

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

**Form 10-Q**

(Mark One)

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
FOR THE QUARTERLY PERIOD ENDED DECEMBER 31, 2019**
- OR**
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
FOR THE TRANSITION PERIOD FROM                      TO  
COMMISSION FILE NUMBER 001-35964**

**COTY INC.**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of incorporation or organization)

**13-3823358**  
(I.R.S. Employer Identification No.)

**350 Fifth Avenue,**  
**New York, NY**  
(Address of principal executive offices)

**10118**  
(Zip Code)

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

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

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

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

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

**Securities Registered Pursuant to Section 12(b) of the Act:**

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Class A Common Stock, \$0.01 par value	COTY	New York Stock Exchange

At January 29, 2020, 760,550,840 shares of the registrant's Class A Common Stock, \$0.01 par value, were outstanding.

**COTY INC.**  
**INDEX TO FORM 10-Q**

	<u>Page</u>	
<b>Part I:</b>	<b>FINANCIAL INFORMATION</b>	
<u>Item 1.</u>	<u>Condensed Consolidated Financial Statements (Unaudited)</u>	<u>1</u>
	<u>Condensed Consolidated Statements of Operations for the three and six months ended December 31, 2019 and 2018</u>	<u>1</u>
	<u>Condensed Consolidated Statements of Comprehensive Income (Loss) for the three and six months ended December 31, 2019 and 2018</u>	<u>2</u>
	<u>Condensed Consolidated Balance Sheets as of December 31, 2019 and June 30, 2019</u>	<u>3</u>
	<u>Condensed Consolidated Statements of Equity and Redeemable Noncontrolling Interests for the three and six months ended December 31, 2019 and 2018</u>	<u>4</u>
	<u>Condensed Consolidated Statements of Cash Flows for the six months ended December 31, 2019 and 2018</u>	<u>6</u>
	<u>Notes to Condensed Consolidated Financial Statements</u>	<u>8</u>
<u>Item 2.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>31</u>
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>56</u>
<u>Item 4.</u>	<u>Controls and Procedures</u>	<u>57</u>
<b>Part II:</b>	<b>OTHER INFORMATION</b>	
<u>Item 1.</u>	<u>Legal Proceedings</u>	<u>57</u>
<u>Item 1A.</u>	<u>Risk Factors</u>	<u>58</u>
<u>Item 2.</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>58</u>
<u>Item 6.</u>	<u>Exhibits</u>	<u>59</u>
<u>Signatures</u>		<u>60</u>

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## PART I. FINANCIAL INFORMATION

## Item 1. Condensed Consolidated Financial Statements

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

	Three Months Ended December 31,		Six Months Ended December 31,	
	2019	2018	2019	2018
<b>Net revenues</b>	<b>\$ 2,345.0</b>	<b>\$ 2,511.2</b>	<b>\$ 4,287.8</b>	<b>\$ 4,542.5</b>
Cost of sales	859.3	956.7	1,597.7	1,765.8
<b>Gross profit</b>	<b>1,485.7</b>	<b>1,554.5</b>	<b>2,690.1</b>	<b>2,776.7</b>
Selling, general and administrative expenses	1,202.6	1,284.0	2,275.2	2,406.3
Gain on sale of business (See Note 5)	—	—	(84.5)	—
Amortization expense	76.8	88.5	161.1	181.0
Restructuring costs	134.9	21.5	140.9	37.0
Acquisition and divestiture-related costs	36.0	—	36.0	—
Asset impairment charges	—	965.1	—	977.7
<b>Operating income (loss)</b>	<b>35.4</b>	<b>(804.6)</b>	<b>161.4</b>	<b>(825.3)</b>
Interest expense, net	71.1	68.3	148.5	132.4
Other expense, net	1.3	4.8	3.5	7.5
<b>(Loss) income before income taxes</b>	<b>(37.0)</b>	<b>(877.7)</b>	<b>9.4</b>	<b>(965.2)</b>
(Benefit) provision for income taxes	(20.6)	78.3	(30.5)	0.9
<b>Net (loss) income</b>	<b>(16.4)</b>	<b>(956.0)</b>	<b>39.9</b>	<b>(966.1)</b>
Net income attributable to noncontrolling interests	0.5	0.6	3.3	1.8
Net income attributable to redeemable noncontrolling interests	4.2	4.0	5.4	4.8
<b>Net (loss) income attributable to Coty Inc.</b>	<b>\$ (21.1)</b>	<b>\$ (960.6)</b>	<b>\$ 31.2</b>	<b>\$ (972.7)</b>
<b>Net (loss) income attributable to Coty Inc. per common share:</b>				
Basic	\$ (0.03)	\$ (1.28)	\$ 0.04	\$ (1.30)
Diluted	(0.03)	(1.28)	0.04	(1.30)
<b>Weighted-average common shares outstanding:</b>				
Basic	758.1	751.1	756.1	751.0
Diluted	758.1	751.1	761.2	751.0

See notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended December 31,		Six Months Ended December 31,	
	2019	2018	2019	2018
<b>Net (loss) income</b>	\$ (16.4)	\$ (956.0)	\$ 39.9	\$ (966.1)
<b>Other comprehensive (loss) income:</b>				
Foreign currency translation adjustment	102.0	(60.0)	(20.6)	(108.9)
Net unrealized derivative (loss) gain on cash flow hedges, net of taxes of \$(1.8) and \$5.8, and \$(1.6) and \$5.5 during the three and six months ended, respectively	6.3	(18.7)	5.1	(17.7)
Pension and other post-employment benefits adjustment, net of tax of \$0.0 and \$(1.9), and \$0.0 and \$(1.4) during the three and six months ended, respectively	(2.3)	1.5	(3.1)	1.6
Total other comprehensive income (loss), net of tax	106.0	(77.2)	(18.6)	(125.0)
<b>Comprehensive income (loss)</b>	<b>89.6</b>	<b>(1,033.2)</b>	<b>21.3</b>	<b>(1,091.1)</b>
<b>Comprehensive income (loss) attributable to noncontrolling interests:</b>				
Net income	0.5	0.6	3.3	1.8
Foreign currency translation adjustment	0.1	—	0.1	0.2
Total comprehensive income attributable to noncontrolling interests	0.6	0.6	3.4	2.0
<b>Comprehensive income attributable to redeemable noncontrolling interests:</b>				
Net income	4.2	4.0	5.4	4.8
<b>Comprehensive income (loss) attributable to Coty Inc.</b>	<b>\$ 84.8</b>	<b>\$ (1,037.8)</b>	<b>\$ 12.5</b>	<b>\$ (1,097.9)</b>

See notes to Condensed Consolidated Financial Statements.

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

	December 31, 2019	June 30, 2019
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 288.8	\$ 340.4
Restricted cash	50.7	40.0
Trade receivables—less allowances of \$69.9 and \$48.1, respectively	1,110.0	1,161.2
Inventories	1,015.8	1,153.3
Prepaid expenses and other current assets	558.0	577.8
<b>Total current assets</b>	<b>3,023.3</b>	<b>3,272.7</b>
<b>Property and equipment, net</b>	<b>1,461.7</b>	<b>1,600.6</b>
<b>Goodwill</b>	<b>5,016.0</b>	<b>5,073.8</b>
<b>Other intangible assets, net</b>	<b>6,992.5</b>	<b>7,422.3</b>
<b>Operating lease right-of-use assets (See Note 3)</b>	<b>505.7</b>	<b>—</b>
<b>Deferred income taxes</b>	<b>189.6</b>	<b>146.3</b>
<b>Other noncurrent assets</b>	<b>172.1</b>	<b>149.7</b>
<b>TOTAL ASSETS</b>	<b>\$ 17,360.9</b>	<b>\$ 17,665.4</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 1,574.8	\$ 1,732.7
Accrued expenses and other current liabilities	1,585.2	1,483.7
Short-term debt and current portion of long-term debt	188.0	193.8
Current operating lease liabilities (See Note 3)	109.3	—
Income and other taxes payable	56.3	66.9
<b>Total current liabilities</b>	<b>3,513.6</b>	<b>3,477.1</b>
<b>Long-term debt, net</b>	<b>7,233.8</b>	<b>7,469.9</b>
<b>Long-term operating lease liabilities (See Note 3)</b>	<b>454.2</b>	<b>—</b>
<b>Pension and other post-employment benefits</b>	<b>583.4</b>	<b>593.5</b>
<b>Deferred income taxes</b>	<b>645.3</b>	<b>652.5</b>
<b>Other noncurrent liabilities</b>	<b>350.4</b>	<b>427.2</b>
<b>Total liabilities</b>	<b>12,780.7</b>	<b>12,620.2</b>
<b>COMMITMENTS AND CONTINGENCIES (See Note 18)</b>		
<b>REDEEMABLE NONCONTROLLING INTERESTS</b>	<b>98.6</b>	<b>451.8</b>
<b>EQUITY:</b>		
Preferred Stock, \$0.01 par value; 20.0 shares authorized, 9.4 and 9.4 issued and outstanding, respectively, at December 31, 2019 and June 30, 2019	0.1	0.1
Class A Common Stock, \$0.01 par value; 1,000.0 shares authorized, 826.0 and 819.2 issued and 760.5 and 754.2 outstanding, respectively, at December 31, 2019 and June 30, 2019	8.3	8.1
Additional paid-in capital	10,497.8	10,620.5
Accumulated deficit	(4,510.7)	(4,541.2)
Accumulated other comprehensive income	(77.5)	(58.8)
Treasury stock—at cost, shares: 65.5 and 65.0, respectively, at December 31, 2019 and June 30, 2019	(1,446.3)	(1,441.8)
<b>Total Coty Inc. stockholders' equity</b>	<b>4,471.7</b>	<b>4,586.9</b>
<b>Noncontrolling interests</b>	<b>9.9</b>	<b>6.5</b>
<b>Total equity</b>	<b>4,481.6</b>	<b>4,593.4</b>
<b>TOTAL LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS AND EQUITY</b>	<b>\$ 17,360.9</b>	<b>\$ 17,665.4</b>

See notes to Condensed Consolidated Financial Statements.



**COTY INC. & SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF EQUITY AND**  
**REDEEMABLE NONCONTROLLING INTERESTS**  
**For the Three and Six Months Ended December 31, 2019**  
**(In millions, except per share data)**  
**(Unaudited)**

	Preferred Stock		Class A Common Stock		Additional Paid-in Capital	(Accumulated Deficit)	Accumulated Other Comprehensive (Loss) Income	Treasury Stock		Total Coty Inc. Stockholders' Equity	Noncontrolling Interests	Total Equity	Redeemable Noncontrolling Interests
	Shares	Amount	Shares	Amount				Shares	Amount				
<b>BALANCE as previously reported—July 1, 2019</b>	<b>9.4</b>	<b>\$ 0.1</b>	<b>819.2</b>	<b>\$ 8.1</b>	<b>\$ 10,620.5</b>	<b>\$ (4,541.2)</b>	<b>\$ (58.8)</b>	<b>65.0</b>	<b>\$ (1,441.8)</b>	<b>\$ 4,586.9</b>	<b>\$ 6.5</b>	<b>\$ 4,593.4</b>	<b>\$ 451.8</b>
Adjustment due to the adoption of ASC 842 (See Note 2)						(0.7)				(0.7)		(0.7)	
<b>BALANCE as adjusted—July 1, 2019</b>	<b>9.4</b>	<b>\$ 0.1</b>	<b>819.2</b>	<b>\$ 8.1</b>	<b>\$ 10,620.5</b>	<b>\$ (4,541.9)</b>	<b>\$ (58.8)</b>	<b>65.0</b>	<b>\$ (1,441.8)</b>	<b>\$ 4,586.2</b>	<b>\$ 6.5</b>	<b>\$ 4,592.7</b>	<b>\$ 451.8</b>
Purchase of Class A Common Stock								0.5	(4.5)	(4.5)		(4.5)	
Exercise of employee stock options and restricted stock units			0.1		0.6					0.6		0.6	
Share-based compensation expense					6.2					6.2		6.2	
Dividends declared - Cash and Other (\$0.125 per common share)					(63.5)					(63.5)		(63.5)	
Dividends declared - Stock (\$0.125 per common share)					(30.9)					(30.9)		(30.9)	
Dividends settled in Shares of Class A Common Stock			3.2		30.9					30.9		30.9	
Net income (loss)						52.3				52.3	2.8	55.1	1.2
Other comprehensive loss							(124.6)			(124.6)		(124.6)	
Distribution to noncontrolling interests, net										—	—	—	(1.9)
Adjustments related to the sale of business					6.2					6.2		6.2	(360.4)
Adjustment of redeemable noncontrolling interests to redemption value					(3.9)					(3.9)		(3.9)	3.9
<b>BALANCE—September 30, 2019</b>	<b>9.4</b>	<b>\$ 0.1</b>	<b>822.5</b>	<b>\$ 8.1</b>	<b>\$ 10,566.1</b>	<b>\$ (4,489.6)</b>	<b>\$ (183.4)</b>	<b>65.5</b>	<b>\$ (1,446.3)</b>	<b>\$ 4,455.0</b>	<b>\$ 9.3</b>	<b>\$ 4,464.3</b>	<b>\$ 94.6</b>
Exercise of employee stock options and restricted stock units			1.1		1.5					1.5		1.5	
Shares withheld for employee taxes					(3.5)					(3.5)		(3.5)	
Share-based compensation expense					10.3					10.3		10.3	
Dividends declared - Cash and Other (\$0.125 per Common Share)					(66.1)					(66.1)		(66.1)	
Dividends declared - Stock (\$0.125 per common share)					(29.3)					(29.3)		(29.3)	
Dividends settled in Shares of Class A Common Stock			2.4	0.2	29.3					29.5		29.5	
Net income (loss)						(21.1)				(21.1)	0.5	(20.6)	4.2
Other comprehensive loss							105.9			105.9	0.1	106.0	
Distribution to noncontrolling interests, net										—	—	—	(10.7)
Adjustment of redeemable noncontrolling interests to redemption value					(10.5)					(10.5)		(10.5)	10.5
<b>BALANCE—December 31, 2019</b>	<b>9.4</b>	<b>\$ 0.1</b>	<b>826.0</b>	<b>\$ 8.3</b>	<b>\$ 10,497.8</b>	<b>\$ (4,510.7)</b>	<b>\$ (77.5)</b>	<b>65.5</b>	<b>\$ (1,446.3)</b>	<b>\$ 4,471.7</b>	<b>\$ 9.9</b>	<b>\$ 4,481.6</b>	<b>\$ 98.6</b>

See notes to Condensed Consolidated Financial Statements.

**COTY INC. & SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF EQUITY AND**  
**REDEEMABLE NONCONTROLLING INTERESTS**  
**For the Three and Six Months Ended December 31, 2018**  
**(In millions, except per share data)**  
**(Unaudited)**

	Preferred Stock		Class A Common Stock		Additional Paid-in Capital	(Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Treasury Stock		Total Coty Inc. Stockholders' Equity	Noncontrolling Interests	Total Equity	Redeemable Noncontrolling Interests
	Shares	Amount	Shares	Amount				Shares	Amount				
<b>BALANCE as previously reported—July 1, 2018</b>	<b>5.0</b>	<b>\$ —</b>	<b>815.8</b>	<b>\$ 8.1</b>	<b>\$ 10,750.8</b>	<b>\$ (626.2)</b>	<b>\$ 158.8</b>	<b>65.0</b>	<b>\$ (1,441.8)</b>	<b>\$ 8,849.7</b>	<b>\$ 5.5</b>	<b>\$ 8,855.2</b>	<b>\$ 661.3</b>
Adjustment due to the adoption of ASU No. 2016-16						(112.6)				(112.6)		(112.6)	
Adjustment due to the adoption of ASC 606						(18.2)				(18.2)		(18.2)	
<b>BALANCE as adjusted—July 1, 2018</b>	<b>5.0</b>	<b>\$ —</b>	<b>815.8</b>	<b>\$ 8.1</b>	<b>\$ 10,750.8</b>	<b>\$ (757.0)</b>	<b>\$ 158.8</b>	<b>65.0</b>	<b>\$ (1,441.8)</b>	<b>\$ 8,718.9</b>	<b>\$ 5.5</b>	<b>\$ 8,724.4</b>	<b>\$ 661.3</b>
Exercise of employee stock options and restricted stock units			—	—	0.7					0.7		0.7	
Share-based compensation expense					6.4					6.4		6.4	
Dividends (\$0.125 per common share)					(94.0)					(94.0)		(94.0)	
Net (loss) income						(12.1)				(12.1)	1.2	(10.9)	0.8
Other comprehensive loss							(48.0)			(48.0)	0.2	(47.8)	
Distribution to noncontrolling interests, net											(1.3)	(1.3)	(4.3)
Additional redeemable noncontrolling interests due to employee grants (See Note 17)					(1.6)					(1.6)		(1.6)	1.6
Adjustment of redeemable noncontrolling interests to redemption value					37.2					37.2		37.2	(37.2)
<b>BALANCE—September 30, 2018</b>	<b>5.0</b>	<b>\$ —</b>	<b>815.8</b>	<b>\$ 8.1</b>	<b>\$ 10,699.5</b>	<b>\$ (769.1)</b>	<b>\$ 110.8</b>	<b>65.0</b>	<b>\$ (1,441.8)</b>	<b>\$ 8,607.5</b>	<b>\$ 5.6</b>	<b>\$ 8,613.1</b>	<b>\$ 622.2</b>
Cancellation of Preferred Stock	(3.1)	—											
Exercise of employee stock options and restricted stock units			0.4		0.2					0.2		0.2	
Shares withheld for employee taxes					(1.3)					(1.3)		(1.3)	
Share-based compensation expense					4.4					4.4		4.4	
Dividends (\$0.125 per common share)					(94.6)					(94.6)		(94.6)	
Net (loss) income						(960.6)				(960.6)	0.6	(960.0)	4.0
Other comprehensive income							(77.2)			(77.2)	—	(77.2)	
Distribution to noncontrolling interests, net											—	—	(11.9)
Adjustment of redeemable noncontrolling interests to redemption value					126.7					126.7		126.7	(126.7)
<b>BALANCE—December 31, 2018</b>	<b>1.9</b>	<b>\$ —</b>	<b>816.2</b>	<b>\$ 8.1</b>	<b>\$ 10,734.9</b>	<b>\$ (1,729.7)</b>	<b>\$ 33.6</b>	<b>65.0</b>	<b>\$ (1,441.8)</b>	<b>\$ 7,605.1</b>	<b>\$ 6.2</b>	<b>\$ 7,611.3</b>	<b>\$ 487.6</b>

See notes to Condensed Consolidated Financial Statements.



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

	<b>Six Months Ended December 31,</b>	
	<b>2019</b>	<b>2018</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
<b>Net income (loss)</b>	\$ 39.9	\$ (966.1)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	357.3	367.7
Non-cash lease expense (See Note 3)	51.8	—
Deferred income taxes	(50.4)	(55.9)
Provision for bad debts	26.0	9.4
Provision for pension and other post-employment benefits	18.3	18.2
Share-based compensation	16.5	8.2
Gain on sale of business (See Note 5)	(84.5)	—
Asset impairment charges	—	977.7
Non-cash restructuring charges	—	23.8
Other	25.8	26.4
Change in operating assets and liabilities, net of effects from purchase of acquired companies and sale of business:		
Trade receivables	12.3	(45.5)
Inventories	85.3	(35.2)
Prepaid expenses and other current assets	3.5	19.7
Accounts payable	(118.9)	(28.6)
Accrued expenses and other current liabilities	195.9	(87.4)
Operating lease liabilities	(53.7)	—
Income and other taxes payable	(19.3)	12.8
Other noncurrent assets	(29.2)	24.7
Other noncurrent liabilities	(14.6)	(32.2)
<b>Net cash provided by operating activities</b>	<b>462.0</b>	<b>237.7</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Capital expenditures	(145.0)	(259.3)
Proceeds from sale of business, net of cash disposed	25.6	—
Payment for asset acquisitions	—	(40.8)
<b>Net cash used in investing activities</b>	<b>(119.4)</b>	<b>(300.1)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Net (repayments of) proceeds from short-term debt, original maturity less than three months	(4.0)	39.7
Proceeds from revolving loan facilities	1,448.5	1,076.6
Repayments of revolving loan facilities	(1,540.8)	(644.8)
Repayments of term loans and other long-term debt	(93.0)	(95.6)
Dividend payment	(130.4)	(188.4)
Net proceeds from issuance of Class A Common Stock and Series A Preferred Stock	2.1	0.9
Payments for purchases of Class A Common Stock held as Treasury Stock	(4.5)	—
Net proceeds from foreign currency contracts	10.8	2.4
Purchase of remaining mandatorily redeemable noncontrolling interest	(45.0)	—
Distributions to noncontrolling interests, redeemable noncontrolling interests and mandatorily redeemable financial instruments	(20.1)	(22.9)
Payment of debt issuance costs	—	(10.7)
All other	(4.3)	(3.5)

<b>Net cash (used in) provided by financing activities</b>	<b>(380.7)</b>	<b>153.7</b>
<b>EFFECT OF EXCHANGE RATES ON CASH, CASH EQUIVALENTS AND RESTRICTED CASH</b>	<b>(2.8)</b>	<b>(8.5)</b>
<b>NET (DECREASE) INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH</b>	<b>(40.9)</b>	<b>82.8</b>
<b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH—Beginning of period</b>	<b>380.4</b>	<b>362.2</b>
<b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH—End of period</b>	<b>\$ 339.5</b>	<b>\$ 445.0</b>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:</b>		
Cash paid during the period for interest	\$ 143.9	\$ 140.7
Cash received during the period for settlement of interest rate swaps	—	43.2
Cash paid during the period for income taxes, net of refunds received	78.0	57.6
<b>SUPPLEMENTAL DISCLOSURE OF NON-CASH FINANCING AND INVESTING ACTIVITIES:</b>		
Accrued capital expenditure additions	\$ 79.9	\$ 83.3
Non-cash Common Stock dividend	60.2	—

See notes to Condensed Consolidated Financial Statements.

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

**1. DESCRIPTION OF BUSINESS**

Coty Inc. and its subsidiaries (collectively, the “Company” or “Coty”) manufacture, market, sell and distribute branded beauty products, including fragrances, color cosmetics, hair care products and skin & body related products throughout the world. Coty is a global beauty company with a rich entrepreneurial history and an iconic portfolio of brands.

The Company operates on a fiscal year basis with a year-end of June 30. Unless otherwise noted, any reference to a year preceded by the word “fiscal” refers to the fiscal year ended June 30 of that year. For example, references to “fiscal 2020” refer to the fiscal year ending June 30, 2020. When used in this Quarterly Report on Form 10-Q, the term “includes” and “including” means, unless the context otherwise indicates, including without limitation.

The Company’s sales generally increase during the second fiscal quarter as a result of increased demand associated with the winter holiday season. Financial performance, working capital requirements, sales, cash flows and borrowings generally experience variability during the three to six months preceding the holiday season. Product innovations, new product launches and the size and timing of orders from the Company’s customers may also result in variability. The Company also generally experiences an increase in sales during its fourth fiscal quarter in its Professional Beauty segment as a result of higher demand prior to the summer holiday season.

On October 21, 2019, the Company announced that as part of its ongoing strategic review of its business, management and the Board of Directors have determined that the Company will focus on its fragrance, cosmetics and skin care businesses. As a result, Coty initiated a process to explore strategic alternatives, including divestiture, for its Professional Beauty business including associated hair brands sold by the Consumer Beauty division, as well as the Company’s Consumer Beauty Brazilian operations. The Company expects that the proceeds from any potential transaction will be used to pay down debt and return excess cash to shareholders.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Basis of Presentation*

The unaudited interim Condensed Consolidated Financial Statements are presented in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information and include the Company’s consolidated domestic and international subsidiaries. Certain information and disclosures normally included in consolidated financial statements prepared in accordance with GAAP have been condensed or omitted. Accordingly, these unaudited interim Condensed Consolidated Financial Statements and accompanying footnotes should be read in conjunction with the Company’s Consolidated Financial Statements as of and for the year ended June 30, 2019. In the opinion of management, all adjustments, of a normal recurring nature, considered necessary for a fair presentation have been included in the Condensed Consolidated Financial Statements. The results of operations for the three and six months ended December 31, 2019 are not necessarily indicative of the results of operations to be expected for the full fiscal year ending June 30, 2020. All dollar amounts (other than per share amounts) in the following discussion are in millions of United States (“U.S.”) dollars, unless otherwise indicated.

*Restricted Cash*

Restricted cash represents funds that are not readily available for general purpose cash needs due to contractual limitations. Restricted cash is classified as a current or long-term asset based on the timing and nature of when or how the cash is expected to be used or when the restrictions are expected to lapse. As of December 31, 2019 and June 30, 2019, the Company had restricted cash of \$50.7 and \$40.0, respectively, included in Restricted cash in the Condensed Consolidated Balance Sheets. The Restricted cash balance as of December 31, 2019 primarily provides collateral for certain bank guarantees on rent, customs and duty accounts and also consists of collections on factored receivables that remain unremitted to the factor as of December 31, 2019. Restricted cash is included as a component of Cash, cash equivalents and restricted cash in the Condensed Consolidated Statement of Cash Flows.

*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 assessment of goodwill, other intangible assets

and long-lived assets for impairment and income taxes. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment, and makes adjustments when facts and circumstances dictate. As future events and their effects cannot be determined with precision, actual results could differ significantly from those estimates and assumptions. Significant changes, if any, in those estimates and assumptions resulting from continuing changes in the economic environment will be reflected in the Condensed Consolidated Financial Statements in future periods.

#### *Tax Information*

The effective income tax rate for the three months ended December 31, 2019 and 2018 was 55.7% and (8.9)%, respectively and (324.5)% and (0.1)% for the six months ended December 31, 2019 and 2018, respectively. The positive effective tax rate in the three months ended December 31, 2019 results from reporting losses before income taxes and a benefit for income taxes. The negative effective tax rate in the six months ended December 31, 2019 results from reporting income before taxes and a benefit for income taxes. The negative effective tax rate in the three and six months ended December 31, 2018 results from reporting losses before income taxes and a provision for income taxes. The change in the effective tax rate for the three and six months ended December 31, 2019, as compared to the three and six months ended December 31, 2018, is primarily due to the resolution of foreign uncertain tax positions of \$11.8 in the current period and goodwill impairment recorded in the prior period that was not tax deductible.

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

As of December 31, 2019 and June 30, 2019, the gross amount of UTBs was \$326.9 and \$336.1, respectively. As of December 31, 2019, the total amount of UTBs that, if recognized, would impact the effective income tax rate is \$151.9. As of December 31, 2019 and June 30, 2019, the liability associated with UTBs, including accrued interest and penalties, was \$169.3 and \$179.9, 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 was \$(1.3) and \$1.5 for the three months ended December 31, 2019 and 2018, respectively and \$0.1 and \$2.7 for the six months ended December 31, 2019 and 2018, respectively. The total gross accrued interest and penalties recorded in the Condensed Consolidated Balance Sheets as of December 31, 2019 and June 30, 2019 was \$17.4 and \$17.3, respectively. On the basis of the information available as of December 31, 2019, it is reasonably possible that a decrease of up to \$17.8 in UTBs may occur within 12 months as a result of projected resolutions of global tax examinations and a potential lapse of the applicable statutes of limitations.

#### *Factoring of Receivables*

The Company factors a portion of its trade receivables with unrelated third-party factoring companies on both a recourse and non-recourse basis. The Company has entered into factoring agreements with financial institutions and eligible trade receivables are purchased by the relevant financial institution for cash at net invoice value less a factoring fee. Pursuant to the factoring agreements, the Company acts as collections agent for the financial institution and is responsible for the collection and remittance to the financial institution of all customer payments related to trade receivables factored under these arrangements. For certain customer receivables factored, the Company will retain a recourse obligation of up to 10 percent of the respective invoice's net invoice value, payable to the financial institution if the customer's payment is not received by the contractual due date. The Company accounts for trade receivable transfers under the factoring agreements as sales and derecognizes the sold receivables from the Condensed Consolidated Balance Sheets. The fair value of sold receivables approximated their book value due to their short-term nature. The Company estimated that the fair value of its servicing responsibilities was not material. Cash received from the selling of receivables under the factoring arrangements is presented as a change in trade receivables within the operating activities section of the Condensed Consolidated Statements of Cash Flows.

On September 25, 2019, the Company entered into a factoring agreement with a financial institution, which allows for the transfer of receivables from certain European Coty subsidiaries in exchange for cash (the "European Receivables Purchase Agreement") on a non-recourse basis. The total outstanding amount permitted among such subsidiaries is €93.0 million.

#### *Recently Adopted Accounting Pronouncements*

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842), which requires lease assets and liabilities to be recorded on the balance sheet. The Company adopted this ASU and its related amendments as of July 1, 2019 using the modified retrospective method. Under this approach, prior periods were not restated. Rather, lease balances and other disclosures for prior periods were provided in the notes to the financial statements as previously reported, and the cumulative effect of initially applying the guidance was recognized in the Condensed Consolidated Balance Sheets. The adoption resulted in a cumulative-effect adjustment to retained earnings of approximately \$0.7.

The new leasing standard includes several optional practical expedients available that entities may elect to apply upon transition. These practical expedients relate to the identification and classification of leases that commenced before the effective date, initial direct costs for leases that commenced before the effective date, and the ability to use hindsight in evaluating lessee options to extend or terminate a lease or to purchase the underlying asset. The Company elected the package of practical expedients permitted under the transition guidance within the new standard, which allows a lessee to carry forward its population of existing leases, the classification of each lease, as well as the treatment of initial direct costs as of the period of adoption. In addition, the Company elected the practical expedient related to lease and non-lease components, as an accounting policy election for all asset classes, which allows a lessee to not separate non-lease from lease components and instead account for consideration paid in a contract as a single lease component. Lastly, the Company did not elect the practical expedient related to hindsight analysis which allows a lessee to use hindsight in determining the lease term and in assessing impairment of the entity's right-of-use ("ROU") assets.

The Company has made a policy election to not recognize ROU assets and lease liabilities that arise from leases with an initial term of twelve months or less on the Condensed Consolidated Balance Sheets. However, the Company will recognize these lease payments in the Condensed Consolidated Statements of Operations on a straight-line basis over the lease term and variable lease payments in the period in which the obligation is incurred. The Company has chosen to apply this accounting policy across all classes of underlying assets. Additionally, upon adoption, the Company utilized a discount rate to determine the present value of the lease payments based on information available as of July 1, 2019.

On July 1, 2019, the Company recognized a lease liability of \$617.8 and a corresponding ROU asset of \$551.3, including the reclassification of approximately \$66.4 of unamortized lease incentives and lease loss liabilities, upon the adoption of this standard, with minimal impact on the Condensed Consolidated Statements of Operations.

See Note 3 for further information related to Leases.

In August 2017, the FASB issued ASU No. 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities*, which provided guidance for improvements to accounting for hedging activities under ASC 815. The amendments better align an entity's risk management activities and financial reporting for hedging relationships through changes to both the designation and measurement guidance for qualifying hedging relationships and the presentation of hedge results. The Company adopted the standard in the first quarter of fiscal 2020 on a prospective basis. The adoption of this guidance did not have a material impact on the Company's Condensed Consolidated Financial Statements.

In October 2018, the FASB issued ASU No. 2018-16, *Derivatives and Hedging (Topic 815): Inclusion of the Secured Overnight Financing Rate (SOFR) Overnight Index Swap (OIS) Rate as a Benchmark Interest Rate for Hedge Accounting Purposes*, which permitted the use of the OIS rate based on SOFR as a benchmark interest rate for hedge accounting purposes. The Company adopted the standard concurrently with the adoption of ASU No. 2017-12 in the first quarter of fiscal 2020 on a prospective basis. The adoption of this guidance did not have a material impact on the Company's Condensed Consolidated Financial Statements.

#### *Recently Issued Accounting Pronouncements*

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* ("ASU No. 2016-13"), which requires that a financial asset (or a group of financial assets) measured at an amortized cost basis be presented at the net amount expected to be collected. This approach to estimating credit losses applies to most financial assets measured at amortized cost and certain other instruments, including but not limited to, trade and other receivables. This guidance and its related amendments will be effective for the Company in fiscal 2021 with early adoption permitted. The Company is evaluating the impact this guidance and its related amendments will have on the Company's Condensed Consolidated Financial Statements and related disclosures.

In December 2019, the FASB issued ASU No. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes* ("ASU No. 2019-12"), which simplifies the accounting for income taxes by removing certain exceptions to the general principles in Topic 740 and improves the consistency in the application of GAAP for areas of Topic 740 by clarifying and amending existing guidance. The amendment will be effective for the Company in fiscal 2022 with early adoption permitted. The Company is evaluating the impact this guidance will have on the Company's Condensed Consolidated Financial Statements and related disclosures.

### **3. LEASES**

A lease is defined as a contract, or part of a contract, that conveys the right to control the use of identified property, plant, or equipment for a period of time in exchange for consideration. The Company determines if an arrangement is a lease at lease inception. For operating leases entered into prior to July 1, 2019, the ROU assets and operating lease liabilities are recognized in the balance sheet based on the present value of the remaining future minimum payments over the lease term from the implementation date of the standard, July 1, 2019. For leases entered into subsequent to July 1, 2019, the operating lease ROU

assets and operating lease liabilities are based on the present value of minimum payments over the lease term at the commencement date of the lease.

The Company uses discount rates to determine the present value of future lease payments. The Company uses its secured incremental borrowing rate, based on the information available for leases, including the lease term and interest rate environment in the country in which the lease exists. The lease terms used to calculate the ROU assets and lease liabilities may include options to extend or terminate when it is reasonably certain that the Company will exercise that option.

The Company leases office facilities under non-cancelable operating leases with terms generally ranging between 10.0 and 25.0 years. The Company utilizes these leased office facilities for use by its employees in countries in which the Company conducts its business. Leases are negotiated with third parties and, in some instances contain renewal, expansion and termination options. The Company also subleases certain office facilities to third parties when the Company no longer intends to utilize the space. None of the Company's leases restricts the payment of dividends or the incurrence of debt or additional lease obligations, or contain significant purchase options. A portion of our real estate lease portfolio contains base rents subject to annual changes in the Consumer Price Index ("CPI") as well as charges for operating expenses which are reimbursable to the landlord based on actual usage. Changes to the CPI and payments for such reimbursable operating expenses that are not defined with a minimum rate increase are considered variable and are recognized as variable lease costs in the period in which the obligation for those payments was incurred.

As a practical expedient, the Company has elected an accounting policy not to separate non-lease components from lease components and instead, account for these components as a single lease component. The Company has made an accounting policy election not to recognize ROU assets and lease liabilities for leases that, at the commencement date, are for 12 months or less. All of the Company's material leases are operating leases. These are primarily real estate properties, including corporate offices, retail stores and facilities to support the Company's manufacturing, research and development and distribution operations.

The following chart provides additional information about the Company's operating leases for the three and six months ended December 31, 2019:

<b>Lease Cost:</b>	<b>Three Months Ended December 31, 2019</b>	<b>Six Months Ended December 31, 2019</b>
Operating lease cost	\$ 30.4	\$ 62.1
Short-term lease cost	0.6	1.3
Variable lease cost	15.3	27.7
Sublease income	(2.4)	(4.6)
Net lease cost	\$ 43.9	\$ 86.5
<b>Other information:</b>		
Operating cash outflows from operating leases	\$ 31.2	\$ 63.1
Right-of-use assets obtained in exchange for lease obligations	29.1	4.1
Weighted-average remaining lease term - real estate		7.6 years
Weighted-average discount rate - real estate leases		3.48 %

Future minimum lease payments for the Company’s operating leases as of December 31, 2019 are as follows:

<b>Fiscal Year Ending June 30,</b>	
2020, remaining	\$ 72.4
2021	114.2
2022	98.1
2023	71.6
2024	60.9
Thereafter	226.4
Total future lease payments	<u>643.6</u>
Less: imputed interest	<u>(80.1)</u>
Total present value of lease liabilities	<u>563.5</u>
Current operating lease liabilities	109.3
Long-term operating lease liabilities	454.2
Total operating lease liabilities	<u>\$ 563.5</u>

Table excludes obligations for leases with original terms of 12 months or less which have not been recognized as ROU assets or liabilities in the Condensed Consolidated Balance Sheets.

At June 30, 2019, the aggregate future minimum rental commitments under all non-cancelable operating lease agreements were as follows:

<b>Fiscal Year Ending June 30,</b>	
2020	\$ 122.2
2021	111.2
2022	91.3
2023	76.7
2024	67.8
Thereafter	252.3
Total	<u>721.5</u>
Less: sublease income	<u>(20.1)</u>
Total payments	<u>\$ 701.4</u>

#### 4. SEGMENT REPORTING

The Company’s current organizational structure is category focused, putting the consumers first, by specifically targeting how and where they shop and what and why they purchase. Operating and reportable segments (referred to as “segments”) reflect the way the Company is managed and for which separate financial information is available and evaluated regularly by the Company’s chief operating decision maker (“CODM”) in deciding how to allocate resources and assess performance. The Company has designated its Chief Executive Officer as the CODM.

The Company has the following three divisions which represent its operating segments and reportable segments:

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

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

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

On July 1, 2019, the Company announced its turnaround plan, which includes planned changes to the reporting structure to the CODM. As part of these reporting structure changes, management expects to move from the current organizational structure into regional commercial business units in Europe, Middle East & Africa (“EMEA”) and Americas and Asia Pacific for the combined Luxury and Consumer Beauty businesses. Such regional business units will be supported by central Luxury and Consumer Beauty marketing teams. Professional Beauty remains a distinct business unit. The Company anticipates that its

operating and reporting segments would change upon completion of such reporting structure changes and the related changes in the financial information provided to the CODM, which is expected to occur in the third quarter of fiscal 2020. See Note 1—Description of Business for information on the Company’s turnaround plan update announced on October 21, 2019.

Certain income and shared costs and the results of corporate initiatives are managed outside of the three segments by Corporate. The items within Corporate relate to corporate-based responsibilities and decisions and are not used by the CODM to measure the underlying performance of the segments. Corporate primarily includes restructuring and realignment costs, costs related to acquisition and divestiture 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 9—Goodwill and Other Intangible Assets, net.

<b>SEGMENT DATA</b>	<b>Three Months Ended December 31,</b>		<b>Six Months Ended December 31,</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
<b>Net revenues:</b>				
Luxury	\$ 1,016.5	\$ 1,017.5	\$ 1,823.2	\$ 1,810.4
Consumer Beauty	799.7	967.8	1,516.2	1,796.6
Professional Beauty	528.8	525.9	948.4	935.5
<b>Total</b>	<b>\$ 2,345.0</b>	<b>\$ 2,511.2</b>	<b>\$ 4,287.8</b>	<b>\$ 4,542.5</b>
<b>Operating income (loss):</b>				
Luxury	\$ 148.1	\$ 113.6	\$ 238.4	\$ 162.3
Consumer Beauty	26.9	(906.9)	(16.4)	(925.5)
Professional Beauty	73.5	73.8	97.9	78.8
Corporate	(213.1)	(85.1)	(158.5)	(140.9)
<b>Total</b>	<b>\$ 35.4</b>	<b>\$ (804.6)</b>	<b>\$ 161.4</b>	<b>\$ (825.3)</b>
<b>Reconciliation:</b>				
Operating income (loss)	\$ 35.4	\$ (804.6)	\$ 161.4	\$ (825.3)
Interest expense, net	71.1	68.3	148.5	132.4
Other expense, net	1.3	4.8	3.5	7.5
<b>(Loss) income before income taxes</b>	<b>\$ (37.0)</b>	<b>\$ (877.7)</b>	<b>\$ 9.4</b>	<b>\$ (965.2)</b>

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

<b>PRODUCT CATEGORY</b>	<b>Three Months Ended December 31,</b>		<b>Six Months Ended December 31,</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Fragrance	44.9 %	43.5 %	43.7 %	42.3 %
Color Cosmetics	20.4	23.3	22.2	24.7
Hair Care	26.3	24.4	25.5	24.3
Skin & Body Care	8.4	8.8	8.6	8.7
<b>Total Coty Inc.</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>

## 5. BUSINESS COMBINATIONS, ASSET ACQUISITIONS AND DIVESTITURES

### *Business Combinations and Asset Acquisitions*

The Company did not complete any business acquisitions or asset acquisitions during the six months ended December 31, 2019. See Note 19—Subsequent Events for information on the acquisition of King Kylie, LLC ("King Kylie"), a Delaware limited liability company (the "King Kylie Acquisition").



**Business Divestitures***Younique*

On August 27, 2019, the Company entered into a Contribution and Redemption Agreement to transfer all of its membership interest in Foundation, LLC (“Foundation”), which held the net assets of Younique, LLC (“Younique”), to an existing noncontrolling interest holder. On September 16, 2019 (the “Closing Date”), the Company completed the sale of all of its membership interest in Foundation. Consideration received at the Closing Date consisted of \$50.0 cash and a secured promissory note with a face value of \$27.9. The sale resulted in a pre-tax gain of \$84.5, included in Gain on sale of business in the Condensed Consolidated Statements of Operations for the six months ended December 31, 2019. Younique’s operations are included within the Consumer Beauty segment and its results of operations through the Closing Date are included in the Condensed Consolidated Statements of Operations for the six months ended December 31, 2019.

**Other Transactions***Southeast Asian subsidiary*

In July 2019, the Company purchased the remaining 49% noncontrolling interest in a certain consolidated Southeast Asian subsidiary. Refer to Note 17—Mandatorily Redeemable Financial Interests and Redeemable Noncontrolling Interests.

**6. ACQUISITION AND DIVESTITURE-RELATED COSTS**

Acquisition-related costs, which are expensed as incurred, represent non-restructuring costs directly related to acquiring and integrating an entity, for both completed and contemplated acquisitions. These costs can include finder’s fees, legal, accounting, valuation, other professional or consulting fees, including fees related to transitional services, and other internal costs which can include compensation related expenses for dedicated internal resources. The Company recognized acquisition-related costs of \$4.1 and \$0.0 for the three months ended December 31, 2019 and 2018, respectively, and \$4.1 and \$0.0 for the six months ended December 31, 2019 and 2018, respectively. Acquisition-related costs incurred during the three and six months ended December 31, 2019 were primarily related to the King Kylie Acquisition. See Note 19—Subsequent Events for information on the acquisition.

Divestiture-related costs, which are expensed as incurred, represent non-restructuring costs directly related to divesting and selling an entity, for both completed and contemplated divestitures. These costs can include legal, accounting, information technology, other professional or consulting fees and other internal costs. Internal costs can include compensation related expenses for dedicated internal resources. Additionally, divestiture-related costs can include costs related to transitional services. The Company recognized divestiture-related costs of \$31.9 and \$0.0 for the three months ended December 31, 2019 and 2018, respectively, and \$31.9 and \$0.0 for the six months ended December 31, 2019 and 2018, respectively. Divestiture-related costs incurred during the three and six months ended December 31, 2019 were primarily related to the Company’s strategic review of its business. See Note 1—Description of Business for information on the strategic review.

These costs have been recorded in Acquisition and divestiture-related costs in the Condensed Consolidated Statements of Operations.

**7. RESTRUCTURING COSTS**

Restructuring costs for the three and six months ended December 31, 2019 and 2018 are presented below:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2019	2018	2019	2018
Turnaround Plan	\$ 137.9	\$ —	\$ 146.6	\$ —
Global Integration Activities	(2.7)	22.2	(4.4)	28.7
2018 Restructuring Actions	(0.2)	(0.3)	(1.0)	8.8
Other Restructuring	(0.1)	(0.4)	(0.3)	(0.5)
Total	\$ 134.9	\$ 21.5	\$ 140.9	\$ 37.0

*Turnaround Plan*

In connection with the four-year plan announced on July 1, 2019 to drive substantial improvement in Consumer Beauty while further optimizing Luxury and Professional Beauty (the “Turnaround Plan”), the Company has and expects to continue to incur restructuring and related costs.

Of the expected costs, the Company has incurred cumulative restructuring charges of \$146.6 related to approved initiatives through December 31, 2019, which have been recorded in Corporate. The following table presents aggregate restructuring charges for the program:

	Severance and Employee Benefits	Third-Party Contract Terminations	Other Exit Costs	Total
Cumulative through December 31, 2019	\$ 144.4	\$ 0.1	\$ 2.1	\$ 146.6

Over the next four fiscal years, the Company expects to incur approximately \$160.0 of additional restructuring charges pertaining to the approved actions, primarily related to employee termination benefits, contract terminations and other exit-related costs.

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

	Severance and Employee Benefits	Third-Party Contract Terminations	Other Exit Costs	Total
Balance—July 1, 2019	\$ —	\$ —	\$ —	\$ —
Restructuring charges	145.1	0.1	2.1	147.3
Payments	(3.2)	—	—	(3.2)
Changes in estimates	(0.7)	—	—	(0.7)
ASC 842 adoption adjustment	—	—	(1.5)	(1.5)
Effect of exchange rates	0.4	—	—	0.4
Balance—December 31, 2019	<u>\$ 141.6</u>	<u>\$ 0.1</u>	<u>\$ 0.6</u>	<u>\$ 142.3</u>

The Company currently estimates that the total remaining accrual of \$142.3 will result in cash expenditures of approximately \$32.3, \$102.7 and \$7.3 in fiscal 2020, 2021 and thereafter, respectively.

#### Global Integration Activities

In connection with the acquisition of The Procter & Gamble Company's beauty business, the Company has incurred restructuring and related costs aimed at integrating and optimizing the combined organization ("Global Integration Activities").

Of the expected costs, the Company has incurred cumulative restructuring charges of \$495.6 related to approved initiatives through December 31, 2019, which have been recorded in Corporate. The following table presents aggregate restructuring charges for the program:

	Severance and Employee Benefits	Third-Party Contract Terminations	Fixed Asset Write- offs	Other Exit Costs	Total
Fiscal 2017	\$ 333.9	\$ 22.4	\$ 4.6	\$ 4.1	\$ 365.0
Fiscal 2018	67.5	19.3	14.3	5.4	106.5
Fiscal 2019	(6.0)	4.5	27.8	2.2	28.5
Fiscal 2020	(4.3)	—	—	(0.1)	(4.4)
Cumulative through December 31, 2019	<u>\$ 391.1</u>	<u>\$ 46.2</u>	<u>\$ 46.7</u>	<u>\$ 11.6</u>	<u>\$ 495.6</u>

The related liability balance 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, 2019	\$ 53.7	\$ 11.7	\$ 1.6	\$ 67.0
ASC 842 adoption adjustment	—	—	(1.4)	(1.4)
Payments	(15.6)	(3.1)	(0.1)	(18.8)
Changes in estimates	(4.3)	—	(0.1)	(4.4)
Effect of exchange rates	(0.6)	—	—	(0.6)
Balance—December 31, 2019	<u>\$ 33.2</u>	<u>\$ 8.6</u>	<u>\$ —</u>	<u>\$ 41.8</u>

The Company currently estimates that the total remaining accrual of \$41.8 will result in cash expenditures of approximately \$25.5, \$16.0 and \$0.3 in fiscal 2020, 2021 and thereafter, respectively.

#### 2018 Restructuring Actions

During fiscal 2018, the Company began evaluating initiatives to reduce fixed costs and enable further investment in the business (the "2018 Restructuring Actions").

Of the expected costs, the Company incurred cumulative restructuring charges of \$84.2 related to approved initiatives through December 31, 2019, primarily related to role eliminations in Europe and North America, which have been recorded in Corporate. The following table presents aggregate restructuring charges for the program:

	Severance and Employee Benefits	Third-Party Contract Terminations	Fixed Asset Write- offs	Other Exit Costs	Total
Fiscal 2018	\$ 63.5	\$ 0.2	\$ 1.3	\$ 3.4	\$ 68.4
Fiscal 2019	15.4	(0.1)	—	1.5	16.8
Fiscal 2020	(1.0)	—	—	—	(1.0)
Cumulative through December 31, 2019	<u>\$ 77.9</u>	<u>\$ 0.1</u>	<u>\$ 1.3</u>	<u>\$ 4.9</u>	<u>\$ 84.2</u>

The related liability balance and activity of restructuring costs for the 2018 Restructuring Actions are presented below:

	Severance and Employee Benefits	Third-Party Contract Terminations	Other Exit Costs	Total Program Costs
Balance—July 1, 2019	\$ 15.5	\$ 0.1	\$ 1.5	\$ 17.1
Payments	(7.1)	(0.1)	—	(7.2)
Changes in estimates	(1.0)	—	—	(1.0)
ASC 842 adoption adjustment	—	—	(1.2)	(1.2)
Effect of exchange rates	(0.3)	—	—	(0.3)
Balance—December 31, 2019	<u>\$ 7.1</u>	<u>\$ —</u>	<u>\$ 0.3</u>	<u>\$ 7.4</u>

The Company currently estimates that the total remaining accrual of \$7.4 will result in cash expenditures of approximately \$4.8, \$2.4 and \$0.2 in fiscal 2020, 2021 and thereafter, respectively.

