

SECURITIES AND EXCHANGE COMMISSION

FORM 10-K

Annual report pursuant to section 13 and 15(d)

Filing Date: **2017-08-25** | Period of Report: **2017-06-30**
SEC Accession No. [0001104659-17-053604](#)

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FILER

ESTEE LAUDER COMPANIES INC

CIK: [1001250](#) | IRS No.: [112408943](#) | State of Incorporation: **DE** | Fiscal Year End: **0630**
Type: **10-K** | Act: **34** | File No.: [001-14064](#) | Film No.: [171050921](#)
SIC: **2844** Perfumes, cosmetics & other toilet preparations

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended June 30, 2017

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number 1-14064

The Estée Lauder Companies Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

11-2408943

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

767 Fifth Avenue, New York, New York

(Address of principal executive offices)

10153

(Zip Code)

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

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

Title of each class

Name of each exchange
on which registered

Class A Common Stock, \$.01 par value

New York Stock Exchange

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

None

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

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

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

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

Emerging growth company

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

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

The aggregate market value of the registrant's voting common equity held by non-affiliates of the registrant was approximately \$17 billion at December 31, 2016 (the last business day of the registrant's most recently completed second quarter).*

At August 18, 2017, 224,193,862 shares of the registrant's Class A Common Stock, \$.01 par value, and 143,762,288 shares of the registrant's Class B Common Stock, \$.01 par value, were outstanding.

Documents Incorporated by Reference

Document	Where Incorporated
Proxy Statement for Annual Meeting of Stockholders to be held November 14, 2017	Part III

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

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THE ESTÉE LAUDER COMPANIES INC.

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Cautionary Note Regarding Forward-Looking Information and Risk Factors

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

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

PART I

Item 1. Business.

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

We believe we are a leader in the beauty industry due to the global recognition of our brand names, our leadership in product innovation, our strong position in key geographic markets and the consistently high quality of our products and “High-Touch” services. We sell our prestige products principally through limited distribution channels to complement the images associated with our brands. These channels consist primarily of department stores, specialty multi-brand retailers, upscale perfumeries and pharmacies and prestige salons and spas. In addition, our products are sold in our own and authorized freestanding stores, our own and authorized retailer websites, stores in airports and on cruise ships, in-flight, and duty-free shops. We believe that our strategy of pursuing selective distribution strengthens our relationships with retailers and consumers, enables our brands to be among the best selling product lines at the stores and online, and heightens the aspirational quality of our brands.

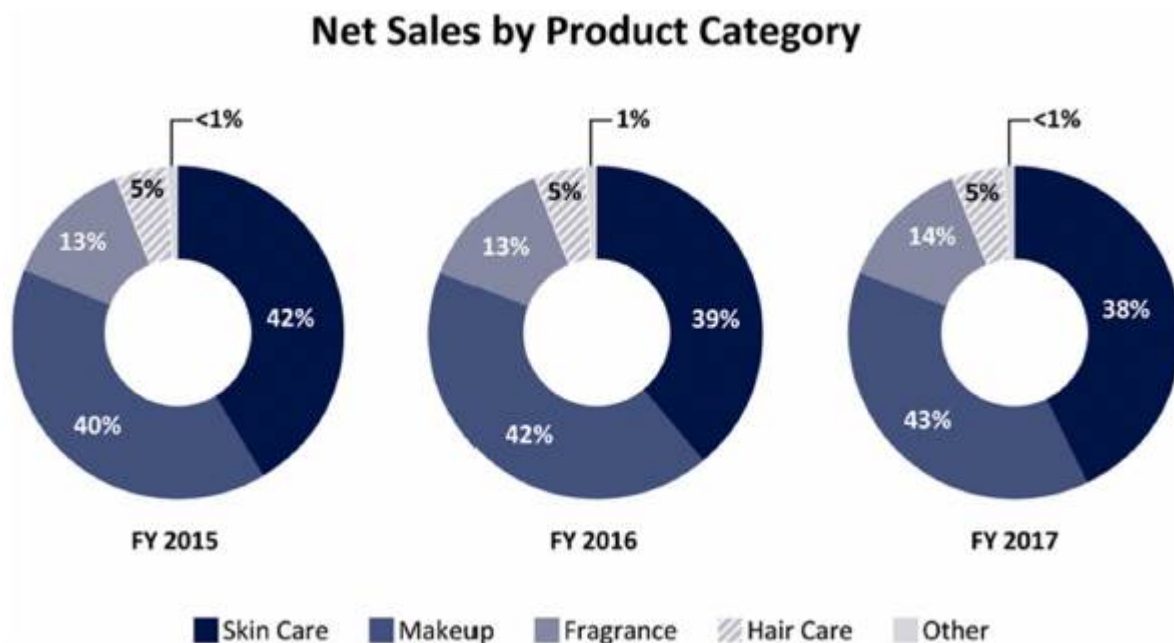
For a discussion of recent developments, see *Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations - Results of Operations - Overview*.

