounted for partially as a liability and partially as equity. Refer to Note 18 — Equity for additional information about Series A Preferred grants during the period. The Company recognized share-based compensation expense of \$4.0 and \$3.3 for the three and nine months ended March 31, 2017, respectively. The Company recognized share-based compensation expense of \$0.6 and \$1.3 for the three and nine months ended March 31, 2016, respectively.

The Series A Preferred Stock have previously been accounted for using the Black-Scholes valuation model. During the nine months ended March 31, 2017, the Company granted Series A Preferred Stock that include cash bonus payments tied to the exercise of the awards. Due to the addition of cash bonus payments in connection with the grant of Series A Preferred Stock to certain executives in fiscal 2017, the Company began estimating the fair value of the Series A Preferred Stock using a binomial lattice model to value the equity and cash bonus components of the combined instrument as of March 31, 2017. The lattice structure the Company uses to value the exchange option consists of (i) a common stock lattice that models the possible stock price movements from the valuation date to the maturity date consistent with the stock price and estimated volatility on the valuation date; (ii) a share exchange lattice that calculates the value of the common stock received on conversion; (iii) a cash exchange lattice that calculates the value of the cash bonus; and (iv) a continuation value lattice that tracks the holding value of the combined instrument. The significant assumptions the Company uses in its binomial lattice model are further described below.

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| | March 31, 2017 |
|----------------------------------------|----------------|
| Historical volatility | 30.9% |
| Implied volatility | 32.3% |
| Risk-free rate of return | 1.94% - 2.22% |
| Dividend yield on Class A Common Stock | 2.8% |
| Yield on cash | 4.9% |

Historical volatility - The Company calculates historical volatility based on volatility of the daily historical prices of the common stock for the longest look-back period with available data.

Implied volatility - The Company calculates implied volatility based on publicly traded at the market options maturing January 2019 that track the Company's Class A Common Stock.

Risk-free rate of return - The Company bases the risk-free rate of return on the US Constant Maturity Treasury Rate.

Dividend yield on Class A Common Stock - The Company calculates the dividend yield on shares using the annualized dividend rate calculated based on the per share cash dividend paid quarterly and the stock price as of the valuation date.

Yield on cash - The Company calculates the yield of comparable securities with a similar credit rating to the Company.

Non-Qualified Stock Options

The Company granted nil and 8.2 million non-qualified stock options during the three and nine months ended March 31, 2017, respectively, with a weighted average grant date fair value of \$6.42 per share. The options become exercisable five years from the date of the grant. The Company recognized share-based compensation expense of \$2.0 and \$6.7 for the three and nine months ended March 31, 2017, respectively. The Company recognized share-based compensation expense of \$7.8 and \$12.6 for the three and nine months ended March 31, 2016, respectively.

20. NET INCOME ATTRIBUTABLE TO COTY INC. PER COMMON SHARE

Reconciliation between the numerators and denominators of the basic and diluted EPS computations is presented below:

| | Three Months Ended March 31, 2017 | | Nine Months Ended March 31, 2016 | |
|------------------------------------------------------------------------------|--------------------------------------------|-----------|-------------------------------------------|---------|
| | 2017 | 2016 | 2017 | 2016 |
| | (in millions, except per share data) | | | |
| Net income (loss) attributable to Coty Inc. | \$(164.2) | \$(26.8) | \$(117.4) | \$187.9 |
| Weighted-average common shares outstanding—Basic | 747.3 | 337.9 | 607.9 | 347.8 |
| Effect of dilutive stock options and Series A Preferred Stock ^(a) | — | — | — | 6.1 |
| Effect of restricted stock and RSUs ^(b) | — | — | — | 3.0 |
| Weighted-average common shares outstanding—Diluted | 747.3 | 337.9 | 607.9 | 356.9 |
| Net income attributable to Coty Inc. per common share: | | | | |
| Basic | \$(0.22) | \$(0.08) | \$(0.19) | \$0.54 |
| Diluted | (0.22) | (0.08) | (0.19) | 0.53 |

For the three and nine months ended March 31, 2017 and the three months ended March 31, 2016, no outstanding stock options and Series A Preferred Stock with purchase or conversion rights to purchase shares of common stock ^(a) were included in the computation of diluted loss per share due to the net loss incurred during the respective periods. For the nine months ended March 31, 2016, outstanding stock options and Series A Preferred Stock with purchase or conversion rights to purchase 3.2 million options were excluded in the computation of EPS as their inclusion would be anti-dilutive.

For the three and nine months ended March 31, 2017 and the three months ended March 31, 2016, no RSU were ^(b) excluded in the computation of diluted loss per share due to the net loss incurred during the period. For the nine months ended March 31, 2016, 0.1 million RSU were excluded in the computation of diluted loss per share as their inclusion would be anti-dilutive.

Table of Contents**21. NONCONTROLLING INTERESTS AND REDEEMABLE NONCONTROLLING INTERESTS****Noncontrolling Interests**

The Company has the right to purchase the noncontrolling interests in certain subsidiaries from the noncontrolling interest holders at certain points in time.

In December 2014, the Company gave notice of intent to exercise its right to purchase the noncontrolling interest for 14% of a certain Singapore subsidiary from the noncontrolling interest holder at an estimated purchase price of approximately \$10.7 for this 14%. In addition, on September 29, 2015, the Company gave notice of intent to exercise its option to terminate the Shareholders' Agreement with the noncontrolling interest holder and to purchase the remaining 35% of the noncontrolling interest holder's interest in the Singapore subsidiary. The noncontrolling interest holder indicated the desire to continue its participation and to retain an equity investment in the joint venture. The Company and the noncontrolling interest holder are exploring alternative options of restructuring the joint venture.

Redeemable Noncontrolling Interests

As of March 31, 2017, the redeemable noncontrolling interests ("RNCI") consisted of a 33.0% interest in consolidated subsidiaries in the United Arab Emirates and a 40.0% interest in the consolidated subsidiaries related to the Younique acquisition. See Note 3 — Business Combinations.

On February 1, 2017, the Company completed its acquisition of 60% of the membership interest in Foundation which held the net assets of Younique, for cash consideration of \$600.0, net of acquired cash and debt assumed. The existing Younique membership holders contributed their 100% membership interest in Younique to Foundation in exchange for a 40% membership interest in Foundation and \$600.0 of cash consideration. The Company accounts for the noncontrolling interest portion of the Foundation as RNCI due to the noncontrolling interest holder's ability to put their shares to the Company in certain circumstances. The Company recognized \$410.9 and \$433.6 as the redeemable noncontrolling interest balances as of February 1, 2017 (acquisition date) and March 31, 2017, respectively.

The Company has the right to purchase the RNCI in Foundation from the RNCI holders (each such right, a "Foundation Call right") upon the occurrence of certain events that are not in the Company's control. In addition to the Foundation Call right features, the noncontrolling interest holders of Foundation have the right to sell the noncontrolling interests to the Company upon the occurrence of certain events (each such right, a "Foundation Put right").