#### *Other Restructuring*

The Company executed a number of other legacy restructuring activities in prior years, which are substantially completed. The Company recognized (income) expenses, net, of \$(0.3) and \$(0.5) during the six months ended December 31, 2019 and 2018, respectively. The related liability balances were \$3.4 and \$9.0 at December 31, 2019 and June 30, 2019, respectively. The Company currently estimates that the total remaining accrual of \$3.4 will result in cash expenditures of \$1.4 and \$2.0 in fiscal 2020 and 2021, respectively.

## 8. INVENTORIES

Inventories as of December 31, 2019 and June 30, 2019 are presented below:

	December 31, 2019	June 30, 2019
Raw materials	\$ 231.2	\$ 259.5
Work-in-process	9.7	20.4
Finished goods	774.9	873.4
Total inventories	<u>\$ 1,015.8</u>	<u>\$ 1,153.3</u>

**9. GOODWILL AND OTHER INTANGIBLE ASSETS, NET***Goodwill*

Goodwill as of December 31, 2019 and June 30, 2019 is presented below:

	<b>Luxury</b>	<b>Consumer Beauty</b>	<b>Professional Beauty</b>	<b>Total</b>
Gross balance at June 30, 2019	\$ 3,325.4	\$ 4,844.6	\$ 935.7	\$ 9,105.7
Accumulated impairments	(403.7)	(3,628.2)	—	(4,031.9)
Net balance at June 30, 2019	<u>\$ 2,921.7</u>	<u>\$ 1,216.4</u>	<u>\$ 935.7</u>	<u>\$ 5,073.8</u>
<b>Changes during the period ended December 31, 2019</b>				
Disposition of business	\$ —	\$ (23.4)	\$ —	\$ (23.4)
Foreign currency translation	(25.3)	(18.7)	9.6	(34.4)
Gross balance at December 31, 2019	\$ 3,300.1	\$ 4,802.5	\$ 945.3	\$ 9,047.9
Accumulated impairments	(403.7)	(3,628.2)	—	(4,031.9)
Net balance at December 31, 2019	<u>\$ 2,896.4</u>	<u>\$ 1,174.3</u>	<u>\$ 945.3</u>	<u>\$ 5,016.0</u>

*Other Intangible Assets, net*

Other intangible assets, net as of December 31, 2019 and June 30, 2019 are presented below:

	<b>December 31, 2019</b>	<b>June 30, 2019</b>
Indefinite-lived other intangible assets	\$ 2,727.0	\$ 2,729.8
Finite-lived other intangible assets, net	4,265.5	4,692.5
Total Other intangible assets, net	<u>\$ 6,992.5</u>	<u>\$ 7,422.3</u>

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

	<u>Luxury</u>	<u>Consumer Beauty</u>	<u>Professional Beauty</u>	<u>Total</u>
Gross balance at June 30, 2019	\$ 405.8	\$ 1,693.1	\$ 1,257.8	\$ 3,356.7
Accumulated impairments	(228.4)	(368.4)	(30.1)	(626.9)
Net balance at June 30, 2019	<u>\$ 177.4</u>	<u>\$ 1,324.7</u>	<u>\$ 1,227.7</u>	<u>\$ 2,729.8</u>
<b>Changes during the period ended December 31, 2019</b>				
Foreign currency translation	\$ (2.4)	\$ (4.1)	\$ 3.7	\$ (2.8)
Gross balance at December 31, 2019	\$ 403.4	\$ 1,689	\$ 1,261.5	\$ 3,353.9
Accumulated impairments	(228.4)	(368.4)	(30.1)	(626.9)
Net balance at December 31, 2019	<u>\$ 175.0</u>	<u>\$ 1,320.6</u>	<u>\$ 1,231.4</u>	<u>\$ 2,727.0</u>

Intangible assets subject to amortization are presented below:

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Accumulated Impairment</u>	<u>Net</u>
<b>June 30, 2019</b>				
License agreements	\$ 3,245.3	\$ (874.5)	\$ (19.6)	\$ 2,351.2
Customer relationships	1,951.6	(642.0)	(5.5)	1,304.1
Trademarks	1,039.5	(229.4)	(0.5)	809.6
Product formulations and technology	354.1	(126.5)	—	227.6
Total	<u>\$ 6,590.5</u>	<u>\$ (1,872.4)</u>	<u>\$ (25.6)</u>	<u>\$ 4,692.5</u>
<b>December 31, 2019</b>				
License agreements	\$ 3,209.5	\$ (937.7)	\$ (19.6)	\$ 2,252.2
Customer relationships	1,746.1	(622.0)	(5.5)	1,118.6
Trademarks	914.1	(233.6)	(0.5)	680.0
Product formulations and technology	356.3	(141.6)	—	214.7
Total	<u>\$ 6,226.0</u>	<u>\$ (1,934.9)</u>	<u>\$ (25.6)</u>	<u>\$ 4,265.5</u>

In July 2018, the Company acquired a trademark associated with a preexisting license. As a result of the acquisition, the preexisting license was effectively terminated, and accordingly the Company recorded \$12.6 of Asset impairment charges in the Condensed Consolidated Statement of Operations related to the license agreement.

In September 2019, the Company divested all of its membership interest in Foundation, which held the net assets of Younique (including goodwill of \$23.4 and other intangible assets of \$228.6). Refer to Note 5—Business Combinations, Asset Acquisitions and Divestitures.

Amortization expense was \$76.8 and \$88.5 for the three months ended December 31, 2019 and 2018, respectively and \$161.1 and \$181.0 for the six months ended December 31, 2019 and 2018, respectively.

**10. DEBT**

The Company's debt balances consisted of the following as of December 31, 2019 and June 30, 2019, respectively:

	December 31, 2019	June 30, 2019
Short-term debt	\$ 0.1	\$ 4.2
2018 Coty Credit Agreement		
2018 Coty Revolving Credit Facility due April 2023	694.9	792.1
2018 Coty Term A Facility due April 2023	3,034.8	3,147.0
2018 Coty Term B Facility due April 2025	2,317.4	2,342.3
Senior Unsecured Notes		
2026 Dollar Notes due April 2026	550.0	550.0
2023 Euro Notes due April 2023	616.4	625.0
2026 Euro Notes due April 2026	280.2	284.1
Other long-term debt and capital lease obligations	0.9	1.1
Total debt	7,494.7	7,745.8
Less: Short-term debt and current portion of long-term debt	(188.0)	(193.8)
Total Long-term debt	7,306.7	7,552.0
Less: Unamortized debt issuance costs	(62.9)	(71.3)
Less: Discount on Long-term debt	(10.0)	(10.8)
Total Long-term debt, net	\$ 7,233.8	\$ 7,469.9

**Short-Term Debt**

The Company maintains short-term lines of credit and other short-term debt with financial institutions around the world. As of December 31, 2019, total short-term debt decreased to \$0.1 from \$4.2 as of June 30, 2019. In addition, the Company had undrawn letters of credit of \$5.0 and \$6.3 and bank guarantees of \$55.3 and \$97.1 as of December 31, 2019 and June 30, 2019, respectively.

**Long-Term Debt**

On April 5, 2018, the Company issued senior unsecured notes in a private offering and entered into a new credit agreement (the "2018 Coty Credit Agreement"). The net proceeds of the offering of the notes, together with borrowings under the 2018 Coty Credit Agreement, were used to repay in full and refinance the indebtedness outstanding under the Company's previously existing long-term debt agreements and to pay accrued interest, related premiums, fees and expenses in connection therewith.

**Offering of Senior Unsecured Notes**

On April 5, 2018 the Company issued, at par, \$550.0 of 6.50% senior unsecured notes due 2026 (the "2026 Dollar Notes"), €550.0 million of 4.00% senior unsecured notes due 2023 (the "2023 Euro Notes") and €250.0 million of 4.75% senior unsecured notes due 2026 (the "2026 Euro Notes" and, together with the 2023 Euro Notes, the "Euro Notes," and the Euro Notes together with the 2026 Dollar Notes, the "Senior Unsecured Notes") in a private offering.

The Senior Unsecured Notes are senior unsecured debt obligations of the Company and will be *pari passu* in right of payment with all of the Company's existing and future senior indebtedness (including the 2018 Coty Credit Facilities described below). The Senior Unsecured Notes are guaranteed, jointly and severally, on a senior basis by the Guarantors (as later defined under "2018 Coty Credit Agreement"). The Senior Unsecured Notes are senior unsecured obligations of the Company and are effectively junior to all existing and future secured indebtedness of the Company to the extent of the value of the collateral securing such secured indebtedness. The related guarantees are senior unsecured obligations of each Guarantor and are effectively junior to all existing and future secured indebtedness of such Guarantor to the extent of the value of the collateral securing such indebtedness.

The 2026 Dollar Notes will mature on April 15, 2026. The 2026 Dollar Notes will bear interest at a rate of 6.50% per annum. Interest on the 2026 Dollar Notes is payable semi-annually in arrears on April 15 and October 15 of each year.

The 2023 Euro Notes will mature on April 15, 2023 and the 2026 Euro Notes will mature on April 15, 2026. The 2023 Euro Notes will bear interest at a rate of 4.00% per annum, and the 2026 Euro Notes will bear interest at a rate of 4.75% per annum. Interest on the Euro Notes is payable semi-annually in arrears on April 15 and October 15 of each year.

Upon the occurrence of certain change of control triggering events with respect to a series of Senior Unsecured Notes, the Company will be required to offer to repurchase all or part of the Senior Unsecured Notes of such series at 101% of their

principal amount, plus accrued and unpaid interest, if any, to, but excluding, the purchase date applicable to such Senior Unsecured Notes.

The Senior Unsecured Notes contain customary covenants that place restrictions in certain circumstances on, among other things, incurrence of liens, entry into sale or leaseback transactions, sales of all or substantially all of the Company's assets and certain merger or consolidation transactions. The Senior Unsecured Notes also provide for customary events of default.

#### **2018 Coty Credit Agreement**

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

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

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

On June 27, 2019, the Company entered into an amendment ("2019 Amendment") to the 2018 Coty Credit Agreement. The 2019 Amendment modified the 2018 Coty Credit Agreement by amending the financial covenants to (i) delay until March 31, 2022 the total net leverage ratio step down from 5.25 to 5.0 (as further described in the *Covenants* section below), (ii) extend the applicable window for certain cost savings add-backs in the calculation of Adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA") for purpose of determining the total net leverage ratio, and (iii) amend the determination of the exchange rate to be used for purposes of calculating "Total Indebtedness" (as defined in the 2018 Coty Credit Agreement) for purposes of the total net leverage ratio, and decreasing the total commitments under the revolving credit facility by \$500.0 million to \$2,750.0 million.

#### *Scheduled Amortization*

The Company makes quarterly payments of 1.25% and 0.25%, of the initial aggregate principal amounts of the 2018 Coty Term A Facility and the 2018 Coty Term B Facility, respectively. The remaining balance of the initial aggregate principal amounts of the 2018 Coty Term A Facility and the 2018 Coty Term B Facility will be payable on the maturity date for each facility, respectively.

#### *Interest*

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

- LIBOR of the applicable qualified currency, of which the Company can elect the applicable one, two, three, six or twelve month rate, plus the applicable margin; or
- Alternate base rate ("ABR") plus the applicable margin.

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

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

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

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

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

#### Fair Value of Debt

	December 31, 2019		June 30, 2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
2018 Coty Credit Agreement	\$ 6,047.1	\$ 5,886.9	\$ 6,281.4	\$ 6,058.9
Senior Unsecured Notes	1,446.6	1,510.7	1,459.1	1,439.6

The Company uses the market approach to value the 2018 Coty Credit Agreement and the Senior Unsecured Notes. The Company obtains fair values from independent pricing services to determine the fair value of these debt instruments. Based on the assumptions used to value these liabilities at fair value, these debt instruments are categorized a Level 2 in the fair value hierarchy.

#### Debt Maturities Schedule

Aggregate maturities of the Company's long-term debt, including the current portion of long-term debt and excluding capital lease obligations as of December 31, 2019, are presented below:

Fiscal Year Ending June 30,	
2020, remaining	\$ 93.8
2021	187.6
2022	187.6
2023	3,959.5
2024	23.5
Thereafter	3,041.7
<b>Total</b>	<b>\$ 7,493.7</b>



*Covenants*

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

<b>Quarterly Test Period Ending</b>	<b>Total Net Leverage Ratio <sup>(a)</sup></b>
December 31, 2019 through December 31, 2021	5.25 to 1.00
March 31, 2022	5.00 to 1.00
June 30, 2022	4.75 to 1.00
September 30, 2022	4.50 to 1.00
December 31, 2022	4.25 to 1.00
March 31, 2023 through June 30, 2023	4.00 to 1.00

<sup>(a)</sup> Total Net Leverage Ratio means, as of any date of determination, the ratio of: (a) (i) Total Indebtedness minus (ii) unrestricted cash and Cash Equivalents of the Parent Borrower and its Restricted Subsidiaries as determined in accordance with GAAP to (b) Adjusted EBITDA for the most recently ended Test Period (each of the defined terms, including Adjusted EBITDA, used within the definition of Total Net Leverage Ratio have the meanings ascribed to them within the 2018 Coty Credit Agreement, as amended). Adjusted EBITDA, as defined in the 2018 Coty Credit Agreement, as amended, includes certain add backs related to cost savings, operating expense reductions and future unrealized synergies subject to certain limits and conditions as specified in the 2018 Coty Credit Agreement.

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

As of December 31, 2019, the Company was in compliance with all covenants contained within the 2018 Coty Credit Agreement, as amended.

**11. INTEREST EXPENSE, NET**

Interest expense, net for the three and six months ended December 31, 2019 and 2018 is presented below:

	<b>Three Months Ended December 31,</b>		<b>Six Months Ended December 31,</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Interest expense	\$ 66.3	\$ 74.1	\$ 141.8	\$ 146.5
Foreign exchange losses (gains), net of derivative contracts	4.9	(0.2)	8.7	(3.8)
Interest income	(0.1)	(5.6)	(2.0)	(10.3)
Total interest expense, net	\$ 71.1	\$ 68.3	\$ 148.5	\$ 132.4

## 12. EMPLOYEE BENEFIT PLANS

The components of net periodic benefit cost for pension plans and other post-employment benefit plans recognized in the Condensed Consolidated Statements of Operations are presented below:

	Three Months Ended December 31,							
	Pension Plans				Other Post-Employment Benefits		Total	
	U.S.		International		2019	2018	2019	2018
	2019	2018	2019	2018				
Service cost	\$ —	\$ —	\$ 9.2	\$ 8.6	\$ 0.4	\$ 0.3	\$ 9.6	\$ 8.9
Interest cost	0.3	0.2	2.3	3.3	0.6	0.5	3.2	4.0
Expected return on plan assets	—	—	(2.1)	(2.1)	—	—	(2.1)	(2.1)
Amortization of prior service cost (credit)	—	—	(0.2)	0.1	(1.5)	(1.5)	(1.7)	(1.4)
Amortization of net (gain) loss	0.3	(0.2)	—	(0.1)	—	—	0.3	(0.3)
Net periodic benefit cost (credit)	\$ 0.6	\$ —	\$ 9.2	\$ 9.8	\$ (0.5)	\$ (0.7)	\$ 9.3	\$ 9.1

	Six Months Ended December 31,							
	Pension Plans				Other Post-Employment Benefits		Total	
	U.S.		International		2019	2018	2019	2018
	2019	2018	2019	2018				
Service cost	\$ —	\$ —	\$ 18.7	\$ 16.8	\$ 0.9	\$ 0.6	\$ 19.6	\$ 17.4
Interest cost	0.4	0.4	4.6	6.6	1.0	1.0	6.0	8.0
Expected return on plan assets	—	—	(4.2)	(4.2)	—	—	(4.2)	(4.2)
Amortization of prior service cost (credit)	—	—	(0.4)	0.2	(3.1)	(3.0)	(3.5)	(2.8)
Amortization of net (gain) loss	0.4	(0.4)	—	0.2	—	—	0.4	(0.2)
Net periodic benefit cost (credit)	\$ 0.8	\$ —	\$ 18.7	\$ 19.6	\$ (1.2)	\$ (1.4)	\$ 18.3	\$ 18.2

## 13. DERIVATIVE INSTRUMENTS

### Foreign Exchange Risk Management

The Company is exposed to foreign currency exchange fluctuations through its global operations. The Company may reduce its exposure to fluctuations in the cash flows associated with changes in foreign exchange rates by creating offsetting positions through the use of derivative instruments and also by designating foreign currency denominated borrowings and cross-currency swaps as hedges of net investments in foreign subsidiaries. The Company expects that through hedging, any gain or loss on the derivative instruments would generally offset the expected increase or decrease in the value of the underlying forecasted transactions. The Company entered into foreign exchange forward contracts for which hedge accounting treatment has been applied, which the Company anticipates realizing in the Condensed Consolidated Statements of Operations through fiscal 2021. In addition, in September 2019, the Company entered into cross-currency swap contracts in the notional amount of \$550.0 and designated these cross-currency swaps as hedges of its net investment in certain foreign subsidiaries. These cross-currency swaps allow for the exchange of fixed interest payments on the agreed upon notional amounts, between the Company and the related counterparties, effectively converting the Company's fixed rate U.S. dollar denominated debt to euro denominated debt with more favorable fixed rate interest payments over the contracts' term. Cross-currency swaps designated as net investment hedges are marked-to-market using the current spot exchange rate as of the end of each reporting period, with gains and losses included in the foreign currency translation component of accumulated other comprehensive income (loss) ("AOCI(L)") until the sale or substantial liquidation of the underlying net investments.

### Interest Rate Risk Management

The Company is exposed to interest rate fluctuations related to its variable rate debt instruments. The Company may reduce its exposure to fluctuations in the cash flows associated with changes in the variable interest rates by entering into offsetting positions through the use of derivative instruments, such as interest rate swap contracts. The interest rate swap contracts result in recognizing a fixed interest rate for the portion of the Company's variable rate debt that was hedged. This will reduce the

negative and positive impacts of changes in the variable rates over the term of the contracts. Hedge effectiveness of interest rate swap contracts is based on a long-haul hypothetical derivative methodology and includes all changes in value.

During September 2019, the Company entered into incremental interest rate swap contracts in the notional amount of \$1,000.0, which extended the maturity of the interest rate swap portfolio from 2021 through 2023. These interest rate swaps are designated and qualify as cash flow hedges. As of December 31, 2019 and June 30, 2019, the Company had interest rate swap contracts designated as effective hedges in the notional amount of \$3,000.0 and \$2,000.0, respectively.

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

The accumulated gain on foreign currency borrowings classified as net investment hedges in the foreign currency translation adjustment component of AOCI/(L) was \$272.8 and \$214.8 as of December 31, 2019 and June 30, 2019, respectively.

The accumulated loss on derivative instruments classified as net investment hedges in the foreign currency translation adjustment component of AOCI/(L) was \$(18.7) and \$0.0 as of December 31, 2019 and June 30, 2019, respectively.

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

Gain (Loss) Recognized in OCI	Three Months Ended December 31,		Six Months Ended December 31,	
	2019	2018	2019	2018
Foreign exchange forward contracts	\$ 0.2	\$ 0.4	\$ 0.6	\$ 0.4
Interest rate swap contracts	4.1	(21.0)	3.6	(15.9)
Cross-currency swap contracts	(22.6)	—	(18.7)	—
Net investment hedge	(99.3)	74.3	58.0	78.6

The accumulated gain on derivative instruments classified as cash flow hedges in AOCI/(L), net of tax, was \$(8.2) and \$(13.3) as of December 31, 2019 and June 30, 2019, 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 \$(4.9). As of December 31, 2019, all of the Company’s remaining foreign currency forward contracts designated as hedges were highly effective.

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

Location and Amount of Gain (Loss) Recognized in Income on Cash Flow Hedging Relationships	Three Months Ended December 31,				Six Months Ended December 31,			
	2019		2018		2019		2018	
	Cost of sales	Interest expense, net	Cost of sales	Interest expense, net	Cost of sales	Interest expense, net	Cost of sales	Interest expense, net
<b>Foreign exchange forward contracts:</b>								
Amount of gain (loss) reclassified from AOCI into income	\$ 1.0	\$ —	\$ —	\$ —	\$ 1.2	\$ —	\$ —	\$ —
<b>Interest rate swap contracts:</b>								
Amount of gain (loss) reclassified from AOCI into income	—	(1.2)	—	3.9	—	(0.3)	—	7.7

*Derivatives not designated as hedging:*

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

Condensed Consolidated Statements of Operations Classification of Gain (Loss) Recognized in Operations		Three Months Ended December 31,		Six Months Ended December 31,	
		2019	2018	2019	2018
Foreign exchange contracts	Selling, general and administrative expenses	\$ (0.7)	\$ 0.1	\$ (0.9)	\$ 0.1
Foreign exchange contracts	Interest expense, net	6.6	(5.6)	11.3	(1.6)
Foreign exchange contracts	Other expense, net	(0.2)	0.1	(0.3)	1.4

**14. EQUITY*****Common Stock***

As of December 31, 2019, the Company's common stock consisted of Class A Common Stock with a par value of \$0.01 per share. The holders of Class A Common Stock are entitled to one vote per share. As of December 31, 2019, total authorized shares of Class A Common Stock was 1,000.0 million and total outstanding shares of Class A Common Stock was 760.5 million.

As of December 31, 2019, the Company's largest stockholder was Cottage Holdco B.V., which owned approximately 60% of Coty's outstanding Class A Common Stock. Cottage Holdco B.V., a wholly-owned subsidiary of JAB Cosmetics B.V. ("JABC"), is indirectly controlled by Lucesca SE, Agnaten SE and JAB Holdings B.V. ("JAB"). During the three and six months ended December 31, 2019, JABC acquired nil shares of Class A Common Stock in open market purchases on the New York Stock Exchange and elected to receive 2.2 million and 5.0 million shares of Class A Common Stock, respectively, under the Company's dividend reinvestment program.

***Preferred Stock***

As of December 31, 2019, total authorized shares of preferred stock are 20.0 million. There are two classes of Preferred Stock outstanding as of December 31, 2019, Series A Preferred Stock and Series A-1 Preferred Stock, both with a par value of \$0.01 per share.

As of December 31, 2019, total authorized, issued and outstanding shares of Series A Preferred Stock and Series A-1 Preferred Stock are 1.5 million and 7.9 million, respectively. The Series A Preferred Stock and Series A-1 Preferred Stock are not entitled to receive any dividends and have no voting rights except as required by law.

As of December 31, 2019, the Company classified \$1.7 of Preferred Stock as equity, and \$2.0 as a liability recorded in Other noncurrent liabilities in the Condensed Consolidated Balance Sheet.

***Treasury Stock******Share Repurchase Program***

Since February 2014, the Board has authorized the Company to repurchase its Class A Common Stock under approved repurchase programs. On February 3, 2016, the Board authorized the Company to repurchase up to \$500.0 of its Class A Common Stock (the "Incremental Repurchase Program"). Repurchases may be made from time to time at the Company's discretion, based on ongoing assessments of the capital needs of the business, the market price of its Class A Common Stock, and general market conditions. For the three and six months ended December 31, 2019, the Company did not repurchase any shares of its Class A Common Stock. As of December 31, 2019, the Company had authority for \$396.8 remaining under the Incremental Repurchase Program.

***Other Repurchases***

The Company repurchased 0.5 million shares of its Class A Common Stock for \$4.5 during the six months ended December 31, 2019 in connection with the exit of an executive in September 2019.

## Dividends

The following dividends were declared during the six months ended December 31, 2019:

Declaration Date	Dividend Type	Dividend Per Share	Holders of Record Date	Dividend Value	Dividend Payment Date	Dividends Settled in Cash	Dividends Settled in Stock <sup>(a)</sup>	Dividends Payable <sup>(b)</sup>
<i>Fiscal 2020</i>								
August 28, 2019	Quarterly	\$ 0.125	September 9, 2019	\$ 0.125	September 30, 2019	\$ 63.3	\$ 30.9	\$ 1.1
November 6, 2019	Quarterly	\$ 0.125	November 18, 2019	\$ 0.125	December 27, 2019	\$ 65.5	\$ 29.3	\$ 1.3
Fiscal 2020		\$ 0.250		\$ 0.250		\$ 128.8	\$ 60.2	\$ 2.4

<sup>(a)</sup> The September 30, 2019 and December 27, 2019 stock dividend payment of \$30.9 and \$29.3 resulted in the issuance of 3.2 million and 2.4 million shares of Class A Common Stock, respectively.

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

Total dividends in cash and other recorded to additional paid-in capital (“APIC”) in the Condensed Consolidated Balance Sheet as of December 31, 2019 were \$129.6, consisting of \$128.8 dividends settled in cash, \$2.4 dividends payable, offset by \$1.6 of dividends no longer expected to vest as a result of forfeitures of outstanding RSUs.

In addition to the activity noted above, the Company made a payment of \$1.6 for the previously accrued dividends on RSUs that vested during the six months ended December 31, 2019. Thus, total dividends settled in cash during the six months ended December 31, 2019 were \$130.4.

Total accrued dividends on unvested RSUs and phantom units of \$2.1 and \$4.4 are included in Accrued expenses and other current liabilities and Other noncurrent liabilities, respectively, in the Condensed Consolidated Balance Sheet as of December 31, 2019.

## Accumulated Other Comprehensive Income (Loss)

	Foreign Currency Translation Adjustments				Total
	(Loss) gain on Cash Flow Hedges	Gain on Net Investment Hedge	Other Foreign Currency Translation Adjustments	Pension and Other Post-Employment Benefit Plans <sup>(a)</sup>	
Balance—July 1, 2019	\$ (13.3)	\$ 214.8	\$ (257.4)	\$ (2.9)	\$ (58.8)
Other comprehensive income (loss) before reclassifications	4.9	39.3	(60.0)	—	(15.8)
Net amounts reclassified from AOCI/(L)	0.2	—	—	(3.1)	(2.9)
Net current-period other comprehensive income (loss)	5.1	39.3	(60.0)	(3.1)	(18.7)
Balance—December 31, 2019	\$ (8.2)	\$ 254.1	\$ (317.4)	\$ (6.0)	\$ (77.5)

<sup>(a)</sup> For the six months ended December 31, 2019, net amounts reclassified from AOCI/(L) related to pensions and other post-employment benefit plans included amortization of prior service credits and actuarial loss of \$(3.1), net of tax of \$0.0.

	Gain on Cash Flow Hedges	Foreign Currency Translation Adjustments		Pension and Other Post- Employment Benefit Plans	Total
		Gain on Net Investment Hedge	Other Foreign Currency Translation Adjustments		
Balance—July 1, 2018	\$ 31.7	\$ 115.0	\$ (44.3)	\$ 56.4	\$ 158.8
Other comprehensive (loss) income before reclassifications	(11.8)	78.6	(187.7)	—	(120.9)
Net amounts reclassified from AOCI/(L)	(5.9)	—	—	1.6	(4.3)
Net current-period other comprehensive (loss) income	(17.7)	78.6	(187.7)	1.6	(125.2)
Balance—December 31, 2018	\$ 14.0	\$ 193.6	\$ (232.0)	\$ 58.0	\$ 33.6

## 15. SHARE-BASED COMPENSATION PLANS

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

	Three Months Ended December 31,		Six Months Ended December 31,	
	2019	2018	2019	2018
Equity plan expense	\$ 10.3	\$ 4.4	\$ 16.5	\$ 10.8
Liability plan (income) expense	—	(2.6)	—	(2.6)
Fringe expense	1.1	0.5	1.2	0.5
Total share-based compensation expense	\$ 11.4	\$ 2.3	\$ 17.7	\$ 8.7

The share-based compensation expense for the three and six months ended December 31, 2019 of \$11.4 and \$17.7, respectively, includes \$11.4 and \$20.2 expense offset by nil and \$2.5 income, respectively, primarily due to significant executive forfeitures of share-based compensation instruments. The share-based compensation expense for the three and six months ended December 31, 2018 of \$2.3 and \$8.7, respectively, includes \$8.2 and \$17.5 expense offset by \$5.9 and \$8.8 income, respectively, primarily due to significant executive forfeitures of share-based compensation instruments.

As of December 31, 2019, the total unrecognized share-based compensation expense related to stock options, Series A and A-1 Preferred Stock and restricted and other share awards is \$41.9, \$8.1 and \$107.0, respectively. The unrecognized share-based compensation expense related to stock options, Series A and A-1 Preferred stock and restricted and other share awards is expected to be recognized over a weighted-average period of 3.89, 3.94 and 3.82 years, respectively.

### *Restricted Share Units and Other Share Awards*

The Company granted approximately 5.3 million RSUs and other share awards during the three and six months ended December 31, 2019, respectively. The Company recognized share-based compensation expense of \$8.0 and \$3.6 for the three months ended December 31, 2019 and 2018, respectively and \$13.0 and \$7.7 for the six months ended December 31, 2019 and 2018, respectively.

### *Series A Preferred Stock and Series A-1 Preferred Stock*

The Company granted no shares of Series A Preferred Stock and no shares of Series A-1 Preferred Stock during the three and six months ended December 31, 2019. The Company recognized share-based compensation expense (income) of \$0.5 and \$(4.1) for the three months ended December 31, 2019 and 2018, respectively and \$1.0 and \$(4.2) for the six months ended December 31, 2019 and 2018, respectively.

### *Non-Qualified Stock Options*

The Company granted 2.2 million non-qualified stock options during the three and six months ended December 31, 2019. The Company recognized share-based compensation expense of \$2.9 and \$2.8 for the three months ended December 31, 2019 and 2018, respectively and \$3.7 and \$5.2 for the six months ended December 31, 2019 and 2018, respectively.

## 16. NET (LOSS) INCOME ATTRIBUTABLE TO COTY INC. PER COMMON SHARE

Reconciliation between the numerators and denominators of the basic and diluted income per share (“EPS”) computations is presented below:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2019	2018	2019	2018
	(in millions, except per share data)			
<b>Net (loss) income attributable to Coty Inc.</b>	\$ (21.1)	\$ (960.6)	\$ 31.2	\$ (972.7)
Weighted-average common shares outstanding—Basic	758.1	751.1	756.1	751.0
Effect of dilutive stock options and Series A/A-1 Preferred Stock <sup>(a)</sup>	—	—	1.5	—
Effect of restricted stock and RSUs <sup>(b)</sup>	—	—	3.6	—
Weighted-average common shares outstanding—Diluted	758.1	751.1	761.2	751.0
<b>Net (loss) income attributable to Coty Inc. per common share:</b>				
Basic	\$ (0.03)	\$ (1.28)	\$ 0.04	\$ (1.30)
Diluted	(0.03)	(1.28)	0.04	(1.30)

<sup>(a)</sup> For the six months ended December 31, 2019, outstanding stock options and Series A/A-1 Preferred Stock with purchase or conversion rights to purchase 24.8 million shares of Common Stock were excluded from the computation of diluted EPS as their inclusion would be anti-dilutive. For the three months ended December 31, 2019 and three and six months ended December 31, 2018, outstanding stock options and Series A/A-1 Preferred Stock with purchase or conversion rights to purchase shares of Common Stock were excluded in the computation of diluted loss per share due to the net loss incurred during the period.

<sup>(b)</sup> For the six months ended December 31, 2019, there were 2.9 million anti-dilutive RSUs excluded from the computation of diluted EPS as their inclusion would be anti-dilutive. For the three months ended December 31, 2019 and three and six months ended December 31, 2018, RSUs were excluded in the computation of diluted loss per share due to the net loss incurred during the period.

## 17. MANDATORILY REDEEMABLE FINANCIAL INTERESTS AND REDEEMABLE NONCONTROLLING INTERESTS

### *Mandatorily Redeemable Financial Interest*

#### *United Arab Emirates subsidiary*

The Company is required under a shareholders agreement (the “U.A.E. Shareholders Agreement”) to purchase all of the shares held by the noncontrolling interest holder equal to 25% of a certain subsidiary in the United Arab Emirates (the “U.A.E. subsidiary”) at the termination of the agreement. The Company has determined such shares to be a mandatorily redeemable financial instrument (“MRFI”) that is recorded as a liability. The liability is calculated based upon a pre-determined formula in accordance with the U.A.E. Shareholders Agreement. As of December 31, 2019 and June 30, 2019, the liability amounted to \$8.0 and \$7.5, of which \$6.4 and \$6.1, respectively, was recorded in Other noncurrent liabilities and \$1.6 and \$1.4, respectively, was recorded in Accrued expenses and other current liabilities in the Condensed Consolidated Balance Sheet.

#### *Southeast Asian subsidiary*

In July 2019, the Company purchased the remaining 49% noncontrolling interest of a certain Southeast Asian subsidiary from the noncontrolling interest holder for \$45.0, pursuant to a Sale of Shares and Termination Deed, as amended. The termination was effective on June 30, 2019 and immediately prior to the cash purchase of the remaining noncontrolling interest, the noncontrolling interest balance was recorded as a MRFI liability. As of December 31, 2019, the remaining MRFI liability was nil.

### ***Redeemable Noncontrolling Interests***

#### ***Younique***

On September 16, 2019, the Company completed the sale of all of its membership interest in Foundation, which held the net assets of Younique. On the date of this transaction, the Younique membership holders had a 40.7% membership interest in Foundation. See Note 5—Business Combinations, Asset Acquisitions and Divestitures. As a result of the Company’s sale of its membership interest in Foundation, redeemable noncontrolling interest (“RNCI”) of \$360.4 was derecognized as of the date of sale.

The Company accounted for the 40.7% noncontrolling interest portion of Foundation as RNCI due to the noncontrolling interest holder’s right to put their shares to the Company in certain circumstances. Foundation was a majority-owned consolidated subsidiary through September 16, 2019 and the Company recorded income tax expense based on the Company’s 59.3% membership interest in Foundation due to its treatment as a partnership for U.S. income tax purposes. Accordingly, Foundation’s net income attributable to RNCI is equal to the 40.7% noncontrolling interest of Foundation’s net income excluding a provision for income taxes. The Company recognized \$365.3 as the RNCI balance as of June 30, 2019.

#### ***Subsidiary in the Middle East***

As of December 31, 2019, the noncontrolling interest holder in the Company’s subsidiary in the Middle East (“Middle East Subsidiary”) had a 25% ownership share. The Company adjusts the RNCI to redemption value at the end of each reporting period with changes recognized as adjustments to APIC. The Company recognized \$98.6 and \$86.5 as the RNCI balances as of December 31, 2019 and June 30, 2019, respectively.

## **18. COMMITMENTS AND CONTINGENCIES**

### ***Legal Matters***

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

*Certain Litigation.* A purported stockholder class action complaint concerning the tender offer by Cottage Holdco B.V. (the “Cottage Tender Offer”) and the Schedule 14D-9, captioned Rumsey v. Coty, Inc., et al., Case No. 1:19-cv-00650-LPS, was filed by a putative stockholder against the Company and certain current and former directors of the Company in the U.S. District Court for the District of Delaware, but has not yet been served. The plaintiff alleges that the Company’s Schedule 14D-9 omits certain information, including, among other things, certain financial data and certain analyses underlying the opinion of Centerview Partners LLC. The plaintiff asserts claims under the federal securities laws and seeks, among other things, injunctive and/or monetary relief.

A second consolidated purported stockholder class action and derivative complaint concerning the Cottage Tender Offer and the Schedule 14D-9 is pending against certain current and former directors of the Company, JAB Holding Company, S.à.r.l., JAB Cosmetics B.V., and Cottage Holdco B.V. in the Court of Chancery of the State of Delaware. The Company was named as a nominal defendant. The case, which was filed on May 6, 2019, was captioned Massachusetts Laborers’ Pension Fund v. Harf et al., Case No. 2019-0336-AGB. On June 14, 2019, plaintiffs in the consolidated action filed a Verified Amended Class Action and Derivative Complaint (“Amended Complaint”). After defendants responded to the Amended Complaint, on October 21, 2019, plaintiffs filed a Verified Second Amended Class Action and Derivative Complaint (the “Second Amended Complaint”), alleging that the directors and JAB Holding Company, S.à.r.l., JAB Cosmetics B.V., and Cottage Holdco B.V. breached their fiduciary duties to the Company’s stockholders and breached the Stockholders Agreement. The Second Amended Complaint seeks, among other things, monetary relief. On November 21, 2019, the defendants moved to dismiss certain claims asserted in the Second Amended Complaint, and certain of the director defendants also answered the complaint. Oral argument on the motions to dismiss is scheduled for April 21, 2020.



*Brazilian Tax Assessments*

In connection with a local tax audit of one of the Company's subsidiaries in Brazil, the Company was notified of tax assessments issued in March 2018. The assessments relate to local sales tax credits, which the Treasury Office of the State of Goiás considers as improperly registered for the 2016-2017 tax periods. The Company is currently seeking a favorable administrative decision on the tax enforcement action filed by the Treasury Office of the State of Goiás. These tax assessments, including estimated interest and penalties, amount to a total of R\$249.0 million (approximately \$61.9). The Company believes it has meritorious defenses and it has not recognized a loss for these assessments, as the Company does not believe a loss is probable.

**19. SUBSEQUENT EVENTS**

*Quarterly Dividend*

On February 5, 2020, the Company announced a quarterly cash dividend of \$0.125 per share on its Class A Common Stock, RSUs and phantom units. The dividend will be payable on March 27, 2020 to holders of record of Class A Common Stock as of February 18, 2020. The shareholders will have an option to elect to receive their dividend 50% in cash and 50% in Class A Common Stock.

*King Kylie Transaction*

On November 18, 2019, the Company entered into a purchase agreement (the "Purchase Agreement") with King Kylie and the other parties listed as signatories to the Purchase Agreement (the "Seller Group Parties"), to build and further expand King Kylie's brands globally. Pursuant to the Purchase Agreement, on January 6, 2020, the Company acquired 51% of the equity interests in King Kylie from the applicable Seller Group Parties for a base purchase price of \$600.0 in cash, subject to certain post-closing adjustments. In addition, as contemplated by the Purchase Agreement, the Company entered into an Evergreen Collaboration Agreement, pursuant to which, in exchange for a marketing fee and a license fee, it received the perpetual right and license to manufacture, advertise, promote, distribute and sell certain products of King Kylie and use certain intellectual property owned by or licensed to King Kylie in connection with the development, manufacture, labelling, packaging, advertising, display, distribution and sale of such products.

Due to the recent closing of this transaction, the Company's initial accounting is incomplete. The Company has not completed its fair value measurement of the identifiable assets acquired and liabilities assumed. The Company expects to establish a preliminary purchase price allocation with respect to this transaction by the end of the third quarter of fiscal 2020.

## **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

The following discussion and analysis of the financial condition and results of operations of Coty Inc. and its consolidated subsidiaries, should be read in conjunction with the information contained in the Condensed Consolidated Financial Statements and related notes included elsewhere in this document, and in our other public filings with the Securities and Exchange Commission ("SEC"), including our Annual Report on Form 10-K for the fiscal year ended June 30, 2019 ("Fiscal 2019 Form 10-K"). When used in this discussion, the terms "Coty," the "Company," "we," "our," or "us" mean, unless the context otherwise indicates, Coty Inc. and its majority and wholly-owned subsidiaries. Also, when used in this discussion, the term "includes" and "including" means, unless the context otherwise indicates, including without limitation. The following report includes certain non-GAAP financial measures. See "Overview—Non-GAAP Financial Measures" for a discussion of non-GAAP financial measures and how they are calculated.

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

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

### **Forward Looking Statements**

Certain statements in this Form 10-Q are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements reflect our current views with respect to, among other things, the Company's Turnaround Plan, strategic planning, targets, segment reporting and outlook for future reporting periods (including the extent and timing of revenue, expense and profit trends and changes in operating cash flows and cash flows from operating activities and investing activities), the strategic review of its Professional Beauty business, associated hair and nail brands sold by the Consumer Beauty division and Brazilian operations and any transaction related thereto, including divestiture (the "Strategic Review"), including timing of such Strategic Review and any transaction and the use of proceeds from any such transaction, its future operations and strategy, ongoing and future cost efficiency and restructuring initiatives and programs, strategic transactions (including their expected timing and impact), investments, licenses and portfolio changes, synergies, savings, performance, cost, timing and integration of acquisitions, including the King Kylie Acquisition, future cash flows, liquidity and borrowing capacity, timing and size of cash outflows and debt deleveraging, impact and timing of supply chain disruptions and the resolution thereof, timing and extent of any future impairments, and synergies, savings, impact, cost, timing and implementation of the Company's Turnaround Plan, including operational and organizational structure changes, segment reporting changes, operational execution and simplification initiatives, the move of the Company's headquarters, and the priorities of senior management. These forward-looking statements are generally identified by words or phrases, such as "anticipate", "are going to", "estimate", "plan", "project", "expect", "believe", "intend", "foresee", "forecast", "will", "may", "should", "outlook", "continue", "temporary", "target", "aim", "potential", "goal" and similar words or phrases. These statements are based on certain assumptions and estimates that we consider reasonable, but are subject to a number of risks and uncertainties, many of which are beyond our control, which could cause actual events or results (including our financial condition, results of operations, cash flows and prospects) to differ materially from such statements, including risks and uncertainties relating to:

- our ability to successfully implement our multi-year Turnaround Plan, including our management headquarters relocation, management realignment, reporting structure changes, and segment reporting changes, and to develop and achieve our global business strategies (including mix management, select price increases, more disciplined promotions, and foregoing low value sales), compete effectively in the beauty industry and achieve the benefits contemplated by our strategic initiatives (including revenue growth, cost control, gross margin growth and debt deleveraging) within the expected time frame or at all;
- the result of the Strategic Review and whether such Strategic Review will result in any transactions (whether relating to all or part of the businesses in scope of the review), the timing, costs and impacts of any such transactions or divestitures, and the amount and use of proceeds from any such transactions;
- our ability to anticipate, gauge and respond to market trends and consumer preferences, which may change rapidly, and the market acceptance of new products, any relaunched or rebranded products and the anticipated costs and discounting associated with such relaunches and rebrands, and consumer receptiveness to our current and future marketing philosophy and consumer engagement activities (including digital marketing and media);
- use of estimates and assumptions in preparing our financial statements, including with regard to revenue recognition, income taxes, the assessment of goodwill, other intangible assets and long-lived assets for impairment, the market value of inventory, and the fair value of assets and liabilities associated with acquisitions or divestitures;

- the impact of any future impairments;
- managerial, transformational, operational, regulatory, legal and financial risks, including diversion of management attention to and management of cash flows, expenses and costs associated with the Turnaround Plan, the Strategic Review and any related transaction, including divestiture, integration of the King Kylie Acquisition, and future strategic initiatives, and, in particular, our ability to manage and execute many initiatives simultaneously including any resulting complexity, employee attrition or diversion of resources;
- future divestitures and the impact thereof on, and future acquisitions, new licenses and joint ventures and the integration thereof with, our business, operations, systems, financial data and culture and the ability to realize synergies, avoid future supply chain and other business disruptions, reduce costs (including through our cash efficiency initiatives), avoid liabilities and realize potential efficiencies and benefits (including through our restructuring initiatives) at the levels and at the costs and within the time frames contemplated or at all;
- increased competition, consolidation among retailers, shifts in consumers' preferred distribution and marketing channels (including to digital and luxury channels), distribution and shelf-space resets or reductions, compression of go-to-market cycles, changes in product and marketing requirements by retailers, reductions in retailer inventory levels and order lead-times or changes in purchasing patterns, impact from the recent Coronavirus epidemic in China on retail revenues, and other changes in the retail, e-commerce and wholesale environment in which we do business and sell our products and our ability to respond to such changes;
- our and our joint ventures', business partners' and licensors' abilities to obtain, maintain and protect the intellectual property used in our and their respective businesses, protect our and their respective reputations (including those of our and their executives or influencers) and public goodwill, and defend claims by third parties for infringement of intellectual property rights;
- any change to our capital allocation and/or cash management priorities, including any change in our stock dividend reinvestment program (the "Stock Dividend Reinvestment Program") and policy;
- any unanticipated problems, liabilities or integration or other challenges associated with a past or future acquired business, joint ventures or strategic partnerships which could result in increased risk or new, unanticipated or unknown liabilities, including with respect to environmental, competition and other regulatory, compliance or legal matters;
- our international operations and joint ventures, including enforceability and effectiveness of our joint venture agreements and reputational, compliance, regulatory, economic and foreign political risks, including difficulties and costs associated with maintaining compliance with a broad variety of complex local and international regulations;
- our dependence on certain licenses (especially in our Luxury division) and our ability to renew expiring licenses on favorable terms or at all;
- our dependence on entities performing outsourced functions, including outsourcing of distribution functions, and third-party manufacturers, logistics and supply chain suppliers, and other suppliers, including third-party software providers;
- administrative, product development and other difficulties in meeting the expected timing of market expansions, product launches and marketing efforts;
- global political and/or economic uncertainties, disruptions or major regulatory or policy changes, and/or the enforcement thereof that affect our business, financial performance, operations or products, including the impact of Brexit (and business or market disruption arising from a "hard Brexit"), the current U.S. administration, changes in the U.S. tax code, and recent changes and future changes in tariffs, retaliatory or trade protection measures, trade policies and other international trade regulations in the U.S., the European Union and Asia and in other regions where we operate;
- currency exchange rate volatility and currency devaluation;
- the number, type, outcomes (by judgment, order or settlement) and costs of current or future legal, compliance, tax, regulatory or administrative proceedings, investigations and/or litigation, including litigation relating to the tender offer by Cottage Holdco B.V. (the "Cottage Tender Offer");
- our ability to manage seasonal factors and other variability and to anticipate future business trends and needs;
- disruptions in operations, sales and in other areas, including due to disruptions in our supply chain, restructurings and other business alignment activities, the move of our headquarters to Amsterdam, implementation of the Strategic Review, manufacturing or information technology systems, labor disputes, extreme weather and natural disasters, impact from the recent Coronavirus epidemic in China and the impact of such disruptions on our ability to

generate profits, stabilize or grow revenues or cash flows, comply with our contractual obligations and accurately forecast demand and supply needs and/or future results;

- restrictions imposed on us through our license agreements, credit facilities and senior unsecured bonds or other material contracts, our ability to generate cash flow to repay, refinance or recapitalize debt and otherwise comply with our debt instruments, and changes in the manner in which we finance our debt and future capital needs;
- increasing dependency on information technology and our ability to protect against service interruptions, data corruption, cyber-based attacks or network security breaches, costs and timing of implementation and effectiveness of any upgrades or other changes to information technology systems, and the cost of compliance or our failure to comply with any privacy or data security laws (including the European Union General Data Protection Regulation (the “GDPR”) and the California Consumer Privacy Act) or to protect against theft of customer, employee and corporate sensitive information;
- our ability to attract and retain key personnel and the impact of senior management transitions and organizational structure changes, including the relocation of key business leaders and functions in Amsterdam;
- the distribution and sale by third parties of counterfeit and/or gray market versions of our products;
- the impact of the Cottage Tender Offer and of our Turnaround Plan, and the Strategic Review and any related transactions, on our relationships with key customers and suppliers and certain material contracts;
- our relationship with Cottage Holdco B.V., as our majority stockholder, and its affiliates, and any related conflicts of interest or litigation;
- future sales of a significant number of shares by our majority stockholder or contractually by certain commercial banks on behalf of our majority stockholder, as may be required to satisfy obligations under such majority stockholder’s credit agreement, or the perception that such sales could occur; and
- other factors described elsewhere in this document and in documents that we file with the SEC from time to time.

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

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

#### **Industry, Ranking and Market Data**

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

Our fiscal year ends on June 30. Unless otherwise noted, any reference to a year preceded by the word “fiscal” refers to the fiscal year ended June 30 of that year. For example, references to “fiscal 2020” refer to the fiscal year ending June 30, 2020. Any reference to a year not preceded by “fiscal” refers to a calendar year.

#### **OVERVIEW**

We are one of the world’s largest beauty companies, with an iconic portfolio of brands across fragrance, color cosmetics, hair color and styling, and skin and body care. We are the global leader in fragrance, a strong number two in professional hair color & styling, and number three in color cosmetics. The transformational acquisition of The Procter & Gamble Company’s beauty business (the “P&G Beauty Business”) and our other strategic transactions have strengthened and diversified our

presence across the countries, categories and channels in which we compete, building a strong beauty platform. Our products are sold in more than 150 countries around the world.