For segment and geographical area financial information, see *Item 8. Financial Statements and Supplementary Data - Note 21 - Segment Data and Related Information*.

We have been controlled by the Lauder family since the founding of our Company. Members of the Lauder family, some of whom are directors, executive officers and/or employees, beneficially own, directly or indirectly, as of August 18, 2017, shares of Class A Common Stock and Class B Common Stock having approximately 87% of the outstanding voting power of the Common Stock.

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Products



Skin Care - Our broad range of skin care products addresses various skin care needs. These products include moisturizers, serums, cleansers, toners, body care, exfoliators, acne and oil correctors, facial masks, cleansing devices and sun care products. A number of our products are developed for use on particular areas of the body, such as the face, the hands or around the eyes.

Makeup - We manufacture, market and sell a full array of makeup products, including those for the face, eyes, lips and nails. Many of the products are offered in an extensive palette of shades and colors. We also sell related items such as compacts, brushes and other makeup tools.

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

Hair Care - Hair care products are offered mainly in prestige salons and in freestanding stores as well as some department stores and specialty multi-brand retailers, and include shampoos, conditioners, styling products, treatment, finishing sprays and hair color products.

Other - We also sell ancillary products and services.

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Our Brands

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



ESTÉE LAUDER

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

aramis

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

TOMMY HILFIGER

DONNA KARAN
NEW YORK

DKNY

MICHAEL KORS

Ermenegildo Zegna
PARFUMS



We have exclusive global license arrangements to manufacture and sell fragrances and, in some cases, cosmetics under the following brand names: Tommy Hilfiger, Donna Karan New York, DKNY, Michael Kors, Ermenegildo Zegna and Tory Burch.

CLINIQUE
Allergy Tested, 100% Fragrance Free.

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

LAB
SERIES
SKINCARE FOR MEN

Lab Series, introduced in 1987, is a full range of products for cleansing, shaving, treatment and body that is formulated to address the unique needs of men's skin.


ORIGINS

Introduced in 1990, Origins seeks to create high-performance natural skin care products that are "powered by nature and proven by science." Origins also sells makeup, fragrance and hair care products, and has a license agreement to develop and sell beauty products using the name of Dr. Andrew Weil.

MAC

M•A•C, the leading brand of professional cosmetics, was created in Toronto, Canada in 1984. We completed our acquisition of M•A•C in 1998. The brand's popularity has grown through a tradition of word-of-mouth endorsement from professional makeup artists, models, photographers and journalists around the world.

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BOBBI BROWN

Acquired in 1995, Bobbi Brown is an exclusive beauty line with a focus on service and teaching women to be their own makeup artists. The line includes color cosmetics, skin care, professional makeup brushes and tools, accessories and fragrances.



Acquired in 1995, La Mer primarily sells high-end moisturizing creams, lotions, serums and other skin care products. The brand, which is available in limited distribution worldwide, created its range of products around the original "Miracle Broth."



We acquired the Aveda business in 1997 and since then have acquired select Aveda distributors. Aveda creates high performance, botanically-based products for beauty professionals and consumers while continuously striving to conduct business in an environmentally sustainable manner. Aveda manufactures innovative plant-based hair care, skin care, makeup and lifestyle products.

JO MALONE LONDON

We acquired London-based Jo Malone Limited in 1999. Jo Malone London is known for its unique fragrance portfolio and luxury products for the bath, body and home.

Bumble and bumble.

We acquired our initial interest in Bumble and bumble in 2000 and fully acquired the brand in 2006. The New York-based hair care company creates high-quality hair care and styling products distributed through top-tier salons and select prestige and specialty multi-brand retailers.



In 2003, we acquired Laboratoires Darphin, the Paris-based company dedicated to the development, manufacture and marketing of prestige skin care products which are distributed primarily through high-end independent pharmacies and specialty multi-brand retailers.

TOM FORD BEAUTY

In 2005, we entered into a license agreement to develop and distribute fragrances and other beauty products under the Tom Ford brand name. In 2006, we introduced Tom Ford Black Orchid, the brand's first signature fragrance. We also introduced a full-range luxury cosmetics line in 2011 and a men's grooming line in 2013.

smashbox

Acquired in 2010, Smashbox Cosmetics is a Los Angeles-based, photo studio-inspired makeup brand with products intended to help consumers create gorgeous looks, whether at a photo shoot or in everyday life.