The amount at which the Foundation Put right and Foundation Call right can be exercised is based on a fair value at the exercise date, multiplied by the noncontrolling interest holder's percentage interest in Foundation. In certain circumstances the Foundation Put right or the Foundation Call right may be exercised at a discount or a premium. Currently management views the possibility of these circumstances occurring as remote. The noncontrolling interests are redeemable outside of the Company's control and are recorded in the Condensed Consolidated Balance Sheets at the estimated fair value. The Company adjusts Foundation's RNCI to the fair values at the end of each reporting period with changes recognized as adjustments to APIC.

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

On February 12, 2016, the Company gave notice of intent to exercise our option to purchase as of June 30, 2016 the noncontrolling interest in a certain Hong Kong subsidiary at the purchase price of \$9.8 for the remaining 45% interest. The transaction was effective as of June 30, 2016 and the payment was completed during the three months ended December 31, 2016.

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22. COMMITMENTS AND CONTINGENCIES

Legal Matters

The Company is involved, from time to time, in litigation, other regulatory actions and other legal proceedings incidental to its business, including consumer class action, personal injury, intellectual property and advertising claims litigation, among others. While the Company cannot predict any final outcomes relating thereto, management believes that the outcome of current litigation, regulatory actions and legal proceedings will not have a material effect upon its business, results of operations, financial condition or cash flows. However, management's assessment of the Company's current litigation, regulatory actions and other legal proceedings, especially those related to the P&G Beauty Business, is ongoing, and could change in light of the discovery of facts with respect to litigation, regulatory actions or other proceedings pending against the Company not presently known to the Company or determinations by judges, arbitrators, juries or other finders of fact which are not in accord with management's evaluation of the possible liability or outcome of such litigation, regulatory actions and legal proceedings. As the outcomes of such proceedings are unpredictable, the Company can give no assurance that the results of any such proceedings will not materially affect its reputation, business, financial condition, results of operations or cash flows.

Noncontrolling Interests and Redeemable Noncontrolling Interests

Refer to Note 21 — Noncontrolling Interests and Redeemable Noncontrolling Interests for commitments and contingencies related to certain noncontrolling and redeemable controlling interests the Company holds as of March 31, 2017.

23. SUBSEQUENT EVENTS

Burberry Beauty Business

On April 3, 2017, the Company entered in an agreement with Burberry Limited ("Burberry") to acquire the exclusive long-term global license rights to develop, manufacture, advertise, promote and distribute Burberry Beauty luxury fragrances, cosmetics and skincare (the "Burberry License Agreement"). Upfront consideration for this license will total £130.0 million and is expected to be paid at the commencement of the licensing arrangement, in the second quarter of fiscal 2018. The Company will be required to make annual license fee payments, subject to license fee minimums, to Burberry over the term of the Burberry License Agreement. The Company is also expected to pay to Burberry approximately £50.0 million for inventory at the closing.

Restructuring

As described in Note 5 – Restructuring, in connection with the acquisition of the P&G Beauty Business, the Company is evaluating actions associated with Global Integration Activities. As part of these actions, on May 9, 2017, the Board approved plans to optimize the Company's global supply chain capabilities. The Company estimates these actions will result in total pre-tax restructuring and related costs of approximately \$300.0, to be incurred over the next two years.

The estimate includes costs for employee termination benefits, costs to exit facilities, and other costs directly related to the restructuring activities. The cash portion of the total pre-tax charges associated with supply chain optimization is expected to be approximately \$250.0.

Quarterly Dividend

On May 10, 2017, the Company announced a quarterly cash dividend of \$0.125 per share on its Common Stock, restricted stock units (the "RSUs") and phantom units. The dividend will be paid on June 13, 2017 to holders of record of Common Stock on May 31, 2017.

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Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

The following report and analysis of the financial condition and results of operations of Coty Inc. and its consolidated subsidiaries, should be read in conjunction with the information contained in the Condensed Consolidated Financial Statements and related notes included elsewhere in this document, and in our other public filings with the Securities and Exchange Commission (“SEC”), including our Annual Report on Form 10-K for the fiscal year ended June 30, 2016 (“Fiscal 2016 Form 10-K”). When used in this report, the terms “Coty,” the “Company,” “we,” “our,” or “us” mean, unless the context otherwise indicates, Coty Inc. and its majority and consolidated subsidiaries. The following report contains forward-looking statements regarding, among other things, our future operations and financial performance, expected growth (including revenue declines and trends), our ability to support our planned business operation on a near- and long-term basis, mergers and acquisitions, divestitures, plans, activities, strategic restructuring initiatives, synergies or growth from acquisitions, future dividend payments and our outlook for the second half of fiscal 2017 and all other future reporting periods. These statements are based on certain assumptions and estimates that we consider reasonable and actual results may differ from those contained in any forward-looking statements. See “Risk Factors” and “Forward-Looking Statements” in this Quarterly Report on Form 10-Q for a discussion of the uncertainties, risks and assumptions associated with these statements, as well as any updates to such report as may be included in subsequent reports we file with the SEC. The following report includes certain non-GAAP financial measures. See “Overview—Non-GAAP Financial Measures” for a discussion of non-GAAP financial measures and how they are calculated.

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

OVERVIEW

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

Operating and Reportable Segments

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

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

The new operating and reportable segments are:

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

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

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

Geographic Structure

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

Business Overview

We continue to operate in a challenging environment, currently with declines in several of our segments and geographies in which we compete and, particularly for our Consumer Beauty segment, increasing competitive pressure and changing consumer preferences. In particular, declines in the retail nail, color cosmetics and hair color categories in the U.S. and mass fragrance in Western Europe and the U.S. continue to impact our business and financial results.

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We consistently introduce new products and support new and established products through our focus on strategic advertising and merchandising, which we must continuously develop and evolve in response to new products and shifting consumer preferences in order to offset the gradual decline of products that are later in their lifecycles. The economics of developing, producing, launching, supporting and discontinuing products impact the timing of our sales and operating performance each period. We also continuously evaluate strategic transactions and new brand licenses to enhance our portfolio. During the third quarter of fiscal 2017, we completed the acquisition of a 60% membership interest in Younique, a leading online peer-to-peer social selling platform, which will operate within the Consumer Beauty division. We also entered into an agreement to acquire the exclusive long-term global license rights for Burberry Beauty luxury fragrances, cosmetics and skincare, which will be managed within the Luxury division. We believe our business has attractive opportunities, including the continued performance of our Professional Beauty segment and improving performance of our Luxury segment. However, in certain categories, our net revenues are declining faster than the category or despite category growth, and we have experienced challenges in our Consumer Beauty segment, including declines in distribution and reduction in shelf space for certain brands. We are focused on addressing those challenges through brand repositioning, innovation, in-store execution and end-to-end digital capabilities. We have also identified our non-core portfolio of brands, representing approximately 6% to 8% of our net revenues, and are exploring alternatives for these brands, including divestiture.