The prestige beauty market, including luxury fragrances, continues to grow in the low to mid single digits. Our Luxury brand portfolio has continued to generate solid revenue growth, however, in connection with our strategic efforts to strengthen the quality of the business through selectively reducing low margin sales, Luxury net revenues are expected to temporarily weaken in the third quarter fiscal 2020. The mass beauty categories in which we compete, including color cosmetics, hair color, mass fragrance and body care, are experiencing moderate declines. While net revenue from our portfolio of Consumer Beauty brands continues to underperform the market, declining in the mid-single digits, we have seen some positive signals in connection with our Turnaround Plan including decelerating market share losses.

The economics of developing, producing, launching, supporting and discontinuing products impact the timing of our sales and operating performance each period. In addition, as product life cycles shorten, results are driven primarily by successfully developing, introducing and marketing new, innovative products.

#### *Turnaround Plan Update*

In July 2019, we commenced our multi-year Turnaround Plan, which aims to stabilize and gradually accelerate revenue growth, improve our profitability through gross margin growth and cost control, and deleverage our balance sheet. In connection with the Turnaround Plan, we also announced organizational changes to reduce geographic fragmentation and costs, including the co-location of most of our executive team and corporate functions in a centralized management headquarters in Amsterdam, which is expected to host approximately 500 to 700 roles (largely impacting our London, Geneva and New York operations). These organizational changes are still being operationalized, which introduces additional complexity as we roll out several initiatives simultaneously, such as our Strategic Review.

While we continue to be in the very early stages of implementing our Turnaround Plan, we believe our second quarter fiscal 2020 performance reflects some mixed results. Our global share trends in the mass beauty categories in which we compete continue to decline; however, the pace of our share declines has decelerated compared to the declines in the overall mass beauty category. The deceleration of our share declines have correlated with our turnaround plan actions including: (i) an increase in working media behind our priority Consumer Beauty brand-country combinations relative to our total advertising and consumer promotion investments leading to improving trends for *Rimmel* in the United Kingdom, *CoverGirl* in Canada and *Max Factor* in Germany and (ii) improvement in our gross margin due to continuing proactive initiatives to reduce product diversion through lower priced distribution channels and execution of price increases in certain products for certain geographies.

In addition, our strategy to focus on the fragrance, color cosmetics and skin care categories, with the goal of stabilizing the Consumer Beauty business and amplifying the performance of the Luxury business, is underway. The execution of the King Kylie purchase agreement, the divestiture of the Younique business and our continued Strategic Review, are reflections of our intent to focus on our core go-to-market competencies and to simultaneously deleverage our balance sheet.

#### *Non-GAAP Financial Measures*

To supplement the financial measures prepared in accordance with GAAP, we use non-GAAP financial measures including Adjusted operating income, Adjusted net income attributable to Coty Inc. and Adjusted net income attributable to Coty Inc. per common share (collectively, the “Adjusted Performance Measures”). The reconciliations of these non-GAAP financial measures to the most directly comparable financial measures calculated and presented in accordance with GAAP are shown in the tables below. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Three Months Ended December 31, 2019 As Compared To Three Months Ended December 31, 2018 and Six Months Ended December 31, 2019 As Compared To Six Months Ended December 31, 2018.” These non-GAAP financial measures should not be considered in isolation from, or as a substitute for or superior to, financial measures reported in accordance with GAAP. Moreover, these non-GAAP financial measures have limitations in that they do not reflect all the items associated with the operations of the business as determined in accordance with GAAP. Other companies, including companies in the beauty industry, may calculate similarly titled non-GAAP financial measures differently than we do, limiting the usefulness of those measures for comparative purposes.

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

- strategic plans and annual budgets are prepared using the Adjusted Performance Measures;
- senior management receives a monthly analysis comparing budget to actual operating results that is prepared using the Adjusted Performance Measures; and

- senior management's annual compensation is calculated, in part, by using some of the Adjusted Performance Measures.

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

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

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

Adjusted Performance Measures reflect adjustments based on the following items:

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

past acquisitions will recur in future periods until such intangible assets have been fully amortized. Any future acquisitions may result in the amortization of additional intangible assets.

- Other expense: We have excluded the impact of costs incurred for legal and advisory services rendered in connection with the evaluation of the tender offer initiated by certain of our shareholders. Our management believes these costs do not reflect our underlying ongoing business, and the adjustment of such costs helps investors and others compare and analyze performance from period to period. We have also excluded the impact of pension curtailment (gains) and losses and pension settlements as such events are triggered by our restructuring and other business realignment activities and the amount of such charges vary significantly based on the size and timing of the programs.
- Noncontrolling interests: This adjustment represents the after-tax impact of the non-GAAP adjustments included in Net income attributable to noncontrolling interests based on the relevant noncontrolling interest percentage.
- Tax: This adjustment represents the impact of the tax effect of the pretax items excluded from Adjusted net income. The tax impact of the non-GAAP adjustments is based on the tax rates related to the jurisdiction in which the adjusted items are received or incurred.

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

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

#### *Constant Currency*

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

#### *Basis of Presentation of Acquisitions, Divestitures and Terminations*

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



Period of acquisition, divestiture, or termination	Acquisition, divestiture, or termination	Impact on basis of presentation
First quarter fiscal 2020	<i>Divestiture:</i> Younique - the divestiture of the interest in Foundation, which holds the net assets for Younique (Consumer Beauty segment)	September fiscal year 2020 and September - December fiscal year 2019 financial contribution excluded. Closing date of divestiture was September 16, 2019. This effectively excludes the incremental three months and 14 days of net revenue contribution from Younique in the prior year.

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

### THREE MONTHS ENDED DECEMBER 31, 2019 AS COMPARED TO THREE MONTHS ENDED DECEMBER 31, 2018

#### NET REVENUES

In the three months ended December 31, 2019, net revenues decreased 7%, or \$166.2, to \$2,345.0 from \$2,511.2 in the three months ended December 31, 2018. Excluding the impact of the Divestiture, total net revenues decreased 3%, or \$72.2, to \$2,345.0 in the three months ended December 31, 2019 from \$2,417.2 in the three months ended December 31, 2018, reflecting a decrease in unit volume of 7% and a negative foreign currency exchange translation impact of 2%, partially offset by a positive price and mix impact of 6%. The decrease in net revenues primarily reflects:

- (i) negative share trends in the color cosmetics category as a result of shelf-space losses in North America;
- (ii) negative category trends in North America for color cosmetics and mass fragrances;
- (iii) negative share and category trends in Europe for the color cosmetics and hair color categories; and
- (iv) declines in net revenues due to a reduced focus on lower margin products contributing to positive price and mix and gross margin impacts.

These decreases were partially offset by:

- (i) increased net revenues from the continued success of *Burberry*; and
- (ii) incremental net revenues from the relaunch of *Gucci Make-up*.

#### Net Revenues by Segment

(in millions)	Three Months Ended December 31,		Change %
	2019	2018	
<b>NET REVENUES</b>			
Luxury	\$ 1,016.5	\$ 1,017.5	— %
Consumer Beauty	799.7	967.8	(17) %
Professional Beauty	528.8	525.9	1 %
<b>Total</b>	<b>\$ 2,345.0</b>	<b>\$ 2,511.2</b>	<b>(7) %</b>

#### Luxury

In the three months ended December 31, 2019, net revenues from the Luxury segment remained consistent at \$1,016.5 compared to \$1,017.5 in the three months ended December 31, 2018, reflecting an increase in unit volume of 1% offset by a negative foreign currency exchange translation impact of 1%. The underlying net revenue performance reflects:

- (i) incremental net revenues from *Burberry* due to continued success from the launch of *Burberry Her* in the prior year;
- (ii) incremental net revenues from the relaunch of *Gucci Make-up* in the Asia Pacific travel retail channel, despite geopolitical disruptions in Hong Kong;
- (iii) incremental net revenues from *Hugo Boss* due to the resolution of the supply chain disruptions which negatively impacted net revenues in the travel retail channel in the prior year;
- (iv) incremental net revenues from *Lacoste* as a result of the successful launch of *Lacoste Timeless* in the first quarter of fiscal 2020, as well as increased working media support; and



- (v) incremental net revenues from *Tiffany & Co* due to the launch of *Tiffany & Love* in the current quarter.

These increases were offset by:

- (i) decreased net revenues for *Calvin Klein* due to a reduced focus on lower margin products, including gift-sets, and lower launch activity in the current year;
- (ii) declines in prestige fragrances in ALMEA due to renegotiations with key third party distributors in Latin America; and
- (iii) decreased net revenues from the impact of Hurricane Florence which created a shift in shipments from the first quarter to the second quarter in the prior year.

#### *Consumer Beauty*

In the three months ended December 31, 2019, net revenues from the Consumer Beauty segment decreased 17%, or \$168.1, to \$799.7 from \$967.8 in the three months ended December 31, 2018. Excluding the impact of the Divestiture, net revenues from the Consumer Beauty segment decreased 9%, or \$74.1 to \$799.7 in the three months ended December 31, 2019, from \$873.8 in the three months ended December 31, 2018 reflecting a decrease in unit volume of 10%, and a negative foreign currency exchange translation impact of 2%, partially offset by a positive price and mix impact of 3%. The decrease in net revenues primarily reflects:

- (i) negative share trends in the color cosmetics category as a result of shelf-space losses in North America primarily for *CoverGirl* and *Rimmel*;
- (ii) negative category trends in North America for color cosmetics and mass fragrances;
- (iii) negative share and category trends in Europe for color cosmetics partially due to a strategic decision to withdraw *Bourjois* from the U.K. market, as well as negative share and category trends in Europe for hair color impacting the retail hair line of *Wella*;
- (iv) declines in *adidas*, *Rimmel*, *Bourjois* and mass fragrances due to a renegotiation with a key third party distributor in the Middle East;
- (v) declines in *Max Factor* in China in an effort to optimize trade inventory levels;
- (vi) declines in *Monange* and *Bozzano* in Brazil primarily driven by the negative impact of foreign currency exchange translation. Excluding the impact of foreign currency exchange translation, the net revenue performance of these Brazilian brands was stable versus the prior year, as strong improvement in price and mix was offset by volume declines; and
- (vii) declines from strategic initiatives to reduce distribution through lower priced channels in Southeast Asia primarily impacting brands across the mass fragrance category.

These decreases were partially offset by increased net revenues from *Sally Hansen* due to continued success across its core sub-brands as well as incremental net revenues from the launch of *Sally Hansen Good.Kind.Pure*.

#### *Professional Beauty*

In the three months ended December 31, 2019, net revenues from the Professional Beauty segment increased 1%, or \$2.9, to \$528.8 from \$525.9 in the three months ended December 31, 2018, reflecting an increase in price and mix impact of 7%, partially offset by a decrease in unit volume of 5% and a negative foreign currency exchange translation impact of 1%. The increase in net revenues is primarily driven by *ghd* due to continued success from the *ghd Glide* and *ghd Oracle* which launched in the second half of fiscal 2019, as well as increased *ghd* e-commerce sales. These increases were partially offset by net revenue decreases in the professional hair product category of 1% due to the negative impact of foreign currency exchange translation of 2%, as well as net revenue decreases in the nail product category due to lower launch activity in the current year and increased competitor pricing activities.

#### **Net Revenues by Geographic Regions**

In addition to our reporting segments, we report our net revenues by geographic regions. 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):

(in millions)	Three Months Ended December 31,		Change %
	2019	2018	
<b>NET REVENUES</b>			
North America	\$ 635.0	\$ 742.2	(14) %
Europe	1,172.9	1,201.6	(2) %
ALMEA	537.1	567.4	(5) %
<b>Total</b>	<b>\$ 2,345.0</b>	<b>\$ 2,511.2</b>	<b>(7) %</b>

#### North America

In the three months ended December 31, 2019, net revenues in North America decreased 14%, or \$107.2, to \$635.0 compared to \$742.2 in the three months ended December 31, 2018. Excluding the impact of the Divestiture, net revenues in North America decreased 6%, or \$42.5, to \$635.0 in the three months ended December 31, 2019 from \$677.5 in the three months ended December 31, 2018, primarily due to:

- (i) negative share trends in the color cosmetics category as a result of shelf-space losses in the United States;
- (ii) negative category trends in color cosmetics and mass fragrances in the United States;
- (iii) declines in *Calvin Klein* due to a reduced focus on lower margin products, including gift-sets, and lower launch activity in the current year;
- (iv) declines in prestige fragrances from the lapping of Hurricane Florence, which created a shift in shipments from the first quarter to the second quarter in the prior year; and
- (v) declines in the nail product category due to lower launch activity in the current year as well as increased competitor pricing activities.

These decreases were partially offset by:

- (i) increased net revenues from *Sally Hansen* due to continued success across its core sub-brands as well as incremental net revenues from the launch of *Sally Hansen Good.Kind.Pure*;
- (ii) incremental net revenues from *Tiffany & Co* due to the launch of *Tiffany & Love* in the current quarter; and
- (iii) incremental net revenues from the professional hair category due to the resolution of the supply chain disruptions which had a negative impact on net revenues in the prior year.

#### Europe

In the three months ended December 31, 2019, net revenues in Europe decreased 2%, or 28.7, to \$1,172.9 compared to \$1,201.6 in the three months ended December 31, 2018. Excluding the impact of the Divestiture, net revenues in Europe remained consistent at \$1,172.9 in the three months ended December 31, 2019 compared to \$1,177.5 in the three months ended December 31, 2018. The underlying net revenue performance includes:

- (i) negative share and category trends in Europe for color cosmetics partially due to a strategic decision to withdraw *Bourjois* from the U.K. market, as well as negative share and category trends in Europe for hair color impacting the retail hair line of *Wella*; and
- (ii) declines from *Calvin Klein* and *Jil Sander* in Germany due to a reduced focus on lower margin products, including gift-sets.

These decreases were almost entirely offset by:

- (i) increased net revenues from prestige cosmetics due to the relaunch of *Gucci Make-Up*;
- (ii) increased net revenues from *Burberry* due to continued success from the launch of *Burberry Her* in the prior year;
- (iii) increased net revenues from *Hugo Boss* primarily in travel retail due to the resolution of the supply chain disruptions which negatively impacted net revenues in the prior year; and
- (iv) increased net revenues from *ghd* primarily due to continued success from the *ghd Glide* and *ghd Oracle* which launched in the second half of fiscal 2019.

Excluding the impact of the Divestiture and the negative foreign currency exchange translation impact of 2%, net revenues in Europe increased 2%.

#### ALMEA

In the three months ended December 31, 2019, net revenues in ALMEA decreased 5%, or \$30.3, to \$537.1 from \$567.4 in the three months ended December 31, 2018, primarily reflecting:

- (i) declines in *adidas*, *Rimmel*, *Bourjois* and mass fragrances due to a renegotiation with a key third party distributor in the Middle East as well as declines in prestige fragrances due to a renegotiation with a key third party distributor in Latin America;
- (ii) declines in *Max Factor* in China in an effort to optimize trade inventory levels;
- (iii) declines in *Monange* and *Bozzano* in Brazil primarily driven by the negative impact of foreign currency exchange translation. Excluding the impact of foreign currency exchange translation, the net revenue performance of these Brazilian brands was stable versus the prior year, as strong improvement in price and mix was offset by volume declines; and
- (iv) declines from strategic initiatives to reduce distribution through lower priced channels in Southeast Asia primarily impacting brands across the mass fragrance category.

These decreases were partially offset by increased net revenues from the relaunch of *Gucci Make-up* in the Asia Pacific travel retail channel, despite geopolitical disruptions in Hong Kong, as well as increased net revenues from *Burberry* due to continued success from the launch of *Burberry Her* in the prior year.

Excluding the negative foreign currency exchange translation impact of 3%, net revenues in ALMEA decreased 2%.

#### COST OF SALES

In the three months ended December 31, 2019, cost of sales decreased 10%, or \$97.4, to \$859.3 from \$956.7 in the three months ended December 31, 2018. Cost of sales as a percentage of net revenues decreased to 36.6% in the three months ended December 31, 2019 from 38.1% in the three months ended December 31, 2018, resulting in a gross margin improvement of approximately 150 basis points, primarily reflecting:

- (i) decreased excess and obsolescence expense on inventory in the Luxury and Consumer beauty segments driven by the high levels of inventory in the prior year from the supply chain disruptions;
- (ii) a favorable mix impact associated with the increased proportion of net revenue contribution from higher-margin Luxury and Professional Beauty products;
- (iii) a reduced focus on lower margin products, including gift-sets, contributing to manufacturing efficiencies in the Luxury segment as well as declines from strategic initiatives to reduce distribution through lower priced channels in Southeast Asia primarily impacting brands across the mass fragrance category; and
- (iv) sales price increases for *Monange* and *Bozzano* in Brazil.

These improvements were partially offset by the gross margin impacts from the Divestiture due to prior year margin benefits provided by *Younique*.

#### SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

In the three months ended December 31, 2019, selling, general and administrative expenses decreased 6%, or \$81.4, to \$1,202.6 from \$1,284.0 in the three months ended December 31, 2018. Selling, general and administrative expenses as a percentage of net revenues increased to 51.3% in the three months ended December 31, 2019 from 51.1% in the three months ended December 31, 2018, or approximately 20 basis points. This increase primarily reflects:

- (i) 60 basis points related to higher bad debt expense due to aged receivables with third party distributors in the Middle East and Latin America;
- (ii) 40 basis points related to higher share-based compensation due to significant executive forfeitures of share-based compensation instruments in the prior year; and
- (iii) 40 basis points related to higher administrative costs as a percentage of net revenue as the compensation expense savings from prior restructuring programs were out-paced by the decline in net revenues in the Consumer Beauty division.

These increases were partially offset by a decrease of 130 basis points in advertising and consumer promotion costs, which reflect a decrease in non-strategic advertising and consumer promotion investments in the color cosmetics category, partially offset by an increase in working media investments.

**OPERATING INCOME (LOSS)**

In the three months ended December 31, 2019, operating income (loss) increased greater than 100%, or \$840.0, to income of \$35.4 from a loss of \$804.6 in the three months ended December 31, 2018. Operating margin, or operating income as a percentage of net revenues, increased to 1.5% in the three months ended December 31, 2019 as compared to (32.0)% in the three months ended December 31, 2018. The operating income and operating margin improvements are largely driven by the asset impairment charges incurred in the prior year.

**Operating Income by Segment**

(in millions)	Three Months Ended December 31,		Change %
	2019	2018	
<b>Operating income (loss)</b>			
Luxury	\$ 148.1	\$ 113.6	30 %
Consumer Beauty	26.9	(906.9)	>100%
Professional Beauty	73.5	73.8	— %
Corporate	(213.1)	(85.1)	<(100%)
<b>Total</b>	<b>\$ 35.4</b>	<b>\$ (804.6)</b>	<b>&gt;100%</b>

**Luxury**

In the three months ended December 31, 2019, operating income for Luxury increased 30%, or \$34.5, to \$148.1 from \$113.6 in the three months ended December 31, 2018. Operating margin increased to 14.6% of net revenues in the three months ended December 31, 2019 as compared to 11.2% in the three months ended December 31, 2018, primarily driven by the asset impairment charges in the prior year, lower cost of goods sold as a percentage of net revenues, and lower amortization as a percentage of net revenues, partially offset by higher selling, general and administrative costs as a percentage of net revenue.

**Consumer Beauty**

In the three months ended December 31, 2019, operating income for Consumer Beauty increased greater than 100%, or \$933.8, to income of \$26.9 from a loss of \$906.9 in the three months ended December 31, 2018. Operating margin increased to 3.4% of net revenues in the three months ended December 31, 2019 as compared to (93.7)% in the three months ended December 31, 2018, primarily driven by the asset impairment charges in the prior year.

**Professional Beauty**

In the three months ended December 31, 2019, operating income for Professional Beauty remained consistent, decreasing \$0.3, to \$73.5 as compared to \$73.8 in the three months ended December 31, 2018. Operating margin decreased to 13.9% of net revenues in the three months ended December 31, 2019 as compared to 14.0% in the three months ended December 31, 2018, primarily driven by higher cost of goods sold as a percentage of net revenues, and partially offset by lower selling, general and administrative costs as a percentage of net revenue.

**Corporate**

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

In the three months ended December 31, 2019, the operating loss for Corporate was \$213.1 compared to a loss of \$85.1 in the three months ended December 31, 2018, as described under “Adjusted Operating Income for Coty Inc.” below. The increase to operating loss for Corporate was primarily driven by an increase in restructuring and other business realignment costs as well as an increase in acquisition and divestiture related costs.

### Adjusted Operating Income by Segment

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

(in millions)	Three Months Ended December 31, 2019		
	Reported (GAAP)	Adjustments <sup>(a)</sup>	Adjusted (Non-GAAP)
<b>Operating income (loss)</b>			
Luxury	\$ 148.1	\$ (37.7)	\$ 185.8
Consumer Beauty	26.9	(21.8)	48.7
Professional Beauty	73.5	(17.3)	90.8
Corporate	(213.1)	(212.8)	(0.3)
<b>Total</b>	<b>\$ 35.4</b>	<b>\$ (289.6)</b>	<b>\$ 325.0</b>

(in millions)	Three Months Ended December 31, 2018		
	Reported (GAAP)	Adjustments <sup>(a)</sup>	Adjusted (Non-GAAP)
<b>Operating (loss) income</b>			
Luxury	\$ 113.6	\$ (63.3)	\$ 176.9
Consumer Beauty	(906.9)	(961.0)	54.1
Professional Beauty	73.8	(17.3)	91.1
Corporate	(85.1)	(85.3)	0.2
<b>Total</b>	<b>\$ (804.6)</b>	<b>\$ (1,126.9)</b>	<b>\$ 322.3</b>

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

### Adjusted Operating Income for Coty Inc.

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 December 31,		Change %
	2019	2018	
<b>Reported operating income (loss)</b>	<b>\$ 35.4</b>	<b>\$ (804.6)</b>	<b>&gt;100%</b>
<i>% of net revenues</i>	<i>1.5 %</i>	<i>(32.0)%</i>	
Acquisition and divestiture-related costs	36.0	—	N/A
Amortization expense	76.8	88.5	(13) %
Restructuring and other business realignment costs	176.8	73.3	>100%
Asset impairment charges	—	965.1	(100) %
Total adjustments to reported operating income	\$ 289.6	\$ 1,126.9	(74) %
<b>Adjusted operating income</b>	<b>\$ 325.0</b>	<b>\$ 322.3</b>	<b>1 %</b>
<i>% of net revenues</i>	<i>13.9 %</i>	<i>12.8 %</i>	

In the three months ended December 31, 2019, adjusted operating income increased 1%, or \$2.7 to \$325.0 from \$322.3 in the three months ended December 31, 2018. Adjusted operating margin increased to 13.9% of net revenues in the three months ended December 31, 2019 from 12.8% in the three months ended December 31, 2018, primarily driven by approximately 130 basis points related to lower cost of sales as a percentage of net revenues partially offset by approximately 20 basis points

related to higher selling, general and administrative costs as a percentage of net revenues. Excluding the impact of foreign currency exchange translations, adjusted operating income increased 3%.

#### *Amortization Expense*

In the three months ended December 31, 2019, amortization expense decreased to \$76.8 from \$88.5 in the three months ended December 31, 2018. In the three months ended December 31, 2019, amortization expense of \$37.7, \$21.8, and \$17.3 was reported in the Luxury, Consumer Beauty and Professional Beauty segments, respectively. In three months ended December 31, 2018, amortization expense of \$40.5, \$30.7, and \$17.3 was reported in the Luxury, Consumer Beauty, and Professional Beauty segments, respectively.

#### *Restructuring and Other Business Realignment Costs*

We continue to analyze our cost structure, including opportunities to simplify and optimize operations. On July 1, 2019, we announced our Turnaround Plan. To implement the Turnaround Plan, we expect to incur restructuring and other business realignment costs, in addition to costs associated with previously announced programs. The Company expects incremental cash costs related to the Turnaround Plan to be approximately \$600.0. In addition, the Company will continue to incur cash costs of \$160.0 related to restructuring and other business realignment costs connected to previously announced programs. During the three months ended December 31, 2019 we spent approximately \$51.0 in connection with the execution of the Turnaround Plan and our previously announced programs.

Prior to July 1, 2019, we incurred restructuring and related costs aimed at integrating and optimizing the combined organization following the acquisition of the P&G Beauty Business, which we refer to as the Global Integration Activities, and reducing fixed costs and enabling further investment in the business, which we refer to as the 2018 Restructuring Actions.

In the three months ended December 31, 2019, we incurred restructuring and other business structure realignment costs of \$176.8, as follows:

- We incurred restructuring costs of \$134.9 primarily related to the Turnaround Plan, included in the Condensed Consolidated Statements of Operations; and
- We incurred business structure realignment costs of \$41.9 primarily related to the Turnaround Plan, included in Selling, general and administrative expenses in the Condensed Consolidated Statement of Operations.

In the three months ended December 31, 2018, we incurred restructuring and other business structure realignment costs of \$73.3 as follows:

- We incurred restructuring costs of \$21.5 primarily related to the Global Integration Activities, included in the Condensed Consolidated Statements of Operations; and
- We incurred business structure realignment costs of \$51.8 primarily related to our Global Integration Activities and certain other programs. This amount includes \$47.2 reported in selling, general and administrative expenses and \$4.6 reported in cost of sales in the Condensed Consolidated Statements of Operations, primarily due to costs incurred for the realignment of the business due to the P&G Beauty Business.

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

#### *Acquisition and Divestiture Activities*

In the three months ended December 31, 2019 we incurred \$36.0 of costs related to acquisition and divestiture activities. These costs were partially driven by consulting and legal fees associated with the King Kylie purchase agreement, as well as consulting and legal fees associated with the process to explore strategic alternatives, including divestment, for the Professional Beauty business including associated hair brands sold by the Consumer Beauty division, as well as the Company's Brazilian operations.

In the three months ended December 31, 2018 there were no acquisition or divestiture-related charges incurred.

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

#### *Asset Impairment Charges*

In the three months ended December 31, 2019 we did not incur any asset impairment charges.

In the three months ended December 31, 2018, we incurred \$965.1 of asset impairment charges, of which \$832.5 related to goodwill, \$90.8 related to indefinite-lived other intangible assets (mainly related to the *CoverGirl* and *Clairol* trademarks) and \$7.0 related to finite-lived other intangible assets, as described and recorded in Asset impairment charges in the Condensed Consolidated Statements of Operations. Additionally, the Company identified indicators of impairment related to the

*philosophy* trademark that is part of the Luxury reporting unit and recorded an asset impairment charge of \$22.8. The Company also fully impaired a Corporate equity security investment and recorded an asset impairment charge of \$12.0.

INTEREST EXPENSE, NET

In the three months ended December 31, 2019, net interest expense was \$71.1 as compared with \$68.3 in the three months ended December 31, 2018. This increase is primarily due to the impact of transactional foreign exchange.

INCOME TAXES

The effective income tax rate for the three months ended December 31, 2019 and 2018 was 55.7% and (8.9)%, respectively. The positive effective tax rate in the three months ended December 31, 2019 results from reporting losses before taxes and a benefit for income taxes. The negative effective tax rate in the three months ended December 31, 2018 results from reporting losses before income taxes and a provision for income taxes. The change in the effective tax rate for the three months ended December 31, 2019, as compared to the three months ended December 31, 2018, is primarily due to the resolution of foreign uncertain tax positions of \$11.8 in the current period and goodwill impairment recorded in the prior period that was not tax deductible.

The effective income tax rates vary from the U.S. federal statutory rate of 21% due to the effect of (i) jurisdictions with different statutory rates, (ii) adjustments to our 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 December 31, 2019			Three Months Ended December 31, 2018		
	(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
<b>Reported (loss) before income taxes</b>	<b>\$ (37.0)</b>	<b>\$ (20.6)</b>	<b>55.7 %</b>	<b>\$ (877.7)</b>	<b>\$ 78.3</b>	<b>(8.9) %</b>
Adjustments to reported operating income <sup>(a) (b)</sup>	289.6	63.3		1,126.9	(19.2)	
<b>Adjusted income before income taxes</b>	<b>\$ 252.6</b>	<b>\$ 42.7</b>	<b>16.9 %</b>	<b>\$ 249.2</b>	<b>\$ 59.1</b>	<b>23.7 %</b>

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

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

The adjusted effective tax rate was 16.9% for the three months ended December 31, 2019 compared to 23.7% for the three months ended December 31, 2018. The differences were primarily due to the resolution of foreign uncertain tax positions of \$11.8 in the current period.

NET INCOME (LOSS) ATTRIBUTABLE TO COTY INC.

Net income (loss) attributable to Coty Inc. increased to loss of \$21.1 in the three months ended December 31, 2019 from a loss of \$960.6 in the three months ended December 31, 2018. This increase primarily reflects asset impairment charges of \$965.1 recorded in the Condensed Consolidated Statements of Operations for the prior period.

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

(in millions)	Three Months Ended December 31,		Change %
	2019	2018	
<b>Reported net (loss) attributable to Coty Inc.</b>	<b>\$ (21.1)</b>	<b>\$ (960.6)</b>	<b>98 %</b>
<i>% of net revenues</i>	<i>(0.9)%</i>	<i>(38.3)%</i>	
Adjustments to reported operating income <sup>(a)</sup>	289.6	1,126.9	(74) %
Adjustments to noncontrolling interests <sup>(b)</sup>	—	(3.6)	100 %
Change in tax provision due to adjustments to reported net income attributable to Coty Inc.	(63.3)	19.2	<(100%)
<b>Adjusted net income attributable to Coty Inc.</b>	<b>\$ 205.2</b>	<b>\$ 181.9</b>	<b>13 %</b>
<i>% of net revenues</i>	<i>8.8 %</i>	<i>7.2 %</i>	
<b>Per Share Data</b>			
Adjusted weighted-average common shares			
Basic	758.1	751.1	
Diluted	763.5	752.5	
Adjusted net income attributable to Coty Inc. per common share			
Basic	\$ 0.27	\$ 0.24	
Diluted	0.27	0.24	

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

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

#### SIX MONTHS ENDED DECEMBER 31, 2019 AS COMPARED TO SIX MONTHS ENDED DECEMBER 31, 2018

##### NET REVENUES

In the six months ended December 31, 2019, net revenues decreased 6%, or \$254.7, to \$4,287.8 from \$4,542.5 in the six months ended December 31, 2018. Excluding the impact of the Divestiture, total net revenues decreased 3%, or \$142.6, to \$4,275.4 in the six months ended December 31, 2019 from \$4,418.0 in the six months ended December 31, 2018, reflecting a negative foreign currency exchange translation impact of 2%, and a decrease in unit volume of 7% partially offset by a positive price and mix impact of 6%. The decrease in net revenues primarily reflects:

- (i) negative share trends in the color cosmetics category as a result of shelf-space losses in North America;
- (ii) negative category trends in North America for color cosmetics and mass fragrances;
- (iii) negative share and category trends in Europe for the color cosmetics and hair color categories; and
- (iv) declines in net revenues due to a reduced focus on lower margin products contributing to positive price and mix and gross margin impacts.

These decreases were partially offset by:

- (i) increased net revenues from the continued success of Burberry; and
- (ii) incremental net revenues from the relaunch of *Gucci Make-up*.



## Net Revenues by Segment

(in millions)	Six Months Ended December 31,		Change %
	2019	2018	
<b>Net revenues</b>			
Luxury	\$ 1,823.2	\$ 1,810.4	1 %
Consumer Beauty	1,516.2	1,796.6	(16) %
Professional Beauty	948.4	935.5	1 %
<b>Total</b>	<b>\$ 4,287.8</b>	<b>\$ 4,542.5</b>	<b>(6) %</b>

### Luxury

In the six months ended December 31, 2019, net revenues from the Luxury segment increased 1%, or \$12.8, to \$1,823.2 from \$1,810.4 in the six months ended December 31, 2018, reflecting an increase in unit volume of 4%, offset by a negative foreign currency exchange translation impact of 2% and a negative price and mix impact of 1%. The increase in net revenues primarily reflects:

- (i) incremental net revenues from *Burberry* due to continued success from the launch of *Burberry Her* in the prior year;
- (ii) incremental net revenues from the relaunch of *Gucci Make-up* in the Asia Pacific travel retail channel, despite geopolitical disruptions in Hong Kong; and
- (iii) incremental net revenues from *Hugo Boss* and *Gucci Fragrances* in Europe due to the resolution of the supply chain disruptions which negatively impacted net revenues in the travel retail channel in the prior year.

These increases were partially offset by:

- (i) net revenue decreases from *Calvin Klein* due to a reduced focus on lower margin products, including gift-sets, and lower launch activity in the current year; and
- (ii) declines in prestige fragrances in ALMEA due to renegotiations with key third party distributors in Latin America.

### Consumer Beauty

In the six months ended December 31, 2019, net revenues from the Consumer Beauty segment decreased 16%, or \$280.4, to \$1,516.2 from \$1,796.6 in the six months ended December 31, 2018. Excluding the impact of the Divestiture, net revenues from the Consumer Beauty segment decreased 10%, or \$168.3, to \$1,503.8 in the six months ended December 31, 2019 from \$1,672.1 in the six months ended December 31, 2018, reflecting a decrease in unit volume of 11% and a negative foreign currency exchange translation impact of 2%, partially offset by a positive price and mix impact of 3%. The decrease in net revenues primarily reflects:

- (i) negative share trends in the color cosmetics category as a result of shelf-space losses in North America primarily for *CoverGirl* and *Rimmel*;
- (ii) negative category trends in North America for color cosmetics and mass fragrance;
- (iii) negative share and category trends in Europe for color cosmetics partially due to a strategic decision to withdraw *Bourjois* from the U.K. market, as well as negative share and category trends in Europe for the hair color impacting the retail hair line of *Wella*;
- (iv) declines in *adidas*, *Rimmel*, *Bourjois* and mass fragrances due to a renegotiation with a key third party distributor in the Middle East;
- (v) declines from strategic initiatives to reduce distribution through lower priced channels in Latin America and Southeast Asia primarily impacting the retail hair line of *Wella* and brands across the mass fragrance category;
- (vi) declines in *Max Factor* in China in an effort to optimize trade inventory levels; and
- (vii) declines in *Monange* and *Bozzano* in Brazil primarily driven by the negative impact of foreign currency exchange translation. Excluding the impact of foreign currency exchange translation, the net revenue performance of these Brazilian brands was stable versus the prior year, as strong improvement in price and mix was offset by volume declines.

### Professional Beauty

In the six months ended December 31, 2019, net revenues from the Professional Beauty segment increased 1%, or \$12.9, to \$948.4 from \$935.5 in the six months ended December 31, 2018, reflecting a positive price and mix impact of 5%, partially offset by a negative foreign currency exchange translation impact of 3%, and a decrease in unit volume of 1%. The increase in this segment primarily reflects increased net revenues from *ghd* due to continued success from *ghd Glide* and *ghd Oracle* which launched in the second half of fiscal 2019, as well as increased net revenues in the nail product category from the resolution of the prior year supply chain disruptions. These increases were partially offset by a net revenue decrease in the professional hair category of 1% due to the negative impact of foreign currency exchange translation of 2%.

### Net Revenues by Geographic Regions

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

(in millions)	Six Months Ended December 31,		Change %
	2019	2018	
<b>Net revenues</b>			
North America	\$ 1,221.6	\$ 1,387.1	(12) %
Europe	2,042.5	2,073.8	(2) %
ALMEA	1,023.7	1,081.6	(5) %
<b>Total</b>	<b>\$ 4,287.8</b>	<b>\$ 4,542.5</b>	<b>(6) %</b>

### North America

In the six months ended December 31, 2019, net revenues in North America decreased 12%, or \$165.5, to \$1,221.6 from \$1,387.1 in the six months ended December 31, 2018. Excluding the impact of the Divestiture, net revenues in North America decreased 7%, or \$87.3, to \$1,212.3 in the six months ended December 31, 2019 from \$1,299.6 in the six months ended December 31, 2018, primarily due to:

- (i) negative share trends in the color cosmetics category as a result of shelf-space losses in United States primarily for *CoverGirl* and *Rimmel*;
- (ii) negative category trends in the United States for color cosmetics and mass fragrances; and
- (iii) declines from *Calvin Klein* due to a reduced focus on lower margin products, including gift-sets, and lower launch activity in the current year.

These decreases were partially offset by the resolution of the supply chain disruptions which had a negative impact in the region in the prior period primarily for professional hair care brands across the category.

### Europe

In the six months ended December 31, 2019, net revenues in Europe decreased 2%, or \$31.3, to \$2,042.5 from \$2,073.8 in the six months ended December 31, 2018. Excluding the impact of the Divestiture, net revenues in Europe remained consistent at \$2,040.1 in the six months ended December 31, 2019 compared to \$2,044.2 in the six months ended December 31, 2018. The underlying net revenue performance primarily reflects:

- (i) incremental net revenues from *Burberry* due to continued success from the launch of *Burberry Her* in the prior year;
- (ii) increased net revenues from *ghd* due to continued success from the launch of *ghd Glide* and *ghd Oracle*, which launched in the second half of fiscal 2019;
- (iii) incremental net revenues from *Hugo Boss* and *Gucci* due to the resolution of the supply chain disruptions which negatively impacted net revenues in the travel retail channel in the prior year; and
- (iv) incremental net revenues from *Lacoste* in Russia from the launch of *Lacoste Timeless* in the first quarter of fiscal 2020.

These increases were offset by:

- (i) negative share and category trends in Europe for color cosmetics partially due to a strategic decision to withdraw *Bourjois* from the U.K. market, as well as negative share and category trends in Europe for hair color impacting the retail hair line of *Wella*; and
- (ii) declines from *Calvin Klein* and *Jil Sander* in Germany due to a reduced focus on lower margin products, including gift-sets.

Excluding the impact of the Divestiture and the negative foreign currency exchange translation impact of 3%, net revenues in Europe increased 3%.

#### ALMEA

In the six months ended December 31, 2019, net revenues in ALMEA decreased 5%, or \$57.9, to \$1,023.7 from \$1,081.6 in the six months ended December 31, 2018, primarily reflecting:

- (i) declines in *adidas*, *Rimmel*, *Bourjois* and mass fragrances due to a renegotiation with a key third party distributor in the Middle East as well as declines in prestige fragrances due to a renegotiation with a key third party distributor in Latin America;
- (ii) declines from strategic initiatives to reduce distribution through lower priced channels in Latin America and Southeast Asia primarily impacting the retail hair line of *Wella* and brands across the mass fragrance category;
- (iii) declines in *Max Factor* in China in an effort to optimize trade inventory levels; and
- (iv) declines in *Monange* and *Bozzano* in Brazil primarily driven by the negative impact of foreign currency exchange translation. Excluding the impact of foreign currency exchange translation, the net revenue performance of these Brazilian brands was stable versus the prior year, as strong improvement in price and mix was offset by volume declines.

These decreases were partially offset by increased net revenues from the relaunch of *Gucci Make-up* in the Asia Pacific travel retail channel, despite geopolitical disruptions in Hong Kong, as well as increased net revenues from *Burberry* due to continued success from the launch of *Burberry Her* in the prior year.

Excluding the negative foreign currency exchange translation impact of 2%, net revenues in ALMEA decreased 3%.

#### COST OF SALES

In the six months ended December 31, 2019, cost of sales decreased 10%, or \$168.1, to \$1,597.7 from \$1,765.8 in the six months ended December 31, 2018. Cost of sales as a percentage of net revenues decreased to 37.3% in the six months ended December 31, 2019 from 38.9% in the six months ended December 31, 2018 resulting in a gross margin improvement of approximately 160 basis points primarily reflecting:

- (i) a favorable mix impact associated with the increased proportion of net revenue contribution from higher-margin Luxury and Professional Beauty products;
- (ii) a reduced focus on lower margin products, including gift-sets, contributing to manufacturing efficiencies in the Luxury segment as well as declines in sales volume from strategic initiatives to reduce distribution through lower priced channels in Latin America and Southeast Asia primarily impacting the retail hair line of *Wella* and brands across the mass fragrance category;
- (iii) sales price increases for *Monange* and *Bozzano* in Brazil; and
- (iv) a decrease in excess and obsolescence expense on inventory in the Corporate segment for artwork transition activities on acquired inventory in connection to the acquisition of the P&G Beauty Business.

These improvements were partially offset by gross margin impacts from the Divestiture due to prior year margin benefits provided by *Younique*.

#### SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

In the six months ended December 31, 2019, selling, general and administrative expenses decreased 5%, or \$131.1, to \$2,275.2 from \$2,406.3 in the six months ended December 31, 2018. Selling, general and administrative expenses as a percentage of net revenues increased to 53.1% in the six months ended December 31, 2019 from 53.0% in the six months ended December 31, 2018, or approximately 10 basis points. This increase was primarily due to an increase of 50 basis points in bad debt expense due to aged receivables with third party distributors in the Middle East and Latin America. These costs were mostly offset by a decrease of 40 basis points in advertising and consumer promotion costs, which reflect a decrease in non-strategic advertising and consumer promotion investments in the color cosmetics category, partially offset by an increase in working media investments..

## OPERATING INCOME (LOSS)

In the six months ended December 31, 2019, operating income (loss) increased greater than 100%, or \$986.7 to income of \$161.4 from a loss of \$825.3 in the six months ended December 31, 2018. Operating margin, or operating income as a percentage of net revenues, increased to 3.8% in the six months ended December 31, 2019 as compared to (18.2)% in the six months ended December 31, 2018. The operating income and operating margin improvements are largely driven by the asset impairment charges incurred in the prior year.

### *Operating Income (Loss) by Segment*

(in millions)	Six Months Ended December 31,		Change %
	2019	2018	
<b>Operating income (loss)</b>			
Luxury	\$ 238.4	\$ 162.3	47 %
Consumer Beauty	(16.4)	(925.5)	98 %
Professional Beauty	97.9	78.8	24 %
Corporate	(158.5)	(140.9)	(12)%
<b>Total</b>	<b>\$ 161.4</b>	<b>\$ (825.3)</b>	<b>&gt;100%</b>

#### *Luxury*

In the six months ended December 31, 2019, operating income for Luxury increased 47%, or \$76.1, to \$238.4 from \$162.3 in the six months ended December 31, 2018. Operating margin increased to 13.1% of net revenues in the six months ended December 31, 2019 as compared to 9.0% in the six months ended December 31, 2018, primarily reflecting the asset impairment charges in the prior year, lower cost of goods sold as a percentage of net revenues and lower amortization as a percentage of net revenue, partially offset by higher selling, general, and administrative costs as a percentage of net revenues.

#### *Consumer Beauty*

In the six months ended December 31, 2019, operating loss for Consumer Beauty decreased 98%, or \$909.1, to a loss of \$16.4 from a loss of \$925.5 in the six months ended December 31, 2018. Operating margin increased to (1.1)% of net revenues in the six months ended December 31, 2019 as compared to (51.5)% in the six months ended December 31, 2018, primarily reflecting the asset impairment charges in the prior year.

#### *Professional Beauty*

In the six months ended December 31, 2019, operating income for Professional Beauty increased by 24%, or \$19.1, to \$97.9 from \$78.8 in the six months ended December 31, 2018. Operating margin increased to 10.3% of net revenues in the six months ended December 31, 2019 as compared to 8.4% in the six months ended December 31, 2018, primarily driven by lower selling, general, and administrative costs as a percentage of net revenues and lower amortization expense as a percentage of net revenues.

#### *Corporate*

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

In the six months ended December 31, 2019, the operating loss for Corporate was \$158.5 compared to a loss of \$140.9 in the six months ended December 31, 2018, as described under "Adjusted Operating Income for Coty Inc." below. The increase to operating loss for Corporate was primarily driven by an increase in restructuring and other business realignment costs as well as an increase in acquisition and divestiture related costs offset by the gain on sale of business.

### Adjusted Operating Income (Loss) by Segment

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

(in millions)	Six Months Ended December 31, 2019		
	Reported (GAAP)	Adjustments <sup>(a)</sup>	Adjusted (Non-GAAP)
<b>Operating income (loss)</b>			
Luxury	\$ 238.4	\$ (75.7)	\$ 314.1
Consumer Beauty	(16.4)	(50.9)	34.5
Professional Beauty	97.9	(34.5)	132.4
Corporate	(158.5)	(157.2)	(1.3)
<b>Total</b>	<b>\$ 161.4</b>	<b>\$ (318.3)</b>	<b>\$ 479.7</b>

(in millions)	Six Months Ended December 31, 2018		
	Reported (GAAP)	Adjustments <sup>(a)</sup>	Adjusted (Non-GAAP)
<b>Operating (loss) income</b>			
Luxury	\$ 162.3	\$ (116.2)	\$ 278.5
Consumer Beauty	(925.5)	(994.4)	68.9
Professional Beauty	78.8	(36.1)	114.9
Corporate	(140.9)	(141.7)	0.8
<b>Total</b>	<b>\$ (825.3)</b>	<b>\$ (1,288.4)</b>	<b>\$ 463.1</b>

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

### Adjusted Operating Income for Coty Inc.

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

(in millions)	Six Months Ended December 31,		Change %
	2019	2018	
<b>Reported operating income (loss)</b>	<b>\$ 161.4</b>	<b>\$ (825.3)</b>	<b>&gt;100%</b>
<i>% of net revenues</i>	<i>3.8 %</i>	<i>(18.2)%</i>	
Asset impairment charges	—	977.7	(100) %
Amortization expense	161.1	181.0	(11) %
Restructuring and other business realignment costs	205.7	129.7	59 %
Acquisition and divestiture-related costs	36.0	—	N/A
(Gain)/Loss on sale of business	(84.5)	—	N/A
Total adjustments to reported operating income	\$ 318.3	\$ 1,288.4	(75) %
<b>Adjusted operating income</b>	<b>\$ 479.7</b>	<b>\$ 463.1</b>	<b>4 %</b>
<i>% of net revenues</i>	<i>11.2 %</i>	<i>10.2 %</i>	

Adjusted operating income in the six months ended December 31, 2019 increased 4%, or \$16.6, to \$479.7 from \$463.1 in the six months ended December 31, 2018. Adjusted operating margin increased to 11.2% of net revenues in the six months

ended December 31, 2019 as compared to 10.2% in the six months ended December 31, 2018, primarily driven by approximately 140 basis points related to lower cost of sales as a percentage of net revenues partially offset by approximately 40 basis points related to higher selling, general and administrative costs as a percentage of net revenues. Excluding the impact of foreign currency exchange translations, adjusted operating income increased 6%.

#### *Asset Impairment Charges*

In the six months ended December 31, 2019, we did not incur any asset impairment charges.

In the six months ended December 31, 2018, we incurred \$977.7 of asset impairment charges primarily due to a \$12.6 charge in the first quarter due to an acquired trademark associated with a terminated pre-existing license as a result of the acquisition, \$832.5 related to goodwill, \$90.8 related to indefinite-lived other intangible assets (mainly related to the *CoverGirl* and *Clairol* trademarks) and \$7.0 related to finite-lived other intangible assets, as described and recorded in Asset impairment charges in the Condensed Consolidated Statements of Operations. Additionally, the Company identified indicators of impairment related to the *philosophy* trademark that is part of the Luxury reporting unit and recorded an asset impairment charge of \$22.8. The Company also fully impaired a Corporate equity security investment and recorded an asset impairment charge of \$12.0.

#### *Amortization Expense*

In the six months ended December 31, 2019, amortization expense decreased to \$161.1 from \$181.0 in the six months ended December 31, 2018. In the six months ended December 31, 2019, amortization expense of \$75.7, 50.9, and 34.5 was reported in the Luxury, Consumer Beauty and Professional Beauty segments, respectively. In the six months ended December 31, 2018, amortization expense of \$80.8, \$64.1, and \$36.1 was reported in the Luxury, Consumer Beauty, and Professional Beauty segments, respectively.

#### *Restructuring and Other Business Realignment Costs*

We continue to analyze our cost structure, including opportunities to simplify and optimize operations. On July 1, 2019, we announced our Turnaround Plan. To implement the Turnaround Plan, we expect to incur restructuring and other business realignment costs, in addition to costs associated with previously announced programs. The Company expects incremental cash costs related to the Turnaround Plan to be approximately \$600.0. In addition, the Company will continue to incur cash costs of \$160.0 related to restructuring and other business realignment costs connected to previously announced programs. During the six months ended December 31, 2019 we spent approximately \$86.0 in connection with the execution of the Turnaround Plan and our previously announced programs.

Prior to July 1, 2019, we incurred restructuring and related costs aimed at integrating and optimizing the combined organization following the acquisition of the P&G Beauty Business, which we refer to as the Global Integration Activities, and reducing fixed costs and enabling further investment in the business, which we refer to as the 2018 Restructuring Actions.