AERIN
BEAUTY

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

LE LABO®
GRASSE - NEW YORK

Acquired in November 2014, Le Labo is a fragrance and sensory lifestyle brand with a distinct French heritage and an emphasis on fine craftsmanship and personalization in its products and services.

EDITIONS DE PARFUMS
FREDERIC MALLE

Acquired in January 2015, Editions de Parfums Frédéric Malle is a curated line of exclusive fragrances crafted by some of the world's most talented perfumers.

HOLLYWOOD, CALIFORNIA
GLAMGLOW®

Acquired in January 2015, GLAMGLOW is a Hollywood skin care brand focused on fast-acting treatment masks designed to deliver camera-ready results.

Kilian
PERFUME AS AN ART

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

BECCA®

Acquired in November 2016, BECCA is a makeup brand offering complexion and color products that flatter a wide range of skin tones and enhance women's features.

Too Faced

Acquired in December 2016, Too Faced is a feminine, playful makeup brand renowned for high-quality and stylish cosmetics.

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In addition to the brands described above, we manufacture and sell products under the Prescriptives, RODIN olio lusso and FLIRT! brands. We also develop and sell products under a license from Kiton.

Our “heritage brands” are Estée Lauder, Clinique and Origins. Our “makeup artist brands” are M·A·C and Bobbi Brown. Our “luxury brands” are La Mer, Jo Malone London, Tom Ford, AERIN, RODIN olio lusso, Le Labo, Editions de Parfums Frédéric Malle and By Kilian. Our “designer fragrances” are sold under the Tommy Hilfiger, Donna Karan New York, DKNY, Michael Kors, Kiton, Ermenegildo Zegna and Tory Burch licenses noted above.

Distribution

We sell our products primarily through limited distribution channels that complement the luxury image and prestige status of our brands. These channels consist primarily of department stores, specialty multi-brand retailers, upscale perfumeries and pharmacies and prestige salons and spas. In addition, our products are sold in freestanding stores that are operated either by us or by authorized third parties, through our own and third-party operated e-commerce websites and websites of our authorized retailers, in various travel retail locations such as stores in airports and on cruise ships, in-flight and duty-free shops, and certain fragrances are sold in self-select outlets. As is customary in the cosmetics industry, our practice is to accept returns of our products from retailers if properly requested and approved.

We have strategically opened new freestanding stores globally that we or authorized third parties operate, led by M·A·C, Jo Malone London, Bobbi Brown and Aveda. We are also evaluating opportunities to open additional freestanding stores for certain of our other brands. As of June 30, 2017, we operated approximately 1,430 freestanding stores, and more than 500 freestanding stores are operated around the world by authorized third parties. We expect the number of freestanding stores to increase over the next several years.

We currently sell products from most of our brands directly to consumers online through Company-owned and operated e-commerce and m-commerce sites in approximately 35 countries. While today a majority of our online sales are generated in the United States and the United Kingdom, we have ample opportunity for expansion of online sales growth globally. Additionally, our products are sold through various websites operated by authorized retailers.

We maintain dedicated sales teams that manage our retail accounts. We have wholly-owned operations in over 50 countries, and two controlling interests that operate in several countries, through which we market, sell and distribute our products. In certain countries, we sell our products through carefully selected distributors that share our commitment to protecting the image and position of our brands. In addition, we sell certain products in select domestic and international U.S. military exchanges. For information regarding our net sales and long-lived assets by geographic region, see *Item 8. Financial Statements and Supplementary Data - Note 21 - Segment Data and Related Information*.

Customers

Our strategy is to build strong relationships globally with select retailers, as well as with our consumers directly through freestanding stores, e-commerce sites and social media. Senior management works with executives of our major retail accounts on a regular basis, and we believe we are viewed as an important supplier to these customers. Our largest customer, Macy’s Inc., sells products primarily within the United States and accounted for 8% of our consolidated net sales for fiscal 2017, 9% for fiscal 2016 and 10% for fiscal 2015, and 8% and 13% of our accounts receivable as of June 30, 2017 and 2016, respectively.