The diversion of resources to closing the Transactions and integrating the P&G Beauty Business, the recent changes in our management teams as we reorganized our business and transitional factors, including significantly higher than expected trade inventory prior to the closing of the Transactions, have negatively impacted our fiscal year-to-date results from certain P&G Beauty Business brands. However, we successfully exited the first stage of our transition services agreement with P&G in our North American business, which positively impacted our quarterly results. We intend to exit the remaining stages of the transition services agreement in stages during the course of calendar year 2017, which may impact our quarterly results due to timing of shipment of orders or unexpected technical or other challenges with such exits.

As previously disclosed in connection with the Transactions, we expect to incur a total of approximately \$1.2 billion of operating expenses and approximately \$500 million of capital expenditures. Through March 31, 2017, we incurred life-to-date operating expenses and capital expenditures against these estimates of approximately \$550 million and \$150 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 2020. Further, in connection with the Transactions, 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 over the next four years. We expect to cumulatively generate approximately 20% of the net synergies through fiscal 2017, approximately 50% through fiscal 2018, approximately 80% through fiscal 2019 and the full \$750 million through fiscal 2020.

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 our per common share (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 the tables below. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Three Months Ended March 31, 2017 As Compared To Three Months Ended March 31, 2016” and “Nine Months Ended March 31, 2017 As Compared To Nine Months Ended March 31, 2016.” 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.

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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 treatment 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 and restated 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

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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: We have 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 the respective forms filed with the SEC 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 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.

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 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”). 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

We closed the following acquisitions during the periods presented in this Management’s Discussion and Analysis of Financial Condition and Results of Operations: (i) the P&G Beauty Business during the second quarter of fiscal 2017, (ii) ghd during the second quarter of fiscal 2017, (iii) Younique during the third quarter of fiscal 2017 and (iv) the Brazil Acquisition during the third quarter of fiscal 2016. The Brazil Acquisition closed on February 1, 2016. Due to this timing, the financial results for the Brazil Acquisition for three and nine months ended March 31, 2017 are not

comparable to financial results presented in the three and nine months ended March 31, 2016. To maintain a consistent basis between periods, we have excluded the contribution of the brands acquired through the Brazil Acquisition (the “Hypermecas Brands”) for the first seven months of fiscal 2017 from the discussion of our results where we exclude the impact of recent acquisitions in this Management’s Discussion and Analysis of Financial Condition and Results of Operations.

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When used herein, the term “Acquisitions” refers collectively to the financial contribution from the P&G Beauty Business, Younique and ghd acquisitions during those periods and the first seven months of contribution in fiscal 2017 from the Hypermecas Brands.

**THREE MONTHS ENDED MARCH 31, 2017 AS COMPARED TO THREE MONTHS ENDED MARCH 31, 2016
NET REVENUES**

In the three months ended March 31, 2017, net revenues increased greater than 100%, or \$1,081.4, to \$2,032.1 from \$950.7 in the three months ended March 31, 2016. The acquisition of the P&G Beauty Business comprised 49% of total net revenues for the quarter and the Hypermecas Brands, ghd and Younique combined comprised 7% of the total net revenues for the quarter. 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 the three months ended March 31, 2017 reflects an increase in unit volume of greater than 100% and a positive price and mix impact of 4%, partially offset by a negative foreign currency exchange translations impact of 2%. Excluding the impacts of the Acquisitions and foreign currency exchange translations, total net revenues in the three months ended March 31, 2017 decreased 5%.

Net Revenues by Segment

| | Three Months Ended March 31, | | |
|---------------------|------------------------------------|---------|----------|
| (in millions) | 2017 | 2016 | Change % |
| NET REVENUES | | | |
| Luxury | \$634.6 | \$405.9 | 56 % |
| Consumer Beauty | 988.6 | 488.5 | >100% |
| Professional Beauty | 408.9 | 56.3 | > 100% |
| Total | \$2,032.1 | \$950.7 | >100% |

Luxury

In the three months ended March 31, 2017, net revenues from the Luxury segment increased 56%, or \$228.7, to \$634.6 from \$405.9 in the three months ended March 31, 2016, primarily due to the impact of the Acquisitions. The acquisition of the P&G Beauty Business comprised 39% 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 impact of the Acquisitions, net revenues from the Luxury segment decreased 4%, or \$17.5, to \$388.4 in the three months ended March 31, 2017 from \$405.9 in the three months ended March 31, 2016, reflecting a negative price and mix impact of 5% and a negative foreign currency exchange translations impact of 1%, partially offset by an increase in unit volume of 2%. This decrease primarily reflects lower net revenues from Marc Jacobs and Davidoff fragrances and philosophy skin care products, primarily driven by declines in net revenues from existing product lines. Partially offsetting the decline in net revenues was net revenue growth from the launch of Calvin Klein All during the quarter. The negative price and mix impact primarily reflects a higher volume of relative lower-priced philosophy and Calvin Klein products.

Consumer Beauty

In the three months ended March 31, 2017, net revenues from the Consumer Beauty segment increased greater than 100%, or \$500.1, to \$988.6 from \$488.5 in the three months ended March 31, 2016, primarily due to the impact of the Acquisitions. The acquisition of the P&G Beauty Business, Younique and the Hypermecas Brands, comprised 43%, 8% and 2%, 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 a reduction in shelf space and declines in certain of these brands negatively impacted our results. Excluding the impact of the Acquisitions, net revenues from the Consumer Beauty segment decreased 5%, or \$25.7, to \$462.8 in the three months ended March 31, 2017, from \$488.5 in the three months ended March 31, 2016, primarily reflecting a negative price and mix impact of 24%, partially offset by an increase in unit volume of 18% and a positive foreign currency exchange translations impact of 1%. The decrease in net revenues primarily reflects: (i) lower net revenues from mass fragrances, which have been adversely impacted by a

negative market trend in the U.S., (ii) lower net revenues from Rimmel and Sally Hansen, primarily as a result of the implementation of a new inventory management system by a key U.S. customer, as well as declines in existing products and (iii) lower net revenues from Astor as a result of a decrease in shelf space in Germany and Eastern Europe, partially offset by higher net revenues from the Hypermarcas Brands. Net revenues from the Hypermarcas Brands were higher in the fiscal 2017 period compared to the fiscal 2016 period as a result of trade term harmonization to conform to our policies, creating a lower net revenue comparison in the prior year period, as well as a result of the strong in-market performance.

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Declines in Sally Hansen also reflect negative market trends in the U.S. The negative price and mix impact primarily reflects a higher level of promotional and discounting activities for several brands in the segment and a higher volume of relatively lower-priced products, such as the Hypermecas Brands.