In the six months ended December 31, 2019, we incurred restructuring and other business structure realignment costs of \$205.7, as follows:

- We incurred restructuring costs of \$140.9 primarily related to the Turnaround Plan, included in the Condensed Consolidated Statements of Operations.
- We incurred business structure realignment costs of \$64.8 primarily related to our Turnaround plan which is included in selling, general and administrative expenses.

In the six months ended December 31, 2018, we incurred restructuring and other business structure realignment costs of \$129.7 as follows:

- We incurred Restructuring costs of \$37.0 primarily related to the Global Integration Activities and 2018 Restructuring Actions, included in the Condensed Consolidated Statements of Operations.
- We incurred business structure realignment costs of \$92.7 primarily related to our Global Integration Activities and certain other programs. Of this amount \$82.9 is included in selling, general and administrative expenses and \$9.8 is included in cost of sales, primarily due to costs incurred for the realignment of the business due to the P&G Beauty Business.

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

#### *Acquisition and Divestiture Activities*

In the six months ended December 31, 2019, we incurred \$36.0 of cost relating to consulting and legal fees associated with the King Kylie purchase agreement, as well as consulting and legal fees associated with the process to explore strategic

alternatives, including divestment, for the Professional Beauty business including associated hair brands sold by the Consumer Beauty division, as well as the Company's Brazilian operations.

In the six months ended December 31, 2018, there were no acquisition or divestiture-related charges incurred.

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

#### *Gain (Loss) on Sale of Business*

In the six months ended December 31, 2019, we completed the divestiture of Younique resulting in income of \$84.5 included in Gain on sale of business in the Condensed Consolidated Statements of Operations. In the six months ended December 31, 2018, we did not divest any business.

#### INTEREST EXPENSE, NET

In the six months ended December 31, 2019, net interest expense was \$148.5 as compared with \$132.4 in the six months ended December 31, 2018. This increase is primarily due to the impact of transactional foreign exchange.

#### INCOME TAXES

The effective income tax rate for the six months ended December 31, 2019 and 2018 was (324.5)% and (0.1)%, respectively. The negative effective tax rate in the six months ended December 31, 2019 results from reporting income before taxes and a benefit for income taxes. The negative effective tax rate in the six months ended December 31, 2018 results from reporting losses before income taxes and a provision for income taxes. The change in the effective tax rate for the six months ended December 31, 2019, as compared to the prior period is primarily due to goodwill impairment recorded in the prior period that was not tax deductible.

The effective income tax rates vary from the blended rate of approximately 21% due to the effect of: (i) jurisdictions with different statutory rates, (ii) adjustments to our unrecognized tax benefits and accrued interest; (iii) non-deductible expenses, (iv) audit settlements and (v) valuation allowance changes. Our effective tax rate could fluctuate significantly and could be adversely affected to the extent earnings are lower than anticipated in countries that have lower statutory rates and higher than anticipated in countries that have higher statutory rates.

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

(in millions)	Six Months Ended December 31, 2019			Six Months Ended December 31, 2018		
	(Loss) Income Before Income Taxes	Provision for Income Taxes	Effective Tax Rate	(Loss) Income Before Income Taxes	Provision for Income Taxes	Effective Tax Rate
<b>Reported (loss) income before income taxes</b>	<b>\$ 9.4</b>	<b>\$ (30.5)</b>	<b>(324.5)%</b>	<b>\$ (965.2)</b>	<b>\$ 0.9</b>	<b>(0.1) %</b>
Gain on sale of business adjustment <sup>(a)(b)</sup>	(84.5)	4.8				
Adjustments to reported operating income <sup>(a)(b)</sup>	402.8	86.0		1,288.4	45.9	
<b>Adjusted income before income taxes</b>	<b>\$ 327.7</b>	<b>\$ 60.3</b>	<b>18.4 %</b>	<b>\$ 323.2</b>	<b>\$ 46.8</b>	<b>14.5 %</b>

<sup>(a)</sup> See a description of adjustments under "Adjusted Operating Income for Coty Inc."

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

The adjusted effective tax rate was 18.4% for the six months ended December 31, 2019 compared to 14.5% for the six months ended December 31, 2018. The differences were primarily due to a \$30.0 tax benefit recognized in the prior period as a result of a favorable Swiss tax ruling.

#### NET INCOME (LOSS) ATTRIBUTABLE TO COTY INC.

Net income (loss) attributable to Coty Inc. increased to income of \$31.2 in the six months ended December 31, 2019, from a loss of \$972.7 in the six months ended December 31, 2018. This increase reflects the divestiture of Younique resulting in \$84.5 of income reflected in Gain on sale of business of the Condensed Consolidated Statements of Operations for the six months ended December 31, 2019 and asset impairment charges of \$977.7 recorded in the prior period.

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

(in millions)	Six Months Ended December 31,		Change %
	2019	2018	
<b>Reported net income (loss) attributable to Coty Inc.</b>	<b>\$ 31.2</b>	<b>\$ (972.7)</b>	<b>&gt;100%</b>
<i>% of net revenues</i>	<i>0.7 %</i>	<i>(21.4)%</i>	
Adjustments to reported operating income <sup>(a)</sup>	318.3	1,288.4	(75) %
Adjustments to noncontrolling interests <sup>(b)</sup>	(3.0)	(7.4)	59 %
Change in tax provision due to adjustments to reported net income attributable to Coty Inc.	(90.8)	(45.9)	(98) %
<b>Adjusted net income attributable to Coty Inc.</b>	<b>255.7</b>	<b>262.4</b>	<b>(3)%</b>
<i>% of net revenues</i>	<i>6.0 %</i>	<i>5.8 %</i>	
<b>Per Share Data</b>			
Adjusted weighted-average common shares			
Basic	756.1	751.0	
Diluted	761.2	752.6	
Adjusted net income attributable to Coty Inc. per common share			
Basic	\$ 0.34	\$ 0.35	
Diluted	0.34	0.35	

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

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

## FINANCIAL CONDITION

### LIQUIDITY AND CAPITAL RESOURCES

#### Overview

Our primary sources of funds include cash expected to be generated from operations, borrowings from issuance of debt and committed and uncommitted lines of credit provided by banks and lenders in the U.S. and abroad. As of December 31, 2019, we had cash and cash equivalents of \$288.8 compared with \$340.4 as of June 30, 2019.

Our cash flows are subject to seasonal variation throughout the year, including demands on cash made during the three and six months buildup before the holiday season in anticipation of higher global sales during the second fiscal quarter, as well as cash demands immediately following the holiday season primarily related to post-holiday sales returns. In the second fiscal quarter, we typically experience strong cash generation as a result of increased demand by retailers associated with the holiday season. Our principal uses of cash are to fund operating expenditures, capital expenditures, business structure realignment expenditures, interest payments, acquisitions, dividends, share repurchases and any principal payments on debt. Working capital movements are influenced by the sourcing of materials related to the production of products within each of our segments. Cash and working capital management initiatives, including the phasing of vendor payments and factoring of trade receivables from time-to-time, may also impact the timing of our operating cash flows, as we seek to efficiently manage our cash and working capital requirements.

As a result of the cash on hand, our expected ability to generate cash from operations and through access to our revolving credit facility and other lending sources, we believe we have sufficient liquidity to meet our ongoing needs on both a near term and long-term basis. On an ongoing basis, we factor trade receivables under our receivables purchase facilities (see Note 2—Summary of Significant Accounting Policies). We may also, from time to time phase vendor payments in order to supplement the timing of our cash flows. In addition, cash generated from the divestiture of any businesses will be utilized to reduce debt and to be returned to shareholders.

#### Debt

See Note 10—Debt in the notes to our Condensed Consolidated Financial Statements for additional information on our debt arrangements and prior period credit agreements.



Based on our credit agreement (the “2018 Coty Credit Agreement”), as amended, the calculation of our financial covenant for net debt excludes the impact of operating leases, and thus, the adoption of the new leasing standard, ASU 2016-02, *Leases* (Topic 842), (see Note 2—Summary of Significant Accounting Policies), did not impact our financial covenants. In order to be consistent with our financial covenant, we will continue to report our net debt calculation excluding operating leases.

### Factoring of Receivables

From time to time, we supplement the timing of our cash flows through the factoring of trade receivables. In this regard, we have entered into factoring arrangements with financial institutions. Most recently, these agreements included the following:

#### *U.S. Receivables Purchase Agreement*

In March of fiscal 2019, we entered into a receivables purchase agreement with a financial institution, with an aggregate facility limit of \$150.0 to facilitate factoring of receivables by certain of our U.S. subsidiaries (the “U.S. Receivables Purchase Agreement”). Factoring of such receivables under the U.S. Receivables Purchase Agreement may be executed on a recourse or non-recourse basis.

During the six months ended December 31, 2019, total cash received for trade receivables factored under the U.S. Receivables Purchase Agreement, net of collections and factoring costs, was \$11.6. Gross trade receivables factored under the U.S. Receivables Purchase Agreement during the six months ended December 31, 2019 totaled \$285.6.

#### *European Receivables Purchase Agreement*

In September of fiscal 2020, we entered into a factoring agreement with a financial institution, which allows for the transfer of receivables from certain of our European subsidiaries, in exchange for cash (the “European Receivables Purchase Agreement”). The total outstanding amount permitted among such subsidiaries is €93.0 million. Factoring of such receivables under the European Receivables Purchase Agreement is executed on a non-recourse basis.

During the six months ended December 31, 2019, total cash received for trade receivables factored under the European Receivables Purchase Agreement, net of collections and factoring costs, was \$64.8. Gross trade receivables factored under the European Receivables Purchase Agreement during the six months ended December 31, 2019 totaled \$213.0. Remaining balances due from the factor amounted to \$11.6, as of December 31, 2019.

### Cash Flows

	Six Months Ended December 31,	
	2019	2018
Condensed Consolidated Statements of Cash Flows Data: (in millions)		
Net cash provided by operating activities	\$ 462.0	\$ 237.7
Net cash used in investing activities	(119.4)	(300.1)
Net cash (used in) provided by financing activities	(380.7)	153.7

#### *Net cash provided by operating activities*

Net cash provided by operating activities was \$462.0 and \$237.7 for the six months ended December 31, 2019 and 2018, respectively, an increase of \$224.3. Operating cash inflows were positively impacted by net changes in working capital accounts period over period of \$301.4. Higher inflows from working capital in the current year are primarily a result of cash inflows from accrued expenses and other current liabilities, which were the result of lower payments for restructuring and business realignment programs in the current year. Furthermore, changes in inventories contributed to \$120.5 of the period over period increase due to improved inventory management and the reversal of the prior period impact of the supply chain disruptions. Additionally, trade receivables contributed inflows of \$57.8 principally due to the implementation of the factoring facilities in the U.S. in the second half of fiscal 2019 and incremental facility in Europe during the past six months. Inflows from these working capital accounts were only partially offset by higher cash outflows from accounts payable of \$90.3 due to lower overall spending.

#### *Net cash used in investing activities*

Net cash used in investing activities was \$119.4 and \$300.1 for the six months ended December 31, 2019 and 2018, respectively. The decrease in net cash used in investing activities of \$180.7 was due to lower capital expenditures of \$114.3,

\$40.8 of payments for business combinations and asset acquisitions made in prior year which did not reoccur and \$25.6 of net cash proceeds from the sale of the Younique business, which took place during the first three months of fiscal 2020.

*Net cash (used in) provided by financing activities*

Net cash used in financing activities during the six months ended December 31, 2019 was \$380.7 compared to cash provided by financing activities of \$153.7 during the six months ended December 31, 2018. The increase of \$534.4 of cash outflows from financing activities was primarily due to net repayments associated with the Company's revolving loan facility during the six months ended December 31, 2019 compared to net borrowings on this facility during the six months ended December 31, 2018. Additionally, during the first quarter of fiscal 2020, a \$45.0 payment was made to purchase the remaining mandatorily redeemable noncontrolling interest in the Company's Southeast Asian subsidiary, which did not occur in the prior year. The impact of this cash outflow was partially offset by lower cash used for dividend payments as a result of the Company's Stock Dividend Reinvestment Program, which became available to stockholders in the fourth quarter of fiscal 2019.

**Dividends**

On May 8, 2019, the Board approved a stock dividend reinvestment program giving shareholders the option to receive their full dividend in cash or to receive their dividend in 50% cash / 50% common stock. Shareholders will be able to make this election on a quarterly basis. The percentage of our total Class A Common Stock for which the shareholders elected to participate in the Stock Dividend Reinvestment Program for the December 27, 2019 dividend was 65%.

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

For additional information on our Share Repurchase Program, see Note 14—Equity in the notes to our Condensed Consolidated Financial Statements.

**Treasury Stock - Share Repurchase Program**

For additional information on our Share Repurchase Program, see Note 14—Equity in the notes to our Condensed Consolidated Financial Statements.

**Commitments and Contingencies**

***Mandatorily Redeemable Financial Interest***

*United Arab Emirates subsidiary*

We are required under a shareholders agreement (the "U.A.E. Shareholders Agreement") to purchase all of the shares held by the noncontrolling interest holder equal to 25% of a certain subsidiary in the United Arab Emirates (the "U.A.E. subsidiary") at the termination of the agreement. We have determined such shares to be an MRFI that is recorded as a liability. The liability is calculated based upon a pre-determined formula in accordance with the U.A.E Shareholders Agreement. As of December 31, 2019 and June 30, 2019, the liability amounted to \$8.0 and \$7.5, of which \$6.4 and \$6.1, respectively, was recorded in Other noncurrent liabilities and \$1.6 and \$1.4, respectively, was recorded in Accrued expenses and other current liabilities in the Condensed Consolidated Balance Sheet.

*Southeast Asian subsidiary*

In July 2019, we purchased the remaining 49% noncontrolling interest of a certain Southeast Asian subsidiary from the noncontrolling interest holder for \$45.0, pursuant to a Sale of Shares and Termination Deed, as amended. The termination was effective on June 30, 2019 and immediately prior to the cash purchase of the remaining noncontrolling interest, the noncontrolling interest balance was recorded as a MRFI liability. As of December 31, 2019, the remaining MRFI liability was nil.

***Redeemable Noncontrolling Interests***

Noncontrolling interests, where we may be required to repurchase the noncontrolling interest under a put option or other contractual redemption requirement, are reported in the Condensed Consolidated Balance Sheet between liabilities and equity, as redeemable noncontrolling interests ("RNCI"). We adjust the RNCI to the higher of the redemption value or the carrying value (the acquisition date fair value adjusted for the noncontrolling interest's share of net income (loss) and dividends) on each balance sheet date with changes recognized as an adjustment to additional paid-in capital ("APIC").

### *Younique*

On September 16, 2019, we completed the sale of all our membership interest in Foundation which held the net assets of Younique. On the date of this transaction, the Younique membership holders had a 40.7% membership interest in Foundation. See Note 5—Business Combinations, Asset Acquisitions and Divestitures. As a result of the sale of our membership interest in Foundation, RNCI of \$360.4 was derecognized as of the date of sale.

We accounted for the 40.7% noncontrolling interest portion of Foundation as redeemable noncontrolling interest (“RNCI”) due to the noncontrolling interest holder’s right to put their shares to us in certain circumstances. Foundation was a majority-owned consolidated subsidiary through September 16, 2019 and we recorded income tax expense based on our 59.3% membership interest in Foundation due to its treatment as a partnership for U.S. income tax purposes. Accordingly, Foundation’s net income attributable to RNCI is equal to the 40.7% noncontrolling interest of Foundation’s net income excluding a provision for income taxes. We recognized \$365.3 as the RNCI balance as of June 30, 2019.

### *Subsidiary in the Middle East*

As of December 31, 2019, the noncontrolling interest holder in our subsidiary in the Middle East (“Middle East Subsidiary”) had a 25% ownership share. We recognized \$98.6 and \$86.5 as the RNCI balances as of December 31, 2019 and June 30, 2019, respectively.

### **Legal Contingencies**

#### *Brazilian Tax Assessments*

In connection with a local tax audit of one of our subsidiaries in Brazil, we were notified of tax assessments issued in March of 2018. The assessments relate to local sales tax credits, which the Treasury Office of the State of Goiás considers improperly registered for the 2016-2017 tax periods. We are currently seeking a favorable administrative decision on the tax enforcement action filed by the Treasury Office of the State of Goiás. These tax assessments, including estimated interest and penalties amount to a total of R\$249.0 million (approximately \$61.9). We believe we have meritorious defenses and we have not recognized a loss for these assessments as we do not believe a loss is probable.

### **Off-Balance Sheet Arrangements**

We had undrawn letters of credit of \$5.0 and \$6.3 and bank guarantees of \$55.3 and \$97.1 as of December 31, 2019 and June 30, 2019, respectively.

### **Contractual Obligations**

Our principal contractual obligations and commitments as of December 31, 2019 are summarized in Item 7 - “Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources - Contractual Obligations and Commitments,” of our Fiscal 2019 Form 10-K, except as noted above. For the six months ended December 31, 2019, there have been no material changes in our contractual obligations outside the ordinary course of business.

### **Critical Accounting Policies**

We believe that the critical accounting policies listed below involve our more significant judgments, assumptions and estimates and, therefore, could have the greatest potential impact on our Condensed Consolidated Financial Statements:

- Revenue Recognition;
- Goodwill, Other Intangible Assets and Long-Lived Assets;
- Business Combinations;
- Inventory; and
- Income Taxes.

As part of our quarterly review of the critical accounting policies during the first quarter of fiscal 2020, we concluded that the assumptions around Pension Benefit Costs and Redeemable Noncontrolling Interests no longer involved significant judgments, assumptions or estimates due to changes in our business, and thus excluded these policies from the above list. As of December 31, 2019, there have been no other material changes to the items disclosed as critical accounting policies and estimates in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Part II—Item 7 of our Fiscal 2019 Form 10-K.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

There have been no material changes in market risk from the information provided in Item 7A. Quantitative and Qualitative Disclosures About Market Risk of our Fiscal 2019 Form 10-K.

**Item 4. Controls and Procedures.**

**Evaluation of Disclosure Controls and Procedures**

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

Our management, with the participation of our Chief Executive Officer (the “CEO”) and our Chief Financial Officer (“CFO”), evaluated the effectiveness of our disclosure controls and procedures as of December 31, 2019. Based on the evaluation of our disclosure controls and procedures as of December 31, 2019, our CEO and CFO concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

**Changes in Internal Control over Financial Reporting**

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

**Inherent Limitations on Effectiveness of Controls**

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

**Part II. OTHER INFORMATION**

**Item 1. Legal Proceedings.**

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

*Certain Litigation.* A purported stockholder class action complaint concerning the tender offer by Cottage Holdco B.V. (the “Cottage Tender Offer”) and the Schedule 14D-9, captioned Rumsey v. Coty, Inc., et al., Case No. 1:19-cv-00650-LPS, was filed by a putative stockholder against the Company and certain current and former directors of the Company in the U.S. District Court for the District of Delaware, but has not yet been served. The plaintiff alleges that the Company’s Schedule

14D-9 omits certain information, including, among other things, certain financial data and certain analyses underlying the opinion of Centerview Partners LLC. The plaintiff asserts claims under the federal securities laws and seeks, among other things, injunctive and/or monetary relief.

A second consolidated purported stockholder class action and derivative complaint concerning the Cottage Tender Offer and the Schedule 14D-9 is pending against certain current and former directors of the Company, JAB Holding Company, S.à.r.l., JAB Cosmetics B.V., and Cottage Holdco B.V. in the Court of Chancery of the State of Delaware. The Company was named as a nominal defendant. The case, which was filed on May 6, 2019, was captioned Massachusetts Laborers' Pension Fund v. Harf et.al., Case No. 2019-0336-AGB. On June 14, 2019, plaintiffs in the consolidated action filed a Verified Amended Class Action and Derivative Complaint ("Amended Complaint"). After defendants responded to the Amended Complaint, on October 21, 2019, plaintiffs filed a Verified Second Amended Class Action and Derivative Complaint (the "Second Amended Complaint"), alleging that the directors and JAB Holding Company, S.à.r.l., JAB Cosmetics B.V., and Cottage Holdco B.V. breached their fiduciary duties to the Company's stockholders and breached the Stockholders Agreement. The Second Amended Complaint seeks, among other things, monetary relief. On November 21, 2019, the defendants moved to dismiss certain claims asserted in the Second Amended Complaint, and certain of the director defendants also answered the complaint. Oral argument on the motions to dismiss is scheduled for April 21, 2020.

#### **Item 1A. Risk Factors.**

We have disclosed information about the risk factors that could adversely affect our business in Part I, Item 1A under the heading "Risk Factors" in our Annual Report on Form 10-K for fiscal 2019 and subsequent Quarterly Reports on Form 10-Q. The information presented below supplements and updates and should be read in conjunction with the risk factors and information disclosed in those periodic reports.

**Our strategic review may not result in any transaction or other specific action, whether relating to all or a portion of the businesses in scope of the review, and the process of exploring strategic alternatives or its conclusion could adversely impact our business and our stock price.**

In October 2019, we initiated a process to explore strategic alternatives, including divestiture, for our Professional Beauty business including associated hair brands sold by the Consumer Beauty division, as well as our Brazilian operations, and we have retained external advisors to assist in this effort. This strategic review is ongoing and may not result in the consummation of any transaction, whether relating to all or a portion of the businesses in scope of the review, on the currently anticipated timetable or at all. In addition, any potential transaction would be dependent on a number of factors that may be beyond our control, including, among other things, market conditions, industry trends, and interest of third parties in a potential transaction.

The strategic review could adversely affect our business, financial condition and results of operations. We have expended and will continue to expend significant management time and resources and have incurred and will continue to incur significant expenses due to legal, advisory and financial services fees related to the strategic review. These expenses must be paid regardless of whether any transaction is completed. In addition, the process may be time consuming and disruptive to our business operations, could divert the attention of management and the Board from our business, could negatively affect our ability to attract, retain and motivate key employees, could impact our relationships with suppliers and/or customers, could lead to a disproportionate cost base for the size of the remaining business, and could expose us to potential litigation in connection with this process or any resulting transaction. Further, speculation regarding any developments related to the review of strategic alternatives, any potential transaction or transactions and the related amounts or use of proceeds of any such transaction, and perceived uncertainties related to the future of the Company, could cause our stock price to fluctuate significantly.

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

No shares of our Class A Common Stock were repurchased during the fiscal quarter ended December 31, 2019.

**Item 6. Exhibits, Financial Statement Schedules.**

The exhibits listed below are filed as part of this Quarterly Report on Form 10-Q:

<b>Exhibit Number</b>	<b>Description</b>
<a href="#">10.1</a>	<a href="#">Purchase Agreement, dated as of November 18, 2019, by and among King Kylie Holdings, LLC, KMJ 2018 Irrevocable Trust, Kylie Jenner Inc., King Kylie, LLC, Coty Inc. and solely for the purpose of Section 6.7 and Section 6.13, KKJ 2018 Irrevocable Trust.</a>
<a href="#">10.2</a>	<a href="#">Employment Agreement, dated October 31, 2019, between Coty Management B.V. and Richard Jones.†</a>
<a href="#">10.3</a>	<a href="#">Employment Agreement, dated December 3, 2019, between Coty Management B.V. and Pascal Baltussen.†</a>
<a href="#">21.1</a>	<a href="#">List of significant subsidiaries.</a>
<a href="#">31.1</a>	<a href="#">Certification of Chief Executive Officer, pursuant to Rule 13a-14(a).</a>
<a href="#">31.2</a>	<a href="#">Certification of Chief Financial Officer, pursuant to Rule 13a-14(a).</a>
<a href="#">32.1</a>	<a href="#">Certification of Chief Executive Officer, pursuant to 18 U.S.C. Section 1350.</a>
<a href="#">32.2</a>	<a href="#">Certification of Chief Financial Officer, pursuant to 18 U.S.C. Section 1350.</a>
101.INS	Inline XBRL Instance Document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Labels Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibit 101).

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

**SIGNATURES**

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

Date: February 5, 2020

COTY INC.

By: /s/Pierre Laubies

Name: Pierre Laubies

Title: Chief Executive Officer

(Principal Executive Officer)

/s/Pierre-André Terisse

Name: Pierre-André Terisse

Title: Chief Financial Officer

(Principal Financial Officer)

**PURCHASE AGREEMENT**

by and among

**KING KYLIE HOLDINGS, LLC**

**KMJ 2018 IRREVOCABLE TRUST**

**KYLIE JENNER INC.**

**KING KYLIE, LLC**

**COTY INC.**

**and**

**solely for the purpose of Section 6.7 and Section 6.13,**

**KKJ 2018 IRREVOCABLE TRUST**

Dated as of November 18, 2019



## TABLE OF CONTENTS

Article I	
DEFINITIONS	
Section 1.1 Certain Matters of Construction	<u>2</u>
Section 1.2 Certain Definitions	<u>3</u>
Article II	
PURCHASE AND SALE	
Section 2.1 Purchase and Sale of the Sale Interests; Purchase Price	<u>15</u>
Section 2.2 The Closing	<u>15</u>
Section 2.3 Closing Deliverables	<u>15</u>
Section 2.4 Purchase Price Adjustment	<u>17</u>
Section 2.5 Tax Withholding	<u>20</u>
Section 2.6 Tax Treatment	<u>20</u>
ARTICLE III	
REPRESENTATIONS AND WARRANTIES OF SELLER GROUP PARTIES	
Section 3.1 Organization	<u>21</u>
Section 3.2 Power and Authorization; Enforceability	<u>21</u>
Section 3.3 No Violation or Approval; Consents	<u>21</u>
Section 3.4 Title to Sale Interests	<u>22</u>
Section 3.5 Litigation	<u>22</u>
Section 3.6 Brokers	<u>22</u>
Section 3.7 Certain Acknowledgements	<u>22</u>
Section 3.8 No Other Representations and Warranties	<u>22</u>
Article IV	
REPRESENTATIONS AND WARRANTIES OF THE COMPANY AND KJI	
Section 4.1 Organization	<u>23</u>
Section 4.2 Power and Authorization; Enforceability	<u>23</u>
Section 4.3 Capitalization	<u>24</u>
Section 4.4 No Violation or Approval	<u>24</u>
Section 4.5 Financial Statements; Internal Controls	<u>25</u>
Section 4.6 No Undisclosed Liabilities	<u>26</u>
Section 4.7 Ordinary Course of Business; No Material Adverse Effect	<u>26</u>
Section 4.8 Taxes	<u>26</u>
Section 4.9 Property	<u>29</u>
Section 4.10 Compliance with Laws	<u>30</u>
Section 4.11 Benefit Plans	<u>30</u>
Section 4.12 Intellectual Property	<u>31</u>
Section 4.13 Permits	<u>33</u>
Section 4.14 Labor and Employment	<u>33</u>

Section 4.15 Environmental Matters	<u>35</u>
Section 4.16 Material Contracts	<u>36</u>
Section 4.17 Litigation	<u>38</u>
Section 4.18 Insurance	<u>38</u>
Section 4.19 Brokers	<u>38</u>
Section 4.20 Related-Party Transactions	<u>38</u>
Section 4.21 Title, Condition and Sufficiency of Assets	<u>39</u>
Section 4.22 Customers	<u>39</u>
Section 4.23 Product Liability	<u>40</u>
Section 4.24 Data Protection and Cyber Security	<u>40</u>
Section 4.25 Anti-Corruption Compliance, International Trade, and Anti-Money Laundering	<u>41</u>
Section 4.26 Certain Acknowledgements	<u>42</u>
Section 4.27 No Other Representations and Warranties	<u>42</u>

Article V  
REPRESENTATIONS AND WARRANTIES OF INVESTOR

Section 5.1 Organization	<u>43</u>
Section 5.2 Power and Authorization; Enforceability	<u>43</u>
Section 5.3 No Violation or Approval; Consents	<u>43</u>
Section 5.4 Litigation	<u>44</u>
Section 5.5 Sufficiency of Funds	<u>44</u>
Section 5.6 Brokers	<u>44</u>
Section 5.7 Compliance with Securities Laws	<u>44</u>
Section 5.8 Certain Acknowledgements	<u>44</u>
Section 5.9 No Other Representations and Warranties	<u>44</u>

Article VI  
COVENANTS OF THE PARTIES

Section 6.1 Conduct of Business Prior to the Closing	<u>45</u>
Section 6.2 Appropriate Actions; Governmental Approval	<u>48</u>
Section 6.3 Public Announcements	<u>49</u>
Section 6.4 Transaction Expenses	<u>50</u>
Section 6.5 Access to Information	<u>50</u>
Section 6.6 Treatment of Related-Party Contracts	<u>50</u>
Section 6.7 Reorganization	<u>50</u>
Section 6.8 Exclusive Dealing	<u>51</u>
Section 6.9 King Kylie DISC, Inc	<u>51</u>
Section 6.10 Business Confidential Information	<u>51</u>
Section 6.11 Release	<u>52</u>
Section 6.12 Tax Matters	<u>52</u>
Section 6.13 KMJ and KKJ Trust Matters	<u>58</u>
Section 6.14 Notification of Certain Matters	<u>58</u>
Section 6.15 Representation and Warranty Insurance	<u>58</u>

Section 6.16 Minimum Cash Amount	<u>58</u>
Section 6.17 Further Assurances	<u>59</u>
Article VII CONDITIONS TO CLOSING	
Section 7.1 Conditions to the Obligations of the Parties	<u>59</u>
Section 7.2 Additional Conditions to the Obligations of Investor	<u>59</u>
Section 7.3 Additional Conditions to the Obligations of the Seller Group Parties and the Company	<u>60</u>
Section 7.4 Frustration of Conditions	<u>61</u>
Article VIII TERMINATION	
Section 8.1 Termination	<u>61</u>
Section 8.2 Effect of Termination	<u>62</u>
Article IX INDEMNIFICATION	
Section 9.1 Indemnification by Seller Group Parties	<u>63</u>
Section 9.2 Survival	<u>63</u>
Section 9.3 Indemnification Procedures	<u>64</u>
Section 9.4 Limitations	<u>66</u>
Section 9.5 Materiality	<u>66</u>
Section 9.6 Exclusive Remedy	<u>66</u>
Article X MISCELLANEOUS	
Section 10.1 Notices	<u>67</u>
Section 10.2 Entire Agreement	<u>69</u>
Section 10.3 Severability	<u>69</u>
Section 10.4 Amendment	<u>69</u>
Section 10.5 Parties in Interest	<u>69</u>
Section 10.6 Assignment	<u>69</u>
Section 10.7 Governing Law	<u>69</u>
Section 10.8 Consent to Jurisdiction	<u>70</u>
Section 10.9 Waiver of Jury Trial	<u>70</u>
Section 10.10 Specific Enforcement	<u>71</u>
Section 10.11 No Waiver	<u>71</u>
Section 10.12 Negotiation of Agreement	<u>71</u>
Section 10.13 Headings	<u>71</u>
Section 10.14 Counterparts; Electronic Signature	<u>71</u>
Section 10.15 Waiver of Conflicts; Privilege	<u>72</u>
Section 10.16 Non-Recourse	<u>72</u>

## **EXHIBITS**

- Exhibit A* Form of IP Assignment Agreement
- Exhibit B* Form of Trademark License Agreement
- Exhibit C* Form of Persona License Agreement
- Exhibit D* Form of Amended and Restated LLC Agreement
- Exhibit E* Form of Services Agreement with KKJ
- Exhibit F* Form of Services Agreement with KMJ
- Exhibit G* Form of Evergreen Collaboration Agreement
- Exhibit H* Seller's Percentage Portion
- Exhibit I* New K Skin Holding Company Joinder

## **SCHEDULES**

- Schedule 4.16(b)* Terminated Commercial Contracts
- Schedule 6.3* Public Announcements
- Schedule 6.7* Reorganization Plan
- Schedule 6.12(g)* Purchase Price Allocation Methodology
- Schedule 7.2(f)* Consents
- Schedule 9.1(a)(ii)* Indemnification by Seller Group Parties

## INDEX OF TERMS

<u>Term</u>	<u>Section</u>
\$	1.1
A&R LLC Agreement	Recitals
Accounting Principles	1.2
Acquisition Transaction	6.9
Action	1.2
Affiliate	1.2
Agreement	Preamble
Antitrust Laws	1.2
Base Purchase Price	2.1(a)
Beauty and Cosmetics Field	1.2
Business	1.2
Business Confidential Information	6.9
Business Day	1.2
Business Group Companies	1.2
Business Group Companies Reference Balance Sheets	4.5(a)
Business Group Company	1.2
Business Group Subsidiary	4.3(b)
Cash	1.2
Certification of Trust	6.13
Closing	2.2
Closing Date	2.2
Closing Purchase Price	2.1(b)(i)
Code	1.2
Company	Preamble
Company Equity Interests	4.3(a)
Company Fundamental Representations	1.2
Company Personnel	1.2
Company Plan	1.2
Company Policies	4.14(h)
Company Transaction Expenses	1.2
Company's Knowledge	1.2
Company's Reference Balance Sheet	4.5(a)
Contemplated Transactions	1.2
Contract	1.2
Contributor	4.12(f)
Cooley	2.2
Data Protection Laws	1.2

---

Deal Communications	10.15(d)
Direct Claim Notice	9.4(a)
DISC	4.8(j)
Disclosure Schedules	1.2
Dispute Notice	2.4(c)
dollars	1.1
Effect	1.2
Embargoed Countries	4.25(b)
End Date	8.1(b)
Enforceability Exceptions	3.2
Environmental Laws	1.2
Environmental Permits	1.2
Equity Interests	1.2
ERISA	1.2
ERISA Affiliate	1.2
Estimated Balance Sheet	2.4(b)
Estimated Cash	2.4(a)
Estimated Closing Statement	2.4(a)
Estimated Company Transaction Expenses	2.4(a)
Estimated Indebtedness	2.4(a)
Evergreen Collaboration Agreement	Recitals
Exchange Act	1.2
Existing Sellers	1.2
Expense	1.2
FCPA	4.25(a)
FDA	4.23(b)
Final Allocation Schedule	6.12(f)
Final Cash	2.4(e)
Final Closing Date Balance Sheet	2.4(e)
Final Company Transaction Expenses	2.4(e)
Final Indebtedness	2.4(e)
Financial Statements	4.5(a)
FIRPTA Certificate	2.3(a)(xii)
Food and Drug Law	1.2
Fraud	1.2
Fundamental Representations	1.2
GAAP	1.2
GDPR	1.2
Governmental Authority	1.2
Governmental Filings and Approvals	3.3(a)(i)
Governmental Order	1.2

Hazardous Materials	1.2
HSR Act	1.2
Identified Nexus Jurisdiction	6.12(h)
Improvements	4.9(c)
Indemnified Party	9.4
Indemnifying Party	9.4(a)
Independent Accounting Firm	1.2
Initial Press Release	6.3
Intellectual Property	1.2
Interim Financial Statements	4.5(a)
Investor	Preamble
Investor Confidentiality Agreement	1.2
Investor Fundamental Representations	1.2
Investor Indemnified Parties	1.2
Investor Material Adverse Effect	1.2
IP Assignment Agreement	Recitals
IRS	1.2
Joinder Agreement	2.3(a)(x)
K Skin	1.2
K Skin's Reference Balance Sheet	4.5(a)
Key Executives	1.2
KJI	Preamble
KK Holdings	Preamble
KKJ	Recitals
KKJ Services Agreement	Recitals
KKJ Trademarks	1.2
KKJ Trust	Preamble
KMJ	Recitals
KMJ Services Agreement	Recitals
KMJ Trust	Preamble
Knowledge of JC Investor	1.2
Knowledge of Seller Group Parties	1.2
Knowledge of the Company	1.2
Kylie Cosmetics, LLC	2.3(a)(xiii)
Law	1.2
Leased Real Property	4.9(b)
Liability	1.2
Lien	1.2
Likeness	1.2
Losses	1.2
Material Adverse Effect	1.2

Material Contracts	4.16(a)
Material Customers	4.22(a)
Material Suppliers	4.22(b)
Members	1.2
New K Skin Holding Company	1.2
New King Kylie Holding Company	1.2
Nexus Study	6.12(h)
Ordinary Commercial Contract	4.8(f)
Organizational Documents	1.2
Permits	4.13
Permitted Liens	1.2
Person	1.2
Persona License Agreement	Recitals
Post-Closing Adjustment	2.4(f)
Post-Closing Contribution	Recitals
Pre-Closing Period	6.1(a)
Pre-Closing Tax Contest	1.2
Pre-Closing Tax Period	1.2
Pre-Closing Tax Return	1.2
Preliminary Cash	2.4(b)
Preliminary Closing Date Balance Sheet	2.4(b)
Preliminary Closing Date Balance Sheet Documents	2.4(b)
Preliminary Company Transaction Expenses	2.4(b)
Preliminary Indebtedness	2.4(b)
Privileged Deal Communications	10.15(d)
Products	1.2
Purchase and Sale	1.2
Purchase Price	2.4(f), 2.1(a)
Purchase Price Allocation	6.12(f)
Purchaser Parties	10.15(b)
Real Property Lease	4.9(b)
Reference Balance Sheet Date	1.2
Registered IP	4.12(a)
Related-Party Transactions	4.2
Reorganization	6.7
Reorganization Documentation	6.7
Reorganization Plan	6.7
Representative	1.2
Sale Interests	Recitals
Sales Tax	1.2
Sanctions	4.25(b)



Securities Act	1.2
Seller Group Indemnified Parties	1.2
Seller Group Parties	Preamble
Seller Group Parties Fundamental Representations	1.2
Seller Group Parties Knowledge	1.2
Seller Material Adverse Effect	1.2
Seller's Percentage Portion	1.2
Sellers	Preamble
Senior Executive	1.2
Straddle Period	1.2
Straddle Tax Contest	1.2
Straddle Tax Return	1.2
Subsidiaries	1.2
Tax	1.2
Tax Claim	6.12(d)
Tax Consultant	6.12(h)
Tax Returns	1.2
Taxing Authority	1.2
Tentative Nexus Jurisdiction	6.12(h)
Third-Party Claim	9.4(b)
Third-Party Claim Notice	9.4(b)
Trade Secrets	1.2
Trademark License Agreement	Recitals
Trademarks	1.2
Transaction Documents	1.2
Transfer Taxes	1.2
Treasury Regulations	1.2
VDA Procedures	6.12(h)
WARN Act	4.14(b)
Willful Breach	1.2

## **PURCHASE AGREEMENT**

This PURCHASE AGREEMENT (this "Agreement") is made and entered into as of November 18, 2019, by and among King Kylie Holdings, LLC, a California limited liability company ("KK Holdings"); Kristen M. Jenner, Trustee of the KMJ 2018 Irrevocable Trust dated May 31, 2018, ("KMJ Trust"), Kylie Jenner, Inc., a California corporation ("KJI", together with KK Holdings and KMJ Trust and upon the consummation of the Reorganization, New K Skin Holding Company, the "Sellers" or the "Seller Group Parties"); King Kylie, LLC, a Delaware limited liability company (the "Company"); Kylie Jenner, Trustee of the KKJ 2018 Irrevocable Trust dated May 31, 2018, ("KKJ Trust") solely for the purpose of Section 6.7 and Section 6.13, and Coty Inc., a Delaware corporation ("Investor").

### **RECITALS**

**WHEREAS**, KMJ Trust and KK Holdings collectively own all of the issued and outstanding Equity Interests of the Company;

**WHEREAS**, the Seller Group Parties will cause the transactions described in the Reorganization Plan to be consummated no later than immediately prior to the Closing, resulting in, among other things, (a) K Skin becoming a wholly owned Subsidiary of the Company; (b) KMJ Trust's Equity Interests in the Company being converted from profit interests into capital interests; (c) Kylie K. Jenner ("KKJ"), KJI and the Company entering into that certain Trademark License Agreement, in substantially the form attached as Exhibit B hereto (the "Trademark License Agreement"), which will provide the Company with the exclusive rights to use the KKJ Trademarks in the Beauty and Cosmetics Field; and (d) KKJ, KJI and the Company entering into that certain Persona License Agreement, in substantially the form attached as Exhibit C hereto (the "Persona License Agreement"), which will provide the Company with the exclusive rights to use KKJ's Likeness in the Beauty and Cosmetics Field;

**WHEREAS**, upon the terms and subject to the conditions set forth in this Agreement (a) KK Holdings and KMJ Trust wish to sell to Investor and Investor wishes to purchase, after giving effect to the Reorganization, from KK Holdings and KMJ Trust fifty-one percent (51%) of their respective Equity Interests of the Company; (b) KJI wishes to sell to Investor, and Investor wishes to purchase from KJI fifty-one percent (51%) of the Equity Interests of the Company that KJI will receive in the Reorganization; and (c) KMJ Trust and KKJ Trust wish to cause New K Skin Holding Company to sell to Investor and Investor wishes to purchase from New K Skin Holding Company fifty-one percent (51%) of the Equity Interests of the Company that New K Skin Holding Company will receive in the Reorganization (the Equity Interests referenced in the above clauses (a), (b) and (c), collectively, the "Sale Interests") such that immediately following the Closing but prior to the Post-Closing Contribution (as defined below) Investor will hold fifty-one percent (51%) and KK Holdings, KMJ Trust, KJI and New K Skin Holding Company will collectively hold forty-nine percent (49%), respectively, of the Equity Interests of the Company which shall together constitute all of the issued and outstanding Equity Interests of the Company;

**WHEREAS**, concurrently with the Closing (a) KKJ and the Company will enter into that certain Services Agreement, in substantially the form attached as Exhibit E hereto (the “KKJ Services Agreement”); (b) Kristen M. Jenner (“KMJ”) and the Company will enter into that certain Services Agreement, in substantially the form attached as Exhibit F hereto (the “KMJ Services Agreement”), (c) Investor and the Company will enter into that certain Evergreen Collaboration Agreement and the Inducement Agreement attached thereto, in substantially the form attached as Exhibit G hereto (the “Evergreen Collaboration Agreement”), and (d) KKJ, KJI, and the Company will enter into that certain Intellectual Property Assignment Agreement, in substantially the form attached as Exhibit A hereto (the “IP Assignment Agreement”), which will provide for the assignment by KKJ and KMJ to the Company of any Intellectual Property that either KKJ or KMJ owns and has been used, is used or is held for use in or necessary for the operation of the Business, other than any rights to the Likeness of KKJ provided to the Company pursuant to the Persona License Agreement and the KKJ Trademarks licensed to the Company pursuant to the Trademark License Agreement.

**WHEREAS**, concurrently with the Closing (a) the Sellers will contribute their remaining Equity Interests of the Company to the New King Kylie Holding Company in exchange for Equity Interests in the New King Kylie Holding Company (the “Post-Closing Contribution”); and (b) New King Kylie Holding Company and Investor will enter into that certain First Amended and Restated Limited Liability Company Agreement of the Company, in substantially the form attached as Exhibit D hereto (the “A&R LLC Agreement”) which will provide for the management of the business affairs of the Company post-Closing and obligations of the parties thereto to each other, and certain other matters.

**NOW, THEREFORE**, in consideration of the premises, representations and warranties and mutual covenants and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound, the parties agree as follows:

## **Article I**

### **DEFINITIONS**

Section 1.1 Certain Matters of Construction. For purposes of this Agreement, except as specified otherwise, the words “hereof,” “herein,” “hereunder” and words of similar import will refer to this Agreement as a whole and not to any particular Section or provision of this Agreement, and reference to a particular Section of this Agreement will include all subsections thereof. Unless the context otherwise requires, the word “party” will refer to each of the Seller Group Parties and Investor. The word “including” means including without limitation. Definitions will be equally applicable to both the singular and plural forms of the terms defined, and references to the masculine, feminine or neuter gender will include each other gender. All references in this Agreement to any Section, Exhibit or Schedule will, unless otherwise specified, be deemed to be a reference to a Section, Exhibit or Schedule of or to this Agreement, in each case as such may be amended in accordance herewith, all of which are made a part of this Agreement. Unless otherwise provided, references to a particular statute or regulation include all rules and regulations thereunder and any predecessor or successor statute, rules or regulation, in

each case as amended or otherwise modified from time to time. The terms “dollars” and “\$” mean United States dollars. Reference to “day” or “days” are to calendar days. Any reference to “writing” or comparable expressions includes a reference to facsimile transmission, email or comparable means of communication. Where used with respect to information, the phrases “delivered” and “made available” mean that the information referred to has been physically or electronically delivered to the relevant parties.

Section 1.2 Certain Definitions. For purposes of this Agreement, the following terms will have the following meanings:

“Accounting Principles” means the accounting principles, procedures, policies, practices and methods applied by the Company in the preparation of the Financial Statements, which are prepared on an accrual basis of accounting with revenue and cost of sales recognized when product is shipped and expenses recorded as incurred.

“Action” means any claim, charge, suit, litigation, action, investigation, arbitration, audit, notice of violation or other proceeding brought by or before any Governmental Authority.

“Affiliate” means, when used with reference to a specific Person, any Person that, directly or indirectly, or through one or more intermediaries, owns or controls, is owned or controlled by, or is under common ownership or common control with, such specific Person, including in the case of any of the Seller Group Parties, KKJ and KMJ, Kristen M. Jenner, Trustee of The Cat in the Hat Family Trust dated October 8, 2014, KKJ Trust and Affiliates of KKJ and KMJ. As used herein, “control” means the power to direct the management or affairs of a Person and “ownership” means the beneficial ownership of more than 50% of the equity securities of the Person. Notwithstanding the foregoing, none of the Company or any subsidiary of the Company shall be deemed an Affiliate of any Member or its Affiliates.

“Antitrust Laws” means any supranational, national, federal, state, provincial or local Laws designed or intended to prohibit, restrict or regulate actions having the purpose or effect of monopolizing or restraining trade or lessening competition in any other country or jurisdiction, including the HSR Act, the Sherman Act, the Clayton Act, and the Federal Trade Commission Act, in each case, as amended, and other similar competition or antitrust laws of any jurisdiction other than the United States.

“Beauty and Cosmetics Field” means the business of creating, developing, labeling, packaging, manufacturing, producing, distributing, selling, offering, marketing, advertising, and promoting all cosmetics, skincare, nail-care, and hair-care products and services, including personal makeup, cosmetic, cleansing, moisturizing, deodorizing, and fragrance products, and products, accessories and tools related to the foregoing, including cosmetic and toiletry bags and organizers, makeup applicators, tweezers, makeup brushes, makeup mirrors, beauty cleaning sprays and solutions, and any other beauty and cosmetic products agreed to by the Sellers in writing.

“Business” means, collectively, the business and operations of the Business Group Companies and of KKJ in the Beauty and Cosmetics Field as of the date hereof and as of the

Closing Date, including, but not limited to, the manufacture, development, sale, distribution, promotion, advertising and marketing of Beauty and Cosmetics products.

“Business Day” means any day except Saturday, Sunday or any other day on which banking institutions in New York City, New York and Los Angeles, California are authorized or required by Law to be closed for business.

“Business Group Companies” means the Company, K Skin and their respective Subsidiaries and “Business Group Company” means any of the foregoing Persons.

“Cash” means, at any time of determination, without duplication, the aggregate amount of cash and cash equivalents of the Company and its Subsidiaries, calculated in accordance with the Accounting Principles. For the avoidance of doubt, Cash includes the amount of all cash and cash equivalents (including stocks, bonds, certificates of deposit, U.S. Treasury bills and similar investments that are marketable securities and short-terms investments) in the bank and other accounts of the Company net of the amount of all outstanding but uncleared checks and drafts, but including the amount of all deposits received but in transit.

“Code” means the U.S. Internal Revenue Code of 1986, as amended.

“Company Fundamental Representations” means the representations and warranties contained in Section 4.1(a), Section 4.2, Section 4.3, Section 4.4(c), Section 4.7(a)(ii) and Section 4.19.

“Company Personnel” means each current or former director, officer or employee, or natural person providing personal services as an independent contractor, of any of Business Group Company.

“Company Plan” means each “employee benefit plan,” as defined in Section 3(3) of ERISA, whether or not subject to ERISA, and each other benefit or compensation, deferred compensation, excess benefit, incentive, equity bonus, equity purchase, equity option, restricted equity, equity appreciation, phantom equity or other equity or equity-based compensation, retirement, pension, profit sharing, cafeteria, health savings, flexible spending, welfare, sick leave, medical, dental, hospitalization, vision, disability, accident, life insurance, death benefits, post-retirement, transaction bonus, periodic bonus, severance, salary continuation, employment, individual retention, change in control or fringe benefit plan, program, policy, agreement or arrangement, in each case, providing employee benefits or compensation to any Company Personnel in their capacity as a service provider of a Business Group Company (or their beneficiaries or dependents) and that is maintained, sponsored or contributed or required to be contributed to by a Business Group Company or to which a Business Group Company is a party or has any Liability.