Marketing

Our strategy to market and promote our products begins with our well-diversified portfolio of more than 25 distinctive brands across four product categories. Our portfolio can be deployed in multiple distribution channels and geographies where our global reputation and awareness of our brands benefit us. Our geographic and distribution channel diversity allows us to engage local consumers across an array of developed and emerging markets by emphasizing products and services with the greatest local relevance and appeal. This strategy is built around “Bringing the Best to Everyone We Touch.” Our founder, Mrs. Estée Lauder, formulated this unique marketing philosophy to provide “High-Touch” service and high quality products as the foundation for a solid and loyal consumer base. Our “High-Touch” approach is demonstrated through our integrated consumer engagement models that leverage our product specialists and technology to provide the consumer with a distinct experience that can include personal consultations with beauty advisors, in person or online, who demonstrate and educate the consumer on product usage and application. We plan to continue to leverage our core strengths, including the quality of our products, our “High-Touch” care to consumers and a diversified portfolio of brands, channels and geographies.

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Our marketing strategies vary by brand, local market and distribution channel. Our diverse portfolio of brands employ different engagement models suited to each brand’s equity, distribution, product focus and understanding of the core consumer. This enables us to elevate the consumer experience as we attract new customers, build loyalty, drive consumer advocacy and address the transformation of consumer shopping behaviors. Our marketing planning approach leverages local insights to optimize allocation of resources across different media outlets and retail touch points to resonate with our most discerning consumers most effectively. This includes strategically deploying our brands and tailoring product assortments and communications to fit local tastes and preferences in cities and neighborhoods. Most of our creative marketing work is done by in-house teams that design and produce the sales materials, social media strategies, advertisements and packaging for products in each brand. We build brand equity and drive traffic to retail locations and to our own and authorized retailers’ websites through digital and social media, magazines and newspapers, television, billboards in cities and airports, and direct mail and email. In addition, we seek editorial coverage for our brands and products in digital and social media and print, to drive influencer amplification.

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

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

Information Systems

Information systems support business processes including product development, marketing, sales, order processing, production, distribution and finance. We continue to maintain and enhance these systems in alignment with our long-term strategy. Many elements of our global information technology infrastructure are managed by third-party providers under vendor-owned, cloud-based models where we pay for services as they are consumed. This allows a more scalable platform to support current and future requirements and improves our agility and flexibility to respond to the demands of the business by leveraging more advanced technologies.

We continue to upgrade many of our legacy systems, including retail systems and retail capabilities globally. The retail system upgrades are expected to enhance the effectiveness of store operations, and support our omnichannel objectives. During fiscal 2017, we substantially completed retail system upgrades to our freestanding stores in North America and began our implementation in the Asia/Pacific region. Over the next few years, we plan to continue to implement upgraded point of sale, retail merchandising, and retail workforce management solutions in certain key markets globally.

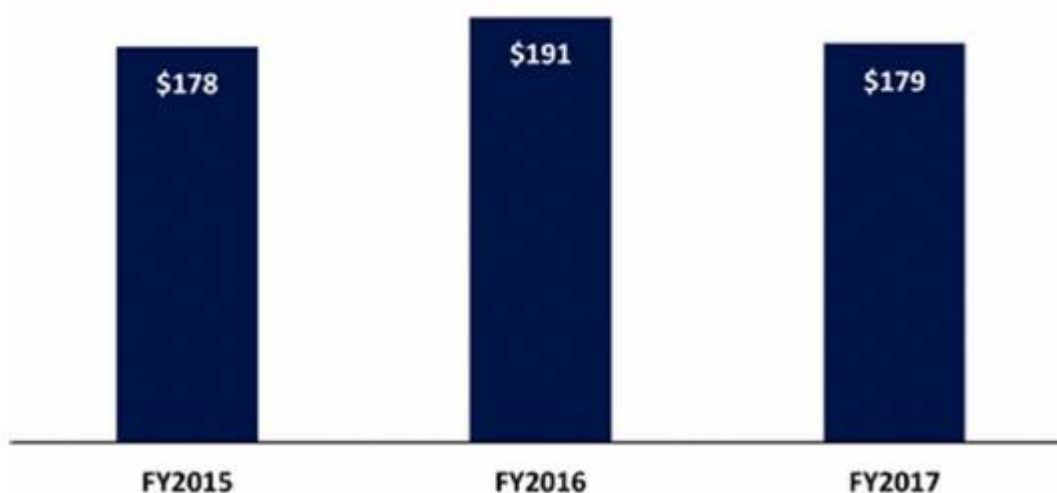
Most of our locations are currently enabled with SAP-based technologies (“SAP”). We continue to develop and invest in new data insight and analytic capabilities to allow us to more effectively utilize the information provided by SAP, as well as strategic sources of both internal and external data. In addition, we are making continuous investments to integrate changes to systems applications with SAP that we expect will bring value creation to the business and increase productivity. In particular, we are optimizing certain of our supply chain capabilities, including inventory and warehouse management, as well as adding capabilities to enhance certain financial processes and workforce management solutions.