Professional Beauty

In the three months ended March 31, 2017, net revenues from the Professional Beauty segment increased greater than 100%, or \$352.6, to \$408.9 from \$56.3 in the three months ended March 31, 2016, primarily due to the impact of the Acquisitions. The acquisition of the P&G Beauty Business and ghd comprised 78% and 11%, 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, reflecting the strong performance of the brand.

Excluding the impact of the Acquisitions, net revenues from the Professional Beauty segment decreased 18%, or \$10.1 to \$46.2 in the three months ended March 31, 2017, from \$56.3 in the three months ended March 31, 2016, primarily reflecting a decrease in unit volume of 9%, a negative price and mix impact of 8% and a negative foreign currency exchange translations impact of 1%. Net revenues in the segment decreased as launch activity for OPI products in the three months ended March 31, 2017 could not offset declines in net revenues from existing lacquer product lines. The negative price and mix impact on OPI primarily reflects unfavorable regional, channel and promotional mix, despite an increase in volume of gel and long wear product lines.

Net Revenues by Geographic Regions

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

| | Three Months Ended March 31, | | |
|---------------------|------------------------------------|---------|----------|
| (in millions) | 2017 | 2016 | Change % |
| NET REVENUES | | | |
| North America | \$685.1 | \$311.1 | >100% |
| Europe | 848.4 | 402.0 | >100% |
| ALMEA | 498.6 | 237.6 | >100% |
| Total | \$2,032.1 | \$950.7 | >100% |

North America

In the three months ended March 31, 2017, net revenues in North America increased greater than 100%, or \$374.0, to \$685.1 from \$311.1 in the three months ended March 31, 2016, primarily due to the impact of the Acquisitions.

Excluding the impact of the Acquisitions, net revenues in North America decreased 15%, or \$47.7, to \$263.4 in the three months ended March 31, 2017 from \$311.1 in the three months ended March 31, 2016, primarily due to lower net revenues in the U.S. from Sally Hansen, Rimmel, and N.Y.C. New York Color in the Consumer Beauty division, partially reflecting negative market trends in the U.S., as well as, philosophy skin care products in the Luxury division and OPI in the Professional Beauty division. Excluding the impact of the Acquisitions and the negative foreign currency exchange translations impact of 1%, net revenues in North America decreased 14%.

Europe

In the three months ended March 31, 2017, net revenues in Europe increased greater than 100%, or \$446.4, to \$848.4 from \$402.0 in the three months ended March 31, 2016, primarily due to the impact of the Acquisitions. Excluding the impact of the Acquisitions, net revenues in Europe decreased 8%, or \$33.9, to \$368.1 in the three months ended March 31, 2017 from \$402.0 in the three months ended March 31, 2016, primarily due to lower net revenues from Astor in Germany and Eastern Europe, Rimmel in the U.K. and Playboy in Germany. Excluding the impact of the Acquisitions and the positive foreign currency exchange translations impact of 3%, net revenues in Europe decreased 11%.

ALMEA

In the three months ended March 31, 2017, net revenues in ALMEA increased greater than 100%, or \$261.0, to \$498.6 from \$237.6 in the three months ended March 31, 2016, primarily due to the impact of the Acquisitions.

Excluding the impact of the Acquisitions, net revenues in ALMEA increased 12%, or \$28.3, to \$265.9 in the three months ended March 31, 2017 from \$237.6 in the three months ended March 31, 2016, primarily due to higher net revenues from the Hypermecas Brands. Excluding the impact of the Acquisitions and the negative foreign currency exchange translations impact of 1%, net revenues in ALMEA increased 13%.

Table of Contents**COST OF SALES**

In the three months ended March 31, 2017, cost of sales increased greater than 100%, or \$447.1, to \$816.1 from \$369.0 in the three months ended March 31, 2016, primarily due to the impact of the Acquisitions. Cost of sales as a percentage of net revenues increased to 40.2% in the three months ended March 31, 2017 from 38.8% in the three months ended March 31, 2016, resulting in a gross margin decline of approximately 140 basis points primarily due to the negative impact of the revaluation of acquired inventory from the acquisitions of the P&G Beauty Business, ghb and Younique. Excluding this impact on cost of sales, gross margin improved approximately 150 basis points primarily reflecting the acquisition the P&G Beauty Brands and Younique in fiscal 2017, which each have higher margin businesses.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

In the three months ended March 31, 2017, selling, general and administrative expenses increased greater than 100%, or \$598.2, to \$1,092.4 from \$494.2 in the three months ended March 31, 2016, primarily due to the impact of the Acquisitions. Selling, general and administrative expenses as a percentage of net revenues increased to 53.8% in the three months ended March 31, 2017 from 52.0% in the three months ended March 31, 2016. Excluding the impact of the Acquisitions, business realignment costs, share-based compensation expense adjustment and costs related to acquisition activities, selling, general and administrative expenses increased by 12%, or \$56.4, to \$540.8 from \$484.4 for the three months ended March 31, 2017 and increased as a percentage of net revenues to 60.3% from 51.0%, or approximately 930 basis points. This increase primarily reflects approximately 820 basis points related to higher administrative costs for additional employee hires and consulting expenses in connection with the integration of the P&G Beauty Business and approximately 80 basis points related to higher advertising and consumer promotion expense.

OPERATING (LOSS) INCOME

In the three months ended March 31, 2017, operating income decreased by more than 100%, or \$215.5, to \$(192.5) from \$23.0 in the three months ended March 31, 2016. Operating margin, or operating income as a percentage of net revenues, decreased to (9.5%) of net revenues in the three months ended March 31, 2017 as compared to 2.4% in the three months ended March 31, 2016. This margin decline of approximately 1,190 basis points reflects approximately 700 basis points related to higher restructuring expenses, approximately 280 basis points related to higher amortization expense, approximately 140 basis points related to higher cost of sales and approximately 180 basis points related to an increase in selling, general and administrative expenses, partially offset by approximately 110 basis points related to lower acquisition-related costs as a percentage of net revenues.

Operating Income by Segment

| (in millions) | Three Months Ended March 31, | | |
|--------------------------------|------------------------------|---------|----------|
| | 2017 | 2016 | Change % |
| OPERATING (LOSS) INCOME | | | |
| Luxury | \$60.9 | \$29.7 | >100% |
| Consumer Beauty | 63.0 | 39.2 | 61 % |
| Professional Beauty | (18.2) | 12.8 | <(100%) |
| Corporate | (298.2) | (58.7) | <(100%) |
| Total | (192.5) | 23.0 | <(100%) |

Luxury

In the three months ended March 31, 2017, operating income for Luxury increased greater than 100%, or \$31.2, to \$60.9 from \$29.7 in the three months ended March 31, 2016. Operating margin increased to 9.6% of net revenues in the three months ended March 31, 2017 as compared to 7.3% in the three months ended March 31, 2016, reflecting lower advertising and consumer promotions expense as a percentage of net revenues, partially offset by higher amortization expense as a percentage of net revenues.