“Company Transaction Expenses” means the aggregate amount (which shall include any such amounts that will be incurred or become payable at Closing), of all fees, costs and expenses incurred or subject to reimbursement by the Company or any of its Subsidiaries or by or on behalf of the Seller Group Parties or any Affiliate of the Seller Group Parties (to the extent such

amounts are a liability of the Company or any of its Subsidiaries) that remain unpaid as of the Closing in connection with (i) the preparation, negotiation and execution of the Transaction Documents, (ii) the investigation, pursuit and consummation of the Contemplated Transactions, and (iii) the process by which investment proposals were solicited from and negotiated with third parties prior to the execution and delivery of this Agreement, including in each case all legal, brokerage, investment banking, accounting, consulting and financial advisory fees, (iv) all sale, transaction, change in control, retention, severance, or similar bonuses, compensation or other payments with respect to Company Personnel directly arising from or otherwise directly triggered by the consummation of the Contemplated Transactions (together with the employer's portion of any employment or payroll Taxes incurred in connection therewith), (v) any fees, costs and expenses associated with obtaining the release of any Lien prior to the Closing, (vi) any fees or other amounts payable by the Company, any Persons holding direct or indirect interests therein, or any of its Subsidiaries to any Person in connection with obtaining any of the consents set forth on Schedule 7.2(f), prior to, at or following Closing; and (vii) the 50% Payment (as described in Schedule 9.1(a)(ii)).

“Company's Knowledge” or “Knowledge of the Company” means the actual knowledge of the Key Executives and the knowledge that any such individuals would have acquired after due inquiry.

“Contemplated Transactions” means the transactions contemplated by the Transaction Documents, including the Reorganization and the Purchase and Sale.

“Contract” means any legally binding contract, agreement, lease, license, instrument, note, commitment or undertaking, in each case whether written or oral.

“Data Protection Laws” means the following Laws to the extent applicable from time to time: (a) national laws implementing the Directive on Privacy and Electronic Communications (2002/58/EC); (b) the General Data Protection Regulation (2016/679) (the “GDPR”) and any national law supplementing the GDPR and (c) any other data protection or privacy laws, regulations, or regulatory requirements applicable to the processing of personal data (as amended and/or replaced from time to time).

“Disclosure Schedules” means the various disclosure schedules to this Agreement that are being delivered by the Seller Group Parties and the Company in connection with the execution and delivery hereof.

“Environmental Laws” means any Law or legally binding policy of any Governmental Authority relating to protection of the environment, pollution, protection of human health and safety (in respect of exposure to Hazardous Materials) or the use, handling, storage, disposal or release of Hazardous Materials.

“Environmental Permit” means any permit, approval, qualification, registration, filing, privilege, franchise, license or other authorization required under any Environmental Law to own, lease, occupy or operate the Leased Real Property or the business of the Business Group Companies as currently conducted.

“Equity Interests” means any and all (i) shares, interests, participations or other equivalent securities (however designated) of capital stock or other voting securities of a corporation, any and all equivalent or analogous ownership (or profit securities) or voting interests in a Person (other than a corporation) including membership interests, limited liability company interests, partnership interests or profit interests; (ii) securities convertible into or exchangeable for shares, interests, participations or other equivalent securities (however designated) of capital stock or voting securities of (or other securities for ownership or profit or voting interests in) such Person; and (iii) any and all warrants, rights or options to purchase any of the foregoing, whether voting or nonvoting, and, in each case, whether or not such shares, interests, participations, equivalents, securities, warrants, options, rights or other interests are authorized or otherwise existing on any date of determination.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended, and the regulations issued thereunder.

“ERISA Affiliate” means any entity (whether or not incorporated) which together with the Company or any of its Subsidiaries would be treated as a “single employer” under Section 414(b), (c), (m), or (o) of the Code.

“Exchange Act” means the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Securities and Exchange Commission promulgated thereunder.

“Existing Sellers” means KK Holdings and KMJ Trust.

“Expense” means the expenses incurred by an Indemnified Party in connection with investigating, defending (including through making any counter complaint), any Third-Party Claim for which an Indemnified Party is entitled to indemnification hereunder (including court filing fees, court costs, arbitration fees or costs, witness fees, and reasonable fees and disbursements of legal counsel, expert witnesses, accountants and other professionals).

“Food and Drug Law” means the Federal Food, Drug and Cosmetic Act of 1938, the Federal Trade Commission Act, the Fair Packaging and Labeling Act, the Consumer Products Safety Commissions Poison Prevention Act, the Safe Drinking Water and Toxic Enforcement Act of 1986 or “Proposition 65” and analogous non-U.S. Requirements of Law (including, for the avoidance of doubt, the Cosmetics Regulation (EC) No. 1223/2009 on cosmetic products and Commission Regulation (EU) No 655/2013 laying down common criteria for the justification of claims used in relation to cosmetic products, including any amendments thereto and all relevant guidance in the European Union).

“Fraud” means an act in the making of a representation or warranty expressly set forth in this Agreement, committed by a Person making such express representation or warranty, and requires (a) a false representation or warranty or inaccuracy of fact expressly set forth in the representations and warranties set forth in this Agreement; (b) actual knowledge that such representation or warranty is false or inaccurate; (c) an intention to induce the Person to whom such representation or warranty was made to act or refrain from acting in reliance upon it; (d) causing that Person, in reasonable reliance upon such false representation or warranty, to take or

refrain from taking action; and (e) causing such Person to suffer damage by reason of such reliance.

“Fundamental Representations” means the Company Fundamental Representations, the Investor Fundamental Representations and the Seller Group Parties Fundamental Representations.

“GAAP” means the United States generally accepted accounting principles in effect from time to time.

“Governmental Authority” means any federal, state, municipal or local, or foreign government, or political subdivision thereof, or any multinational organization or authority, or any other authority, agency or commission entitled to exercise any administrative, executive, judicial, legislative, police, regulatory or Taxing Authority or power, any court or tribunal (or any department, bureau or division thereof), or any arbitrator or arbitral body.

“Governmental Order” means any ruling, award, decision, injunction, judgment, order, decree, subpoena, determination, writ, stipulation, restriction or assessment entered, issued or made by any Governmental Authority.

“Hazardous Materials” means petroleum and refined petroleum products, asbestos, polychlorinated biphenyls, and any other substance defined, designated, listed, identified or classified as a hazardous waste, hazardous substance, hazardous material, pollutant, contaminant or toxic or hazardous.

“HSR Act” means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

“Indemnified Tax” means (i) any and all Taxes of the Company or any Subsidiary attributable to any Pre-Closing Tax Period and, with respect to any Straddle Period, the portion of such Straddle Period ending on and including the Closing Date; (ii) any liability of the Company or any Subsidiary for any and all Taxes of another Person (other than the Company or any Subsidiary) (A) as a result of the Company or any Subsidiary being (or having been) on or prior to the Closing Date a member of an affiliated, consolidated, combined, or unitary group, including pursuant to Treasury Regulation Section 1.1502-6 or any analogous or similar state, local, or foreign Laws or (B) imposed on the Company or any Subsidiary of the Company as a transferee or successor, by Contract (other than an Ordinary Commercial Contract) or pursuant to any Laws, which Taxes result from an event or transaction occurring before the Closing; (iv) any and all Taxes for which Sellers are responsible under Section 6.12(f);(v) such amounts as are reasonably necessary for Investor to pay the Tax Consultant for the expenses attributable to the Nexus Study; and (vi) reasonable expenses incurred with respect to a VDA Procedure (including the fees and expenses of a third-party advisor engaged to administer such VDA Procedure).

“Indebtedness” means, without duplication, (i) all obligations for borrowed money, (ii) all obligations evidenced by bonds, debentures, notes or other similar instruments or debt securities, (iii) all obligations under swaps, hedges or similar instruments, (iv) the amount of



unearned income (amounts received related to an order prior to the actual shipment of product), less amounts prepaid by the Company on orders of product for manufacturing, (v) all obligations for the deferred purchase price of any property or services (other than trade accounts payable and accrued expenses incurred in the ordinary course of business), (vi) all obligations created or arising under any conditional sale or other title retention agreement, (vii) all obligations under leases which shall have been or should be, in accordance with GAAP, recorded as capital leases, (viii) all obligations in respect of bankers' acceptances, letters of credit, surety bonds or similar arrangements, to the extent drawn, (ix) all earned but unpaid severance, bonus, deferred compensation or similar obligations that are payable to any Company Personnel (together with any employment or payroll Taxes that would be payable by the employer in connection therewith), (x) all guarantees of any of the foregoing, and (xi) all interest, principal, prepayment penalties, premiums, fees or expenses due or owing in respect of any item listed in clauses (i) through (vi) above; provided, however, that Indebtedness shall not include Taxes other than Taxes referenced in clause (ix).

“Independent Accounting Firm” means the dispute resolution group of a nationally recognized firm of independent certified public accountants selected by Investor and the Seller Group Parties; provided that, if Investor and the Seller Group Parties cannot agree on such firm, each shall (i) select one nationally recognized firm of independent certified public accountants (which may be the applicable party's existing accounting firm) and (ii) cause such firm to select, jointly with the firm selected by the other party, a third nationally recognized firm of independent certified public accountants, which shall be the “Independent Accounting Firm” for all purposes of this Agreement.

“Intellectual Property” means all worldwide intellectual property rights of any kind or nature, whether registered or unregistered, including all (a) patents, patent applications, invention disclosures and all related continuations, continuations-in-part, divisionals, reissues, re-examinations, substitutions and extensions thereof; (b) trademarks, trade names, service marks, logos, slogans, trade dress, internet domain names, social media identifiers, and other similar designations of source or origin, together with the goodwill symbolized by any of the foregoing (“Trademarks”); (c) copyrights and copyrightable subject matter; (d) trade secrets, processes, techniques, formulas and other proprietary know-how or confidential information (“Trade Secrets”); (e) rights in computer programs (whether in source code or object code form), algorithms and all documentation related to any of the foregoing; (f) rights in any Likeness; (g) moral rights and rights of attribution and integrity; and (h) all applications and registrations of the foregoing.

“Investor Confidentiality Agreement” means that certain Non-Disclosure Agreement entered into between the Company and Investor dated as of November 23, 2017, as amended by the NDA Side Letter Agreement, entered into between the Company and Investor dated as of October 14, 2019.

“Investor Fundamental Representations” means the representations and warranties contained in Section 5.1, Section 5.2, Section 5.3(c) and Section 5.6.

“Investor Indemnified Parties” means (i) Investor and its Affiliates, and (ii) their respective directors, officers, employees, Affiliates, stockholders, agents, attorneys, representatives, successors and permitted assigns; provided that the Seller Group Parties and their respective controlled Affiliates shall not constitute Investor Indemnified Parties.

“Investor Material Adverse Effect” means any event, occurrence, fact or condition that, individually or in the aggregate, with other events, occurrences, facts or conditions, has or would reasonably be expected to have a material adverse effect on the ability of Investor to perform its obligations under this Agreement, or that would prevent or materially impair or materially delay the ability of Investor to consummate the Contemplated Transactions in accordance with the terms of the Transaction Documents.

“IRS” means the Internal Revenue Service.

“K Skin” means Kylie Skin, Inc., a Delaware corporation, and Kylie Skin, LLC as successor thereto resulting from the Reorganization.

“KKJ Trademarks” means any and all Trademarks that contain or comprise the terms “Kylie” or “Jenner” or the Likeness of Kylie K. Jenner, or any portion or combination of the foregoing, or any translations, variations or derivatives, in whole or in part, of any of the foregoing, including the Trademarks set forth on Schedule 4.12(a) of the Disclosure Schedules.

“Key Executives” means Kylie K. Jenner and Kristen M. Jenner.

“Knowledge of Investor” means the actual knowledge of Elisheva Jasie and the knowledge that such individual would have acquired after due inquiry.

“Law” means any foreign or domestic, federal, state or local statute, law, ordinance, code, rule, regulation, constitution, treaty, convention, agency, interpretation, agency, guidance or common law or other similar requirement enacted, adopted, promulgated, issued or applied by any Governmental Authority.

“Liability” means any Indebtedness, liability, debt, obligation, claim, demand, commitment, damage, judgment, cause of action, deficiency, guaranty, endorsement, obligation, or other loss, cost or expense of any kind or nature whatsoever, whether direct or indirect, known or unknown, asserted or unasserted, absolute or contingent, accrued or unaccrued, matured or unmatured, liquidated or unliquidated, and whether due or become due and regardless of when asserted, including all Expenses related thereto.

“Lien” means any lien (statutory or other), encumbrance, mortgage, security interest, pledge, option, right of first offer or refusal, restriction on transferability, defect of title, adverse interest, community property interest, hypothecation, condition, equitable interest, option, deed of trust, easement, encroachment, right of way, or other claim, charge or encumbrance of any nature whatsoever on any property or property interest, including any restriction on the use, voting, transfer, receipt of income or other exercise of any attributes of ownership; provided that

“Lien” shall exclude non-exclusive licenses of Trademarks granted to distributors in the ordinary course of business.

“Likeness” means name, nickname, autographs/signatures, likeness, image, voice, depiction, quotes, biographical information, and other rights of publicity and persona rights, including any portions thereof.

“Losses” means (i) any losses, direct damages, costs, Taxes, settlements, awards, judgments, fines, assessments or penalties, or other charges of any kind actually and directly incurred by an Indemnified Party; (ii) any Expenses associated with any Third-Party Claim and (iii) any reasonable attorneys’ fees associated with the costs of enforcement; provided, that Losses shall exclude (x) any special, indirect, consequential (to the extent not reasonably foreseeable), exemplary or punitive damages and (y) any damages or other Losses associated with, or based on a theory of, any lost profits, lost opportunities or diminution in value except in the case of both clauses (x) and (y) in the case of a party’s obligation to indemnify an Indemnified Party for amounts due or payable to a third party where any such Losses of the type identified in clauses (x) or (y) are awarded pursuant to a Third-Party Claim (or settlement thereof).

“Material Adverse Effect” means any event, occurrence, fact, condition, circumstance, change, development, result or effect (each, an “Effect”) that, individually or in the aggregate, with other Effects, (x) has or would reasonably be expected to have a material adverse effect on the business, condition, (financial or otherwise), assets (tangible or intangible), capitalization or results of operations of the Business Group Companies, taken as a whole or (y) has or would reasonably be expected to have a material adverse effect on the ability of the Company to perform its obligations under this Agreement, or would prevent or materially impair or materially delay the ability of the Company to consummate the Contemplated Transactions on a timely basis in accordance with the terms hereof; provided, however, that for purposes of clause (x), “Material Adverse Effect” shall not include any Effect to the extent, directly or indirectly, arising out of or attributable to: (a) any changes in general economic, regulatory or political conditions or conditions in the financial, credit or commodities markets (including changes in interest, currency exchange rates or tariffs); (b) conditions generally affecting the industries in which the Business Group Companies operate; (c) acts of war (whether or not declared), trade war, armed hostilities, terrorism, cyberterrorism (whether or not sponsored by a Governmental Authority), national or international calamity or any other similar event, or the escalation or worsening of any of the foregoing, acts of God or natural disasters; (d) any failure, in and of itself, of the Business Group Companies to meet, with respect to any period, or periods, any internal projections, forecasts, estimates or business plans (provided, that the exception in this clause (d) shall not prevent or otherwise affect a determination that the Effects underlying such failure may have given rise or contributed to a Material Adverse Effect); (e) any action taken pursuant to the requirements of this Agreement at the written request of Investor or its Affiliates; (f) any enactments of, changes in, or changes in the interpretation of, applicable Laws or GAAP or other applicable accounting rules; or (g) the public announcement of the Purchase and Sale including any impact on relationships with customers, suppliers and/or employees or other service providers (provided, that the exception in this clause (g) shall not apply with respect to any

representation or warranty that is intended to address the consequences of the execution or delivery of this Agreement, the performance of obligations hereunder or the consummation of the transactions contemplated hereby); except, in the cases of clauses (a), (b), (c) and (f) above, to the extent that any such Effects have a disproportionate and adverse effect on the Business Group Companies, taken as a whole, relative to other similarly situated Persons in the industries in which the Business Group Companies operate.

“Members” shall have the meaning ascribed to such term in the A&R LLC Agreement.

“New K Skin Holding Company” means the Delaware corporation to be formed by the Seller Group Parties pursuant to the Reorganization Plan.

“New King Kylie Holding Company” means the Delaware corporation to be formed by the Seller Group Parties.

“Organizational Documents” means, with respect to any Person, the certificate or articles of incorporation, formation or organization and bylaws, partnership agreement, limited partnership agreement, limited liability company agreement, other operating agreement, stockholders’ agreement, Trust Documents or other similar governing documents of such Person, in each case, as amended through the date hereof.

“Pass-Through Tax Return” means any income Tax Return filed by or with respect to the Company or any of its Subsidiaries to the extent that (a) the Company or any of its Subsidiaries is treated as a pass-through entity for purposes of such Tax Return, and (b) the results of operations reflected on such Tax Returns are also reflected on the Tax Returns of the Sellers or the direct or indirect owners of any Seller, including information returns relating to income Taxes (including IRS Form 1065 and any Schedule K-1).

“Permitted Liens” means (a) statutory Liens for Taxes (x) not yet due and payable or (y) the amount or validity of which is being contested in good faith by appropriate proceedings; provided that in each case adequate reserves have been established in the Interim Financial Statements, (b) landlords’, warehousepersons’, mechanics’, suppliers’, repairmens’, materialmens’ and carriers’ Liens, and other similar Liens arising or incurred in the ordinary course of business which (x) relate to obligations that are not delinquent or that are being contested in good faith by appropriate proceedings but only, in the case of any such contest, to the extent that adequate reserves are being maintained, and (y) are not, individually or in the aggregate, material to the business or operations of the Business Group Companies or to the assets thereof and could not reasonably be expected to result in forfeiture of the encumbered property, (c) with respect to owned Real Property, (i) easements, covenants, rights-of-way, claims, restrictions and other encumbrances of record, (ii) title defects or irregularities, and (iii) matters that would be disclosed by an accurate survey or inspection of the real property; except, in the case of clauses (i) – (iii), for any (x) Liens securing an obligation to pay money and (y) Liens that have a material adverse effect on the use, occupancy, value or marketability of title of the property encumbered thereby, (d) zoning, building and other similar restrictions imposed by Law but only to the extent that the same are not materially violated by any current use, occupancy or activity conducted by the business or operations of the Business Group Companies

or by the assets thereof, and (e) rights, interests, Liens or titles of, or through, a lessor or sublessor under any lease, sublease or other similar agreement related to real property.

“Person” means any natural person or any corporation, partnership, limited liability company, joint venture, estate, trust, company, firm or other legal entity or Governmental Authority.

“Pre-Closing Tax Contest” means any Tax Claim with respect to any Pre-Closing Tax Return or solely with respect to a Pre-Closing Tax Period.

“Pre-Closing Tax Period” means any taxable year or period (or, with respect to any Straddle Period, the portion thereof) that ends on or before the Closing Date.

“Pre-Closing Tax Return” means all Tax Returns of the Company or any Subsidiary that relate solely to any Pre-Closing Tax Period, and the portion of any Pass-Through Tax Returns (including any attachments thereto) for the Straddle Period reporting operations of the Company through the Closing Date and the sale of the Sale Interests.

“Products” means all products currently marketed or sold by the Business Group Companies.

“Purchase and Sale” means the purchase and sale of the Sale Interests contemplated by this Agreement.

“Reference Balance Sheet Date” means September 30, 2019.

“Representative” means, with respect to any Person, any director, manager, partner, member, equityholder, officer or employee of such Person and any agent, attorney, consultant, legal, accounting, financial or other advisor or other representative authorized by such Person to represent or act on behalf of such Person.

“Sales Tax” means any sales, use, value-added, ad valorem, goods and services, or similar tax.

“Securities Act” means the Securities Act of 1933, as amended, and the rules and regulations of the Securities and Exchange Commission promulgated thereunder.

“Seller Group Indemnified Parties” means (i) each Seller Group Party and its Affiliates, and (ii) in the case of KK Holdings and KJI, its directors, officers, employees, Affiliates, stockholders, agents, attorneys, representatives, successors and permitted assigns; provided that, none of the Company, its Subsidiaries or Investor and their respective controlled Affiliates shall constitute Seller Group Indemnified Parties.

“Seller Group Parties Fundamental Representations” means the representations and warranties contained in Section 3.1, Section 3.2, Section 3.3(a)(iii), and Section 3.6.

“Seller Group Parties Knowledge” or “Knowledge of Seller Group Parties” means the actual knowledge of KKJ and KMJ and the knowledge that KKJ and KMJ would have acquired after due inquiry.

“Seller Material Adverse Effect” means any event, occurrence, fact or condition that, individually or in the aggregate, with other events, occurrences, facts or conditions, has or would reasonably be expected to have a material adverse effect on the ability of any Seller Group Party to perform its obligations under this Agreement, or that would prevent or materially impair or materially delay the ability of a Seller Group Party to consummate the Contemplated Transactions in accordance with the terms of the Transaction Documents.

“Seller’s Percentage Portion” means the percentage set forth opposite the applicable Seller’s name on Exhibit H hereto.

“Senior Executive” means any past or current officers of any Business Group Company, and their respective equivalent successors.

“Straddle Period” means any taxable year or period beginning on or before and ending after the Closing Date.

“Straddle Tax Contest” means any Tax Claim with respect to any Straddle Tax Return or any Straddle Period.

“Straddle Tax Return” means any Tax Return of the Company or any Subsidiary with respect to any Straddle Period, other than the portion of any such Tax Return included in the definition of Pre-Closing Tax Return.

“Subsidiaries” means with respect to any Person, any corporation, partnership, limited liability company, trust, company or other legal entity in which such Person holds directly or indirectly at least fifty percent (50%) of the Equity Interests of such Person or has the power to elect or direct the election of at least fifty percent (50%) of the members of the governing body of such entity.

“Tax” means all federal, state, local, and foreign income, gross receipts, capital stock, franchise, profits, withholding, social security, escheat, unclaimed property, unemployment, disability, real property, personal property, stamp, excise, occupation, Sales Tax, transfer, alternative minimum, estimated or other tax any kind whatsoever (together with all interest, penalties and additions imposed with respect thereto, whether disputed or not) imposed by any Governmental Authority, and including any obligations to indemnify or otherwise contractually assume or succeed to the Tax liability of any other Person (other than pursuant to an Ordinary Commercial Contract).

“Tax Returns” means returns, reports, forms and information statements filed or required to be filed with a Governmental Authority (or required to be provided or filed by a Governmental Authority) relating to any Taxes, including any schedules or attachments thereto.

“Taxing Authority” means the Governmental Authority (and its agents) that imposes a Tax or requires a Person to file a Tax Return.

“Transaction Documents” means, collectively, this Agreement, the IP Assignment Agreement, the Trademark License Agreement, the A&R LLC Agreement, the Persona License Agreement, the KKJ Services Agreement, the KMJ Services Agreement, the Evergreen Collaboration Agreement, and the other instruments and agreements required to be executed and delivered by any of the parties in connection with the Contemplated Transactions.

“Transfer Taxes” mean any transfer, value added, excise, stock transfer, stamp, recording, registration, or similar Taxes.

“Treasury Regulations” means the regulations, including proposed and temporary regulations, promulgated under the Code as such regulations may be amended from time to time.

“Trust Documents” means, with respect to a trust, all instruments and other documents creating and governing the creation, operation and administration of such trust.

“Willful Breach” means a breach of a covenant or agreement, that is, or that is a consequence of, an act undertaken by the breaching Person with the actual knowledge that the taking of such act would, or would be reasonably expected to, be, cause, or result in a material breach of this Agreement.

## ARTICLE II

### PURCHASE AND SALE

#### Section 2.1 Purchase and Sale of the Sale Interests; Purchase Price.

(a) Subject to the terms and conditions of this Agreement, at the Closing, (i) the Sellers shall sell, transfer, assign, deliver and convey to Investor, and Investor shall purchase and accept from the Sellers and New K Skin Holding Company, the Sale Interests (including all of the Sellers’ right, title and interest therein), free and clear of all Liens (other than Liens under applicable securities Laws) for an aggregate amount in cash equal to six hundred million dollars (\$600,000,000) (the “Base Purchase Price”) subject to adjustment in accordance with Section 2.4 (the “Purchase Price”).

(b) Investor shall pay or cause to be paid the Purchase Price at Closing to the Sellers as follows: the Base Purchase Price plus (ii) an amount equal to (A) the Estimated Cash, (B) minus Estimated Indebtedness, minus (C) Estimated Company Transaction Expenses (the “Closing Purchase Price”).

Section 2.2 The Closing. On the terms and subject to the conditions set forth in this Agreement, the consummation of the Purchase and Sale (the “Closing”) shall take place (a) at the offices of Cooley LLP (“Cooley”) located at 1333 2nd Street, Suite 400, Santa Monica, CA 90401 at 9:00 a.m., Los Angeles time on the third (3<sup>rd</sup>) Business Day following the date on which there first occurs the satisfaction (or, where legally permitted, the waiver) of each of the

conditions set forth in Sections 7.1, 7.2 and 7.3 (other than those conditions that by their nature or pursuant to the terms of this Agreement are to be satisfied on the Closing Date, but subject to the satisfaction or, where legally permitted, the waiver of such conditions); provided that no party hereto shall be required to consummate the Closing prior to January 6, 2020 or (b) at such other time and place and in such manner (including by electronic means) as the parties may mutually agree. The date on which the Closing occurs is referred to as the “Closing Date.”

Section 2.3 Closing Deliverables.

(a) Seller Group Parties’ Deliverables. At or prior to the Closing, the Seller Group Parties shall deliver or cause to be delivered the following:

(i) to Investor, evidence of the completion of the Reorganization in form and substance reasonably agreed by the Sellers and Investor;

(ii) to Investor, counterparts to the A&R LLC Agreement, duly executed by New King Kylie Holding Company;

(iii) to Investor, a certificate signed by KMJ to the effect that the conditions set forth in Section 7.2(a) and Section 7.2(c)(i) have been satisfied; and (2) a certificate signed by a duly authorized officer of the Company to the effect that the conditions set forth in Section 7.2(b), Section 7.2(c)(ii), Section 7.2(d) and Section 7.2(g) have been satisfied;

(iv) to Investor, a duly executed copy of the KKJ Services Agreement;

(v) to Investor, a duly executed copy of the KMJ Services Agreement;

(vi) to Investor, a duly executed copy of the IP Assignment Agreement;

(vii) to Investor, a duly executed copy of the Persona License Agreement;

(viii) to Investor, a duly executed copy of the Evergreen Collaboration Agreement;

(ix) to Investor, a duly executed copy of the Trademark License Agreement;

(x) to Investor, a joinder to this Agreement, duly executed by New K Skin Holding Company in substantially the form attached as Exhibit I hereto (the “Joinder Agreement”);



(xi) to Investor, a certificate executed by a duly authorized representative of the Company that it has complied with the requirements described in Section 6.9;

(xii) to Investor, (i) a statement satisfying the requirements of Treasury Regulation Section 1.1445-11T(d)(2)(i) certifying that fifty percent or more of the value of the gross assets of the Company does not consist of U.S. real property interests, or ninety percent or more of the value of the gross assets of the Company does not consist of U.S. real property interests plus cash or cash equivalents (the "FIRPTA Certificate"), and (ii) an IRS Form W-9 duly executed by each Seller;

(xiii) to Investor, evidence in form and substance reasonably satisfactory to Investor of the cancellation of the DBA of KJI relating to the name, "Kylie Cosmetics, LLC".

(b) Investor Deliverables. At or prior to the Closing, Investor shall deliver or cause to be delivered the following:

(i) to the Seller Group Parties, a certificate signed by a duly authorized officer of Investor to the effect that the conditions set forth in Section 7.3(a) and Section 7.3(b) have been satisfied;

(ii) to the Sellers, their respective Seller's Percentage Portion of the Purchase Price, by wire transfer of immediately available funds to the accounts specified by such Sellers;

(iii) to the Seller Group Parties, a copy of the Evergreen Collaboration Agreement, duly executed by Investor; and

(iv) to New King Kylie Holding Company, a counterpart to the A&R LLC Agreement, duly executed by Investor.

#### Section 2.4 Purchase Price Adjustment.

(a) The Company shall deliver, or cause to be delivered, to Investor, no later than five (5) Business Days prior to the Closing Date, (i) an unaudited, pro forma estimated balance sheet of the Company, prepared in accordance with the Accounting Principles, as of the Closing Date and assuming the occurrence of the Reorganization (the "Estimated Balance Sheet"); (ii) a statement (as revised pursuant to this Section 2.4(a), the "Estimated Closing Statement") prepared in accordance with the Accounting Principles setting forth a good faith estimate, in each case as of the Closing Date and assuming the occurrence of the Reorganization of (A) Cash (minus an amount equal to \$4,500,000, the "Estimated Cash"), (B) Indebtedness (the "Estimated Indebtedness") and (C) Company Transaction Expenses (the "Estimated Company Transaction Expenses"), together with such schedules and data as may be appropriate to support such statement and copies of the Company's and its Subsidiaries bank account statements; and

(iii) a certificate from an authorized officer of the Company certifying (A) that the Estimated Closing Statement (and the estimates set forth therein) has been prepared in accordance with the Accounting Principles, the books and records of the Company and this Agreement and (B) that the Cash of the Company as of the Closing will equal an aggregate amount of no less than \$4,500,000. The parties shall discuss such calculations in good faith, and the Company, not less than two (2) Business Days prior to the Closing Date, shall deliver to the Investor a revised version of the Estimated Closing Statement reflecting any such revisions to the Estimated Closing Statement as the Company in good faith believes are warranted together with a certificate from an authorized officer of the Company certifying that this revised Estimated Closing Statement (and the estimates set forth therein) has been prepared in accordance with the Accounting Principles, the books and records of the Company and this Agreement. From and after delivery of the Estimated Closing Statement until the determination of the final Purchase Price, in connection with Investor's review of the Estimated Closing Statement, the Company and the Seller Group Parties shall cooperate reasonably with Investor and (to the extent reasonably requested by Investor) provide Investor with reasonable access (subject to reasonable confidentiality obligations) to the Business Group Companies' working papers, trial balances and similar materials relating to the preparation of the Estimated Closing Statement, and the Seller Group Parties and the Company shall reasonably consider Investor's input with respect to the Estimated Closing Statement. If, prior to the Closing Date, Investor shall object in writing to the amount of any estimate set forth in the Estimated Closing Statement and the Seller Group Parties shall agree with the objection, then the Company shall change the applicable estimate and notify Investor thereof on or prior to the Closing Date, in which event the Estimated Closing Statement shall be amended to reflect such change. If, on the other hand, prior to the Closing Date, Investor shall object in writing to the amount of any estimate set forth in the Estimated Closing Statement and the Company shall disagree with the objection, then Investor shall pay the amounts set forth in the Estimated Closing Statement at Closing and any such unresolved items shall be resolved as part of the Post-Closing Adjustment process pursuant to this Section 2.4.

(b) Within ninety (90) days following the Closing Date, Investor shall deliver, or cause to be delivered, to the Sellers the following (collectively, the "Preliminary Closing Date Balance Sheet Documents"): (i) an unaudited balance sheet of the Company, prepared in accordance with the Accounting Principles (the "Preliminary Closing Date Balance Sheet") and (ii) a calculation, based on the Preliminary Closing Date Balance Sheet, of Cash (minus an amount equal to \$4,500,000, the "Preliminary Cash"), Indebtedness (the "Preliminary Indebtedness"), and Company Transaction Expenses ("Preliminary Company Transaction Expenses"), together with such schedules and data as may be appropriate to support such calculation, in each case of clauses (i) and (ii) prepared in accordance with the Accounting Principles, as of the Closing Date and after giving effect to the Reorganization.

(c) The Sellers shall have forty-five (45) days following receipt of the Preliminary Closing Date Balance Sheet Documents to review the Preliminary Closing Date Balance Sheet and the calculation of Preliminary Cash, Preliminary Indebtedness, and Preliminary Company Transaction Expenses and to notify Investor in writing of any dispute regarding Preliminary Cash, Preliminary Indebtedness, and Preliminary Company Transaction Expenses set forth in the Preliminary Closing Date Balance Sheet Documents (the "Dispute").

Notice”), specifying the reasons therefor in reasonable detail. If no Dispute Notice is delivered by the Sellers within such forty-five (45) day period or if the Sellers deliver a written acceptance of the Preliminary Closing Date Balance Sheet Documents during such forty-five (45) day period, then the Preliminary Closing Date Balance Sheet, Preliminary Cash, Preliminary Indebtedness, and Preliminary Company Transaction Expenses shall become final and binding as of the end of the forty-five (45) day review period or the date of receipt by Investor of such written acceptance, as applicable.

(d) In connection with the Sellers’ review, the Sellers and their Representatives shall have reasonable access, during normal business hours and upon reasonable notice, to all relevant personnel, Representatives of the Company, books and records of the Company, work papers, schedules, memoranda and other documents prepared by the Company in connection with its preparation of the Preliminary Closing Date Balance Sheet Documents and/or its calculation of Preliminary Cash, Preliminary Indebtedness, and Preliminary Company Transaction Expenses and other items reasonably requested by the Sellers, and the Company shall cooperate reasonably with the Sellers in connection therewith.

(e) In the event that the Sellers deliver a Dispute Notice to Investor, the Sellers and Investor shall cooperate in good faith to resolve such dispute as promptly as practicable and, upon such resolution, if any, any adjustments to the Preliminary Closing Date Balance Sheet, Preliminary Cash, Preliminary Indebtedness, and Preliminary Company Transaction Expenses shall be made as agreed upon by the Sellers and Investor. If the Sellers and Investor are unable to resolve any such dispute within twenty (20) Business Days (or such longer period as the Investors and Seller shall mutually agree in writing) of the Sellers’ delivery of such Dispute Notice, such dispute shall be resolved by the dispute resolution practice of the Independent Accounting Firm, acting as an expert and not an arbitrator, and such determination by the Independent Accounting Firm shall be final and binding on the parties, except that (i) the Independent Accounting Firm may consider only those items and amounts (and related items and amounts) as to which the Sellers and Investor have disagreed within the time periods and on the terms specified above, and (ii) the Independent Accounting Firm’s determination of none of Preliminary Cash, Preliminary Indebtedness, and Preliminary Company Transaction Expenses may be less than the lower, or more than the higher, of the Sellers’ and Investor’s respective calculations of the applicable amount. The resolution of disputed matters by the Independent Accounting Firm, shall be final and binding for purposes of this Agreement and shall not be subject to court review or otherwise appealable. The parties hereto agree that judgment may be entered upon the final resolution of the Independent Accounting Firm in any court having jurisdiction over the party against which such determination is to be enforced. The fees and expenses of the Independent Accounting Firm shall be paid proportionately by Investor, on the one hand, and the Sellers, on the other hand, based on the determination of the Independent Accounting Firm of the unresolved objections submitted to it pursuant to this Section 2.4(e). The calculation of such proportionate payments shall be based on the relative position of the determination of the Independent Accounting Firm in comparison to the positions submitted to it by Investor and the Sellers pursuant to this Section 2.4(e). The Independent Accounting Firm shall be instructed to use reasonable best efforts to make its final determination within thirty (30) days of submission by the parties hereto of the dispute to it and, in any case, as promptly as

practicable after such submission. Each of the Sellers and Investor shall furnish the Independent Accounting Firm such work papers and other documents and information relating to the disputed issues as the Independent Accounting Firm shall reasonably request. The Preliminary Closing Date Balance Sheet, Preliminary Cash, Preliminary Indebtedness, and Preliminary Company Transaction Expenses, (i) if deemed final in accordance with Section 2.4(c), as originally submitted by Investor, or (ii) if a Dispute Notice has been timely delivered by the Sellers in accordance with this Section 2.4(e), as determined pursuant to the resolution of such dispute in accordance with this Section 2.4(e), shall be, respectively, the “Final Closing Date Balance Sheet”, “Final Cash”, “Final Indebtedness”, and “Final Company Transaction Expenses”.

(f) In the event that the amount that is equal to Final Cash minus Estimated Cash plus (B) Estimated Indebtedness minus Final Indebtedness plus (C) Estimated Company Transaction Expenses minus Final Company Transaction Expenses (such amount, the “Post-Closing Adjustment”) is a positive amount, Investor shall pay each Seller such Seller’s Percentage Portion of the amount equal to the amount that the Post-Closing Adjustment exceeds \$250,000 to the Sellers by wire transfer of immediately available funds to the bank accounts specified by the Sellers. In the event that the Post-Closing Adjustment is a negative amount and, to the extent the absolute amount of the Post-Closing Adjustment exceeds \$250,000, the Sellers shall each pay such Seller’s Percentage Portion of the amount equal to the absolute amount of the Post-Closing Adjustment less \$250,000 to Investor, by wire transfer of immediately available funds to the account specified by Investor. For the avoidance of doubt, no payment will be made in respect of any Post-Closing Adjustment if (i) the Post-Closing Adjustment is a positive amount and does not exceed \$250,000, or (ii) if the Post-Closing Adjustment is zero or a negative amount and is not less than negative \$250,000. Each payment under this Section 2.4(f) shall be made within five (5) Business Days after the determination of Final Cash, Final Indebtedness and Final Company Transaction Expenses pursuant to Section 2.4(c) or Section 2.4(e) (as applicable). The “Purchase Price” shall be equal to (i) the Preliminary Purchase Price, plus (ii) the amount, if any, paid by Investor to the Sellers pursuant to this Section 2.4(f) or minus (iii) the amount, if any, paid by the Sellers to Investor pursuant to this Section 2.4(f).

Section 2.5 Tax Withholding. Notwithstanding any provision herein to the contrary, Investor shall be entitled to deduct and withhold (or cause to be deducted or withheld) from any consideration payable or otherwise deliverable pursuant to this Agreement, such amounts as are required to be deducted or withheld therefrom under any provision of the U.S. federal, state, local or non-U.S. Tax Law or under any applicable Law. Investor shall use commercially reasonable best efforts to notify Sellers in writing of any such requirement at least five Business Days prior to, and shall consider any exemptions, documentation or positions provided by the Sellers in good faith prior to, deducting or withholding any amount. To the extent such amounts are so deducted or withheld and duly paid over to the appropriate Governmental Authority, such amounts shall be treated for all purposes under this Agreement as having been paid to the Person to whom such amounts would otherwise have been paid.

Section 2.6 Tax Treatment. The parties agree that for U.S. federal and applicable state income Tax purposes, Investor's acquisition of the Sale Interests shall be treated as the purchase of an interest in a partnership.

### ARTICLE III

#### **REPRESENTATIONS AND WARRANTIES OF SELLER GROUP PARTIES**

Except as set forth in the Disclosure Schedules (each section of which qualifies the correspondingly numbered and lettered Section of this Article III and any other numbered and lettered Section of this Article III to the extent it is reasonably apparent upon reading the disclosure contained in such section of the Disclosure Schedules on its face, without independent knowledge on the part of the reader regarding the matter disclosed, that such disclosure is responsive to such other numbered and lettered Section of this Article III), each of the Seller Group Parties (and for purposes of Sections 3.1 and 3.2 only, KKJ Trust shall be considered a Seller Group Party) represents and warrants to Investor as of the date hereof and as of the Closing Date (except for representations and warranties that speak as of a specific date, which shall be made as of such date) that:

##### Section 3.1 Organization.

(a) Such Seller Group Party, if not a trust, is duly organized or formed, validly existing and in good standing (to the extent applicable) under the Laws of the jurisdiction of its organization or formation.

(b) Such Seller Group Party, if a trust, is validly created and is duly existing and in good standing under the Laws of the jurisdiction of its creation, operation and administration pursuant to its Trust Documents.

Section 3.2 Power and Authorization; Enforceability. Such Seller Group Party has all requisite limited liability company or similar power and authority to execute and deliver this Agreement and the other Transaction Documents required to be executed and delivered by it in connection with the Contemplated Transactions and to perform its obligations hereunder and thereunder. Such Seller Group Party has taken all actions required to be taken by or on behalf of such Seller Group Party to authorize and permit the execution and delivery by such Seller Group Party of this Agreement and each other Transaction Document required to be executed and delivered by it pursuant hereto, the performance by such Seller Group Party of its obligations hereunder and thereunder, and the consummation by such Seller Group Party of the Contemplated Transactions. This Agreement, and each other Transaction Document to be executed and delivered by such Seller Group Party pursuant hereto, has been or will be, as applicable, duly executed and delivered by such Seller Group Party and, assuming the due authorization, execution and delivery by each of the other parties hereto or thereto, constitutes, or will constitute, as applicable, the legal, valid and binding obligations of such Seller Group Party, enforceable against such Seller Group Party in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium and other Laws relating to or affecting creditors' rights or by general equitable principles

(regardless of whether enforcement is sought at Law or in equity) (the “Enforceability Exceptions”).

Section 3.3 No Violation or Approval; Consents.

(a) None of the execution, delivery and performance of this Agreement or any other Transaction Document by such Seller Group Party nor its consummation of the Contemplated Transactions will:

(i) require the notice, consent, waiver, approval, order or authorization of, or registration or filing with, any Governmental Authority (collectively, “Governmental Filings and Approvals”), other than (A) those filings required to be made under the HSR Act and those filings required to be made under other Antitrust Laws listed on Schedule 3.3 of the Disclosure Schedules; and (B) Governmental Filings and Approvals that, if not obtained or made, would not have a Seller Material Adverse Effect;

(ii) (A) constitute or result in a violation of any Law or Governmental Order to which such Seller Group Party is subject or by which any of its properties or assets is bound; (B) constitute or result in the violation or breach of any term, condition or provision of, or constitute (with or without due notice or lapse of time or both) a default under, or give rise to any right of termination, cancellation or acceleration with respect to any Contract to which such Seller Group Party is a party; or (C) result in the creation or imposition of a Lien upon any property or assets of such Seller Group Party, except with respect to clauses (A), (B) and (C), as would not have a Seller Material Adverse Effect; or

(iii) result in a breach or violation of, or default under, the Organizational Documents of such Seller Group Party.

Section 3.4 Title to Sale Interests. Such Seller Group Party, if an Existing Seller, is the sole legal and beneficial owner of record of, and has good and valid title to the Sale Interests free and clear of all Liens (other than Liens under applicable securities Laws). As of the Closing, such Seller Group Party, if a Seller, will be the sole legal and beneficial owner of record of, and have good and valid title to the Sale Interests, as updated following consummation of the Reorganization pursuant to Section 6.7, free and clear of all Liens (other than Liens under applicable securities Laws).

Section 3.5 Litigation. There is no Action pending or, to the Knowledge of a Seller Group Party, threatened, against a Seller Group Party or any of its Affiliates, or any of its or their respective properties, assets or businesses, that would have a Seller Material Adverse Effect.

Section 3.6 Brokers. There are no brokerage commissions, finders’ fees or similar compensation payable by the Company or its Subsidiaries in connection with the Contemplated Transactions based on any arrangement or agreement made by or on behalf of such Seller Group Party or for which the Company has any liabilities.

Section 3.7 Certain Acknowledgements. None of the Seller Group Parties is relying and none of the Seller Group Parties has relied on any representations or warranties whatsoever by or behalf of Investor regarding the subject matter of this Agreement, express or implied, except for the representations and warranties in Article V.

Section 3.8 No Other Representations and Warranties. None of the Seller Group Parties nor any other Person makes any representation or warranty to Investor or its Affiliates with respect to any projections, estimate or budgets delivered to or made available to Investor or its Affiliates or their respective Representatives of future revenues, expenses or future results of operations of any Business Group Company, unless such information is expressly addressed or included in a representation or warranty contained in this Agreement. Except as set forth in the other Transaction Documents, the representations and warranties set forth in this Article III are the sole and exclusive representations and warranties of the Seller Group Parties in connection with the Contemplated Transactions.

## **ARTICLE IV**

### **REPRESENTATIONS AND WARRANTIES OF THE COMPANY AND KJI**

Except as set forth in the Disclosure Schedules (each section of which qualifies the correspondingly numbered and lettered Section of this Article IV and any other numbered and lettered Section of this Article IV to the extent it is reasonably apparent upon reading the disclosure contained in such section of the Disclosure Schedules on its face, without independent knowledge on the part of the reader regarding the matter disclosed, that such disclosure is responsive to such other numbered and lettered Section of this Article IV), the Company and KJI (solely with respect to Sections 4.2, 4.3(c), and 4.12) represent and warrant to Investor that as of the date hereof and as of the Closing Date (except for representations and warranties that speak as of a specific date, which shall be made as of such date) that:

#### Section 4.1 Organization.

(a) Each of the Company and its Subsidiaries is duly organized or formed, validly existing and in good standing (to the extent applicable) under the Laws of the jurisdiction of its organization or formation.

(b) Each of the Company and its Subsidiaries is duly qualified or licensed to do business and is in good standing (to the extent applicable) in each jurisdiction where the character of the properties owned, leased or licensed by it or the nature of its business makes such qualification or licensing necessary, except where the failure to be so qualified or licensed or in good standing (if applicable) would not have a Material Adverse Effect. Each of the Company and its Subsidiaries possess all requisite limited liability company or similar power and authority necessary to own, operate and lease and license its assets and properties and to carry on its business as currently conducted.

(c) The Company has delivered to Investor true and correct copies of the Company's and each of its Subsidiaries' Organizational Documents, each as in effect on the date hereof.

Section 4.2 Power and Authorization; Enforceability. Each of the Company and KJI has all requisite limited liability company, corporate or similar power and authority to execute and deliver this Agreement and the other Transaction Documents required to be executed and delivered by it in connection with the Contemplated Transactions and to perform its obligations hereunder and thereunder. Each of the Company and KJI has taken all limited liability company or corporate, as applicable, actions required to be taken by or on behalf of it to authorize and permit the execution and delivery by it of this Agreement and each other Transaction Document required to be executed and delivered by it pursuant hereto, the performance by it of its obligations hereunder and thereunder, and the consummation by it of the Contemplated Transactions. This Agreement, and each other Transaction Document to be executed and delivered by the Company and KJI pursuant hereto, has been or will be, as applicable, duly executed and delivered by the Company and KJI, and assuming the due authorization, execution and delivery by each of the other parties hereto or thereto, constitutes, or will constitute, as applicable, the legal, valid and binding obligations of the Company and KJI, enforceable against the Company and KJI in accordance with its terms, except as such enforceability may be limited by the Enforceability Exceptions.

#### Section 4.3 Capitalization.

(a) Schedule 4.3(a) of the Disclosure Schedules sets forth as of the date hereof (i) the number of issued and outstanding Equity Interests of the Company; (ii) the legal and beneficial owners of such issued and outstanding Equity Interests of the Company; and (iii) the number of Equity Interests of the Company owned by each such owner (the "Company Equity Interests"). All of the Company Equity Interests are duly authorized and validly issued, fully paid, and nonassessable and free and clear of all Liens other than Liens under the Organizational Documents or applicable securities Laws. As of the date of this Agreement all issued and outstanding Company Equity Interests are owned by KK Holdings and KMJ Trust and as of the Closing will be owned by the Sellers.

(b) Schedule 4.3(b) of the Disclosure Schedules sets forth for each Business Group Company other than the Company (a "Business Group Subsidiary") (i) its name and jurisdiction of organization or formation; and (ii) the number of issued and outstanding Equity Interests; and (iii) the legal and beneficial owners of such issued and outstanding Equity Interests as of the date of this Agreement and as of the Closing. All of the issued and outstanding Equity Interests of the Business Group Subsidiaries have been duly authorized and are validly issued, fully paid, and nonassessable. All Equity Interests of the Business Group Subsidiaries are owned free and clear of all Liens.

(c) There are (i) no outstanding securities of any Business Group Company convertible into or exchangeable for units or other Equity Interests of a Business Group Company, and (ii) no outstanding or authorized options, restricted units, phantom interests, warrants, rights to subscribe to, purchase rights, subscription rights, rights of first refusal,



preemptive rights, conversion rights, exchange rights, calls, trusts or other Contracts, in each case, made by a Business Group Company or KJ relating to any Equity Interests of a Business Group Company, or Contracts by which a Business Group Company is bound to issue any Equity Interests, options, restricted units, phantom interests, warrants, rights to subscribe to, purchase rights, subscription rights, rights of first refusal, preemptive rights, conversion rights, exchange rights or calls relating to any Equity Interests of a Business Group Company.