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Research and Development

We believe that we are an industry leader in the development of new products. Our research and development group, which includes scientists and other employees involved in product innovation and packaging design and development, works closely with our marketing and product development teams and third-party suppliers to generate ideas, develop new products and product-line extensions, create new packaging concepts, and improve, redesign or reformulate existing products. In addition, these research and development personnel provide ongoing technical assistance and know-how to quality assurance and manufacturing personnel on a worldwide basis, to ensure consistent global standards for our products and to deliver products that meet or exceed consumer expectations. The research and development group has long-standing working relationships with several U.S. and international medical and educational facilities, which supplement internal capabilities. Members of the research and development group are also responsible for regulatory compliance matters.

Research and Development Expenses (In Millions)



Research and development costs are expensed as incurred. As of June 30, 2017, we had approximately 760 employees engaged in research and development activities. We maintain research and development programs at certain of our principal facilities and facilities dedicated to performing research and development, see *Item 2. Properties*.

We do not conduct animal testing on our products or ingredients, and do not ask others to test on our behalf, except when required by law.

Manufacturing, Warehousing and Raw Materials

We manufacture our products primarily in the United States, Belgium, Switzerland, the United Kingdom and Canada. We continue to streamline our manufacturing processes and identify sourcing opportunities to improve innovation, increase efficiencies, minimize our impact on the environment and reduce costs. Our major manufacturing facilities operate as “focus” plants that primarily manufacture one category of product (e.g., makeup) for most of our principal brands. Our plants are modern, and our manufacturing processes are substantially automated. While we believe that our network of manufacturing facilities and third-party manufacturers is sufficient to meet current and reasonably anticipated manufacturing requirements, we continue to identify opportunities to make significant improvements in capacity, technology, and productivity and align our manufacturing with regional sales demand. To capitalize on innovation and other supply chain benefits, we also continue to utilize a network of third-party manufacturers on a global basis.

We have established a global distribution network designed to meet the changing demands of our customers while maintaining service levels. We are continuously evaluating and adjusting this physical distribution network. We have established regional distribution centers, including those maintained by third parties, strategically positioned throughout the world in order to facilitate efficient delivery of our products to our customers.

The principal raw materials used in the manufacture of our products are essential oils, alcohols and specialty chemicals. We also purchase packaging components that are manufactured to our design specifications. Procurement of materials for all manufacturing facilities is generally made on a global basis through our Global Supplier Relations function. We review our supplier base periodically with the specific objectives of improving quality, increasing innovation and speed-to-market and reducing costs. In addition, we focus on supply sourcing within the region of manufacture to allow for improved supply chain efficiencies. Some of our products rely on a single or limited number of suppliers; however, we believe that our portfolio of suppliers has adequate resources and facilities to overcome most unforeseen interruptions of supply. In the past, we have been able to obtain an adequate supply of essential raw materials and currently believe we have adequate sources of supply for virtually all components of our products.

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We are continually benchmarking the performance of our supply chain and will change suppliers and adjust our distribution networks and manufacturing footprint based upon the changing needs of the business. As we integrate acquired brands, we continually seek new ways to leverage our production and sourcing capabilities to improve our overall supply chain performance.

Competition

There is significant competition within each market where our skin care, makeup, fragrance and hair care products are sold. Brand recognition, product quality and effectiveness, distribution channels, accessibility, and price point are some of the factors that impact consumers' choices among competing products and brands. Marketing (including social media activities), merchandising, in-store experiences and demonstrations, and new product innovations also have an impact on consumers' purchasing decisions. With our portfolio of diverse brands sold in a variety of channels we are one of the world's leading manufacturers and marketers of skin care, makeup, fragrance and hair care products. We compete against a number of companies, some of which have substantially greater resources than we do.

Some of our competitors are large, well-known, multinational manufacturers and marketers of skin care, makeup, fragrance and hair care products, most of which market and sell their products under multiple brand names. They include L'Oréal S.A.; Shiseido Company, Ltd.; LVMH Moët Hennessey Louis Vuitton; Coty, Inc.; The Procter & Gamble Company; Chanel S.A.; Groupe Clarins; Amorepacific; and Unilever. We also face competition from a number of independent brands, some of which are backed by private-equity investors, as well as some retailers that have their own beauty brands. Certain of our competitors also have ownership interests in retailers that are customers of ours.