Consumer Beauty

In the three months ended March 31, 2017, operating income for Consumer Beauty increased 61%, or \$23.8, to \$63.0 from \$39.2 in the three months ended March 31, 2016. Operating margin decreased to 6.4% of net revenues in the three months ended March 31, 2017 as compared to 8.0% in the three months ended March 31, 2016, primarily reflecting higher selling, general and administrative expenses as a percentage of net revenues.

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Professional Beauty

In the three months ended March 31, 2017, operating (loss) income for Professional Beauty decreased greater than 100%, or \$31.0, to \$(18.2) from \$12.8 in the three months ended March 31, 2016. Operating margin decreased to (4.5)% of net revenues in the three months ended March 31, 2017 as compared to 22.7% in the three months ended March 31, 2016, primarily driven by higher amortization expense and higher selling, general and administrative expenses 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 related to our operating activities. These items are included in Corporate since we consider them to be Corporate responsibilities, and these items are not used by our management to measure the underlying performance of the segments.

In the three months ended March 31, 2017, operating loss for Corporate was \$(298.2) compared to \$(58.7) in the three months ended March 31, 2016, as described under “Adjusted Operating Income” below.

Adjusted Operating Income

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

| (in millions) | Three Months Ended | | |
|----------------------------------------------------|--------------------|---------|----------|
| | March 31, | | |
| | 2017 | 2016 | Change % |
| Reported operating (loss) income | \$(192.5) | \$23.0 | <(100%) |
| % of Net revenues | (9.5 %) | 2.4 % | |
| Costs related to acquisition activities | 122.3 | 42.4 | >100% |
| Amortization Expense | 102.6 | 20.9 | >100% |
| Restructuring and other business realignment costs | 175.9 | 15.3 | >100% |
| Share-based compensation expense adjustment | — | 1.0 | (100 %) |
| Total adjustments to reported Operating income | 400.8 | 79.6 | >100% |
| Adjusted operating income | \$208.3 | \$102.6 | >100% |
| % of Net revenues | 10.3 % | 10.8 % | |

In the three months ended March 31, 2017, adjusted operating income increased greater than 100%, or \$105.7, to \$208.3 from \$102.6 in the three months ended March 31, 2016. Adjusted operating margin decreased to 10.3% of net revenues in the three months ended March 31, 2017 from 10.8% in the three months ended March 31, 2016, primarily reflecting higher adjusted selling, general and administrative expenses as a percentage of net revenues of approximately 210 basis points partially offset by lower adjusted cost of sales as a percentage of net revenues of approximately 150 basis points.

Costs Related to Acquisition Activities

In the three months ended March 31, 2017, we incurred \$122.3 of costs related to acquisition activities. We recognized Acquisition-related costs of \$57.7, included in the Condensed Consolidated Statements of Operations. These costs primarily consist of legal and consulting fees in connection with the acquisition of the P&G Beauty Business. We also incurred \$28.3, \$22.2 and \$12.7 in costs of sales primarily reflecting revaluation of acquired inventory in connection with the acquisition of ghd, Younique and the P&G Beauty Business in the Condensed Consolidated Statements of Operations.

In the three months ended March 31, 2016, we incurred \$42.4 of costs related to acquisition activities. We recognized acquisition-related costs of \$37.0, in the Condensed Consolidated Statements of Operations. These costs can include finder’s fees, legal, accounting, valuation, and other professional or consulting fees, and other internal costs which can include compensation related expenses for dedicated internal resources. We also incurred \$5.4 of costs primarily reflecting revaluation of acquired inventory in connection with the Brazil Acquisition, included in Cost of sales in the Condensed Consolidated Statements of Operations.

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

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Amortization Expense

In the three months ended March 31, 2017, amortization expense increased to \$102.6 from \$20.9 in the three months ended March 31, 2016 primarily as a result of the Acquisitions. In the three months ended March 31, 2017, amortization expense of \$25.2, \$58.5, and \$18.9 was reported in the Luxury, Consumer Beauty and Professional Beauty segments, respectively.

Restructuring and Other Business Realignment Costs

In connection with the acquisition of the P&G Beauty Business, we anticipate that we will incur a total of approximately \$1,200.0 of one-time operating expenses, including restructuring and related costs aimed at integrating and optimizing the combined organization (“Global Integration Activities”).

We are continuing to evaluate actions and associated costs, and plan to approve specific restructuring actions over a multi-year period. We expect that the Global Integration Activities will result in pre-tax restructuring and related costs of approximately \$700.0 to \$800.0.

In the three months ended March 31, 2017, we incurred restructuring and other business structure realignment costs of \$175.9, as follows:

We incurred restructuring costs of \$155.8 primarily related to Global Integration Activities, included in the Condensed Consolidated Statements of Operations.

We incurred business structure realignment costs of \$20.1 primarily related to our Global Integration Activities, Organizational Redesign and certain other programs. Of this amount, \$12.0 is included in Selling, general and administrative expenses and \$8.1 is included in Cost of sales.

In the three months ended March 31, 2016, we incurred restructuring and other business structure realignment costs of \$15.3, as follows:

We incurred restructuring costs of \$6.6 primarily related to Organizational Redesign and Acquisition Integration Program costs, included in the Condensed Consolidated Statements of Operations.

We incurred business structure realignment costs of \$8.7 primarily related to our Organizational Redesign and the 2013 Productivity Program, included in Selling, general and administrative expenses in the Condensed Consolidated Statements of Operations.

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

In the period subsequent to March 31, 2017, on May 9, 2017, the Board approved plans to optimize the Company’s global supply chain capabilities as a part of the Global Integration Activities. The Company estimates these actions will result in total pre-tax restructuring and related costs of approximately \$300.0, to be incurred over the next two years.

Share-Based Compensation Adjustment

There was no share-based compensation expense adjustment included in the calculation of Adjusted Operating Income in the three months ended March 31, 2017. Share-based compensation expense adjustment included in the calculation of Adjusted Operating Income was \$1.0 in the three months ended March 31, 2016.

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

INTEREST EXPENSE, NET

In the three months ended March 31, 2017, Interest expense, net was \$60.8 as compared with \$25.1 in the three months ended March 31, 2016. This increase is primarily due to higher average debt balances at increased interest

rates. Additionally included in the prior period interest expense is a one-time foreign currency exchange gain of \$11.1 related to our debt refinancing in fiscal 2016.

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INCOME TAXES

The effective income tax rate for the three months ended March 31, 2017 and 2016 was 36.9% and (133.3%) respectively. The effective tax rate for the three months ended March 31, 2017 includes an increase in the accrual for unrecognized tax benefits, the expiration of foreign statutes of limitation and audit settlements. The effective income tax rate for the three months ended March 31, 2016 includes the decrease in the accrual for unrecognized tax benefits and the expiration of foreign statutes of limitation.