Section 4.4 No Violation or Approval. None of the execution or delivery of this Agreement or any other Transaction Document by the Company nor its consummation of the Contemplated Transactions will:

(a) require any Governmental Filings and Approvals, other than (i) those filings required to be made under the HSR Act and those filings disclosed on Schedule 3.3 of the Disclosure Schedules, and (ii) Governmental Filings and Approvals that, if not obtained or made, would not have a Material Adverse Effect;

(b) (i) constitute or result in a violation of any Law or Governmental Order to which the Company is subject or by which any of its properties or assets is bound; (ii) constitute or result in the violation or breach of any term, condition or provision of, or constitute (with or without due notice or lapse of time or both) a default under, or give rise to any right of termination, cancellation or cause or permit the acceleration of or other changes to any right or obligation or the loss of any benefit for, in each case, any party with respect to any Material Contract or Permit; or (iii) result in the creation or imposition of a Lien upon any property or assets of the Company, except with respect to clauses (i), (ii) and (iii), as would not have a Material Adverse Effect on the Business Group Companies, taken as a whole; or

(c) result in a breach or violation of, or default under, the Organizational Documents of the Company.

#### Section 4.5 Financial Statements; Internal Controls.

(a) Attached hereto as Schedule 4.5(a) of the Disclosure Schedules are the following financial statements: (i) the unaudited statement of assets and liabilities of the Company as of September 30, 2019 and the related statement of revenues and expenses of the Company for the nine months then ended, (ii) the unaudited statements of assets and liabilities of the Company as of December 31, 2018 (the "Company's Reference Balance Sheet") and as of December 31, 2017, and the related statement of revenues and expenses of the Company for the fiscal years then ended, (iii) the unaudited statements of revenues and expenses of K Skin as of September 30, 2019 and the related statement of revenues and expenses of K Skin for the nine months then ended (which, together with the Company unaudited balance sheet as of September 30, 2019 and the related statement of revenues and expenses for the nine months then ended, the "Interim Financial Statements") and (iv) the unaudited statement of revenues and expenses of K Skin as of December 31, 2018 (the "K Skin's Reference Balance Sheet" together with the Company's Reference Balance Sheet, the "Business Group Companies Reference Balance Sheets"), and the related statement of revenues and expenses of K Skin for the fiscal year then ended (the financial statements referred to in (i), (ii), (iii), (iv), collectively, the "Financial

Statements”). The Financial Statements have been prepared in accordance with the Accounting Principles consistently applied, except for the Interim Financial Statements, which are subject to normal, year-end adjustments to record operating expense on an accrual basis, which are not in the aggregate material. The Financial Statements are consistent with the books of account and other financial records of the Business Group Companies and are accurate and complete in all material respects and fairly present, in all material respects, the financial position of the Business Group Companies as of the dates thereof and for the periods referenced therein.

(b) The Business Group Companies maintain, (i) books and records reflecting its assets and liabilities that are accurate in all material respects and (ii) adequate and effective internal accounting controls which provide reasonable assurance that (A) the control objectives have minimized the risk of material financial misstatement, (B) all material information concerning the Business Group Companies is made known on a timely basis to the individuals responsible for the preparation of the Financial Statements, (C) access to the properties and assets of the Business Group Companies is permitted only in accordance with management’s authorization and (D) all transactions are executed with management’s authorization and accurately recorded in the correct period as necessary to permit the preparation of the Financial Statements and disclosures in conformity with the Accounting Principles. During the past two (2) years, no director or officer of any Business Group Company or non-officer employee, external auditor, external accountant or similar authorized Representative of any Business Group Company, has received or otherwise been made aware of any material complaint, allegation or claim, whether written or oral, regarding the accounting or auditing practices, procedures, methodologies or methods of any Business Group Company or any Business Group Company’s internal accounting controls, including any material complaint, allegation or claim that any Business Group Company has engaged in questionable accounting or auditing practices.

Section 4.6 No Undisclosed Liabilities. None of the Company or any of its Subsidiaries has any Liabilities (absolute, accrued, contingent or otherwise), except for Liabilities (i) that are specifically stated and adequately reserved against in the Company’s Reference Balance Sheet, (ii) that have been incurred in the ordinary course of business since the Reference Balance Sheet Date and that have not had a Material Adverse Effect.

Section 4.7 Ordinary Course of Business; No Material Adverse Effect.

(a) Except as contemplated by this Agreement, since the Reference Balance Sheet Date, the Business Group Companies have operated their respective businesses in the ordinary course of business, and there has not been any Material Adverse Effect that is continuing.

(b) Since the Reference Balance Sheet Date until the date of this Agreement, there has not been any action or event that would have required Investor’s consent pursuant to Section 6.1 had such action or event occurred after the date hereof.

Section 4.8 Taxes.

(a) The Company and its Subsidiaries have filed all income and other material Tax Returns required to be filed by them (taking into account all applicable extensions). All such Tax Returns are true, correct, and complete in all respects. All income and other material Taxes due and owing by the Company and its Subsidiaries have been paid (whether or not shown on any Tax Return and whether or not any Tax Return was required) or accrued in accordance with GAAP. Neither the Company nor any of its Subsidiaries is currently the beneficiary of any extension of time within which to file any Tax Return or pay any Tax (other than any automatic, customary extensions of time in which to file a Tax Return).

(b) The unpaid Taxes of the Company and its Subsidiaries did not, as of the dates of the Financial Statements, exceed the reserve for Taxes (excluding any reserve for deferred Taxes established to reflect timing differences between book and Tax income) set forth the balance sheets contained in the Financial Statements.

(c) No deficiencies for Taxes against the Company or any of its Subsidiaries have been claimed, proposed or assessed in writing by any Taxing Authority that have not been paid or otherwise resolved. The Company has delivered or made available to Investor complete and accurate copies of all income and other material federal and state Tax Returns of the Company and its Subsidiaries filed since the Company's formation. Neither the Company nor any of its Subsidiaries has waived any statute of limitations in respect of Taxes that is still in force, or agreed to any extension of time with respect to any Tax assessment or deficiency that has not been previously resolved.

(d) There are no pending Actions with any Governmental Authority with respect to any Taxes of the Company or any of its Subsidiaries. Neither the Company nor any Subsidiary of the Company has received written notice from any Governmental Authority that it intends to commence such an Action.

(e) There are no Liens for Taxes, other than Permitted Liens, on any assets of the Company or any Subsidiary.

(f) Neither the Company nor any Subsidiary of the Company is a party to, or is bound by, any written Tax-sharing agreement or similar arrangements (including indemnity arrangements but excluding any customary commercial agreement a principal purpose of which is not Taxes (any such agreement, an "Ordinary Commercial Contract")).

(g) Neither the Company nor any of its Subsidiaries has been a member of an affiliated group filing a consolidated federal income Tax Return. Neither the Company nor any of its Subsidiaries has any material liability for the Taxes of any Person (i) under Treasury Regulation Section 1.1502-6 (or any similar provision of any Requirements of Law), (ii) as a transferee or successor, (iii) by Contract (other than an Ordinary Commercial Contract), or (iv) otherwise under applicable Law.

(h) The Company and each of its Subsidiaries has withheld and paid all material Taxes required to have been withheld and paid in connection with amounts paid or owing to any employee, independent contractor, creditor, unitholder or other third party.

(i) Neither the Company nor any of its Subsidiaries has entered into any transaction identified as a “listed transaction” for purposes of Treasury Regulations Sections 1.6011-4(b)(2).

(j) Since its formation, the Company has been an eligible entity within the meaning of Treasury Regulation Section 301.7701-3(b)(i), has been treated as a partnership for U.S. federal income tax purposes, and has not made any election to be treated as an association for federal, state or local income Tax purposes. Schedule 4.8(j) of the Disclosure Schedules sets forth the entity classification of each of the Subsidiaries for purposes of U.S. federal income Taxes. King Kylie DISC, Inc. has satisfied, and, at all times prior to the Closing Date, will satisfy, the requirements to be treated as a domestic international sales corporation (“DISC”) under Section 992(a)(1) of the Code. Each such entity has, at all times, (i) been eligible for such U.S. federal income tax classification under applicable Tax law and (ii) operated in all ways consistently with such classification.

(k) No Subsidiary of the Company is a controlled foreign corporation within the meaning of Section 957(a) of the Code.

(l) Neither the Company nor any Subsidiary of the Company has made an election pursuant to Section 965(h) of the Code prior to the Closing Date.

(m) Within the past two (2) years, neither the Company nor any of its Subsidiaries has distributed stock of another Person, or has had its stock distributed by another Person, in a transaction that was purported or intended to be governed in whole or in part by Section 355 or Section 361 of the Code.

(n) Neither the Company nor any of its Subsidiaries has a permanent establishment (within the meaning of an applicable Tax treaty) or otherwise has an office or fixed place of business in a country other than the country of its formation.

(o) Neither the Company nor any of its Subsidiaries has received any written notice from any taxing authority in a jurisdiction in which the Company or such Subsidiary of the Company does not file Tax Returns to the effect that the Company or such Subsidiary of the Company is or may be subject to taxation by, or required to file any Tax Return in, such jurisdiction.

(p) No “section 197 intangible,” as defined in Section 197(d)(1) of the Code, held by the Company or a Subsidiary of the Company was held or used on or before August 10, 1993, by the Company, its Affiliates, or a “related person” within the meaning of Section 197(f)(9)(C) of the Code.

(q) Neither the Company nor any of its Subsidiaries will be required to include any item of income in, or exclude any item of deduction from, taxable income for any taxable period (or portion thereof) beginning after the Closing Date as a result of any:

(r) change in method of accounting for a taxable period ending on or prior to the Closing Date made on or prior to the Closing Date;

(s) use of an improper method of accounting for a taxable period ending on or prior to the Closing Date;

(t) final determination by any Taxing Authority following the settlement of any audit, examination, or other proceeding entered into on or prior to the Closing Date;

(u) intercompany transactions entered into on or prior to the Closing Date or any excess loss account described in Treasury Regulations under Section 1502 of the Code (or any corresponding or similar provision of state, local or non-U.S. income Tax Law) existing as of the Closing;

(v) installment sale or open transaction disposition made on or prior to the Closing Date;

(w) deferred revenue or prepaid amount received on or prior to the Closing Date; or

(x) election under Section 108(i) of the Code made on or prior to the Closing Date.

(y) K Skin has been and will be an “S” Corporation (as defined in Section 1361(a) of the Code) at all times since its organization through the time immediately prior to the Reorganization. Neither the Company nor K Skin has the potential for liability for any Tax under Section 1374 of the Code.

#### Section 4.9 Property.

(a) No Business Group Company owns any real property. No Business Group Company is party to any agreement or option, to sell or purchase any real property.

(b) Schedule 4.9(b) of the Disclosure Schedules sets forth a true and correct list of each lease, license, sublease or similar occupancy agreement as of the date of the Agreement (each, a “Real Property Lease”) (showing the parties thereto and location) under which any Business Group Company is lessee, sublessee or licensee of, or holds, uses or operates, any real property owned by any third Person (the “Leased Real Property”). Prior to the date hereof, the Company has delivered, or made available for review, true and correct copies of the Real Property Leases and such Real Property Leases have not been amended or modified since that date. The Company has a valid and subsisting leasehold estate with respect to each of its Leased Real Properties. The Real Property Leases are valid, binding, and in full force and effect and free and clear of all Liens, other than Permitted Liens. No Business Group Company has collaterally assigned, transferred or pledged any interest in any of the Real Property Leases.

(c) Neither the whole nor any part of the Leased Real Property is subject to any pending suit for condemnation or other taking by any public authority, and, to the

Knowledge of the Company, no such condemnation or other taking is threatened or contemplated. No Business Group Company has leased, subleased, licensed, or otherwise granted to any Person the right to use or occupy any portion of the Leased Real Property. All buildings, structures, facilities and improvements located on the Leased Real Property, including buildings, structures, facilities and improvements which are under construction (collectively, “Improvements”) comply in all material respects with all applicable Requirements of Laws. The Improvements are in all material respects (A) in good operating condition and repair (ordinary wear and tear excepted) and (B) sufficient for continued use in the manner in which they are presently being used.

Section 4.10 Compliance with Laws. The Business Group Companies have operated their respective businesses in compliance with all applicable Laws and Governmental Orders except as would not be material to the Business Group Companies, taken as a whole, and no Business Group Company has received any notice from a Governmental Authority asserting any such violation of such Laws or Governmental Orders other than as would not be material to the Business Group Companies taken as a whole. The Business Group Companies have not received written notice of any investigation by any Governmental Authority regarding a violation of any Law or Governmental Order by a Business Group Company that is pending or to the Knowledge of the Company, threatened, other than any such investigations that would not be material to the Business Group Companies taken as a whole.

Section 4.11 Benefit Plans.

(a) Schedule 4.11(a) of the Disclosure Schedules sets forth a true and correct list of all material Company Plans.

(b) The Company has made available to Investor with respect to each Company Plan listed on Schedule 4.11(a) of the Disclosure Schedules, to the extent applicable, (i) a copy of each written Company Plan or a summary of each Company Plan that is not in writing, correct and complete and as in effect on the date hereof, (ii) the most recent annual report on Form 5500 required to be filed with the IRS, if any, (iii) the most recent summary plan description, including all summaries of material modifications required under ERISA, if any, (iv) each trust, insurance, annuity or other funding Contract, including all amendments thereto, (v) the most recently prepared financial statements and actuarial or other valuation reports and (vi) the most recent IRS determination, opinion or advisory letter for each Company Plan that is intended to be qualified within the meaning of Section 401(a) of the Code.

(c) For each Company Plan that is intended to be qualified under Section 401(a) of the Code, the Company has obtained a favorable and current IRS determination, opinion or advisory letter to such effect, and nothing has occurred, whether by action or inaction, that could reasonably be expected to cause the loss of such qualification or any material Liability to a Business Group Company.

(d) Each Company Plan (and any related trust or other funding vehicle) has been established, maintained, operated and administered in material compliance with its terms and all applicable Laws. With respect to each Company Plan, except as would not reasonably be

expected to result in material Liability to any Business Group Company (i) there are no pending or, to the Company's Knowledge, threatened, Actions (other than claims for benefits in the ordinary course of business), (ii) no facts or circumstances exist, to the Knowledge of the Company, that would reasonably be expected to give rise to any such Actions and (iii) no audit, investigation or other administrative proceeding by the U.S. Department of Labor, IRS or any other Governmental Authority is pending, or, to the Company's Knowledge, threatened.

(e) No Business Group Company has any obligation to provide health or other non-pension benefits to any employee or former employee of a Business Group Company upon retirement, or termination of employment for any reason, except as specifically required by the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended, or other applicable Law. No Company Plan is, and the Company does not sponsor, maintain, contribute to, and has not, within the past six (6) years, sponsored, maintained, contributed to, or had any Liability (including by virtue of being an ERISA Affiliate of any other Person) with respect to any (i) single employer pension plan that is subject to Section 302 or Title IV of ERISA or Section 412 of the Code, or (ii) any "multiemployer plan" (within the meaning of Section 3(37) of ERISA).

(f) Neither the execution and delivery of this Agreement nor the consummation of any or all of Contemplated Transactions, alone or in combination with any other event (including any termination of employment as of or following the Closing), will: (i) entitle any Company Personnel to severance pay or any material increase in severance pay, (ii) accelerate the time of payment, funding or vesting or increase the amount of any compensation or benefit due to any Company Personnel or (iii) directly or indirectly result in any payment made or to be made to or on behalf of any Company Personnel that would constitute a "parachute payment" within the meaning of Section 280G of the Code. No Company Personnel is entitled to receive any gross-up or additional payment by reason of any Tax being imposed on such Person, including any Tax required by Section 409A or 4999 of the Code.

(g) Each Company Plan that is a "nonqualified deferred compensation plan" within the meaning of Section 409A(d) (1) of the Code and any award thereunder, in each case that is subject to Section 409A of the Code, has been operated in compliance with Section 409A of the Code and the regulations thereunder in all material respects.

#### Section 4.12 Intellectual Property.

(a) Schedule 4.12(a) of the Disclosure Schedules sets forth a correct and complete list, including, in each case, the applicable jurisdiction and record owner, of all (i) patents and patent applications, (ii) Trademarks, (iii) Internet domain names and (iv) copyright registrations and applications, in each case owned by a Business Group Company or, to the extent related to the Business, owned by KJI ("Registered IP"). Except as set forth on Schedule 4.12(a) of the Disclosure Schedules, a Business Group Company or KJI is the sole and exclusive owner of all of the Registered IP free and clear of all Liens (other than Permitted Liens) and all such Registered IP is subsisting, valid and enforceable.

(b) None of the Business Group Companies' operations of their respective businesses has or does infringe upon, misappropriate or otherwise violate any Intellectual

Property rights of any Person. No Action is pending or, to the Knowledge of the Company, since January 1, 2017, has been threatened, (i) asserting that a Business Group Company, KKJ or KJI has infringed upon, misappropriated or otherwise violated the Intellectual Property rights of any Person, or (ii) challenging the scope, validity or enforceability of the Likeness of KKJ, the KKJ Trademarks, or any other Intellectual Property owned by a Business Group Company, KJI or KKJ (with respect to KJI and KKJ, solely as such Intellectual Property relates to the Business). To the Knowledge of the Company, no Person has infringed upon, misappropriated or otherwise violated any Intellectual Property of any Business Group Company, KJI or KKJ (with respect to KJI and KKJ, solely as such Intellectual Property relates to the Business), and no Action alleging the foregoing has been asserted or threatened against any Person by any Business Group Company, KJI or KKJ since January 1, 2017.

(c) The Company or a Subsidiary of the Company owns, or has valid rights to use, and immediately after the Closing will continue to own and have such rights to use, all of the Intellectual Property necessary to conduct the businesses of the Business Group Companies as conducted as of the date hereof and as of the Closing, free and clear of all Liens (other than Permitted Liens).

(d) A Business Group Company is the sole and exclusive owner of all of the Intellectual Property rights in the Products (including the trade dress, formulas and packaging thereof and promotion, advertising and marketing therefor), other than the Likeness of KKJ or KMJ and the KKJ Trademarks licensed to the Company pursuant to the Trademark License Agreement.

(e) To the Company's Knowledge, there is no jurisdiction anywhere in the world in which the names KING KYLIE, KING KYLIE COSMETICS, KYLIE KRISTEN JENNER, KING KYLIE SKIN and KING KYLIE HAIR are not available for use and registration by a Business Group Company or KJI in connection with the types of products and services offered by the Business.

(f) Each employee, contractor and consultant involved in the creation, invention or development of any material Intellectual Property (collectively, "Contributor"), including the Registered IP, used by or on behalf of a Business Group Company or KJI, has executed a valid and enforceable written assignment of all such Intellectual Property to a Business Group Company or KJI as applicable, and no such Person owns, or has any right, claim, interest or option (including the right to further remuneration or consideration) with respect to, any such Intellectual Property.

(g) The Business Group Companies and KJI have taken reasonable and appropriate steps to protect and maintain the secrecy of, and all rights in, Trade Secrets owned, used or held for use by them (with respect to KJI, solely as such Trade Secrets relate to the Business), including by requiring all Contributors and any other Person with access to such Trade Secrets to execute confidentiality and non-disclosure agreements and there have been no material breaches of such agreements by any party thereto.



(h) Other than as disclosed on Schedule 4.12(h) of the Disclosure Schedules, none of KKJ, KJI or the Business Group Companies has entered into or is otherwise bound by a Contract that grants any Person any rights to use, license or otherwise exploit the Likeness of KKJ (including any endorsement or promotion by KKJ) or the KKJ Trademarks, in each case, in the Beauty and Cosmetics Field.

(i) The Exclusivity Period (as defined in the KK LLC Ulta Agreement (as defined in the Disclosure Schedules)) currently is in force only with respect to the products and services set forth on Schedule 4.12(i), and shall terminate with respect to all products and services by no later than December 31, 2019, unless extended in accordance with the terms thereof and hereof.

Section 4.13 Permits. The Business Group Companies have all federal, state, local and foreign licenses, permits, consents, franchise, privileges, immunities, authorizations, exemptions, registrations, certificate, variances or other approvals or rights required for the operation of its business as now being conducted (collectively, "Permits"), except where failure to have any such Permits would not be material to the Business Group Companies, taken as a whole. All such Permits are valid and in full force and effect, and the Company and its Subsidiaries are in compliance with all such Permits other than as would not have a Material Adverse Effect.

#### Section 4.14 Labor and Employment.

(a) No Business Group Company is a party to any collective bargaining agreement. No labor organization represents or purports to represent any employees of a Business Group Company in connection with their employment for a Business Group Company. There are no pending campaigns seeking to authorize representation of the employees of any Business Group Company by any labor organization. With respect to the Business Group Companies, there is no pending or, to the Company's Knowledge, threatened material unfair labor practice charge or complaint, strike, slowdown, lockout or work stoppage.

(b) The Business Group Companies are in compliance in all material respects with all applicable Laws relating to employment and employment practices, including, but not limited to workers' compensation, terms and conditions of employment, worker safety, wages and hours, discrimination, immigration and the United States Worker Adjustment and Retraining Notification Act, 29 U.S.C. § 2101 et seq. and the regulations promulgated thereunder (and any similar state, local or foreign Laws) (collectively, the "WARN Act").

(c) No Action by or on behalf of any Company Personnel, or applicant for any such position, in their capacity as such, or otherwise arising out of the labor or employment practices of a Business Group Company, is pending or, to the Company's Knowledge, threatened against the Company or any of its Subsidiaries.

(d) The Business Group Companies have not received notice of the intent of any Governmental Authority responsible for the enforcement of labor, employment, anti-discrimination, affirmative action, wages and hours of work, child labor, immigration, or

occupational safety and health Laws to conduct an audit or investigation with respect to or relating to the Company and its Subsidiaries or notice that such investigation is in progress.

(e) Since January 1, 2017, no Business Group Company has effectuated in the United States a “plant closing” (as defined in the WARN Act) or a “mass layoff” (as defined in the WARN Act). No Business Group Company is subject to any material unsatisfied Liability to or penalties in respect of any current or former employees of the Company or any of its Subsidiaries triggered by the closure of any office or facility or employee downsizing or other restructuring measures affecting its workforce (or portions thereof).

(f) (i) Since January 1, 2017, no Business Group Company has been a party to any material settlement agreement with any Person resolving any allegation of sexual harassment or misconduct by a Business Group Company or any Company Personnel; (ii) there have been no Actions pending or, to the Company’s Knowledge, threatened, against a Business Group Company involving allegations that any Company Personnel engaged in sexual harassment or sexual misconduct with respect to any other Company Personnel; and (iii) no allegations of sexual harassment or sexual misconduct (oral or written) have been made against any Senior Executive of a Business Group Company.

(g) (i) With respect to each Company Plan and with respect to each state workers’ compensation arrangement that is funded wholly or partially through an insurance policy or public or private fund, all premiums required to have been paid to date under such insurance policy or fund have been paid, all premiums required to be paid under the insurance policy or fund through the Closing Date will have been paid on or before the Closing Date and (ii) as of the date of this Agreement, no facts exist that would give rise to a Liability of a Business Group Company under any such insurance policy in the nature of retroactive rate adjustment, loss sharing arrangement or other Liability arising wholly or partially out of events occurring prior to the Closing Date.

(h) Prior to the date hereof, the Company has made available to Investor all of the written employment workplace policies in effect as of the date hereof with respect to the Business Group Companies (the “Company Policies”). No Senior Executive of a Business Group Company has failed, or to the Company’s Knowledge has been alleged to have failed, to comply with the Company Policies in any material respect.

(i) No Senior Executive of a Business Group Company has terminated his or her employment with the Company or has notified the Company that he or she intends to terminate his or her employment with the Company.

#### Section 4.15 Environmental Matters.

(a) No Business Group Company has since January 1, 2017, received a written notice of violation, citation or request for information from a Governmental Authority or is currently a party to any unresolved Governmental Order, in each case (i) relating to the presence, release or threatened release of a Hazardous Material, an alleged exposure to a Hazardous Material or a violation of, non-compliance with or a liability under applicable

Environmental Laws or Environmental Permits, and (ii) which would reasonably be expected to result in material Liability to a Business Group Company under applicable Environmental Laws.

(b) To the Knowledge of the Company (i) there are no Hazardous Materials present in any Products except in material compliance with Environmental Laws, and (ii) there has been no release of Hazardous Materials at, on or from the Leased Real Property or at any third-party site to which Hazardous Materials generated by a Business Group Company were sent for treatment or disposal, except, in each case of clause (i) or (ii), which would not reasonably be expected to result in material Liability to a Business Group Company under applicable Environmental Laws.

(c) There are no lawsuits, actions, suits, proceedings or investigations pending or, to the Knowledge of the Company, threatened against a Business Group Company alleging any failure to comply with, or alleging Liability pursuant to, any Environmental Law that would, individually or in the aggregate, reasonably be expected to result in a material liability to a Business Group Company and no Business Group Company has assumed by Contract or by operation of any applicable Law, any material Liability of any third Person in respect of exposure to Hazardous Materials or arising under Environmental Laws.

(d) Each Business Group Company: (i) is and since January 1, 2017, has been in compliance with applicable Environmental Laws (including the obligation to obtain, comply with and maintain all Environmental Permits necessary for its operations) and (ii) has had in place all product safety and health and safety training programs, certifications, and warnings required by Environmental Laws relevant to its Products, employees and respective operations, in each case of (i) and (ii), except for any such noncompliance or failure to maintain or have in place which would not, individually or in the aggregate, reasonably be expected to result in material Liability to a Business Group Company under applicable Environmental Laws.

(e) The Company has made available all environmental assessments, audits, reports, and other documents in their possession or reasonable control relating to the Products, operations and properties of the Business Group Companies that would be material and relevant to an assessment of environmental matters relating to the Business Group Companies.

#### Section 4.16 Material Contracts.

(a) Schedule 4.16 of the Disclosure Schedules sets forth, as of the date hereof, a list of all Contracts of the types described below to which a Business Group Company, or solely for purposes of Section 4.16(a)(xv) below, KJI or KKJ, is a party or is otherwise bound (all such Contracts required to be set forth on Schedule 4.16 of the Disclosure Schedules, collectively, the "Material Contracts"):

(i) all Contracts pursuant to which a Business Group Company is (i) obligated to make payments in any calendar year in excess of \$250,000, or (ii) entitled to receive payments in any calendar year in excess of \$250,000;

(ii) all Contracts entered into in connection with any merger, consolidation or other business combination or any acquisition or disposition of a business or material amount of stock or assets of Person or any real property and pursuant to which a Business Group Company has an existing obligation, including in respect of indemnification obligations, purchase price adjustment, or otherwise;

(iii) other than with respect to the Reorganization, any Contract that requires any Person to purchase its total requirements of any product or service from any other Person or contains “take or pay” or similar provisions;

(iv) any Contract requiring any future capital expenditures by a Business Group Company in excess of \$250,000;

(v) any Contract that provides for the indemnification or assumption of any Liability of any Person by a Business Group Company other than in the ordinary course of business;

(vi) any broker, distributor, dealer, manufacturer’s representative, franchise, agency, sales promotion, market research, marketing consulting or advertising Contract with a value in excess of \$250,000;

(vii) any Contract to which a Governmental Authority is a party;

(viii) any hedging, swap, derivative or similar Contract;

(ix) any Contract involving a Related-Party Transaction;

(x) any Contract with a Material Customer;

(xi) any Contract with a Material Supplier;

(xii) all partnership, joint venture, limited liability company agreements, Tax sharing agreements, or other similar agreements (involving for clarity a share of profits, losses, costs or liabilities);

(xiii) all Contracts that contain a covenant restricting the ability of a Business Group Company or any of its Affiliates (or following the Closing, Investor or any of Investor’s Affiliates) to compete in any line of business or geographic area with any Person or solicit any executive officers, managers or customers;

(xiv) all Contracts pursuant to which a Business Group Company leases any material real property;

(xv) all Contracts pursuant to which a Business Group Company (or KJI or KKJ in connection with the Business) (A) is granted or obtains or

agrees to obtain any right to use or register any material Intellectual Property, (B) is restricted in its right to use or register any material Intellectual Property, or (C) permits, or agrees to permit any other Person to use or register any material Intellectual Property, including any license agreements, software or trade secret escrow agreements, option agreements to acquire Intellectual Property, coexistence agreements, and covenants not to sue, in the case of each of clauses (A)–(C) above other than licenses for commercially available, off-the-shelf software used by a Business Group Company;

(xvi) all collective bargaining agreements;

(xvii) all Contracts under which a Business Group Company has incurred any outstanding Indebtedness for borrowed money that remains outstanding;

(xviii) all Contracts involving a settlement or compromise of any Action to which a Business Group Company or any of its directors or officers (in their capacity as such) is a party (A) that has been entered into in the last seven (7) years or (B) that has any continuing obligations in excess of \$250,000 or is required to comply with any material covenants after the date hereof; and

(xix) any other Contract that is material to the Business Group Companies, taken as a whole.

(b) None of the Company or its Subsidiaries (after taking into account the Reorganization) has any obligations or liabilities pursuant to the agreements referred to on Schedule 4.16(b), each of which is no longer in effect.

(c) True and correct copies of each such Material Contract (including all modifications, amendments, supplements, annexes and schedules thereto and written waivers thereunder) have been made available to Investor. Each such Material Contract is in full force and effect and is valid, binding and enforceable against the applicable Business Group Company, and, to the Knowledge of the Company, each other party thereto, in accordance with its terms, except as such enforceability may be limited by the Enforceability Exceptions. No Business Group Company, nor, to the Knowledge of the Company, any other party to any Material Contract is in material breach or default under, or has provided or received any notice, whether written or oral, of any intention to terminate or seek renegotiation of, any Material Contract. No event or circumstance has occurred that, with or without notice or lapse of time or both, would (i) constitute a breach of or event of default by, (ii) result in a right of termination for, or (iii) cause or permit the acceleration of or other changes to any right or obligation or the loss of any benefit for, in each case, any party under any Material Contract.

Section 4.17 Litigation. Except as set forth in Schedule 4.17 of the Disclosure Schedules, there are no material Actions to which any Business Group Company or any of their respective directors and officers (in their respective capacities as such), is a party (either as plaintiff or defendant) that is pending or, to the Company's Knowledge, threatened in writing

against any Business Group Company or any of their respective directors and officers (in their respective capacities as such), properties, assets or businesses, in each case other than as would be material to the Business Group Companies taken as a whole.

Section 4.18 Insurance. Each of the Business Group Companies is currently insured with policies of insurance and bonds of the type and in amounts as is customary and appropriate in its industry (taking into account the size of the Business), including all legally required workers' compensation insurance, casualty, fire, products liability and general liability insurance. Each such policy or coverage is in full force and effect, all premiums due and payable thereunder have been paid in full, and no Business Group Company thereof is in default with respect to the obligations under any such policies or has otherwise failed to comply in all material respects with the terms and conditions of such policies other than as would not be material to the Business Group Companies taken as a whole. No Business Group Company or Affiliate thereof has received any notice of cancellation or non-renewal with respect to any such policy or coverage, and no insurer under any such policy or coverage has questioned, disputed or denied or, to the Company's Knowledge, threatened to question, dispute or deny any material claim thereunder.

Section 4.19 Brokers. Except as otherwise set forth in Schedule 4.19 of the Disclosure Schedules, there are no brokerage commissions, finders' fees or similar compensation payable in connection with the Contemplated Transactions based on any arrangement or agreement made by or on behalf of the Company or any of its Subsidiaries or for which the Company or any of its Subsidiaries has any liabilities.

Section 4.20 Related-Party Transactions. Except as otherwise set forth in Schedule 4.20 of the Disclosure Schedules, there are no loans, leases or other Contracts or transactions between the Company or any of its Subsidiaries, on the one hand, and any officers, directors, direct or indirect equity holders (including any Seller Group Party) or employees of the Company or any Subsidiary of the Company or their respective Affiliates or immediate family members, on the other hand (collectively, the "Related-Party Transactions"). Related-Party Transactions shall not include offer letters, employment or similar agreements, Company Plans or director or officer indemnification agreements.

Section 4.21 Title, Condition and Sufficiency of Assets.

(a) The Company has good and valid title to, or a valid leasehold interest in, all tangible personal property and other assets reflected in the Company's Reference Balance Sheet or acquired after the Reference Balance Sheet Date, free and clear of all Liens other than Permitted Liens, except for properties and assets sold or otherwise disposed of in the ordinary course of business since the Reference Balance Sheet Date.

(b) K Skin has good and valid title to, or a valid leasehold interest in, all tangible personal property and other assets reflected in the K Skin's Reference Balance Sheet or acquired after the Reference Balance Sheet Date, free and clear of all Liens other than Permitted Liens, except for properties and assets sold or otherwise disposed of in the ordinary course of business since the Reference Balance Sheet Date.

(c) The properties, assets and rights of the Business Group Companies will, following the Reorganization and immediately following the Closing, (i) include all properties, assets and rights used or held for use in connection with the conduct of the business of the Company and K Skin in substantially the same manner as conducted prior to the Closing (including access to the material books and records of any Business Group Company) and (ii) be sufficient for the continued conduct of the Business after the Closing in substantially the same manner as the Business was conducted prior to the Closing.

#### Section 4.22 Customers.

(a) Schedule 4.22(a) of the Disclosure Schedules sets forth a correct and complete list, as of the date hereof, of the top ten (10) third-party customers (by revenue) of the Business Group Companies, taken as a whole, for the twelve (12) months prior to the Reference Balance Sheet Date (collectively, the “Material Customers”) and the amount of consideration paid to the Business Group Companies by each Material Customer during such twelve (12) month period. During the twelve (12) months prior to the Reference Balance Sheet Date, none of the Business Group Companies nor, to the Company’s Knowledge, any of their Affiliates has received any notice, whether written or oral, from any Material Customer indicating that it intends to cancel, terminate or otherwise adversely modify in any material respect its relationship with the Business Group Companies.

(b) Schedule 4.22(b) of the Disclosure Schedules sets forth a correct and complete list, as of the date hereof, of the top ten (10) third-party suppliers and service providers (by revenue) of the Business Group Companies, taken as a whole, for the twelve (12) months prior to Reference Balance Sheet Date (collectively, the “Material Suppliers”) and the amount of consideration paid to each Material Supplier by the Business Group Companies during such period. During the twelve (12) months prior to the Reference Balance Sheet Date, none of the Business Group Companies nor any of its Affiliates has received any notice, whether written or oral, from any Material Supplier indicating that it intends to cancel, terminate or otherwise adversely modify in any material respect its relationship with the Business Group Companies.

#### Section 4.23 Product Liability.

(a) The Business Group Companies are, and since January 1, 2017, have been, in compliance in all material respects with all Food and Drug Law (including with any notification or registration requirements). Since January 1, 2017, none of the Business Group Companies has received written notice of, and there is no pending, or to the Knowledge of the Company, threatened action, suit, proceeding, injunction or investigation against the Business Group Companies by any Governmental Authority or other Person asserting a material lack of compliance with any Food and Drug Law.

(b) Since January 1, 2017, each of the Business Group Companies has been in compliance in all material respects with the applicable facility registration and listing provisions of, and have prepared and maintained all records, studies and other documentation needed to comply in all material respects with the requirements of, the United States Food and Drug Administration (including any successor regulatory agency, the “FDA”) and other Governmental

Authorities for their current business activities relating to their Products. Since January 1, 2017, none of the Business Group Companies has made any material false statements in, or material omissions from, any applications, approvals, reports or other submissions made to the FDA or any other Governmental Authority or in any other records and documentation prepared or maintained by a Business Group Company solely for compliance with the requirements of the FDA or other Governmental Authorities relating to their Products.

(c) Since January 1, 2017, no report of any problems or defects involving any Product has been required to be filed with any Governmental Authority under applicable Law, and none of the Business Group Companies has received written notice of any citation, decision, adjudication or written statement by any Governmental Authority or consent decree stating that any product is unsafe or fails to meet safety standards promulgated by any Governmental Authority. Since January 1, 2017, none of the Business Group Companies has voluntarily recalled, suspended or discontinued manufacturing any product, nor has any Business Group Company received any written notice since January 1, 2017, from any Governmental Authority that such Governmental Authority has commenced or threatened to initiate any action to withdraw approval, restrict sales or marketing, or request a recall of, any Product or that such Governmental Authority has commenced or threatened to initiate any action to enjoin or place restrictions on the production of any Product.

#### Section 4.24 Data Protection and Cyber Security.

(a) The Business Group Companies have implemented appropriate policies and procedures to comply in all material respects with Data Protection Laws relating to the privacy, security and processing of personal data, including by (i) appointing a data protection officer, if required and (ii) securing the transfer of personal data to third parties located outside of the European Economic Area on the terms of a valid data transfer mechanism. The Business Group Companies have at all times complied in all material respects with their policies and procedures concerning the privacy, security and processing of personal data and all applicable Data Protection Laws.

(b) The Business Group Companies have implemented appropriate technical and organizational measures to protect against personal data breaches, as monitored through regular penetration tests and vulnerability assessments, and has aligned its cybersecurity practices with relevant industry standards.

(c) In the last twenty-four (24) months, no Business Group Company has: (i) suffered any material past personal data breaches or cybersecurity incidents; (ii) been subject to past investigations, notices or requests from any legal or regulatory authority in relation to their data processing activities; (iii) received any claims from individuals alleging any breach of, or exercising their rights under, Data Protection Laws; and (iv) to the Knowledge of the Company, there are no circumstances which could reasonably be expected to give rise to any pending or threatened material personal data breaches or cybersecurity incidents, investigations, notices or requests from any legal or regulatory authority in relation to their data processing activities or claims from individuals alleging any breach of, or exercising their rights under, Data Protection Laws.



(d) For purposes of this Section 4.24, the terms “controller”, “personal data”, “personal data breach”, “process” and its cognates, and “processor” shall have the meaning given to them in the GDPR, as applicable.

Section 4.25 Anti-Corruption Compliance, International Trade, and Anti-Money Laundering.

(a) The Business Group Companies have at all times complied with, and are currently in compliance with, the U.S. Foreign Corrupt Practices Act of 1977 (the “FCPA”), as amended, and any other applicable anti-corruption Law. None of the Business Group Companies, or, to the Knowledge of the Company, any of their respective directors, officers, employees, or Representatives acting on behalf of any Business Group Company, has offered, authorized, made, paid or received, directly or indirectly, any bribes, kickbacks or other similar payments or offers or transfers of value, regardless of form or amount, in connection with obtaining or retaining business or to secure an improper advantage to or from any Person. No Business Group Company has (i) used, or authorized the use of, money or anything of value in relation to any unlawful payment or secret or unrecorded fund or (ii) made any false, fictitious or misleading entries in its books and records relating to the same. The Business Group Companies have in place adequate controls and systems reasonably designed to ensure compliance with the FCPA and other applicable anticorruption Law. To the Knowledge of the Company, no director, officer or employee of the Company or any of its Subsidiaries has been an official of any foreign Governmental Authority, an official of a foreign political party or a candidate for political office in any foreign country. Neither the Company nor any of its Subsidiaries is, or has been, under administrative, civil, or criminal investigation, indictment, suspension, debarment, or audit (other than a routine contract audit) by any Governmental Authority, in connection with alleged or possible violations of the FCPA or any other applicable anti-corruption Law.

(b) No Business Group Company or any of their respective directors, officers, employees, or, to the Knowledge of the Company, independent contractors or representatives is, or is 50% or more owned, or otherwise controlled by any Person that is: (i) the target of any sanctions administered by the Office of Foreign Assets Control of the U.S. Department of the Treasury, the U.S. Department of State or any other relevant Governmental Body (collectively, “Sanctions”), or (ii) located, organized or resident in a country or territory that is, or whose government is the target of, comprehensive Sanctions, including, currently, Crimea, Cuba, Iran, North Korea, and Syria (“Embargoed Countries”). In addition, to the Knowledge of the Company, since December 31, 2015, no Business Group Company or any of their respective, directors, officers, employees, independent contractors, or representatives while acting on behalf of any Business Group Company have engaged in any unauthorized business with any Person that is the target of Sanctions or any Embargoed Country. No Seller Group Party will, directly or indirectly, use the proceeds of the transactions contained herein, or lend, contribute or otherwise make available such proceeds to any Person: (x) to finance unauthorized activities or business of or with any Embargoed Country or Person that, at the time of such funding, is, the target of Sanctions, or (y) in any other manner that would result in a violation of Sanctions by any Person. The Business Group Companies and their respective directors, officers, employees and, to the

Knowledge of the Company, Representatives are, and since December 31, 2015, have been, in compliance in all material respects with Sanctions and Anti-Money Laundering Laws.

Section 4.26 Certain Acknowledgements. The Company is not relying nor has relied on any representations or warranties whatsoever by or behalf of Investor regarding the subject matter of this Agreement, express or implied, except for the representations and warranties in Article V.

Section 4.27 No Other Representations and Warranties. None of the Business Group Companies nor any other Person makes any representation or warranty to Investor or its Affiliates with respect to any projections, estimate or budgets delivered to or made available to Investor or its Affiliates or their respective Representatives of future revenues, expenses or future results of operations of any Business Group Company, unless such information is expressly addressed or included in a representation or warranty contained in this Agreement. Except as set forth in the other Transaction Documents, the representations and warranties set forth in this Article IV are the sole and exclusive representations and warranties of the Company and KJI (solely with respect to Sections 4.2, 4.3(c) and 4.12) in connection with the Contemplated Transactions.

## **ARTICLE V**

### **REPRESENTATIONS AND WARRANTIES OF INVESTOR**

Investor represents and warrants to the Sellers as follows:

Section 5.1 Organization. Investor is duly organized, validly existing and in good standing under the Laws of the jurisdiction of its organization.

Section 5.2 Power and Authorization; Enforceability. Investor has all requisite corporate or similar power and authority to execute and deliver this Agreement and the other Transaction Documents required to be executed and delivered by it in connection with the Purchase and Sale and to perform its obligations hereunder and thereunder. Investor has taken all corporate or other actions required to be taken by or on behalf of Investor to authorize and permit the execution and delivery by Investor of this Agreement and each other Transaction Document required to be executed and delivered by it pursuant hereto, the performance by Investor of its obligations hereunder and thereunder, and the consummation by Investor of the Contemplated Transactions. This Agreement, and each other Transaction Document executed and delivered by Investor pursuant hereto, has been duly executed and delivered by Investor and, assuming the due authorization, execution and delivery by each of the other parties hereto or thereto, constitutes the legal, valid and binding obligations of Investor, enforceable against Investor in accordance with its terms, except as such enforceability may be limited by the Enforceability Exceptions.

Section 5.3 No Violation or Approval; Consents. None of the execution or delivery of this Agreement or any other Transaction Document (to which Investor is a party) by Investor or its consummation of the Contemplated Transactions will:

(a) require any Governmental Filings and Approvals, other than (i) those filings required to be made under the HSR Act and those filings required to be made under other Antitrust Laws listed on Schedule 3.3 of the Disclosure Schedules; and (ii) approvals that, if not obtained or made, would not have an Investor Material Adverse Effect;

(b) (i) constitute or result in a violation of any Law or Governmental Order to which Investor is subject or by which any of its properties or assets is bound; (ii) constitute or result in the violation or breach of any term, condition or provision of, or constitute (with or without due notice or lapse of time or both) a default under, or give rise to any right of termination, cancellation or acceleration with respect to any Contract to which Investor or any of its Affiliates is a party; or (iii) result in the creation or imposition of a Lien upon any property or assets of Investor, except with respect to clauses (i), (ii) and (iii), as would not have an Investor Material Adverse Effect; or

(c) result in a breach or violation of, or default under, the Organizational Documents of Investor.

Section 5.4 Litigation. There is no Action pending or, to the Knowledge of Investor, threatened, against Investor or any of its Affiliates or any of their properties, assets or businesses, that would have an Investor Material Adverse Effect.

Section 5.5 Sufficiency of Funds. Investor has, and will have as of January 6, 2020, sufficient access to funds under its existing credit facility and will, at Closing, have sufficient funds available, to pay the Closing Purchase Price and all fees and expenses payable by it hereunder.

Section 5.6 Brokers. There are no brokerage commissions, finders' fees or similar compensation payable in connection with the Contemplated Transactions based on any arrangement or agreement made by or on behalf of Investor or any of its Affiliates.

Section 5.7 Compliance with Securities Laws. Investor is acquiring the Sale Interests for investment for its own account and not with a view to, or for sale in connection with, any distribution of any part thereof. Investor understands and acknowledges that the sale of the Sale Interests pursuant to this Agreement shall not be registered under the Securities Act, and, accordingly, the Sale Interests will be characterized as "restricted securities" under the Securities Act and may be resold without registration under the Securities Act only in certain limited circumstances. Investor further understands that no public market now exists for any of the securities issued by the Company and the Seller Group Parties have given no assurances that a public market shall ever exist for the Sale Interests. Investor is an "accredited investor" within the meaning of Regulation D of the rules and regulations promulgated under the Securities Act.

Section 5.8 Certain Acknowledgements. Investor is not relying nor has relied on any representations or warranties whatsoever by or on behalf of any Seller Group Party or the Company regarding the subject matter of this Agreement, express or implied, except for the representations and warranties in Article III in the case of representations and warranties by the

Seller Group Parties and the representations and warranties in Article IV in the case of representations and warranties by the Company.

Section 5.9 No Other Representations and Warranties. None of the Investor nor any other Person makes any representation or warranty to Investor or its Affiliates with respect to any projections, estimate or budgets delivered to or made available to Investor or its Affiliates or their respective Representatives of future revenues, expenses or future results of operations of the Investor, unless such information is expressly addressed or included in a representation or warranty contained in this Agreement. Except as set forth in the other Transaction Documents, the representations and warranties set forth in this Article V are the sole and exclusive representations and warranties of the Investor in connection with the Contemplated Transactions.

## ARTICLE VI

### COVENANTS OF THE PARTIES

#### Section 6.1 Conduct of Business Prior to the Closing.

(a) Except (i) as required or prohibited by applicable Law, (ii) as contemplated by this Agreement, or (iii) with the prior written consent of Investor (which consent shall not be unreasonably withheld, conditioned or delayed), from the date of this Agreement until the earlier of the Closing or termination of this Agreement (such period, the “Pre-Closing Period”), the Seller Group Parties shall cause the Business Group Companies to, and the Company shall, and shall cause its Subsidiaries to: (A) conduct their businesses in the ordinary course of business, (B) preserve substantially intact their assets and businesses as presently conducted and (C) use commercially reasonable efforts to preserve the goodwill of the suppliers, licensors, employees, independent contractors, customers, distributors and others having business relations with any of the Business Group Companies.