Trademarks, Patents and Copyrights

We own the trademark rights used in connection with the manufacturing, marketing, distribution and sale of our products both in the United States and in the other principal countries where such products are sold, including Estée Lauder, Clinique, Aramis, Prescriptives, Lab Series, Origins, M·A·C, Bobbi Brown, La Mer, Aveda, Jo Malone London, Bumble and bumble, Darphin, GoodSkin Labs, Ojon, Smashbox, Osiao, Le Labo, RODIN olio lusso, Editions de Parfums Frédéric Malle, GLAMGLOW, By Kilian, BECCA and Too Faced and the names of many of the products sold under these brands. We are the exclusive worldwide licensee for fragrances, cosmetics and/or related products for Tommy Hilfiger, Donna Karan New York, DKNY, Kiton, Michael Kors, Tom Ford, Dr. Andrew Weil, Ermenegildo Zegna, AERIN and Tory Burch. For further discussion on license arrangements, including their duration, see *Item 8. Financial Statements and Supplementary Data - Note 2 - Summary of Significant Accounting Policies - License Arrangements*. We protect our trademarks in the United States and significant markets worldwide. We consider the protection of our trademarks to be important to our business.

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

Employees

At June 30, 2017, we had approximately 46,000 full-time employees worldwide (including demonstrators at points of sale who are employed by us). We have no employees in the United States that are covered by a collective bargaining agreement. A limited number of employees outside of the United States are covered by a works council agreement or other syndicate arrangements.

Government Regulation

We and our products are subject to regulation by the Food and Drug Administration and the Federal Trade Commission in the United States, as well as by various other federal, state, local and international regulatory authorities and the regulatory authorities in the countries in which our products are produced or sold. Such regulations principally relate to the ingredients, manufacturing, labeling, packaging, marketing, advertising, shipment, disposal and safety of our products. We believe that we are in substantial compliance with such regulations, as well as with applicable federal, state, local and international and other countries' rules and regulations governing the discharge of materials hazardous to the environment or that relate to climate change. There are no significant capital expenditures for environmental control or climate change matters either planned in the current year or expected in the near future.

Seasonality

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

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Availability of Reports

We make available financial information, news releases and other information on our website at www.elcompanies.com. Our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and other reports, as well as any amendments to these reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, are available free of charge via the EDGAR database at www.sec.gov or our website, as soon as reasonably practicable after we file such reports and amendments with, or furnish them to, the Securities and Exchange Commission. Stockholders may also contact Investor Relations at 767 Fifth Avenue, New York, New York 10153 or call 800-308-2334 to obtain a hard copy of these reports without charge.

Corporate Governance Guidelines and Code of Conduct

The Board of Directors has developed corporate governance practices to help it fulfill its responsibilities to stockholders in providing general direction and oversight of management. These practices are set forth in our Corporate Governance Guidelines. We also have a Code of Conduct ("Code") applicable to all employees, officers and directors of the Company, including the Chief Executive Officer, the Chief Financial Officer and other senior financial officers. These documents and any waiver of a provision of the Code granted to any senior officer or director or any material amendment to the Code, may be found in the "Investors" section of our website: www.elcompanies.com under the heading "Corporate Governance." The charters for the Audit Committee, Compensation Committee and Nominating and Board Affairs Committee may be found in the same location on our website. Stockholders may also contact Investor Relations at 767 Fifth Avenue, New York, New York 10153 or call 800-308-2334 to obtain a hard copy of these documents without charge.

Executive Officers

The following table sets forth certain information with respect to our executive officers:

<u>Name</u>	<u>Age</u>	<u>Position(s) Held</u>
John Demsey	61	Executive Group President

Fabrizio Freda	59	President, Chief Executive Officer and a Director
Carl Haney	54	Executive Vice President, Global Research and Development, Corporate Product Innovation, Package Development
Leonard A. Lauder	84	Chairman Emeritus and a Director
Ronald S. Lauder	73	Chairman of Clinique Laboratories, LLC and a Director
William P. Lauder	57	Executive Chairman and a Director
Sara E. Moss	70	Executive Vice President and General Counsel
Michael O' Hare	49	Executive Vice President - Global Human Resources
Gregory F. Polcer	62	Executive Vice President - Global Supply Chain
Cedric Prouvé	57	Group President - International
Tracey T. Travis	55	Executive Vice President and Chief Financial Officer
Alexandra C. Trower	52	Executive Vice President - Global Communications