The effective income tax rates vary from the U.S. federal statutory rate of 35% due to the effect of (i) jurisdictions with different statutory rates, (ii) adjustments to the Company's unrealized tax benefits ("UTBs") and accrued interest, (iii) non-deductible expenses, (iv) audit settlements and (v) valuation allowance changes. Our effective tax rate could fluctuate significantly and could be adversely affected to the extent earnings are lower than anticipated in countries that have lower statutory rates and higher than anticipated in countries that have higher statutory rates.

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

| (in millions) | Three Months Ended March 31, 2017 | | | Three Months Ended March 31, 2016 | | |
|------------------------------------------------------------------------|-----------------------------------------------|--------------------------------------------------|-----------------------|-----------------------------------------------|-------------------------------------|-----------------------|
| | (Loss) Income Before Income Taxes | (Benefit) Provision for Income Taxes | Effective Tax Rate | (Loss) Income Before Income Taxes | Provision for Income Taxes | Effective Tax Rate |
| Reported loss before income taxes | \$(252.8) | \$ (93.4) | 36.9 % | \$(8.7) | \$ 11.6 | (133.3 %) |
| Adjustments to reported Operating income ^(a) ^(b) | 400.8 | 126.3 | | 79.6 | 6.5 | |
| Adjustments to Interest expense ^(b) ^(c) | — | — | | (4.6) | (0.4) | |
| Other adjustments ^(b) ^(c) | — | — | | 6.2 | 0.5 | |
| Adjusted Income before income taxes | \$ 148.0 | \$ 32.9 | 22.2 % | \$ 72.5 | \$ 18.2 | 25.1 % |

^(a) See "Reconciliation of Reported Operating Income to Adjusted Operating Income under "Adjusted Operating Income".

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

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

The adjusted effective tax rate was 22.2% for the three months ended March 31, 2017 compared to 25.1% for the three months ended March 31, 2016. The differences were primarily due to the expiration of foreign statutes of limitation.

NET (LOSS) INCOME ATTRIBUTABLE TO COTY INC.

Net (loss) attributable to Coty Inc. was \$(164.2) in the three months ended March 31, 2017 as compared to (loss) of \$(26.8) in the three months ended March 31, 2016. This decrease primarily reflects lower operating income and higher interest expense in the three months ended March 31, 2017, partially offset by a benefit from income taxes in the three months ended March 31, 2017 and losses related to hedges on the Brazil Acquisition in the three months ended March 31, 2016.

Adjusted Net income attributable to Coty Inc. provides an enhanced understanding of our performance. See "Overview—Non-GAAP Financial Measures."

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| (in millions) | Three Months Ended | | |
|---------------------------------------------------------------------------------------------|--------------------|----------|----------|
| | March 31, | | |
| | 2017 | 2016 | Change % |
| Reported net loss attributable to Coty Inc. | \$(164.2) | \$(26.8) | <(100%) |
| % of Net revenues | (8.1 %) | (2.8 %) | |
| Adjustments to reported Operating income ^(a) | 400.8 | 79.6 | >100% |
| Adjustments to Other expense ^(b) | — | 6.2 | (100 %) |
| Adjustments to Interest expense ^(c) | — | (4.6) | 100 % |
| Change in tax provision due to adjustments to reported Net income attributable to Coty Inc. | (126.3) | (6.6) | <(100%) |
| Adjusted net income attributable to Coty Inc. | \$110.3 | \$47.8 | >100% |
| % of Net revenues | 5.4 % | 5.0 % | |
| Per Share Data | | | |
| Adjusted weighted-average common shares | | | |
| Basic | 747.3 | 337.9 | |
| Diluted | 751.5 | 346.0 | |
| Adjusted net income attributable to Coty Inc. per common share | | | |
| Basic | \$0.15 | \$0.14 | |
| Diluted | 0.15 | 0.14 | |

^(a) See “Reconciliation of Reported operating income to Adjusted operating income.”

In the three months ended March 31, 2016, we incurred losses of \$5.4 on foreign currency contracts related to payments for the Brazil Acquisition and expenses of \$0.8 related to the purchase of the remaining mandatorily redeemable financial interest in a subsidiary, included in Other (income) expense, net in the Condensed Consolidation Statements of Operations.

In the three months ended March 31, 2016 primarily represents a net gain of \$4.6 on the revaluation of

^(c) intercompany loans used to facilitate payments for the Brazil Acquisition, included in Interest expense, net in the Condensed Consolidated Statements of Operations.

NINE MONTHS ENDED MARCH 31, 2017 AS COMPARED TO NINE MONTHS ENDED MARCH 31, 2016 NET REVENUES

In the nine months ended March 31, 2017, net revenues increased 65%, or \$2,135.5, to \$5,409.0 from \$3,273.5 in the nine months ended March 31, 2016. The acquisition of the P&G Beauty Business comprised 39% of total net revenues for the period and the Hypermecas Brands, Younique and ghd combined comprised 6% of total net revenues for the period. 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 the nine months ended March 31, 2017 reflects an increase in unit volume of 77%, partially offset by a negative price and mix impact of 9% and a negative foreign currency exchange translations impact of 3%. Excluding the impacts of the Acquisitions and foreign currency exchange translations, total net revenues in the nine months ended March 31, 2017 decreased 8%.

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Net Revenues by Segment

| (in millions) | Nine Months Ended March 31, | | Change | |
|---------------------|-----------------------------------|-----------|--------|---|
| | 2017 | 2016 | | % |
| NET REVENUES | | | | |
| Luxury | \$1,918.6 | \$1,433.4 | 34 | % |
| Consumer Beauty | 2,562.2 | 1,653.7 | 55 | % |
| Professional Beauty | 928.2 | 186.4 | >100% | |
| Total | \$5,409.0 | \$3,273.5 | 65 | % |

Luxury

In the nine months ended March 31, 2017, net revenues from the Luxury segment increased 34%, or \$485.2, to \$1,918.6 from \$1,433.4 in the nine months ended March 31, 2016, primarily due to the impact of the Acquisitions. The acquisition of the P&G Beauty Business comprised 31% 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 impact of the Acquisitions, net revenues from the Luxury segment decreased 7%, or \$105.1 to \$1,328.3 in the nine months ended March 31, 2017, from \$1,433.4 in the nine months ended March 31, 2016, reflecting a decrease in unit volume of 3%, a negative price and mix impact of 3% and a negative foreign currency exchange translations impact of 1%. This decrease primarily reflects lower net revenues from Calvin Klein and Marc Jacobs fragrances, primarily driven by declines in net revenues from existing product lines and our strategic efforts to rationalize wholesale distribution by reducing the amount of product diversion to the value and mass channels. Partially offsetting the decline in net revenues was net revenues from the launch of Calvin Klein All during the three months ended March 31, 2017. The negative price and mix impact primarily reflects a higher level of promotional and discounted pricing activities on lower-volume fragrance product lines and a lower volume of relative higher-priced Calvin Klein products.