(b) Without limiting the generality of the foregoing, except (i) as required or prohibited by applicable Law, (ii) as set forth in Schedule 6.1 of the Disclosure Schedules, (iii) as contemplated by this Agreement, including with respect to the Reorganization, or (iv) with the prior written consent of Investor (which consent shall not be unreasonably withheld, conditioned or delayed) from the date of this Agreement until the earlier of the Closing or termination of this Agreement, the Seller Group Parties shall cause the Business Group Companies not to and the Company shall not, and shall cause its Subsidiaries not to (and KJI, with respect to Section 6.1(b)(xvi) and Section 6.1(b)(xviii), shall not):

(i) amend any of their Organizational Documents;

(ii) issue, transfer, sell, deliver, pledge or encumber any of their equity interests (or options or other securities convertible into or exchangeable or exercisable for, with or without additional consideration, such equity interests) or any other options, restricted units, phantom interests, warrants, rights to subscribe to, purchase rights, subscription rights, rights of first refusal,

preemptive rights, conversion rights, exchange rights, and calls or other commitments relating to any equity interests of the Business Group Companies;

(iii) split, combine, reclassify or acquire any of their Equity Interests (whether by merger, consolidation, business combination or otherwise) or otherwise their capital structure;

(iv) sell, assign, transfer, convey, lease or otherwise dispose of or encumber any assets or properties for an aggregate purchase price in excess of \$250,000 in any transaction or series of related transactions, except for sales of inventory in the ordinary course of business;

(v) directly or indirectly acquire or agree to acquire any equity interest in any Person or any assets or properties for an aggregate purchase price in excess of \$250,000 in any transaction or series of related transactions;

(vi) make loans or advances of borrowed money to any other Person (other than advances for travel expenses in the ordinary course of business);

(vii) create, incur, assume, suffer to exist or otherwise be liable with respect to any Indebtedness, other than the incurrence of Indebtedness in the ordinary course of business;

(viii) change or amend any material Tax elections, make any material changes to any method of Tax accounting, file any amended material Tax Return, settle or compromise any claim or assessment in respect of a material amount of Taxes or enter into any closing agreement (or similar contract) with any Taxing Authority;

(ix) engage in any corporate reorganization, voluntary liquidation or dissolution;

(x) amend, modify (including extend any exclusivity period) or terminate any Material Contract, or enter into any Contract that would be considered a Material Contract if in effect as of the date hereof;

(xi) enter into any partnership, alliance, joint venture or similar arrangement with another Person;

(xii) except as required by a Company Plan or applicable Law, (A) increase the compensation, bonus opportunity or other remuneration or benefits (including equity and equity-based awards) payable to any Company Personnel (other than increases in annual base salary or wage rate and annual cash bonuses in the ordinary course of business for Company Personnel whose annual base salary or wage rate is less than \$100,000), (B) enter into, adopt, amend,

terminate or supplement any Company Plan, other than renewals of any Company Plan in connection with annual open enrollment periods in the ordinary course of business (or any plan, program or arrangement that would be a Company Plan if in effect on the date hereof), or grant any change in control, retention, severance, termination or similar pay, (C) accelerate the time of payment or vesting of, or fund or otherwise secure the payment of, any compensation or benefit payable to any Company Personnel, (D) enter into any independent contractor agreement with a natural person, except for any such agreement that is terminable upon ten (10) or fewer days' prior notice by the Company or its Subsidiaries, (E) hire any person to be employed by the Company or its Subsidiaries with an annual base salary or wage rate or consulting fees in excess of \$75,000 or (F) promote, relocate or terminate (other than for cause) the employment of any Company Personnel other than in the ordinary course of business;

(xiii) commence or settle any Action, other than such settlements in the ordinary course of business that (A) are only for money damages of less than \$250,000 individually and \$500,000 in the aggregate, (B) include a full release of the Business Group Companies and its Affiliates and (C) do not include any admission of wrong-doing;

(xiv) make any material changes in any accounting methods, principles or practices other than changes required by GAAP or applicable Law or replace the Company's external auditor;

(xv) except for tax distributions in accordance with the Organizational Documents, declare, accrue, set aside or pay any non-cash distribution on or in respect of any Equity Interests;

(xvi) sell, assign, transfer, convey, lease, license or otherwise dispose of, or abandon, let lapse or fail to defend or prosecute, in each case, any Intellectual Property used or held for use in the business of the Business Group Companies (other than non-exclusive licenses of Trademarks granted to distributors in the ordinary course of business);

(xvii) grant any Person the rights to use, license or otherwise exploit the Likeness of KKJ (including any endorsement or promotion by KKJ) or the KKJ Trademarks in the Beauty and Cosmetics Field;

(xviii) terminate (other than expirations in the ordinary course of business) any insurance policy maintained by a Business Group Company and pertaining to the assets, operations or employees of the Business Group Companies or the Business;

(xix) incur accounts payables outside of the ordinary course of business or delay the payment of any accounts payables outside of the ordinary course of business; or

(xx) commit, authorize or agree to take any action, as applicable, in contravention of any of the foregoing.

(c) Nothing contained in this Agreement shall give Investor, directly or indirectly, any right to control or direct the operations of the Business Group Companies prior to the Closing. During the Pre-Closing Period, each of the Company and Investor shall exercise, consistent with the other terms and conditions of this Agreement, complete control and supervision over their respective businesses.

#### Section 6.2 Appropriate Actions; Governmental Approval.

(a) During the Pre-Closing Period, each party hereto shall use its commercially reasonable efforts to (i) promptly obtain all authorizations, consents, orders and approvals of all Governmental Authorities that are necessary for its execution and delivery of, performance of its obligations pursuant to, and consummation of the Contemplated Transactions, and (ii) avoid the entry of, or to effect the dissolution of, any decree, order, judgment, injunction, temporary restraining order or other order in any suit or proceeding, that would otherwise have the effect of preventing or materially delaying the consummation of the Contemplated Transactions.

(b) In furtherance of the foregoing, each party hereto agrees to make as promptly as reasonably practicable all necessary applications and filings for which it is responsible with respect to the transactions contemplated by this Agreement under any Antitrust Law or by any antitrust or competition Governmental Authority (and in any event file all required HSR Act notifications no later than the tenth (10<sup>th</sup>) Business Day following the date hereof). The fees associated with such filings shall be borne by Investor.

(c) During the Pre-Closing Period, each party hereto shall cooperate with each other in connection with (i) determining whether any action by or in respect of, or filing with, any Governmental Authority is required in connection with the consummation of this Agreement and (ii) seeking any such actions, consents, approvals or waivers or making any such filings. The parties shall promptly furnish to each other all documents and information required for any application or other filing under the rules and regulations of any applicable Law in connection with the transactions contemplated by this Agreement; provided, however, that documents and/or information obtained under this Agreement may be used only in connection with the Contemplated Transactions and for no other purpose without the prior written consent of the party that provided such documents and/or information and that each disclosing party may limit disclosure of any reasonably designated privileged materials or competitively sensitive materials to counsel or outside counsel at their discretion. Without limiting the generality of anything contained in this Section 6.2(c), each party hereto shall promptly notify the other parties of any material oral or written communication it receives from any Governmental Authority relating to the matters that are the subject of this Agreement, permit each other party hereto to review in advance, and consider any reasonable comments to, any communication proposed to be made by such party to any Governmental Authority and provide the other parties with copies of all material correspondence, filings or other communications between them or any of their Representatives, on the one hand, and any Governmental Authority or members of its staff, on

the other hand (subject to appropriate redactions to protect any privileged or commercially sensitive information). During the Pre-Closing Period, no party to this Agreement shall agree to participate in any meeting or discussion with any Governmental Authority in respect of any such filings, investigation or other inquiry unless it consults with the other parties in advance and, to the extent permitted by such Governmental Authority, gives the other parties the opportunity to attend and participate at such meeting. Subject to Section 6.9, the parties to this Agreement will coordinate and cooperate fully with each other in exchanging such information (subject to appropriate redactions to protect any privileged or commercially sensitive information) and providing such assistance as the other party may reasonably request in connection with the foregoing.

(d) Each party hereto shall use its commercially reasonable efforts to resolve such objections, if any, as may be asserted by any Governmental Authority with respect to the Contemplated Transactions under the HSR Act and any similar Laws in any other relevant non-United States jurisdiction. Each party to this Agreement agrees to cooperate to obtain any other consents and approvals that may be required in connection with the Contemplated Transactions.

(e) Prior to the Closing, each party shall use commercially reasonable efforts to fulfill, and shall reasonably cooperate with each other to fulfill, as soon as reasonably practicable, the conditions specified in Article VII. In connection with the foregoing, prior to the Closing, each party hereto will (a) execute and deliver the Transaction Documents and (b) comply with all applicable Laws in connection with its execution, delivery and performance of the Transaction Documents and the Contemplated Transactions.

(f) Notwithstanding anything in this Agreement to the contrary, nothing in this Agreement shall require, or be construed to require, Investor or any of its Affiliates to proffer to, or agree to, sell, license or dispose of or hold separate, or accept any behavioral remedy, with respect to, before or after the Closing, any assets, businesses, or interest in any assets or businesses of Investor, the Company or any of its or their respective Affiliates, and the Seller Group Parties, the Company and its Subsidiaries shall not take or agree to take on any such action without Investor's prior written consent.

Section 6.3 Public Announcements. The initial press release, and any accompanying filing pursuant to the Exchange Act announcing the Contemplated Transactions shall be agreed upon by the Sellers and Investor (the "Initial Press Release"). No party hereto will (and each such party will cause its Affiliates not to) issue any press release or otherwise make any public statement (whether pursuant to the Exchange Act or otherwise) with respect to the Contemplated Transactions hereby without (to the extent permitted by Law) providing the other parties hereto an opportunity to review and comment on such public statement, except (i) to the extent such press release or statement discloses only such information as was disclosed in the Initial Press Release and (ii) to the extent that such party or any of its Affiliates determines in good faith, based on the advice of outside counsel, that it is so obligated by applicable securities or other Laws or the rules of any securities exchange, in which case such party shall give notice to the other parties in advance of such party's or its Affiliate's intent to make such announcement or issue such press release and provide the other party a reasonable opportunity to review and



comment on such disclosure; provided, however, that no party shall be required to provide to the other party any factual description of the transaction required to be included in any Quarterly Report or Annual Report of such party to be filed with the Securities and Exchange Commission to the extent such disclosure is consistent with disclosure previously filed pursuant to applicable securities or other Laws or the rules of any securities exchange, and if such disclosure was previously provided to the other party. The parties to the Agreement hereby agree to the matters set forth on Schedule 6.3.

Section 6.4 Transaction Expenses. Except as expressly provided in this Agreement, each party shall assume and bear all expenses, costs and fees (including legal and accounting fees and expenses) incurred by it in connection with the preparation, negotiation and execution and performance of this Agreement and the other instruments and agreements referred to herein and the consummation of the Contemplated Transactions.

Section 6.5 Access to Information. From the date hereof until the earlier of the Closing or the termination of this Agreement, and subject to compliance with applicable Law, Contracts and this Section 6.5, (i) the Seller Group Parties shall cause the Business Group Companies; and (ii) the Company shall and shall cause its Subsidiaries to, give Investor and its Representatives reasonable access during regular business hours to the properties, personnel, accountants and other Representatives (subject to any customary access agreements required by third-party advisors), books and records of the Business Group Companies at the reasonable, prior request of Investor in connection with the Contemplated Transactions; provided, however, that Investor and its Representatives shall conduct any such activities in such a manner as not to unreasonably interfere with the business or operations of the Business Group Companies. If the Seller Group Parties determine, in their reasonable judgment and on the advice of counsel, that providing such information would waive or jeopardize the protection of the attorney-client privilege or any other similar privilege or immunity, the Seller Group Parties shall cooperate in good faith to enable Investor to evaluate any such information without jeopardizing such privilege or immunity.

Section 6.6 Treatment of Related-Party Contracts. The parties to the Agreement hereby agree to the matters set forth on Schedule 6.6 of the Disclosure Schedules.

Section 6.7 Reorganization. Prior to the Closing, each of the Seller Group Parties shall, and shall cause their respective applicable Affiliates to, use reasonable best efforts to effect the transactions described in Schedule 6.7 (collectively, the “Reorganization”), in substantially the manner set forth therein (the plan set forth in Schedule 6.7, as amended in accordance with this Section 6.7, the “Reorganization Plan”). The Seller Group Parties shall provide Investor with a reasonable opportunity (and in any event no less than ten (10) Business Days) to review and comment on all documentation relating to the Reorganization (the “Reorganization Documentation”). The Seller Group Parties shall consider in good faith any reasonable comments received from Investor. Prior to the Closing, the Seller Group Parties shall deliver to Investor an updated capitalization table of the Company reflecting the Reorganization. The Seller Group Parties shall, and shall use reasonable best efforts to cause their respective Affiliates to, take all other actions reasonably designed to further the completion of Reorganization prior to

the Closing, and shall keep Investor reasonably informed on a timely basis with respect to all material activity concerning the status of the Reorganization.

Section 6.8 Exclusive Dealing. During the Pre-Closing Period, the Seller Group Parties shall not, and shall cause each of the Business Group Companies, their other Affiliates and their respective Representatives acting under their direction not to, directly or indirectly (a) initiate, solicit, facilitate or encourage the submission of any proposals or offers with respect to, (b) participate in any discussions or negotiations regarding or relating to, (c) furnish any other Person any information with respect to, or (d) enter into any letter of intent or agreement in principle with any Person relating to, any direct or indirect acquisition of all or substantially all of the Business Group Companies' assets or, other than as contemplated by the Reorganization, any material portion of the equity interests of a Business Group Company, or an acquisition of a Business Group Company by merger, amalgamation, consolidation or otherwise (each of the foregoing transactions, an "Acquisition Transaction") (in each case other than sales of inventory in the ordinary course of business and other than with respect to the Contemplated Transactions). The Seller Group Parties shall, and shall cause the Business Group Companies to, immediately cease and cause to be terminated all existing discussions, conversations, negotiations and other communications with any Person (other than Investor and its Affiliates) conducted heretofore with respect to any of the foregoing.

Section 6.9 King Kylie DISC, Inc. The Company shall take all actions necessary so that as of the Closing there is no cash or cash equivalents in King Kylie DISC, Inc. in excess of ordinary course operating needs of King Kylie DISC, Inc.

Section 6.10 Business Confidential Information. Each of the Seller Group Parties understands and acknowledges that such Person has had access to and has learned and will learn prior to the Closing (a) information proprietary to the Business Group Companies, including Intellectual Property, policies and strategies, details of customer and consultant contracts, operations methods, product development techniques, business plans and all other confidential information with respect to the businesses of the Business Group Companies, (b) other confidential or proprietary information of the Business Group Companies obtained by such Person prior to the Closing, including the terms of the Transaction Documents, and (c) other confidential or proprietary information of the Business Group Companies, Investor or their respective Affiliates obtained by such Person pursuant to the terms of the Transaction Documents (collectively, the "Business Confidential Information"). Each of the Seller Group Parties hereby agrees that, upon the terms and subject to the conditions set forth herein, until the five (5)-year anniversary of the Closing Date, such Person (i) will keep confidential all Business Confidential Information, and (ii) will not, directly or indirectly, disclose any Business Confidential Information to any third Person or use any Business Confidential Information in any way, in each case other than for the benefit of Investor, the Company or its Subsidiaries in performance of such Person's duties as an officer or employee of the Company or any of its Subsidiaries. The restrictions contained in this Section 6.10 shall not apply to any information which (v) is at the Closing Date or thereafter becomes generally available to the public other than as a result of a disclosure, directly or indirectly, by any Seller Group Party in violation of this Agreement or a breach by any other Person of any legal or contractual obligation known to the

Seller Group Party (as applicable), (w) is required to be disclosed by applicable Law; provided that, in such event, the applicable Seller Group Party shall use reasonable efforts if permitted by Law to give reasonable advance notice of such requirement to Investor to enable Investor, the Company or any of its Subsidiaries to seek a protective order or other appropriate remedy with respect to such permitted disclosure, (x) becomes available to the Seller Group Party (as the case may be) on a non-confidential basis from a source other than the Business Group Companies; provided that such source is not known to the Seller Group Party to be bound by a confidentiality agreement to a Business Group Company, (y) is reasonably necessary to be disclosed to obtain the consents and approvals required hereunder, and (z) is reasonably necessary to be disclosed in order to enforce such Seller Group Party's rights under this Agreement or any Transaction Document entered into in connection herewith.

Section 6.11 Release. Each Seller Group Party will be deemed to, and hereby does, effective as of the Closing, release and forever discharge the Company, each of its Subsidiaries and each of their respective successors, heirs and assigns from any and all Liabilities, Liens, sums of money, accounts and judgments whatsoever, at law or in equity, either in contract or in tort, whether known or unknown, on account of, arising out of or relating to any act, omission or commitment of any kind or character whatsoever occurring prior to the Closing, including the calculation and payment of any and all amounts due to any Seller Group Party prior to the Closing (including accrued and unpaid distributions or other payments arising out of or related to a Seller Group Party's acquisition or ownership of Equity Interests of the Company); provided, however, that such claims shall not include claims arising out of the Transaction Documents, rights to indemnification or advancement or reimbursement of expenses to which the current or former directors and officers of the Company or of any of its Subsidiaries may be entitled pursuant to the Company's or any of its Subsidiaries' Organizational Documents, or claims for compensation, benefits and expense reimbursement in the ordinary course of business in such Seller Group Party's capacity as an employee or service provider of the Company or any of its Subsidiaries. For the avoidance of doubt, each Seller Group Party (in his, her or its individual capacity and on behalf of his, her or its Affiliates, Representatives and successors and permitted assigns) hereby, irrevocably waives any restriction on transfer, right of first refusal, right of first offer or similar right (including any and all rights set forth in the Company's Organizational Documents) in respect of the transactions contemplated by this Agreement and hereby consents to the transfer of the Equity Interests contemplated hereby.

Section 6.12 Tax Matters.

(a) Procedures for Pre-Closing Tax Periods and Straddle Periods. Whenever it is necessary hereunder to determine the liability for Taxes of the Company or any Person with respect to the Company or its Subsidiaries for a Straddle Period, the determination of such Taxes for the portion of the Straddle Period ending on and including the Closing Date shall be determined by assuming that the Straddle Period consisted of two (2) taxable years or periods, one which ended at the close of the Closing Date and the other which began at the beginning of the day following the Closing Date and items of income, gain, deduction, loss or credit of or with respect to such Person for the Straddle Period shall be allocated between such two taxable years or periods on a "closing of the books basis" by assuming that the books of such Person were

closed at the close of the Closing Date; provided, however, that exemptions, allowances, deductions or Taxes that are calculated on a periodic basis, such as property Taxes and depreciation deductions, shall be apportioned between such two taxable years or periods on a daily basis.

(b) Tax Cooperation. Sellers, on the one hand, and Investor, on the other hand, shall (and shall cause their respective Affiliates to) use commercially reasonable efforts to cooperate fully, as and to the extent reasonably requested by the other party, in connection with the filing of Tax Returns and any audit, litigation or other proceeding with respect to Taxes including, for the avoidance of doubt reasonable assistance with any voluntary disclosure or discussions with any taxing authority relating to sales tax. In particular, Sellers, on the one hand, and Investor, on the other hand, shall (and shall cause their respective Affiliates to) use commercially reasonable efforts to furnish or cause to be furnished to the other, upon written request, such information and assistance as is reasonably necessary for the filing of any Tax Return for the Pre-Closing Tax Period or any Straddle Period or otherwise relating to any of the payments to be made pursuant to this Agreement, for the making of any election relating to Taxes, for the preparation for any audit, and for the prosecution or defense of any lawsuit, action, suit, proceeding or investigation relating to any adjustment or proposed adjustment with respect to Taxes, including making employees available, at the requesting party's expense, on a mutually convenient basis to provide additional information and explanations of any material provided hereunder. Investor and Sellers shall retain all records with respect to Taxes pertaining to the Company and the Company's Subsidiaries for a period of at least seven (7) years following the Closing Date and shall give the other party reasonable written notice prior to transferring, destroying or discarding any such records, and allow such other party to take possession of such records. Investor and Sellers shall cooperate with each other in the conduct of any lawsuit, action, suit, proceeding or investigation relating to Taxes involving the Company and the Company's Subsidiaries.

(c) Preparation and Filing of Tax Returns.

(i) The Sellers shall, at the Sellers' expense, timely prepare and file, or shall cause to be timely prepared and filed, all Pre-Closing Tax Returns; provided that the Sellers shall provide a copy of such Pre-Closing Tax Return to Investor in a commercially reasonable period of time prior to the due date (including applicable extensions) of such Pre-Closing Tax Return, and the Sellers shall consider in good faith any suggested changes; provided, further, that if such Pre-Closing Tax Return would reasonably be expected to have the effect of (a) causing Investor to bear any Taxes due and owing on such Pre-Closing Tax Return (taking into account Section 9.1 hereof and the limitations in Section 9.4 hereof) or (b) materially increasing the Tax liability of Investor for any tax period following the Closing Date, the filing of such Pre-Closing Tax Return shall be subject to Investor's consent (not to be unreasonably withheld, conditioned, or delayed).

(ii) The Company shall timely prepare and file, or shall cause to be timely prepared and filed, all other Tax Returns (including any partnership return and applicable K-1s) of the Company and its Subsidiaries consistent with and subject to the applicable provisions of the A&R LLC Agreement addressing the preparation and filing of post-Closing Tax Returns; provided, however that the Company shall provide a copy of any Straddle Tax Return to the Sellers a commercially reasonable period of time prior to the due date (including applicable extensions) of such Straddle Tax Return, and Investor shall consider in good faith any suggested changes; provided, further, that the filing of such Straddle Tax Return shall be subject to such Sellers's consent (not to be unreasonably withheld, conditioned, or delayed).

(iii) The Company shall have in effect an election under Section 754 of the Code for the taxable year that includes the Closing Date. Investor shall not make an election under Section 336 or 338 of the Code (or any comparable applicable provision of state, local or non-U.S. Tax Law) with respect to the transactions contemplated by this Agreement.

(iv) Following the Closing, the Company and its Subsidiaries shall not (and the Investor shall not cause the Company or any Subsidiaries to): (a) amend any Pre-Closing Tax Return or Straddle Tax Return prepared and filed in accordance with Section 6.12(c)(i) or Section 6.12(c)(ii), or otherwise filed prior to the Closing Date, (b) make or change any Tax election or change any method of accounting that would have retroactive effect to any Pre-Closing Tax Period, or (c) except for Tax Returns prepared and filed in accordance with Section 6.12(c)(i) or Section 6.12(c)(ii), file any original Tax Returns of the Company or its Subsidiaries (or otherwise initiate discussions or examinations with a Governmental Entity, other than pursuant to the VDA Procedures described in Section 6.12(h)) with respect to any Pre-Closing Tax Period, in each case, without the Sellers' consent (not to be unreasonably withheld, conditioned or delayed).

(d) Tax Contests.

(i) Investor shall deliver a written notice to the Sellers promptly following any demand, claim, or notice of commencement of a claim, proposed adjustment, assessment, audit, examination or other administrative or court proceeding with respect to Taxes of (or relating to) any of the Company or its Subsidiaries for which the Sellers may have an indemnification obligation pursuant to this Agreement or for which the Sellers may otherwise be liable (a "Tax Claim") and shall describe in reasonable detail, to the extent practicable, the facts constituting the basis for such Tax Claim, the nature of the relief sought, and the amount of the claimed Losses (including Taxes), if any, provided, however, that the failure or delay to so notify the Sellers shall not relieve the Sellers of any

claim of indemnification pursuant to this Agreement, except to the extent that the Sellers are prejudiced thereby.

(ii) The Sellers shall have the right to control and Investor shall have the right to participate in (at its own expense) any Pre-Closing Tax Contest; provided that (a) the Sellers shall keep Investor reasonably informed of all material developments and events relating to such Pre-Closing Tax Contest and to the extent any settlement or compromise of a Pre-Closing Tax Contest could reasonably be expected to have the effect of increasing a Tax liability of the Company or any of its Subsidiaries or owners in a taxable period or portion thereof ending after the Closing Date, the Sellers shall not settle such Pre-Closing Tax Contest without Investor's prior written consent (not to be unreasonably withheld, conditioned, or delayed), (b) the Sellers shall provide Investor with evidence reasonably acceptable to Investor that the Sellers will have the financial resources necessary to conduct the defense of such contest and fulfill its indemnification obligations hereunder, and (c) the Company shall have the right to make an election under Section 6226 of the Code for any applicable taxable period with respect to such contest unless (i) each Seller shall have paid, no fewer than 20 calendar days before the date on which such election under Section 6226 of the Code is due, such Seller's pro rata portion of any imputed underpayment (as determined under Section 6225 of the Code) attributable to such Seller plus any related interest and penalties and (ii) the total amount paid by the Sellers is 100 percent of such imputed underpayment and related interest and penalties.

(iii) The Company shall have the right to control and the Sellers shall have the right to participate in (at their own expense), any Straddle Tax Contest; provided that Investor shall keep the Sellers reasonably informed of all material developments and events relating to such Straddle Tax Contest and the Company shall not settle such Straddle Tax Contest without the Sellers' prior written consent (not to be unreasonably withheld, conditioned, or delayed).

(iv) To the extent of any inconsistency between Article IX and this Section 6.12(d), the procedures in this Section 6.12(d) shall govern all Tax Claims.

(e) Closing Date Course of Business. For the portion of the Closing Date after the Closing, other than transactions expressly contemplated by this Agreement, Investor shall cause the Company and its Subsidiaries to carry on their business only in the ordinary course in the same manner as heretofore conducted.

(f) Transfer Taxes. Notwithstanding anything in this Agreement to the contrary, Transfer Taxes that become payable in connection with the transactions contemplated by this Agreement shall be borne fifty percent (50%) by Sellers and fifty percent (50%) by Investor. The parties shall cooperate in filing such forms and documents as may be necessary to minimize or eliminate any such Transfer Taxes to the extent commercially reasonable.

(g) Allocation of Purchase Price. Within forty-five (45) days following the final determination of the Post-Closing Adjustment, Investor shall prepare and deliver to the Sellers an allocation of the Purchase Price (including, for the avoidance of doubt, assumed liabilities) amongst the assets of the Company (the “Purchase Price Allocation”). The Purchase Price Allocation shall be prepared in accordance with applicable Law, including in accordance with Sections 1060, 751 and 755 of the Code and the Treasury Regulations promulgated thereunder (and any similar Law, as appropriate), and the methodology set forth on Schedule 6.12(g). The Purchase Price Allocation shall be final and binding on all Parties unless, within sixty (60) days after delivery thereof to Sellers, Sellers deliver a written notice to Investor of its objections to the Purchase Price Allocation. Sellers and Investor shall use their reasonable efforts to resolve any disputed items specifically set forth in such written notice. If the Sellers and Investor cannot come to a mutual agreement on the Purchase Price Allocation, the matter shall be resolved in accordance with substantially identical procedures as set forth for the resolution of disputes in Section 2.4(e). If Sellers do not timely object to the Purchase Price Allocation or if all disputed items are resolved in accordance with the foregoing sentence, then such Purchase Price Allocation, taking into account the final resolution of any such disputed items (the “Final Allocation Schedule”) shall be binding on all Parties for all Tax purposes. The Investor shall prepare and deliver to the Sellers from time to time revised copies of such Final Allocation Schedule so as to report any matters on the Final Allocation Schedule that need updating. None of the Sellers, Investor, the Company, or any of the Company’s Subsidiaries shall, nor shall they permit their respective Affiliates to, take any position inconsistent with the Final Allocation Schedule on any applicable Tax Return; provided, however, that if the IRS (or comparable state, local or non-U.S. authority) makes an inconsistent determination with respect to such position in a final audit determination, a party shall be entitled to take an inconsistent position following the conclusion of such audit.

(h) Sales Taxes.

(i) Promptly following the Closing Date, Investor shall engage a recognized accounting or Sales Tax specialty firm as mutually agreed by Investor and Sellers (the “Tax Consultant”) to, in consultation with Investor and Sellers, determine with respect to each Pre-Closing Tax Period (1) other than states or countries in which the Company, and each of the Company’s Subsidiaries, has at all times collected Sales Taxes, as relevant, the states and countries in which the Company, or any of the Company’s Subsidiaries, are required to collect (or to have collected) Sales Taxes (any such state or country shall be a “Tentative Nexus Jurisdiction”) and (2) a reasonable estimate of the aggregate liability with respect to such Sales Taxes (including interest and penalties) for each Tentative Nexus Jurisdiction (the “Nexus Study”). Investor and Sellers shall cooperate with the Tax Consultant in its production of the Nexus Study, and both Investor and the Sellers shall have the opportunity to participate in any discussions with the Tax Consultant, to receive copies of any written correspondence from the Tax Consultant and to review and comment on any written submissions to the Tax Consultant. The Tax Consultant shall, as promptly as possible, deliver a written Nexus Study to Investor and Sellers. If neither

Investor nor Sellers object to the Nexus Study with respect to a Tentative Nexus Jurisdiction, such state shall become an “Identified Nexus Jurisdiction”. If either Investor or Sellers object to the report with respect to a Tentative Nexus Jurisdiction, then the parties shall follow the review procedures set forth in Section 2.4(e) of this Agreement, except that the Independent Accounting Firm shall be a recognized expert in Sales Tax matters. Subject to the remainder of this Section 6.12(h), the decision of the Independent Accounting Firm with regard to whether any Tentative Nexus Jurisdiction is a state or country where the Company, or any of the Company’s Subsidiaries, is required to collect (or to have collected) Sales Taxes (which state or country would then be an Identified Nexus Jurisdiction) and any revised amount of the liability with respect to such Sales Taxes (including interest and penalties) shall be final.

(ii) With regard to any Identified Nexus Jurisdiction, Investor shall have the right to enter into and control “voluntary disclosure agreements” or other similar programs with respect to the liability of the Company and/or any its Subsidiaries for Sales Taxes with the applicable taxing authorities in the Identified Nexus Jurisdictions for all Pre-Closing Tax Periods (such programs, “VDA Procedures”); provided, however, that (i) Sellers shall have the right to participate, at their own expense, in any VDA Procedure, (ii) Investor shall consult with and keep Sellers reasonably informed of the status of such matter (including consulting with and providing Sellers with copies of all written correspondence regarding such matter, and shall not settle a matter without the consent of Sellers, which consent shall not be unreasonably withheld, delayed or conditioned), and (iii) Investor shall use commercially reasonable efforts to expeditiously commence and conclude (or to determine not to commence, in consultation with the Sellers in good faith) any VDA Procedure.

(iii) Investor and Sellers shall cause the Company to use commercially reasonable efforts to mitigate the Company’s Sales Tax liability for Pre-Closing Tax Periods and Straddle Periods by, for each customer: (i) obtaining evidence that such customer has remitted Sales Taxes where required or (ii) obtaining an exemption certificate that sales to such customer are (or were, as applicable) exempt from Sales Tax.

(i) K Skin LLC Tax Classification. As of the Closing Date, the Parties hereto shall cause K Skin, LLC to be classified as disregarded as separate from its owner for U.S. federal income tax purposes.

Section 6.13 KMJ and KKJ Trust Matters. Within ten (10) Business Days of the date of this Agreement, each of KMJ Trust and KKJ Trust shall prepare and deliver to Investor a certification of trust, signed and acknowledged by all of the trustee(s) of KMJ Trust and KKJ Trust, as applicable, stating the powers of such trustee(s) under the Trust Documents that establish the basis for the representations described in Section 3.2 as applied to KMJ Trust and KKJ Trust, as applicable and otherwise meeting the requirements of a “certification of trust” or



“trust certificate” under the Law governing the Trust Documents of KMJ Trust and KKJ Trust, as applicable (a “Certification of Trust”); provided, however, that if the Law governing the Trust Documents of KMJ Trust and KKJ Trust, as applicable, does not set forth requirements for a Certification of Trust, within five (5) Business Days of the date of this Agreement, KMJ Trust and KKJ Trust, as applicable shall instead prepare and deliver to Investor excerpts from such Trust Documents that establish the basis for the representations described in Section 3.2 as applied to KMJ Trust and KKJ Trust, as applicable.

Section 6.14 Notification of Certain Matters.

(a) During the Pre-Closing Period, each party hereto shall promptly notify the other parties in writing of (i) any Actions that are instituted against such party or its Affiliates seeking to restrain, prohibit or otherwise challenge the legality of any of the Contemplated Transactions, or (ii) any claim by any Person that such Person’s consent is required in connection with the transactions contemplated by a Transaction Document; provided, however, that, for the avoidance of doubt, the delivery of any notice pursuant to this Section 6.14 shall not limit or otherwise affect the remedies available to the parties hereunder.

(b) During the Pre-Closing Period, the Seller Group Parties shall give Investor prompt written notice of any material development that would reasonably be expected to cause any of the conditions set forth in Sections 7.1 or 7.2 not to be satisfied on the Closing Date.

(c) During the Pre-Closing Period, Investor shall give prompt written notice to the Sellers of any material development that would reasonably be expected to cause any of the conditions set forth in Sections 7.1 or 7.3 on the Closing Date not to be satisfied.

Section 6.15 Representation and Warranty Insurance. Prior to the Closing, upon the reasonable request of Investor, the Seller Group Parties shall reasonably cooperate with Investor in the procurement of a buy-side representation and warranty policy, the costs, fees and premium of which shall be paid by Investor.

Section 6.16 Minimum Cash Amount. The Seller Group Parties shall cause the Company to have an aggregate amount of Cash as of the Closing of no less than \$4,500,000 and prior to the Closing shall deliver Investor such documentation (including bank account statements) as may be appropriate or as reasonably requested by Investor evidencing the satisfaction of the foregoing obligation.

Section 6.17 Further Assurances. From and after the Closing, each party hereto shall, and shall cause its respective Affiliates to, execute and deliver such additional documents, instruments, conveyances and assurances and take such further actions as may be reasonably required to carry out the provisions of this Agreement and give effect to the Contemplated Transactions.

## ARTICLE VII

### CONDITIONS TO CLOSING

Section 7.1 Conditions to the Obligations of the Parties. The respective obligations of each party to consummate the Contemplated Transactions is subject to the satisfaction, or waiver (to the extent permitted by applicable Law) at or prior to the Closing, of the following conditions:

(a) All approvals required under the HSR Act and the Antitrust Laws set forth on Schedule 3.3 of the Disclosure Schedules shall have been obtained, or any applicable waiting period thereunder shall have expired or been terminated.

(b) There shall not be in effect any Governmental Order (that is final and non-appealable) issued by a Governmental Authority of competent jurisdiction, and no Law shall have been entered, promulgated, enforced or deemed applicable in each case by any Governmental Authority, that, in any case, permanently enjoins, restrains, prohibits or otherwise makes unlawful the consummation of the Contemplated Transactions.

Section 7.2 Additional Conditions to the Obligations of Investor. The obligation of Investor to consummate the Contemplated Transactions is further subject to the satisfaction, or waiver (to the extent permitted by applicable Law) at or prior to the Closing, of each of the following conditions:

(a) The Seller Group Parties Fundamental Representations shall be true and correct in all respects at and as of the date hereof and the Closing Date as if made at and as of such time (except to the extent expressly made as of a specific date, in which case as of such specific date) except, in each case, where the failure to be so true and correct is due to *de minimis* inaccuracies. The representations and warranties of the Sellers contained in Article III (other than the Seller Group Parties Fundamental Representations) shall be true and correct (without giving effect to any limitation as to “materiality” or “Seller Material Adverse Effect” or similar materiality qualifiers set forth therein) at and as of the date hereof and the Closing Date as if made at and as of such time (except to the extent expressly made as of a specific date, in which case as of such specific date), except, in each case, where the failure of such representations or warranties to be true and correct (without giving effect to any limitation as to “materiality” or “Seller Material Adverse Effect” or similar materiality qualifiers set forth therein), individually or in the aggregate, would not have a Seller Material Adverse Effect.

(b) The Company Fundamental Representations shall be true and correct in all respects at and as of the date hereof and the Closing Date as if made at and as of such time (except to the extent expressly made as of a specific date, in which case as of such specific date) except, in each case, where the failure to be so true and correct is due to *de minimis* inaccuracies. The representations and warranties of the Company contained in Article IV (other than the Company Fundamental Representations) shall be true and correct (without giving effect to any limitation as to “materiality” or “Material Adverse Effect” or similar materiality qualifiers set forth therein) at and as of the date hereof and the Closing Date as if made at and as of such time (except to the extent expressly made as of a specific date, in which case as of such specific date), except, in each case, where the failure of such representations or warranties to be true and correct (without giving effect to any limitation as to “materiality” or “Material Adverse Effect” or

similar materiality qualifiers set forth therein), individually or in the aggregate, would not have a Material Adverse Effect.

(c) (i) Each of the Seller Group Parties shall have performed and complied in all material respects with all obligations and covenants required by this Agreement to be performed or complied with by the Seller Group Parties on or prior to the Closing and (ii) the Company shall have performed and complied in all material respects with all obligations and covenants required by this Agreement to be performed or complied with by it on or prior to the Closing.

(d) There shall not have occurred a Material Adverse Effect or a Seller Material Adverse Effect that, in each case, is continuing.

(e) The Seller Group Parties shall have delivered or caused to be delivered the items required by Section 2.3(a).

(f) The Seller Group Parties shall have received and delivered to Investor those consents set forth on Schedule 7.2(f).

Section 7.3 Additional Conditions to the Obligations of the Seller Group Parties and the Company. The obligation of the Seller Group Parties and the Company to consummate the Contemplated Transactions is further subject to the satisfaction, or waiver (to the extent permitted by applicable Law) at or prior to the Closing, of each of the following conditions:

(a) The Investor Fundamental Representations shall be true and correct in all respects at and as of the date hereof and the Closing Date as if made at and as of such time (except to the extent expressly made as of a specific date, in which case as of such specific date). The representations and warranties of Investor contained in Article V (other than the Investor Fundamental Representations) shall be true and correct (without giving effect to any limitation as to “materiality” or “Investor Material Adverse Effect” or similar materiality qualifiers set forth therein) at and as of the date hereof and the Closing Date as if made at and as of such time (except to the extent expressly made as of a specific date, in which case as of such specific date), except where the failure of such representations or warranties to be true and correct (without giving effect to any limitation as to “materiality” or “Investor Material Adverse Effect” or similar materiality qualifiers set forth therein), individually or in the aggregate, would not have an Investor Material Adverse Effect.

(b) Investor shall have performed and complied in all material respects with all obligations and covenants required by this Agreement to be performed or complied with by Investor on or prior to the Closing.

(c) Investor shall have delivered or caused to be delivered the items required by Section 2.3(b).

Section 7.4 Frustration of Conditions. No party may rely on the failure of any condition set forth in this Article VII to be satisfied if such failure was caused by such party’s

failure to act in good faith or any Willful Breach by such party of any representation, warranty, covenant or obligation contained herein.

## ARTICLE VIII

### TERMINATION

Section 8.1 Termination. This Agreement may be terminated at any time prior to the Closing Date as follows:

(a) by mutual written consent of the parties;

(b) by any party, upon written notice to (i) Investor if such party is a Seller or (ii) to the Sellers if such party is Investor, if the Closing shall not have occurred on or before the close of business on March 31, 2020 (the “End Date”); provided, however, that if on the End Date the condition set forth in Section 7.1(a) shall not have been satisfied or then capable of being satisfied but all other conditions have been satisfied or waived (to the extent permitted by applicable Law), then, subject to this Section 8.1(b), at the written election of Investor, the End Date may be extended by a period of three (3) months (and in the case of such extension, any reference to the End Date in any other provision of this Agreement shall be a reference to the End Date, as extended); provided, further, that the right to terminate this Agreement under this Section 8.1(b) shall not be available to a party if the failure to consummate the Closing Date by the End Date arises out of, or results from, any material breach by such party of any representation, warranty, covenant or obligation contained herein;

(c) by any party, upon written notice to (i) Investor if such party is a Seller or (ii) to the Sellers if such party is Investor, if any Governmental Authority having jurisdiction over any party shall have issued a Governmental Order permanently enjoining or otherwise prohibiting the consummation of the transactions contemplated by this Agreement, and such Governmental Order shall have become final and non-appealable, except that the right to terminate this Agreement under this Section 8.1(c) shall not be available to a party whose failure to fulfill any obligation under this Agreement has been the primary cause of such Governmental Order;

(d) by a Seller, upon written notice to Investor, if (i) Investor shall have breached any of the covenants or agreements contained in this Agreement to be performed by Investor such that the condition set forth in Section 7.3(b) would not be satisfied, or (ii) there exists a breach of any representation or warranty of Investor contained in this Agreement such that the condition set forth in Section 7.3(a) would not be satisfied and, in the case of clauses (i) or (ii), such breach has not been cured within thirty (30) days after receipt by Investor of written notice from the Sellers of such breach, or is incapable of being cured by Investor by the End Date, except that the right to terminate this Agreement under this Section 8.1(d) shall not be available to such Sellers if a Seller is in material breach of any representation, warranty, covenant or obligation contained herein such that any of the conditions set forth in Sections 7.2(a), (b) or (c) would not be satisfied; or

(e) by Investor, upon written notice to the Sellers, if (i) a Seller Group Party shall have breached any of the covenants or agreements contained in this Agreement to be performed by such Seller Group Party such that the condition set forth in Section 7.2(c)(i) would not be satisfied, (ii) the Company shall have breached any of the covenants or agreements contained in this Agreement to be performed by it such that the condition set forth in Section 7.2(c)(ii) would not be satisfied, (iii) there exists a breach of any representation or warranty of any of the Seller Group Parties contained in this Agreement such that the condition set forth in Section 7.2(a) would not be satisfied, or (iv) there exists a breach of any representation or warranty of any of the Company contained in this Agreement such that the condition set forth in Section 7.2(b) would not be satisfied and, in the case of clauses (i), (ii), (iii) or (iv), such breach has not been cured within thirty (30) days after receipt by the Sellers of written notice from Investor of such breach, or is incapable of being cured by the Sellers by the End Date, except that the right to terminate this Agreement under this Section 8.1(e) shall not be available to Investor if Investor is in material breach of any representation, warranty, covenant or obligation contained herein such that any of the conditions set forth in Sections 7.3(a) or (b) would not be satisfied.

Section 8.2 Effect of Termination. In the event of termination of this Agreement by a party pursuant to and in accordance with Section 8.1 hereof, this Agreement shall thereupon terminate and become void and have no force or effect, without any liability on the part of any party hereto or its respective Affiliates, and the transactions contemplated hereby shall be abandoned without further action by the parties; provided that, (a) the provisions of this Section 8.2, Article X and the Investor Confidentiality Agreement shall survive the termination of this Agreement and (b) no party hereto shall be relieved or released from any liability for losses, costs and damages incurred by another party resulting from any Fraud or Willful Breach by such party of any of its representations, warranties, covenants or agreements set forth in this Agreement prior to such termination.

## **ARTICLE IX**

### **INDEMNIFICATION**

#### **Section 9.1 Indemnification by Seller Group Parties.**

(a) Subject to Section 9.4 hereof, each Seller Group Party shall, from and after the Closing, jointly and severally indemnify and hold the Investor Indemnified Parties harmless from and against any and all Losses (without duplication) actually incurred by the Investor Indemnified Parties, and, subject to this Article IX, reimburse, to the applicable Investor Indemnified Parties the amount of, any and all Losses arising out of or resulting from:

(i) any Action by a third party arising from any Business Group Company's operation of any business other than the Business;

(ii) the matters listed on Schedule 9.1(a)(ii) hereto, subject to the provisions therein;

(iii) the Reorganization;

(iv) any breach or non-fulfillment of any covenant or agreement to be performed by any Seller Group Party or the Company set forth in this Agreement; and

(v) Indemnified Taxes.

(b) Investor shall use and shall cause the Investor Indemnified Parties to use their respective commercially reasonable efforts to mitigate any Loss to the extent required by applicable Law upon and after becoming aware of any event which would reasonably be expected to give rise to Losses that may be indemnifiable under this Section 9.1 (it being understood and agreed that any reasonable out-of-pocket fees, costs or expenses incurred in connection with such mitigation shall themselves constitute Losses, to the extent the Losses mitigated would have been indemnifiable pursuant to this Article IX).

(c) The Parties agree that any indemnification payments made pursuant to this Agreement shall be treated for all purposes to be an adjustment to the Purchase Price paid hereunder, except as otherwise required by Law.

#### Section 9.2 Survival.

(a) None of the representations and warranties of the parties set forth in this Agreement shall survive the Closing, and, no Action for breach of any such representation or warranty may be brought with respect thereto after the Closing; provided that the foregoing limitation shall not apply to any Action against any person for Fraud with respect to the representations and warranties set forth in this Agreement. Each covenant and agreement which by its terms contemplates performance, in whole or in part, at or prior to the Closing shall, with respect to such part performed or required to be performed, terminate on the date that is one (1) year following the Closing. Each covenant and agreement that explicitly contemplates performance after the Closing, will, in each case and to such extent, expressly survive the Closing in accordance with its terms, and if no term is specified, then for seven (7) years; provided that Section 9.1(a)(v) and Section 6.12 shall survive for the applicable statute of limitations.

(b) Written notice of a claim (regardless of whether Losses have actually been incurred or suffered) pursuant to Section 9.1 must be given to the Seller Group Parties prior to the expiration of the applicable survival period pursuant to Section 9.2(a) and if notice is timely given, then the relevant covenants and agreements shall survive as to such claim until such claim has been finally resolved in accordance with the terms hereof.

#### Section 9.3 Indemnification Procedures.

(a) Any Person claiming indemnification hereunder is hereinafter referred to as the “Indemnified Party” and any Person or Persons against whom such claims are asserted hereunder is hereinafter referred to as the “Indemnifying Party”. A claim for indemnification for any matter not involving a Third-Party Claim may be asserted by written notice (which shall include reasonable detail regarding the claim and, if reasonably determinable, an estimate of the Losses thereunder) (a “Direct Claim Notice”) to the Sellers, in respect of a claim for which indemnification is sought under Section 9.1 prior to the expiration of the applicable survival period pursuant to Section 9.2(a).

(b) In the event that any Action is initiated that has or is reasonably expected to result in Losses being asserted against or sought to be collected from an Indemnified Party by a third party (a “Third-Party Claim”), such Indemnified Party shall with reasonable promptness notify the Indemnifying Party of the Action, specifying the nature of and specific basis for the indemnity claim and the amount or its good faith estimate of the amount of any Losses resulting therefrom to the extent then feasible and enclosing a copy of all papers (if any) served with respect to the claim, audit or other proceeding (the “Third-Party Claim Notice”), but in any event not later than thirty (30) days after receipt of such notice of such Third-Party Claim; provided, however that any failure on the part of an Indemnified Party to so notify an Indemnifying Party shall not limit any of the obligations of the Indemnifying Party under this Article IX (except to the extent such failure materially and actually prejudices the Indemnifying Party, and then only to the extent the Indemnifying Party was actually prejudiced).

(c) In the event of a Third-Party Claim, the Indemnifying Party shall have the right, upon written notice to the Indemnified Party, to investigate, contest, defend or settle any Third-Party Claim that may result in Losses or Expenses, as applicable, with respect to which the Indemnified Party is entitled to make a claim pursuant to this Article IX with the assistance of reputable outside legal counsel that is acceptable to both the Indemnifying Party and the Indemnified Party (acting reasonably, and which for the avoidance of doubt shall include Cooley); provided, however, that (i) the Third-Party Claim does not relate to or arise in connection with any criminal proceeding, action, indictment, allegation or investigation; and (ii) the Third-Party Claim solely seeks (and continues to seek) monetary damages.

(d) If the Indemnifying Party assumes the defense, (i) the Indemnified Party may, at its option and at its own expense (provided, however, that if in the reasonable judgment of the Indemnified Party based on the advice of outside counsel, there exists an actual or potential conflict of interest between the Indemnifying Party and the Indemnified Party with respect to such Third-Party Claim, the Indemnified Party may assume its own defense, at its own expense, participate in the investigation, contesting, defense or settlement of any such Third-Party Claim through Representatives and legal counsel of its own choosing; and (ii) the Indemnifying Party shall not settle or compromise any Third-Party Claim unless the Indemnified Party shall have consented to the terms of such settlement or compromise, which consent shall not unreasonably be withheld (other than any such settlement or compromise that causes each Indemnified Party to be fully and unconditionally released from all Liability with respect to such claim).

(e) If reasonably requested by the Indemnifying Party, the Indemnified Party will reasonably cooperate with the Indemnifying Party and its counsel in contesting any Third-Party Claim or, if appropriate and related to the Third-Party Claim in question, in making any reasonable counterclaim against the Person making such Third-Party Claim, or any cross complaint against any Person (other than Investor or its Affiliates) or similar action. If the Indemnifying Party shall not have elected to assume the defense of such Third-Party Claim within twenty (20) Business Days of receipt of the Third-Party Claim Notice, the Indemnified Party shall have the right, at its option, to do so; provided, however, that the Indemnified Party shall not settle or compromise any Third-Party Claim for which it seeks to make a claim pursuant to this Article IX without the prior written consent of the Indemnifying Party, which shall not be unreasonably withheld (other than any such settlement or compromise that causes each Indemnified Party to be fully and unconditionally released from all Liability with respect to such claim). If the Indemnified Party elects to assume the defense of a Third-Party Claim pursuant to this Section 9.3(e), the Indemnifying Party shall pay the Expenses (which for the avoidance of doubt shall be Losses for which the Indemnifying Party shall indemnify the Indemnified Party actually and reasonably incurred in defending and such Third-Party Claim upon receipt of any invoices and other documentation reasonably evidencing that such Expenses are payable. The Indemnifying Party shall be entitled to participate in (but not to control) the defense of any Third-Party Claim which it has not elected to defend with its own counsel. For the avoidance of doubt, no settlement of any such Third-Party Claim with third-party claimants shall be determinative of the amount of Losses relating to such matter without the prior consent of the Indemnifying Party,

(f) From and after the delivery of a Direct Claim Notice or a Third-Party Claim Notice under this Agreement, the Indemnifying Party shall give the Indemnified Party reasonable access to the books, records and properties of the Indemnifying Party to the extent reasonably related to the matters to which such Direct Claim Notice or Third-Party Claim Notice relates.

#### Section 9.4 Limitations.

(a) The amount of any Losses for which indemnification is provided under this Article IX shall be net of any amounts actually recovered by the indemnified party under insurance policies or otherwise with respect to such Losses (net of any expenses incurred in connection with such recovery). If amounts are recovered from an insurance policy after an indemnifying party makes a payment to or on behalf of an indemnified party pursuant to this Article IX, the net proceeds thereof shall promptly be remitted to the indemnifying party that made such payment up to the amount of the indemnification payment made by the applicable indemnifying party (less any costs to recover under such insurance policy).