John Demsey is Executive Group President. In this role, he is responsible for numerous brands, including Clinique, Aramis, Prescriptives, M·A·C, Jo Malone London, Smashbox, Tom Ford, RODIN olio lusso, Le Labo, Editions de Parfums Frédéric Malle, GLAMGLOW, By Kilian, and Too Faced. Mr. Demsey served as Group President from July 2006 to January 2016, and was appointed Executive Group President in January 2016. He became Global Brand President of Estée Lauder in January 2005 after serving as President and Managing Director of M·A·C since 1998. From 1991 to 1998, Mr. Demsey held several positions with Estée Lauder, including Senior Vice President of Sales and Education for Estée Lauder USA and Canada. Before joining us, he worked in sales and marketing for Revlon, Borghese, Alexandra de Markoff Cosmetics, and Lancaster Cosmetics. Mr. Demsey also held various executive retail positions at Bloomingdale's, Macy's, Benetton and Saks Fifth Avenue. He serves as Chairman of the M·A·C AIDS Fund and is on the Board of Directors of Baccarat S.A.

Fabrizio Freda has been President and Chief Executive Officer of the Company since July 2009. From March 2008 through June 2009, he was President and Chief Operating Officer of the Company where he oversaw the Clinique, Bobbi Brown, La Mer, Jo Malone London, Aveda and Bumble and bumble brands and the Aramis and Designer Fragrances division. He also was responsible for the Company's International Division, as well as Global Operations, Research and Development, Packaging, Quality Assurance, Merchandise Design, Corporate Store Design and Retail Store Operations. Prior to joining the Company, Mr. Freda served in a number of positions of increasing responsibility at The Procter & Gamble Company ("P&G"), where he was responsible for various operating, marketing and key strategic efforts for over 20 years. From 2001 through 2007, Mr. Freda was President, Global Snacks, at P&G. He also spent more than a decade in the Health and Beauty Care division at P&G. From 1986 to 1988 he directed marketing and strategic planning for Gucci SpA. Mr. Freda is currently a member of the Board of Directors of BlackRock, Inc., a global asset management company.

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Carl Haney is Executive Vice President, Global Research and Development, Corporate Product Innovation, Package Development. Prior to joining the Company in 2012, Mr. Haney was Vice President, R&D Global, Male Grooming, Gillette, Braun and Devices, leading teams in all aspects of innovation, including product, packaging, process development and engineering at The Procter & Gamble Company ("P&G") from 2007 through May 2012. Mr. Haney started his career at P&G in 1984, and over the years held numerous leadership positions in locations around the world. In 1997, he was promoted to Director, Latin America Beauty Care R&D. Mr. Haney also held R&D leadership roles for P&G Global Cosmetics and Oral Care and led P&G innovation teams in Latin America, Europe and Asia.

Leonard A. Lauder is Chairman Emeritus and a member of the Board of Directors. He was Chairman of the Board of Directors from 1995 through June 2009 and served as our Chief Executive Officer from 1982 through 1999 and President from 1972 until 1995. Mr. Lauder has held various positions since formally joining the Company in 1958 after serving as an officer in the United States Navy. He is Chairman Emeritus of the Board of Trustees of the Whitney Museum of American Art, a Charter Trustee of The University of Pennsylvania, a Trustee of The Aspen Institute and the co-founder and Co-Chairman of the Alzheimer's Drug Discovery Foundation. Mr. Lauder is Honorary Chairman of the Breast Cancer Research Foundation. He also served as a member of the White House Advisory Committee on Trade Policy and Negotiations under President Reagan.

Ronald S. Lauder has served as Chairman of Clinique Laboratories, LLC since returning from government service in 1987 and was Chairman of Estee Lauder International, Inc. from 1987 through 2002. He joined the Company in 1964 and has served in various capacities. Mr. Lauder was elected as a member of the Board of Directors of the Company in 2016; previously he was a member of the Board of Directors of the Company from 1968 to 1986 and again from 1988 to July 2009. From 1983 to 1986, he served as Deputy Assistant Secretary of Defense for European and NATO Affairs. From 1986 to 1987, he was U.S. Ambassador to Austria. Mr. Lauder is an Honorary Chairman of the Board of Trustees of the Museum of Modern Art and President of the Neue Galerie. He is also Chairman of the Board of Governors of the Joseph H. Lauder Institute of Management and International Studies at the Wharton School at the University of Pennsylvania and the co-founder and Co-Chairman of the Alzheimer's Drug Discovery Foundation.