Consumer Beauty

In the nine months ended March 31, 2017, net revenues from the Consumer Beauty segment increased 55%, or \$908.5, to \$2,562.2 from \$1,653.7 in the nine months ended March 31, 2016, primarily due to the impact of the Acquisitions. The acquisition of the P&G Beauty Business, the Hypermecas Brands and Younique comprised 32%, 7% and 3%, respectively, of the total net revenues for the segment. CoverGirl and Max Factor cosmetics and the retail product line of Wella and Clairol hair products were the largest contributors to net revenues as a result of the acquisition of the P&G Beauty Business, although these and other brands were negatively impacted as we reorganized our business and by transitional factors, including significantly higher than expected trade inventory prior to the closing of the Transactions. Additionally, a reduction in shelf space and declines in certain of these brands negatively impacted our results. Excluding the impact of the Acquisitions, net revenues from the Consumer Beauty segment decreased 11%, or \$183.5, to \$1,470.2 in the nine months ended March 31, 2017 from \$1,653.7 in the nine months ended March 31, 2016, reflecting a decrease in unit volume of 5%, a negative price and mix impact of 4% and a negative foreign currency exchange translations impact of 2%. This decrease primarily reflects lower net revenues from Rimmel and Sally Hansen, primarily as a result of a reduction in shipments to a key U.S. customer and adidas as a result of declines in existing products, partially offset by incremental net revenues from Hypermecas Brands and growth from Bourjois as a result of continued expansion across Eastern Europe and Russia. Declines in Sally Hansen also reflect negative market trends in the U.S. The negative price and mix impact primarily reflects a higher volume of relative lower-priced products, such as the Hypermecas brands.

Professional Beauty

In the nine months ended March 31, 2017, net revenues from the Professional Beauty segment increased greater than 100%, or \$741.8, to \$928.2 from \$186.4 in the nine months ended March 31, 2016, primarily due to the impact of the Acquisitions. The acquisition of the P&G Beauty Business and ghd comprised 73% 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 acquisition of the P&G Beauty Business, reflecting the strong performance of the brand. Excluding the impact of the Acquisitions, net revenues from the Professional Beauty segment decreased 15%, or \$27.7, to \$158.7 in the nine months ended March 31, 2017 from \$186.4 in the nine months ended March 31, 2016, reflecting a decrease in unit volume of 12%, a negative price and mix impact of 2% and a negative foreign currency exchange translations impact of 1%. Net revenues in the segment decreased as launch activity for OPI products in the nine months ended March 31, 2017 could not offset declines in net revenues from existing lacquer product lines. The negative price and mix impact on OPI primarily reflects unfavorable regional, channel and promotional mix, despite an increase in volume of gel and long wear product lines.

Net Revenues by Geographic Regions

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

| | Nine Months Ended March 31, | | |
|---------------------|-----------------------------------|-----------|-------------|
| (in millions) | 2017 | 2016 | Change % |
| NET REVENUES | | | |
| North America | \$1,727.4 | \$1,072.8 | 61 % |
| Europe | 2,429.4 | 1,494.8 | 63 % |
| ALMEA | 1,252.2 | 705.9 | 77 % |
| Total | \$5,409.0 | \$3,273.5 | 65 % |

North America

In the nine months ended March 31, 2017, net revenues in North America increased 61%, or \$654.6, to \$1,727.4 from \$1,072.8 in the nine months ended March 31, 2016, primarily due to the impact of the Acquisitions. Excluding the impact of the Acquisitions, net revenues in North America decreased 11%, or \$113.0, to \$959.8 in the nine months ended March 31, 2017 from \$1,072.8 in the nine months ended March 31, 2016, primarily due to lower net revenues in the U.S. from Sally Hansen, N.Y.C. New York Color and Rimmel in our Consumer Beauty divisions, reflecting negative market trends in the U.S., as well as OPI in our Professional Beauty division. Excluding the impact of the Acquisitions and the negative foreign currency exchange translations impact of 1%, net revenues in North America decreased 10%.

Europe

In the nine months ended March 31, 2017, net revenues in Europe increased 63%, or \$934.6, to \$2,429.4 from \$1,494.8 in the nine months ended March 31, 2016, primarily due to the impact of the Acquisitions. Excluding the impact of the Acquisitions, net revenues in Europe decreased 13%, or \$197.0, to \$1,297.8 in the nine months ended March 31, 2017 from \$1,494.8 in the nine months ended March 31, 2016, primarily due to decreases from Rimmel, Marc Jacobs and Calvin Klein in the U.K., adidas in the U.K. and Germany and Playboy in Germany, partially offset by increases from Bourjois in Eastern Europe.

ALMEA

In the nine months ended March 31, 2017, net revenues in ALMEA increased 77%, or \$546.3, to \$1,252.2 from \$705.9 in the nine months ended March 31, 2016, primarily due to the impact of the Acquisitions. Excluding the impact of the Acquisitions, net revenues in ALMEA decreased 1%, or \$6.3, to \$699.6 in the nine months ended March 31, 2017 from \$705.9 in the nine months ended March 31, 2016, primarily due to declines in Calvin Klein in China and Marc Jacobs in our travel retail business in Latin America. Excluding the impact of the Acquisitions and the negative foreign currency exchange translations impact of 3%, net revenues in ALMEA increased 2%.

COST OF SALES

In the nine months ended March 31, 2017, cost of sales increased 68%, or \$872.8, to \$2,153.2 from \$1,280.4 in the nine months ended March 31, 2016, primarily due to the impact of the Acquisitions. Cost of sales as a percentage of net revenues increased to 39.8% in the nine months ended March 31, 2017 from 39.1% in the nine months ended March 31, 2016, resulting in a gross margin decline of approximately 70 basis points primarily due to the negative impact of the revaluation of acquired inventory from the acquisitions of the P&G Beauty Business, ghd and Younique. Excluding this impact on cost of sales, gross margin improved approximately 130 basis points primarily reflecting the acquisition of higher margin businesses in fiscal 2017 including the P&G Beauty Brands and Younique, partially offset by higher promotional and discounted pricing activity, reported in net revenues.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

In the nine months ended March 31, 2017, selling, general and administrative expenses increased 83.5%, or \$1,247.6, to \$2,741.5 from \$1,493.9 in the nine months ended March 31, 2016, primarily due to the impact of the Acquisitions. Selling, general and administrative expenses as a percentage of net revenues increased to 50.7% in the

nine months ended March 31, 2017 from 45.6% in the nine months ended March 31, 2016. Excluding the impact of the Acquisitions, business realignment costs, share-based compensation expense adjustment and costs related to acquisition activities, selling, general and administrative expenses increased 5.6%, or \$82.2, to \$1,555.5 from \$1,473.3 for the nine months ended March 31, 2017 and increased as a percentage of net revenues to 52.6% from 45.0%, or approximately 760 basis points. The increase primarily reflects approximately 580 basis points related to higher administrative costs for additional employee hires and consulting

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expenses in connection with the integration of the P&G Beauty Business, and approximately 220 basis points related to higher advertising and consumer promotion for increased spending in supporting Rimmel, Sally Hansen, Bourjois and the Hypermarchés Brands.