(b) Notwithstanding anything to the contrary elsewhere in this Agreement, no party shall, in any event, be liable to any other Person for any punitive or exemplary damages of such other Person, except to the extent payable to a third party as a result of a final, non-appealable determination by a court or arbitral tribunal of competent jurisdiction in respect of a Third-Party Claim.



(c) Except for Losses arising out of or resulting from Fraud or Willful Breach, or Losses indemnified under Section 9.1(a)(v), the Investor Indemnified Parties shall not have the right to receive any indemnification for Losses arising from any individual claim or a series of related claims pursuant to Section 9.1 unless and until the aggregate amount of Losses for any individual claim or series of related claims under Section 9.1 exceeds \$250,000, whereupon the Investor Indemnified Parties shall be entitled to indemnification pursuant to the terms hereof for the amount of all Losses in respect of all claims in excess of such \$250,000 amount, subject to the further limitations set forth in Article IX.

(d) Except for Losses arising out of or resulting from Fraud or Willful Breach, the aggregate liability of the Seller Group Parties (i) for Losses pursuant to Section 9.1(a)(i) shall not exceed an amount equal to the Purchase Price; (ii) for Losses pursuant to Section 9.1(a)(ii) shall not exceed the amount set forth in Schedule 9.1(a)(ii); (iii) for Losses pursuant to Section 9.1(a)(iii) shall not exceed an amount equal to the Purchase Price; and (iv) for Losses pursuant to Section 9.1(a)(v) shall not exceed \$20,000,000; provided that in no event shall total indemnifiable Losses exceed an amount equal to the Purchase Price.

Section 9.5 Materiality. The parties hereto hereby acknowledge and agree that for the purpose of determining the amount of the applicable Losses and for purposes of determining whether a breach or Loss has occurred, qualifications as to materiality or material adverse effect (or any similar qualification) in any representation, warranty or covenant set forth herein or in any other document contemplated by this Agreement shall be ignored.

Section 9.6 Exclusive Remedy. Except in respect of Fraud or Willful Breach, the remedies provided in this Article IX shall constitute the sole and exclusive remedies available to the Investor Indemnified Parties for recourse against the Seller Group Parties or any Person that controls the Seller Group Parties with respect to any monetary claim arising under this Agreement, under any theory of recovery, whether contract, tort or otherwise; provided, however, that the foregoing shall not limit the availability of any party hereto for relief pursuant to Section 10.10; provided that the Investor Indemnified Parties' remedy for recourse against the Seller Group Parties for a breach of Section 6.1(b)(xi) shall be to set-off an amount equal to the sum of (i) the accounts payable incurred outside the ordinary course of business in breach of such Section, plus (ii) the accounts payable whose payment was delayed in breach of such Section, against a marketing fee payment that otherwise would be owed by Investor to the Company pursuant to the Evergreen Collaboration Agreement. Investor may only exercise the foregoing remedy once, within one (1) year following the Closing, and in good faith after providing written notice of its intention to the Seller Group Parties, such notice to contain reasonably detailed information supporting the use of such remedy.

## ARTICLE X

### MISCELLANEOUS

Section 10.1 Notices. All notices, requests, demands, claims and other communications required or permitted hereunder must be in writing and must be delivered by nationally recognized overnight courier, email or personal delivery. Any notice, request, demand, claim, or

other communication required or permitted hereunder will be deemed duly given, as applicable, (a) on the date of receipt by the addressee if sent by overnight delivery, (b) upon receipt if sent by email or (c) upon personal delivery, addressed as follows:

If, prior to the Closing, to the Company or any Seller Group Party, to:

King Kylie, LLC  
26565 W. Agoura Road  
Calabasas, CA 91302  
Attention: Chairperson

with a copy (which will not constitute notice) to:

Cooley LLP  
1333 2<sup>nd</sup> Street  
Santa Monica, California 90401  
Attention: Dave Young  
Matt Hallinan

If, following the Closing, to any Seller Group Party or to New King Kylie Holding Company, to:

King Kylie, LLC  
26565 W. Agoura Road  
Calabasas, CA 91302  
Attention: Chairperson

with a copy (which will not constitute notice) to:

Cooley LLP  
1333 2<sup>nd</sup> Street  
Santa Monica, California 90401  
Attention: Dave Young  
Matt Hallinan

If to Investor or, following the Closing, to the Company, to:

Coty, Inc.  
350 5th Avenue  
New York, NY 10018  
Attention: Edgar Huber  
President AMAPAC

with a copy (which will not constitute notice) to:

Skadden, Arps, Slate, Meagher & Flom LLP  
Four Times Square

New York, NY 10036  
Attention: Paul T. Schnell  
Sean C. Doyle  
Alexandra J. McCormack

Any party may change the address to which notices, requests, demands, claims, and other communications required or permitted hereunder are to be delivered by providing to the other parties notice in the manner herein set forth.

Section 10.2 Entire Agreement. This Agreement together with the Transaction Documents and the Investor Confidentiality Agreement constitute the entire agreement by and among the parties and their respective Affiliates relating to the Contemplated Transactions and supersede any and all prior agreements, understandings, negotiations and communications, whether oral or written, that may have been made or entered into by or among any of the parties or any of their respective Affiliates relating to the Contemplated Transactions.

Section 10.3 Severability. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of Law or under public policy, all other conditions and provisions of this Agreement will nevertheless remain in full force and effect so long as the economic and legal substance of the Contemplated Transactions are not affected in any manner adverse to any party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties will negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible to the end that the Contemplated Transactions are fulfilled in accordance with the terms hereof to the greatest extent possible.

Section 10.4 Amendment. This Agreement may be amended or modified, but only by an instrument in writing executed by each party hereto.

Section 10.5 Parties in Interest. This Agreement will be binding upon and inure solely to the benefit of the parties and their permitted assigns in accordance with Section 10.6. Nothing in this Agreement, express or implied, is intended to or will be construed to or will confer upon any other Person any right, claim, cause of action, benefit or remedy of any nature whatsoever under or by reason of this Agreement. Except for Section 9.1, which is also intended to be for the benefit of the Investor Indemnified Parties, this Agreement is not intended to confer upon any person other than the Parties any rights or remedies under this Agreement.

Section 10.6 Assignment. This Agreement and any rights and obligations hereunder may not be assigned, hypothecated or otherwise transferred by any party hereto (by operation of Law or otherwise) without the prior written agreement of each party hereto. Notwithstanding the preceding sentence, Investor may, without the prior written consent of the Company, assign its rights under this Agreement, in whole or in part, to one or more of its Affiliates; provided, however, that no such assignment shall relieve Investor of its obligations hereunder. Any purported assignment in breach of this Section 10.6 shall be null and void.

Section 10.7 Governing Law. This Agreement and all disputes or controversies arising out of or relating to this Agreement or the Contemplated Transactions shall be governed by, and construed in accordance with, the internal laws of the State of Delaware, without regard to the laws of any other jurisdiction that might be applied because of the conflicts of laws principles of the State of Delaware.

Section 10.8 Consent to Jurisdiction. Each party hereto irrevocably agrees that any legal action or proceeding arising out of or relating to this Agreement or the Contemplated Transactions brought by the other party or its successors or assigns shall be brought and determined in the Court of Chancery of the State of Delaware, and any state appellate court therefrom within the State of Delaware (or, if the Chancery Court of the State of Delaware declines to accept jurisdiction over a particular matter, any state or federal court within the State of Delaware), and each party hereto hereby irrevocably submits to the exclusive jurisdiction of the aforesaid courts for itself and with respect to its property, generally and unconditionally, with regard to any such action or proceeding arising out of or relating to this Agreement or any of the Contemplated Transactions. Each party hereto agrees not to commence any action, suit or proceeding arising out of or relating to this Agreement or the Contemplated Transactions except in the courts described above in Delaware, other than actions in any court of competent jurisdiction to enforce any judgment, decree or award rendered by any such court in Delaware as described herein. Each party hereto further agrees that notice as provided herein shall constitute sufficient service of process and the parties further waive any argument that such service is insufficient. Each party hereto hereby irrevocably and unconditionally waives, and agrees not to assert, by way of motion or as a defense, counterclaim or otherwise, in any action or proceeding arising out of or relating to this Agreement or any of the Contemplated Transactions, (a) any claim that it is not personally subject to the jurisdiction of the courts in Delaware as described herein for any reason, (b) that it or its property is exempt or immune from jurisdiction of any such court or from any legal process commenced in such courts (whether through service of notice, attachment prior to judgment, attachment in aid of execution of judgment, execution of judgment or otherwise) and (c) that (i) the suit, action or proceeding in any such court is brought in an inconvenient forum, (ii) the venue of such suit, action or proceeding is improper or (iii) this Agreement, or the subject matter hereof or any of the Contemplated Transactions, may not be enforced in or by such courts.

Section 10.9 Waiver of Jury Trial. EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY DISPUTE OR CONTROVERSY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE CONTEMPLATED TRANSACTIONS IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND THEREFORE IT HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW ANY AND ALL RIGHTS IT MAY HAVE TO A TRIAL BY JURY WITH RESPECT TO ANY LAWSUIT, PROCEEDING, COUNTERCLAIM OR ANY OTHER LITIGATION (WHETHER BASED UPON CONTRACT, TORT OR OTHERWISE) BROUGHT BY ANY OF THEM AGAINST THE OTHER, ARISING DIRECTLY OR INDIRECTLY OUT OF OR OTHERWISE RELATING TO THIS AGREEMENT OR ANY OTHER TRANSACTION DOCUMENT AND THE TRANSACTIONS CONTEMPLATED HEREBY AND THEREBY. BY THIS AGREEMENT,

EACH PARTY CERTIFIES AND ACKNOWLEDGES THAT: (A) NO REPRESENTATIVE OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF ANY LAWSUIT, PROCEEDING, COUNTERCLAIM OR ANY OTHER LITIGATION ARISING OUT OF OR OTHERWISE RELATING TO THIS AGREEMENT OR ANY OTHER AGREEMENTS EXECUTED IN CONNECTION HERewith, SEEK TO ENFORCE THE FOREGOING WAIVER; (B) IT UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER; (C) IT MAKES SUCH WAIVER VOLUNTARILY; AND (D) IT HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 10.9.

Section 10.10 Specific Enforcement. Each party hereto acknowledges and agrees that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached or violated. Accordingly, each party hereto shall be entitled to specific performance of the terms hereof, including an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement, this being in addition to any other remedy to which such party is entitled at Law or in equity. Each party hereto hereby further waives (a) any defense in any action for specific performance that a remedy at law would be adequate and (b) any requirement under any Law to post security as a prerequisite to obtaining equitable relief.

Section 10.11 No Waiver. No failure or delay on the part of any party hereto in the exercise of any right hereunder will impair such right or be construed to be a waiver of, or acquiescence in, any breach of any representation, warranty, covenant or agreement herein, nor will any single or partial exercise of any such right preclude any other or further exercise thereof or of any other right. No waiver of any provision of this Agreement shall be deemed or shall constitute a waiver of any other provision hereof (whether or not similar), or shall constitute a continuing waiver unless otherwise expressly provided. No waiver of any right or remedy hereunder shall be valid unless the same shall be in writing and signed by the party against whom such waiver is intended to be effective.

Section 10.12 Negotiation of Agreement. The parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any of the provisions of this Agreement.

Section 10.13 Headings. The headings contained in this Agreement are inserted only for reference as a matter of convenience and in no way define, limit or describe the scope or intent of this Agreement, and will not affect in any way the construction, meaning or interpretation of this Agreement.

Section 10.14 Counterparts; Electronic Signature. This Agreement may be executed in any number of counterparts, and by the parties in separate counterparts, each of which will be deemed an original for all purposes and all of which together will constitute one and the same

instrument. This Agreement may be executed by facsimile or .pdf signature by any party and such signature will be deemed binding for all purposes hereof without delivery of an original signature being thereafter required.

Section 10.15 Waiver of Conflicts; Privilege.

(a) Each of the parties hereto acknowledges and agrees that Cooley LLP has acted as counsel to the Seller Group Parties and the Business Group Companies in connection with the negotiation of this Agreement and consummation of the transactions contemplated hereby.

(b) Investor hereby consents and agrees to, and agrees to cause each other Business Group Company to consent and agree to, Cooley LLP representing any Business Group Company, New King Kylie Holding Company and/or any Seller Group Party after the Closing in connection with any litigation, claim or obligation arising out of or relating to this Agreement or the transactions contemplated by this Agreement and the other Transaction Documents, including with respect to disputes in which the interests of any Business Group Company, the New King Kylie Holding Company, and/or the Seller Group Parties may be directly adverse to Investor and its Affiliates (collectively, the “Purchaser Parties”).

(c) In connection with the foregoing, Investor hereby waives and agrees not to assert, and agrees to cause the Company and each other Business Group Company to waive and not to assert, any conflict of interest arising from or in connection with Cooley LLP’s representation of any Business Group Company, New King Kylie Holding Company and the Seller Group Parties prior to and after the Closing (as applicable).

(d) Investor further agrees, on behalf of itself and its Affiliates, that all communications in any form or format whatsoever between or among any of Cooley LLP or any of the Seller Group Parties, New King Kylie Holding Company, any other Business Group Company or any of their respective Representatives with respect to the negotiation, documentation and consummation of the transactions contemplated by this Agreement or the other Transaction Documents (collectively, the “Deal Communications”) shall be deemed to be retained and owned collectively by the Seller Group Parties, shall be controlled by the Seller Group Parties and shall not pass to or be claimed by the Purchaser Parties. All Deal Communications that are attorney-client privileged (the “Privileged Deal Communications”) shall remain privileged after the Closing and, except as otherwise provided in this Section 10.16(d), the privilege and the expectation of client confidence relating thereto shall belong solely to the Seller Group Parties and shall be controlled by the Seller Group Parties and shall not pass to or be claimed by Purchaser Parties.

Section 10.16 Non-Recourse. This Agreement may only be enforced against, and any claim or cause of action based upon, arising out of, or related to this Agreement or the transactions contemplated hereby may only be brought against, the entities that are expressly named as parties and are signatory to this Agreement and, in accordance with Article IX and the Joinder Agreement, New K Skin Holding Company, as applicable, and then only with respect to the specific obligations set forth in this Agreement and, if applicable, the Joinder Agreement,

with respect to such party. Except (i) to the extent a named party to this Agreement and, in accordance with Article IX and the Joinder Agreement, the New K Skin Holding Company (and then only to the extent of the specific obligations undertaken by such Persons in this Agreement and if applicable, the Joinder Agreement with respect to such party), or (ii) (a) no past, present or future director, officer, employee, incorporator, member, partner, stockholder, Affiliate, agent, attorney, advisor or representative or Affiliate of any named party to this Agreement and (b) no past, present or future director, officer, employee, incorporator, member, partner, stockholder, Affiliate, agent, attorney, advisor or representative or Affiliate of any of the foregoing shall have any liability (whether in contract, tort, equity or otherwise) for any one or more of the representations, warranties, covenants, agreements or other obligations or liabilities of any one or more of any Party under this Agreement of or for any claim based on, arising out of, or related to this Agreement or the transactions contemplated hereby.

**IN WITNESS WHEREOF**, the parties have caused this Agreement to be executed by their respective duly authorized officers as of the day and year first written above.

**KK HOLDINGS:**

**KING KYLIE HOLDINGS, LLC**

By: /s/ Kylie Jenner  
Name: Kylie Jenner  
Title: President

**KMJ TRUST:**

By: /s/ Kristen M. Jenner  
Kristen M. Jenner, as trustee of the KMJ 2018 Irrevocable Trust, dated May 31, 2018

**KJI:**

**KYLIE JENNER INC.**

By: /s/ Kylie Jenner  
Name: Kylie Jenner  
Title: President

**COMPANY:**

**KING KYLIE, LLC**

By: /s/ Kylie Jenner  
Name: Kylie Jenner  
Title: Chief Executive Officer

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**solely for the purpose of Section 6.7**

**and Section 6.13**

**KKJ TRUST:**

By: /s/ Kylie Jenner

Kylie Jenner, as trustee of the KKJ 2018 Irrevocable Trust, dated May 31, 2018

**INVESTOR:**

By: /s/ Elisheva Jasie

Name: Elisheva Jasie

Title: Authorized Officer

# COTY

## EMPLOYMENT CONTRACT FOR AN INDEFINITE PERIOD OF TIME

BETWEEN

(1) Coty Management B.V., established at Schiphol Boulevard 393, 1118 BJ Schiphol, duly represented in the present matter by Mr. Jaap Bruinsma in his capacity as Senior HR Director Global HQ & Benelux, hereinafter "**the employer**"; and

(2) **Mr. Richard Jones**, born on XXXX residing at XXXX hereinafter "**the employee**";

WHEREAS

The parties wish to enter into an employment contract for an indefinite period of time and record the details of that agreement in writing as follows;

### AGREE UNDER THE FOLLOWING TERMS

#### 1. COMMENCEMENT DATE, POSITION AND DUTIES

- 1.1 The employee shall enter the employer's service with effect from 1st of January 2020 in the position of Global Chief Supply Officer. His length of service will be taken into account since 1<sup>st</sup> November 2019.
- 1.2 The employee will perform all the work that, having regard to the employer's activities, forms part of or may be deemed to form part of the position of Global Chief Supply Officer.
- 1.3 The employer may also require the employee to carry out work other than the duties forming part of the normal performance of employee's job if and insofar as the employee may reasonably be asked to carry out that other work.

#### 2. WORK LOCATION

- 2.1 The employee will normally perform the agreed duties from the employer's premises in Amsterdam but is prepared to perform the duties at or from other locations where this is necessary for the proper performance of employee's job or in the company's interest.
- 2.2 The employer reserves the right to transfer the employee to another business location.

#### 3. DURATION OF EMPLOYMENT CONTRACT AND TERMINATION

- 3.1 This employment contract is entered into for an indefinite period of time.
  - 3.2 Either party may terminate the contract with due observance of the agreed terms in the Confidentiality, Non-Competition and Non-Solicitation agreement ("RCA").
  - 3.3 Notice must be given in writing to the end of a calendar month.
  - 3.4 The employment contract terminates in any case by operation of law, without prior notice, on the day the employee reaches the applicable statutory pensionable age (*AOW-gerechtigde leeftijd*).
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#### **4. PROBATIONARY PERIOD**

4.1 A probationary period is not applicable.

#### **5. WORKING HOURS AND OVERTIME WORKING**

5.1 The employment contract is entered into for 40 hours per week.

5.2 The days and times during which the work is to be performed will be specified by the employer in the Company Regulations. In doing so, the employer will take the employee's wishes into account insofar as is compatible with the proper conduct of business.

5.3 Insofar as in the employer's opinion the performance of the work so requires, the employee undertakes to perform additional work outside the set working hours.

5.4 The nature of the duties of employee involves that they also have to be carried out beyond the normal working hours. The overtime working and/or additional work is deemed to form part of the employee's duties and to be covered by the relevant remuneration.

#### **6. SALARY AND HOLIDAY ALLOWANCE**

6.1 The employee's annual salary, at the time of concluding the contract is € 550.000,00 gross per year including holiday allowance of 8%. The monthly gross salary will amount to € 42.438,27.

6.2 The monthly salary will be paid around the 25th of the month or ultimately by the end of the month by payment into a bank account to be specified by the employee.

6.3 The year for the calculation of the holiday allowance runs from 1 June up to and including 31 May of the current year. The holiday allowance is paid out annually together with the salary for May. Employees who have been with the company for part of that period only shall receive holiday allowance on a pro rata temporize basis. Holiday allowance shall also be calculated in line with any salary adjustments made during the aforesaid period and this as of the effective date of the salary adjustment.

6.4 All the statutory deductions such as wage withholding tax and national insurance contributions will be deducted from the gross salary and the gross holiday allowance. The employer will provide a statement (pay slip) containing details of the deductions made from the gross salary and the gross holiday allowance. An annual statement will be provided at the end of the year. Employee agrees with receiving the statements digitally.

#### **7. RULES ON TERMS AND CONDITIONS OF EMPLOYMENT**

7.1 Except insofar as expressly stated otherwise in this employment contract, the employer's Company Regulations and Code of Conduct and RCA form an integral part of the present employment contract. By employee's signature to this contract the employee acknowledges the receipt of a copy of these rules and the agreement thereto.

7.2 The rules apply insofar as no express provision to the contrary is made in this employment contract.

#### **8. BONUS / INCENTIVE SCHEMES**

8.1 The employee will participate in our Annual Performance Plan in accordance with the policy as long as the employee meets the requirements for eligibility. As a result, the employee will be eligible to a yearly on target performance bonus of 70% of your gross annual base salary, based on achieved results against company targets. The employee

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must be actively employed by Coty on the day the APP award is paid (usually in October) to be eligible.

8.2 The employee will also participate in the Equity & Long-Term Incentive Plan and the Coty ownership plan, Elite program, in accordance with the policies, as long as the employee meets the requirements for eligibility,

## **9. HOLIDAY ENTITLEMENT**

9.1 The employee is entitled to 30 days of paid leave in each holiday year (based on full time). In case of a fulltime employment contract, 20 of these days of paid leave are statutory holidays; the others are holidays in excess of the statutory entitlement.

9.2 The holiday year runs from 1 January to 31 December of each calendar year.

9.3 Holiday dates are determined by the employer on the basis of a proposal by the employee.

9.4 The statutory holiday entitlement accrued in a calendar year will lapse six months after the end of the calendar year. The extra statutory holiday entitlement accrued in a calendar year will lapse five years after the end of the calendar year.

9.5 Where the employee is not employed for the whole holiday year, the employee will be entitled to 1/12th of the above number of holiday days for each month of employment.

9.6 During the period that employee is unable to perform work because of illness, employee will accrue statutory holiday entitlement. From one month of illness the employee will not accrue extra statutory holiday entitlement.

9.7 Holiday days normally have to be taken in the holiday year to which they relate.

9.8 Employer can appoint a maximum of 2 days per calendar year as mandatory vacation days without consulting employee.

## **10. INCAPACITY FOR WORK**

10.1 If the employee is unfit for work, the employee must inform the direct manager accordingly without delay on the first day of employee's incapacity for work. When reporting sick, the employee shall also provide the employer with the information that the employer requires to determine whether it must continue to pay the employee's wages.

10.2 Further detailed information and rules regarding illness are included in the Company Regulations.

## **11. SUPPLEMENTARY INSURANCE COVER**

11.1 The employer has taken out group disablement benefit shortfall insurances cover for its employees (*WGA-hiaatverzekering* and *WIA-exedentverzekering*).

11.2 Further detailed information regarding these insurances is included in the Insurance appendix.

## **12. LEASE CAR**

12.1 The employee is entitled to a lease car or car allowance at the moment of entering this employment agreement in accordance with the lease car policy. This entitlement may change in accordance with the lease car policy.

## **13. COMPANY PROPERTY AND OTHER PROVIDED ITEMS**

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- 13.1 The employee will use and deal with the company property entrusted to employee for the performance of employee's duties in accordance with its proper purpose and will generally treat it with due care, as it benefits a good employee. The employee must inform the employer immediately of any defect in or loss of any item of company property.
- 13.2 The employee undertakes to hand back to the employer all items in employee's possession that are the property of the employer and all documents relating to the employer and/or its affiliated companies when the employment contract ends.
- 13.3 If the employee does not carry out any work for the employer for an uninterrupted period of more than one month, due to incapacity for work or otherwise, the employer may similarly require the employee to hand back the items of company property entrusted to the employee for the remainder of employee's absence.

#### **14. PENSION**

- 14.1 The employee participates in the collective pension scheme of the employer. The pension regulations are included in the Pension appendix.

#### **15. PROHIBITION OF OUTSIDE WORK**

- 15.1 Except with the prior permission in writing from the employer the employee may not carry out work of whatever nature, whether paid or otherwise, either for employee or for and/or on behalf of third parties during the term of the employment contract.

#### **16. CONFIDENTIALITY CLAUSE**

- 16.1 Both during the term of the employment contract and after its end the employee shall observe strict confidentiality on all matters that come to employee's knowledge in the performance of employee's duties relating to the business affairs and interests of the employer's company or its affiliated companies. This includes statements on social media.
- 16.2 This duty of confidentiality also applies to all details and particulars of the employer's business associates and clients that come to the employee's knowledge in the course of employee's duties.
- 16.3 Breaching the confidentiality provides an urgent reason for dismissal and / or declaration in respect of the crime under article 272 and / or article 273 of the Dutch Criminal Law.
- 16.4 The Employee declares and confirms that he is not bound by any non-competition/ nonsolicitation agreement towards his former(s) employers or any agreement that restrains his capabilities to perform his contractual duties within the company.
- 16.5 The Employee formally acknowledges that the Company expects from him a strict respect of the confidentiality obligation he should be bound towards his former(s) employers. Consequently, the employee is formally requested to not share, use, store, print any of their confidential information and trade secrets during the course of his employment with the Company.

#### **17. ADDITIONS, VARIATIONS AND CHANGES**

- 17.1 This employment contract is deemed to represent the full agreement between the parties as it exists at the moment of signing the contract.
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17.2 Any additions or variations to this employment contract are valid only if and insofar as they have been agreed by the parties in writing or confirmed in writing by the employer.

17.3 The employer may change one or more of the terms and conditions of employment resulting from this contract in the cases specified in article 7 :613 of the Dutch Civil Code (i.e. where the employer has such a weighty interest in the change in question that on criteria of reasonableness and fairness the employer's interest must prevail over the interest of the employee negatively affected by the change).

17.4 The employer is also entitled to change the pension agreement, as mentioned in article 20 of this agreement, without consent of the employee. The employer will only be able to change without consent in case its substantial interests outweigh the interests of the employee in accordance with the standards of reasonableness and fairness. The pension agreement will therefore be changed.

The requirement of overriding interests of the employer is applicable if:

- (a) any relevant change occurs on the fiscal, social and / or pension legislation, or if;
- (b) the financial situation of the employer necessitates an alteration, or if;
- (c) an obligation of a sectorial pension fund is applicable or appears to be applicable.

## 18. APPLICABLE LAW

18.1 This contract and further contracts flowing from it shall be governed solely by the law of the Netherlands.

## 19. DOCUMENTS

19.1 Employee hereby declares to be familiar with the content of the hereafter mentioned documents, which form an integral part of this employment contract. These documents, and if necessary, to be decided upon later regulations, are or will be delivered per e-mail to employee I can be consulted and downloaded by employee through employer's intranet.

- Company regulations (in development)
  - Code of Conduct (signature required)
  - RCA (if applicable)(signature required)
  - Lease Car Policy (in development)
  - Social Media Policy
  - GDPR
  - Global Travel Expenses Policy
  - Pension appendix (in development)
  - Insurance appendix as referred to in paragraph 11 (*WGA-hiaat* or *WIA-excedent*) (in development)
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So agreed, drawn up in duplicate and signed  
at Schiphol  
on 31 October 2019

**SIGNATURE**

Employer    Employee  
Coty Management B.V.

/S/ Jaap Bruinsma    /S/ Richard Jones November 6, 2019  
Jaap Bruinsma    Richard Jones  
Senior HR Director Global HQ & Benelux

# COTY

## EMPLOYMENT CONTRACT FOR AN INDEFINITE PERIOD OF TIME

BETWEEN

(1) Coty Management B.V., established at Schiphol Boulevard 393, 1118 BJ Schiphol, duly represented in the present matter by Mr. Jaap Bruinsma in his capacity as Senior HR Director Global HQ & Benelux, hereinafter "**the employer**"; and

(2) **Mr. Pascal Baltussen**, born on XXXX, hereinafter "**the employee**";

WHEREAS

The parties wish to enter into an employment contract for an indefinite period of time and record the details of that agreement in writing as follows;

### AGREE UNDER THE FOLLOWING TERMS

#### 1. COMMENCEMENT DATE, POSITION AND DUTIES

- 1.1 The employee shall enter the employer's service with effect from 1 January 2020 in the position of Chief Procurement Officer. The employee will report to Pierre Laubies, Chief Executive Officer.
- 1.2 The employee will perform all the work that, having regard to the employer's activities, forms part of or may be deemed to form part of the position.
- 1.3 The employer may also require the employee to carry out work other than the duties forming part of the normal performance of employee's job if and insofar as the employee may reasonably be asked to carry out that other work.

#### 2. WORK LOCATION

- 2.1 The employee will normally perform the agreed duties from the employer's premises in Amsterdam but is prepared to perform the duties at or from other locations where this is necessary for the proper performance of employee's job or in the company's interest.
- 2.2 The employer reserves the right to transfer the employee to another business location.

#### 3. DURATION OF EMPLOYMENT CONTRACT AND TERMINATION

- 3.1 This employment contract is entered into for an indefinite period of time.
  - 3.2 Either party may terminate the contract with due observance of the agreed terms in the Confidentiality, Non-Competition and Non-Solicitation agreement ("RCA").
  - 3.3 Notice must be given in writing to the end of a calendar month.
  - 3.4 The employment contract terminates in any case by operation of law, without prior notice, on the day the employee reaches the applicable statutory pensionable age (*AOW-gerechtigde leeftijd*).
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#### **4. PROBATIONARY PERIOD**

4.1 The parties agree a probationary period of two months from the date of commencement of employment, during which period either party may terminate the employment contract with immediate effect.

#### **5. WORKING HOURS AND OVERTIME WORKING**

5.1 The employment contract is entered into for 40 hours per week.

5.2 The days and times during which the work is to be performed will be specified by the employer in the Company Regulations. In doing so, the employer will take the employee's wishes into account insofar as is compatible with the proper conduct of business.

5.3 Insofar as in the employer's opinion the performance of the work so requires, the employee undertakes to perform additional work outside the set working hours.

5.4 The nature of the duties of employee involves that they also have to be carried out beyond the normal working hours. The overtime working and/or additional work is deemed to form part of the employee's duties and to be covered by the relevant remuneration.

#### **6. SALARY AND HOLIDAY ALLOWANCE**

6.1 The employee's annual salary, based on fulltime (100%), at the time of concluding the contract is € 550.000,00 gross per year including holiday allowance of 8%. The monthly gross salary will amount to € 42.438,27.

6.2 The monthly salary will be paid around the 25th of the month or ultimately by the end of the month by payment into a bank account to be specified by the employee.

6.3 The year for the calculation of the holiday allowance runs from 1 June up to and including 31 May of the current year. The holiday allowance is paid out annually together with the salary for May. Employees who have been with the company for part of that period only shall receive holiday allowance on a pro rata temporize basis. Holiday allowance shall also be calculated in line with any salary adjustments made during the aforesaid period and this as of the effective date of the salary adjustment.

6.4 All the statutory deductions such as wage withholding tax and national insurance contributions will be deducted from the gross salary and the gross holiday allowance. The employer will provide a statement (pay slip) containing details of the deductions made from the gross salary and the gross holiday allowance. An annual statement will be provided at the end of the year. Employee agrees with receiving the statements digitally.

#### **7. RULES ON TERMS AND CONDITIONS OF EMPLOYMENT**

7.1 Except insofar as expressly stated otherwise in this employment contract, the employer's Company Regulations and Code of Conduct and RCA form an integral part of the present employment contract. By employee's signature to this contract the employee acknowledges the receipt of a copy of these rules and the agreement thereto.

7.2 The rules apply insofar as no express provision to the contrary is made in this employment contract.

#### **8. BONUS / INCENTIVE SCHEMES**

8.1 The employee will participate in our Annual Performance Plan in accordance with the policy as long as the employee meets the requirements for eligibility. As a result, the

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employee will be eligible to a yearly on target performance bonus of 70% of his gross annual base salary, based on achieved results against company targets. The employee must be actively employed by Coty on the day the APP award is paid (usually in October) to be eligible.

8.2 The employee will also participate in the Equity & Long-Term Incentive Plan and the Coty Elite program in accordance with the policy. As long as the employee meets the requirements for eligibility,

## **9. HOLIDAY ENTITLEMENT**

9.1 The employee is entitled to 30 days of paid leave in each holiday year (based on full time). In case of a fulltime employment contract, 20 of these days of paid leave are statutory holidays; the others are holidays in excess of the statutory entitlement.

9.2 The holiday year runs from 1 January to 31 December of each calendar year.

9.3 Holiday dates are determined by the employer on the basis of a proposal by the employee.

9.4 The statutory holiday entitlement accrued in a calendar year will lapse six months after the end of the calendar year. The extra statutory holiday entitlement accrued in a calendar year will lapse five years after the end of the calendar year.

9.5 Where the employee is not employed for the whole holiday year, the employee will be entitled to 1/12th of the above number of holiday days for each month of employment.

9.6 During the period that the employee is unable to perform work because of illness, the employee will accrue statutory holiday entitlement. From one month of illness the employee will not accrue extra statutory holiday entitlement.

9.7 Holiday days normally have to be taken in the holiday year to which they relate.

9.8 Employer can appoint a maximum of 2 days per calendar year as mandatory vacation days without consulting employee.

## **10. INCAPACITY FOR WORK**

10.1 If the employee is unfit for work, the employee must inform the direct manager accordingly without delay on the first day of employee's incapacity for work. When reporting sick, the employee shall also provide the employer with the information that the employer requires to determine whether it must continue to pay the employee's wages.

10.2 Further detailed information and rules regarding illness are included in the Company Regulations.

## **11. SUPPLEMENTARY INSURANCE COVER**

11.1 The employer has taken out group disablement benefit shortfall insurances cover for its employees (*WGA-hiaatverzekering* and *WIA-exedentverzekering*).

11.2 Further detailed information regarding these insurances is included in the Insurance appendix.

## **12. MOBILITY ALLOWANCE OR LEASE CAR**

12.1 The employee is entitled to a mobility allowance or lease car at the moment of entering this employment agreement in accordance with the Mobility Policy. This entitlement may change in accordance with the Mobility Policy.

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### **13. COMPANY PROPERTY AND OTHER PROVIDED ITEMS**

- 13.1 The employee will use and deal with the company property entrusted to employee for the performance of employee's duties in accordance with its proper purpose and will generally treat it with due care, as it benefits a good employee. The employee must inform the employer immediately of any defect in or loss of any item of company property.
- 13.2 The employee undertakes to hand back to the employer all items in employee's possession that are the property of the employer and all documents relating to the employer and/or its affiliated companies when the employment contract ends.
- 13.3 If the employee does not carry out any work for the employer for an uninterrupted period of more than one month, due to incapacity for work or otherwise, the employer may similarly require the employee to hand back the items of company property entrusted to the employee for the remainder of employee's absence.

### **14. PENSION**

- 14.1 The employee participates in the collective pension scheme of the employer. The pension regulations are included in the Pension appendix.

### **15. PROHIBITION OF OUTSIDE WORK**

- 15.1 Except with the prior permission in writing from the employer the employee may not carry out work of whatever nature, whether paid or otherwise, either for employee or for and/or on behalf of third parties during the term of the employment contract.

### **16. CONFIDENTIALITY CLAUSE**

- 16.1 Both during the term of the employment contract and after its end the employee shall observe strict confidentiality on all matters that come to employee's knowledge in the performance of employee's duties relating to the business affairs and interests of the employer's company or its affiliated companies. This includes statements on social media.
- 16.2 This duty of confidentiality also applies to all details and particulars of the employer's business associates and clients that come to the employee's knowledge in the course of employee's duties.
- 16.3 Breaching the confidentiality provides an urgent reason for dismissal and / or declaration in respect of the crime under article 272 and / or article 273 of the Dutch Criminal Law.
- 16.4 The Employee declares and confirms that he is not bound by any non-competition/ nonsolicitation agreement towards his former(s) employers or any agreement that restrains his capabilities to perform his contractual duties within the company.
- 16.5 The Employee formally acknowledges that the Company expects from him a strict respect of the confidentiality obligation he should be bound towards his former(s) employers. Consequently, the employee is formally requested to not share, use, store, print any of their confidential information and trade secrets during the course of his employment with the Company.

### **17. ADDITIONS, VARIATIONS AND CHANGES**

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17.1 This employment contract is deemed to represent the full agreement between the parties as it exists at the moment of signing the contract.

17.2 Any additions or variations to this employment contract are valid only if and insofar as they have been agreed by the parties in writing or confirmed in writing by the employer.

17.3 The employer may change one or more of the terms and conditions of employment resulting from this contract in the cases specified in article 7 :613 of the Dutch Civil Code (i.e. where the employer has such a weighty interest in the change in question that on criteria of reasonableness and fairness the employer's interest must prevail over the interest of the employee negatively affected by the change).

17.4 The employer is also entitled to change the pension agreement, as mentioned in article 20 of this agreement, without consent of the employee. The employer will only be able to change without consent in case its substantial interests outweigh the interests of the employee in accordance with the standards of reasonableness and fairness. The pension agreement will therefore be changed.

The requirement of overriding interests of the employer is applicable if:

- (a) any relevant change occurs on the fiscal, social and / or pension legislation, or if;
- (b) the financial situation of the employer necessitates an alteration, or if;
- (c) an obligation of a sectorial pension fund is applicable or appears to be applicable.

## 18. APPLICABLE LAW

18.1 This contract and further contracts flowing from it shall be governed solely by the law of the Netherlands.

## 19. DOCUMENTS

19.1 Employee hereby declares to be familiar with the content of the hereafter mentioned documents, which form an integral part of this employment contract. These documents, and if necessary, to be decided upon later regulations, are or will be delivered per e-mail to employee I can be consulted and downloaded by employee through employer's intranet.

- Company regulations (in development)
  - Code of Conduct (signature required)
  - RCA (signature required)
  - Mobility Policy (in development)
  - Social Media Policy
  - GDPR
  - Global Travel Expenses Policy
  - Pension appendix (in development)
  - Insurance appendix as referred to in paragraph 11 (*WGA-hiaat* or *WIA-excedent*) (in development)
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So agreed, drawn up in duplicate and signed  
at Schiphol  
on 3 December 2019

**SIGNATURE**

Employer    Employee  
Coty Management B.V.

/S/ Jaap Bruinsma    /S/ Pascal Baltussen  
Jaap Bruinsma    Pascal Baltussen  
Senior HR Director Global HQ & Benelux

Coty Inc.  
Subsidiary List  
as of December 31, 2019

<u>Entity Name</u>	<u>Domestic Jurisdiction</u>
Coty Argentina S.A.	Argentina
Coty Australia Holdings PTY Ltd.	Australia
Coty Australia Legacy Pty. Limited	Australia
Coty Australia PTY. Limited	Australia
Gresham Cosmetics Pty Ltd	Australia
HFC Prestige International Australia PTY Ltd	Australia
Jemella Australia Pty Limited	Australia
Revolver Distribution PTY Ltd.	Australia
Coty Beauty Austria GmbH	Austria
HFC Prestige Products N.V.	Belgium
Coty Brasil Comércio Ltda	Brazil
Lancaster do Brasil Cosméticos Ltda.	Brazil
Savoy Indústria de Cosméticos S.A.	Brazil
HFC Prestige International Canada, Inc.	Canada
TJoy Holdings Co. Ltd.	Cayman Islands
Coty Cosméticos Chile Limitada	Chile
Coty China Holding Limited	China
Coty Hong Kong Distribution Ltd.	China
Coty International Trade (Shanghai) Co., Ltd.	China
Coty Prestige Shanghai Ltd.	China
HFC (Shanghai) Cosmetics Co., Ltd	China
Nanjing Yanting Trade Co. Ltd.	China
Suzhou Ganon Trading Co., Ltd.	China
Suzhou Jiahua Biochemistry Co. Ltd	China
HFC Prestige Service Costa Rica S.R.L.	Costa Rica
Coty Ceska republika, s.r.o.	Czechia
HFC Prestige International Denmark ApS	Denmark
Coty Holdings UK Limited	England and Wales
Quest Beauty Limited	England and Wales
HFC Prestige International Finland Oy	Finland
Coty S.A.S.	France
Coty France S.A.S.	France
Else France S.A.S.	France
Fragrance Production S.A.S.	France
GHD France S.á r.l.	France
HFC Prestige Holding France	France
Coty Beauty Germany GmbH	Germany
Coty Brands Management GmbH	Germany
Coty Germany Holding GmbH	Germany
Coty Services and Logistics GmbH	Germany
Ghd Deutschland GmbH	Germany
HFC Prestige Manufacturing Cologne Germany GmbH	Germany
HFC Prestige Manufacturing Germany GmbH	Germany
HFC Prestige Service Germany GmbH	Germany
Sebastian Europe GmbH	Germany



Wella Grundstuecks- und Vermoegensverwaltungs GmbH & Co. KG	Germany
Zadafo Verwaltungsgesellschaft mbH	Germany
Wella Hellas MEPE	Greece
Chi Chun Industrial Co. Ltd.	Hong Kong
Coty Hong Kong Limited	Hong Kong
Coty INT Hong Kong Limited	Hong Kong
Coty Prestige Shanghai (HK) Ltd.	Hong Kong
Coty Prestige Southeast Asia (HK) Limited	Hong Kong
GHD Hong Kong Limited	Hong Kong
Ming-De Investment Co. Ltd.	Hong Kong
Super Globe Holdings Ltd.	Hong Kong
Coty Hungary Kft.	Hungary
Coty India Beauty and Fragrance Products Private Limited	India
Wella India Private Limited	India
PT StarAsia Distributions Indonesia	Indonesia
PT. Coty Prestige Southeast Asia Indonesia	Indonesia
Coty Ireland Ltd.	Ireland
Coty UK&I Limited	Ireland
HFC Prestige Manufacturing Ireland Ltd.	Ireland
Coty Italia S.R.L.	Italy
GHD Italia S.r.l.	Italy
HFC Prestige Japan Godo Kaisha	Japan
OPI-Japan K.K.	Japan
Coty Korea Ltd.	Korea, Republic Of
HFC Prestige International Holding Luxembourg SARL	Luxembourg
HFC Prestige International Luxembourg SARL	Luxembourg
Coty INT Malaysia Sdn. Bhd.	Malaysia
Coty Prestige Southeast Asia (M) Sdn. Bhd.	Malaysia
Coty Beauty Mexico, S.A. de C.V.	Mexico
Coty México, S.A. de C.V.	Mexico
HFC Cosmetics S. de R.L. de C.V.	Mexico
HFC Prestige International S. de R.L. de C.V.	Mexico
Coty Lancaster S.A.M.	Monaco
Coty B.V.	Netherlands
Coty Global 1 B.V.	Netherlands
Coty Global 2 B.V.	Netherlands
Coty Global 3 B.V.	Netherlands
Coty Global 4 B.V.	Netherlands
Coty Global 5 B.V.	Netherlands
Coty Global Holdings B.V.	Netherlands
Coty Investments B.V.	Netherlands
Coty International B.V.	Netherlands
Coty International Holding B.V.	Netherlands
Coty Management B.V.	Netherlands
Coty Operations B.V.	Netherlands
HFC Prestige International Netherlands Holding B.V.	Netherlands
Lancaster B.V.	Netherlands
HFC Prestige International New Zealand Limited	New Zealand
Jemella New Zealand Limited	New Zealand



GHD Scandinavia NUF (Norwegian Branch)	Norway
Netherlands	Norway
Coty Prestige Southeast Asia Philippines, Inc.	Philippines
Coty Eastern Europe sp. z.o.o.	Poland
HFC Prestige Service Poland Sp. z.o.o.	Poland
Coty Beauty Portugal S.A.	Portugal
HFC Prestige International Puerto Rico LLC	Puerto Rico
Coty Cosmetics Romania SRL	Romania
Bourjois Paris LLC	Russian Federation
LLC Capella	Russian Federation
Russwell Ltd	Russian Federation
Coty Arabia Trading Company LLC	Saudi Arabia
Coty Scot 1 LP	Scotland
Coty Scot 2 LP	Scotland
Coty Asia Pte. Ltd.	Singapore
Coty Prestige Southeast Asia Pte. Ltd.	Singapore
Coty Singapore Pte. Ltd.	Singapore
Coty Southeast Asia Pte. Limited	Singapore
HFC Prestige International Operations Switzerland SARL Singapore Branch	Singapore
HFC Prestige International Singapore Pte. Ltd.	Singapore
Coty Slovenská Republika s.r.o.	Slovakia
Coty Beauty South Africa (PTY) Ltd.	South Africa
Coty South Africa (Proprietary) Limited	South Africa
Good Hair Day South Africa (Proprietary) Limited	South Africa
Coty Beauty Spain, S.L.U.	Spain
Coty Spain S.L., Sociedad Unipersonal	Spain
GHD Spain, S A U	Spain
HFC Prestige International Sweden AB	Sweden
Coty International S.a.r.l.	Switzerland
HFC Prestige International Holding Switzerland Sàrl	Switzerland
HFC Prestige International Operations Switzerland Sàrl	Switzerland
Coty Beauty Swiss Sàrl	Switzerland
So Be Cosmetics S.A.	Switzerland
Coty Prestige (Taiwan) Ltd.	Taiwan, Province Of China
StarAsia Taiwan Co., Ltd.	Taiwan, Province Of China
Coty Prestige Southeast Asia (Thailand) Company Limited	Thailand
HFC Prestige Manufacturing (Thailand) Ltd.	Thailand
HFC Prestij Satış ve Dağıtım Ltd. Şti.	Turkey
Coty Distribution Emirates L.L.C.	United Arab Emirates
Coty Middle East Fzco	United Arab Emirates
Coty Regional Trading FZE	United Arab Emirates
HFC Prestige International Operations SARL	United Arab Emirates
Beamly Ltd.	United Kingdom
Beauty International Ltd.	United Kingdom
Bourjois Limited	United Kingdom
Coty Brands Group Limited	United Kingdom
Coty Export U.K. Ltd.	United Kingdom
Coty Manufacturing UK Ltd.	United Kingdom
Coty Services U.K. Ltd.	United Kingdom

Coty U.K. Limited	United Kingdom
Coty UK&I Ltd	United Kingdom
Del Laboratories (U.K.) Limited	United Kingdom
ghd BondCo plc	United Kingdom
GHD Group Holdings Limited	United Kingdom
GHD Group Limited	United Kingdom
GHD Holdings Limited	United Kingdom
HFC Prestige Manufacturing UK Ltd	United Kingdom
HFC Prestige Products Ltd.	United Kingdom
HFC Prestige Service UK Ltd	United Kingdom
Jemella Group (Holdings) Limited	United Kingdom
Jemella Group Limited	United Kingdom
Jemella Limited	United Kingdom
Lancaster Group, Ltd.	United Kingdom
Lion/Gloria Bidco Limited	United Kingdom
Lion/Gloria Holdco Limited	United Kingdom
Lion/Gloria Midco 2 Limited	United Kingdom
Lion/Gloria Midco 3 Limited	United Kingdom
Lion/Gloria Midco Limited	United Kingdom
Lion/Gloria Topco Limited	United Kingdom
Rimmel International Ltd.	United Kingdom
GHD Professional, North America, Inc.	United States - CA
HFC Prestige Products, Inc.	United States - CT
Beamly Inc.	United States - DE
Calvin Klein Cosmetic Corporation	United States - DE
Coty Brands Management Inc.	United States - DE
Coty Holdings, Inc.	United States - DE
Coty Inc.	United States - DE
Coty International LLC	United States - DE
Coty US Holdings Inc.	United States - DE
Coty US LLC	United States - DE
DLI International Holding I LLC	United States - DE
DLI International Holding II Corp	United States - DE
Galleria Co.	United States - DE
Graham Webb International, Inc.	United States - DE
HFC Prestige International U.S. LLC	United States - DE
Launch Beauty LLC	United States - DE
O P I Products, Inc.	United States - DE
Rimmel Inc.	United States - DE
The Wella Corporation	United States - DE
Noxell Corporation	United States - MD
Coty Beauty Vietnam Company Limited	Viet Nam

**Certification**

I, Pierre Laubies, certify that:

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

Date: February 5, 2020

/s/Pierre Laubies

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Pierre Laubies  
Chief Executive Officer

**Certification**

I, Pierre-André Terisse, certify that:

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

Date: February 5, 2020

/s/Pierre-André Terisse

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Pierre-André Terisse  
Chief Financial Officer

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

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

The quarterly report on Form 10-Q for the quarter ended December 31, 2018 (the “Report”) of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (15 U.S.C. 78m or 78o(d)), and the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 5, 2020

/s/Pierre Laubies

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Pierre Laubies

Chief Executive Officer

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

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

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

The quarterly report on Form 10-Q for the quarter ended December 31, 2018 (the “Report”) of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (15 U.S.C. 78m or 78o(d)), and the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

February 5, 2020

/s/Pierre-André Terisse

Pierre-André Terisse

Chief Financial Officer

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