OPERATING (LOSS) INCOME

In the nine months ended March 31, 2017, operating income decreased greater than 100%, or \$415.9 to \$(158.8) from \$257.1 in the nine months ended March 31, 2016. Operating margin, or operating income as a percentage of net revenues, decreased to (2.9)% in the nine months ended March 31, 2017 as compared to 7.9% in the nine months ended March 31, 2016. This margin decline of approximately 1080 basis points reflects approximately 510 basis points related to higher selling, general and administrative expenses, approximately 220 basis points related to higher amortization expense, approximately 210 basis points related to higher acquisition-related costs, approximately 90 basis points related to higher restructuring expenses and approximately 70 basis points related to higher cost of sales, partially offset by approximately 20 basis points related to asset impairment charges in the nine months ended March 31, 2017 as a percentage of net revenues.

Operating Income by Segment

| (in millions) | Nine Months | | |
|--------------------------------|-------------|----------|----------|
| | Ended | | |
| | March 31, | | |
| | 2017 | 2016 | Change % |
| OPERATING INCOME (LOSS) | | | |
| Luxury | \$203.6 | \$206.1 | (1 %) |
| Consumer Beauty | 178.6 | 210.2 | (15 %) |
| Professional Beauty | 81.5 | 53.4 | 53 % |
| Corporate | (622.5) | (212.6) | <(100%) |
| Total | (158.8) | 257.1 | <(100%) |

Luxury

In the nine months ended March 31, 2017, operating income for Luxury decreased 1%, or \$2.5, to \$203.6 from \$206.1 in the nine months ended March 31, 2016. Operating margin decreased to 10.6% of net revenues in the nine months ended March 31, 2017 as compared to 14.4% in the nine months ended March 31, 2016, reflecting higher selling, general and administrative expenses as a percentage of net revenues and amortization expense as a percentage of net revenues.

Consumer Beauty

In the nine months ended March 31, 2017, operating income for Consumer Beauty decreased 15%, or \$31.6, to \$178.6 from \$210.2 in the nine months ended March 31, 2016. Operating margin decreased to 7.0% of net revenues in the nine months ended March 31, 2017 as compared to 12.7% in the nine months ended March 31, 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 the nine months ended March 31, 2017, operating income for Professional Beauty increased 53%, or \$28.1, to \$81.5 from \$53.4 in the nine months ended March 31, 2016. Operating margin decreased to 8.8% of net revenues in the nine months ended March 31, 2017 as compared to 28.6% in the three months ended March 31, 2016, primarily driven by higher amortization expense as a percentage of net revenues and higher selling, general and administrative expenses 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 related to our operating activities. These items are included in Corporate since we consider them to be Corporate responsibilities, and these items are not used by our management to measure the underlying performance of the segments.

In the nine months ended March 31, 2017, operating loss for Corporate was \$(622.5) compared to \$(212.6) in the nine months ended March 31, 2016, as described under “Adjusted Operating Income” below.

Adjusted Operating Income

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

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| (in millions) | Nine Months Ended | | |
|----------------------------------------------------|-------------------|---------|----------|
| | March 31, | | |
| | 2017 | 2016 | Change % |
| Reported Operating (loss) income | \$(158.8) | \$257.1 | <(100%) |
| % of Net revenues | (2.9)% | 7.9 % | |
| Costs related to acquisition activities | 395.7 | 107.3 | >100% |
| Amortization Expense | 219.0 | 59.0 | >100% |
| Restructuring and other business realignment costs | 210.9 | 98.5 | >100% |
| Pension settlement charges | 15.9 | — | N/A |
| Asset impairment charges | — | 5.5 | (100 %) |
| Share-based compensation expense adjustment | — | 1.3 | (100 %) |
| Total adjustments to reported Operating income | 841.5 | 271.6 | >100% |
| Adjusted Operating income | \$682.7 | \$528.7 | 29 % |
| % of Net revenues | 12.6 % | 16.2 % | |

Adjusted operating income in the nine months ended March 31, 2017 increased 29%, or \$154.0, to \$682.7 from \$528.7 in the nine months ended March 31, 2016. Adjusted operating margin decreased to 12.6% of net revenues in the nine months ended March 31, 2017 as compared to 16.2% in the nine months ended March 31, 2016, driven by approximately 490 basis points related to higher adjusted selling, general and administrative expenses partially offset by approximately 130 basis points related to lower adjusted cost of sales as a percentage of net revenues.

Costs Related to Acquisition Activities

In the nine months ended March 31, 2017, we incurred \$395.7 of costs related to acquisition activities. We recognized Acquisition-related costs of \$275.1, included in the Condensed Consolidated Statements of Operations. These costs primarily consist of legal and consulting fees in connection with the acquisition of the P&G Beauty Business. We also incurred \$44.4, \$22.2 and \$48.8 in costs of sales primarily reflecting revaluation of acquired inventory in connection with the acquisition of ghd, Younique and the P&G Beauty Business, respectively in the Condensed Consolidated Statements of Operations.

In the nine months ended March 31, 2016, we incurred \$107.3 of costs related to acquisition activities. We recognized acquisition-related costs of \$98.3 in the Condensed Consolidated Statements of Operations. These costs can include finder's fees, legal, accounting, valuation, and other professional or consulting fees, and other internal costs which can include compensation related expenses for dedicated internal resources. We also incurred \$9.0 of costs in connection with the Bourjois acquisition, included in cost of sales in the Condensed Consolidated Statements of Operations.

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

Amortization Expense

In the nine months ended March 31, 2017, amortization expense increased to \$219.0 from \$59.0 in the nine months ended March 31, 2016 primarily as a result of the Acquisitions. In the nine months ended March 31, 2017, amortization expense of \$70.6, \$110.7, and \$37.6 was reported in the Luxury, Consumer Beauty and Professional Beauty segments, respectively.

Restructuring and Other Business Realignment Costs

In connection with the acquisition of the P&G Beauty Business, we anticipate that we will incur a total of approximately \$1,200.0 of one-time operating expenses, including restructuring and related costs aimed at integrating and optimizing the combined organization ("Global Integration Activities").

We are continuing to evaluate actions and associated costs, and plan to approve specific restructuring actions over a multi-year period. We expect that the Global Integration Activities will result in pre-tax restructuring and related costs of approximately \$700.0 to \$800.0.

In the nine months ended March 31, 2017, we incurred restructuring and other business structure realignment costs of \$210.9, as follows:

- We incurred restructuring costs of \$179.0 primarily related to the Global Integration Activities, included in the Condensed Consolidated Statements of Operations.

We incurred business structure realignment costs of \$31.9 primarily related to our Global Integration Activities, Organizational Redesign and certain other programs. Of this amount \$20.4 is included in Selling, general and administrative expenses and \$11.5 is included in Cost of sales.

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In the nine months ended March 31, 2016