William P. Lauder is Executive Chairman and, in such role, he is Chairman of the Board of Directors. He was Chief Executive Officer of the Company from March 2008 through June 2009 and President and Chief Executive Officer from July 2004 through February 2008. From January 2003 through June 2004, he was Chief Operating Officer. From July 2001 through 2002, he was Group President responsible for the worldwide business of the Clinique and Origins brands and the Company's retail store and online operations. From 1998 to 2001, he was President of Clinique Laboratories, LLC. Prior to 1998, he was President of Origins Natural Resources Inc., and he had been the senior officer of that division since its inception in 1990. Prior thereto, he served in various positions since joining the Company in 1986. Mr. Lauder currently serves as Chairman of the Board of the Fresh Air Fund, a member of the boards of trustees of The University of Pennsylvania and The Trinity School in New York City, a member of the boards of directors of the 92nd Street Y and the Partnership for New York City, and is on the Advisory Board of Zelnick Media. He is also Co-Chairman of the Breast Cancer Research Foundation.

Sara E. Moss is Executive Vice President and General Counsel. She joined us as Senior Vice President, General Counsel and Secretary in September 2003 and became Executive Vice President in November 2004. She was Senior Vice President and General Counsel of Pitney Bowes Inc. from 1996 to February 2003, and Senior Litigation Partner for Howard, Smith & Levin (now Covington & Burling) in New York from 1984 to 1996. Prior to 1984, Ms. Moss served as an Assistant United States Attorney in the Criminal Division in the Southern District of New York, was an associate at the law firm of Davis, Polk & Wardwell and was Law Clerk to the Honorable Constance Baker Motley, U.S. District Judge in the Southern District of New York.

Michael O' Hare is Executive Vice President - Global Human Resources. Prior to joining the Company in 2013, he was with Heineken N.V., a global brewer based in the Netherlands, where he served since 2009 as Global Chief Human Resources Officer. Prior to that, Mr. O' Hare spent 13 years at PepsiCo, a global food and beverage company, where he held a variety of senior roles in Human Resources, including Chief Personnel Officer/Vice President for Asia Pacific.

Gregory F. Polcer is Executive Vice President - Global Supply Chain. He is responsible for Global Direct and Indirect Procurement, Manufacturing, Logistics, Quality Assurance and Environmental Affairs and Safety. From 1988 to 2008, when he joined the Company, Mr. Polcer worked for Unilever where he designed and implemented global, regional and local initiatives. From 2006 to 2008, he served as the Senior Vice President, Supply Chain for Unilever where he integrated the North and Latin American Supply Chains, provided senior leadership for all global supply management and established a global outsourcing plan. Mr. Polcer served as Senior Vice President, Supply Chain - North America from 2005 to 2006 and Senior Vice President, Supply Chain, Home and Personal Care - North America from 2002 to 2004.

Cedric Prouvé is Group President - International. He is responsible for our International Division, which includes all markets outside of the United States and Canada, our Travel Retail business worldwide and all of the activities of our sales affiliates and distributor relationships. He became Group President - International in January 2003. From August 2000 through December 2002, he was the General Manager of our Japanese sales affiliate. From January 1997 to August 2000, he was Vice President, General Manager, Travel Retail. Mr. Prouvé started with us in 1994 as General Manager, Travel Retailing - Asia Pacific Region and was given the added responsibility of General Manager of our Singapore affiliate in 1995. Previously, he worked at L' Oreal in sales and management positions in the Americas and Asia/Pacific.

Tracey T. Travis is Executive Vice President and Chief Financial Officer. Prior to joining the Company in 2012, she was Senior Vice President and Chief Financial Officer of Ralph Lauren Corporation since 2005, responsible for Global Finance, Internal Audit, Treasury, Tax, Business Development, Investor Relations and Global Information Technology. Previously, Ms. Travis was Senior Vice President, Finance of Intimate Brands for Limited Brands, Inc. from 2002 to 2004. She also spent a decade at PepsiCo Inc. and the Pepsi Bottling Group, where she held operations management and finance roles. She began her career as an engineer and financial

analyst at General Motors Company. Ms. Travis joined the Board of Directors of Accenture plc in July 2017, and she is also a member of the Board of Directors of Campbell Soup Company. In addition, she is a member of the Board of Overseers at Columbia Business School.

Alexandra C. Trower is Executive Vice President - Global Communications. She directs the Company's overall communications strategy, overseeing brand communications, corporate communications, internal communications and philanthropic communications. Prior to joining the Company in 2008, Ms. Trower was Senior Vice President, Media Relations for Bank of America from July 2003 to March 2008. From 1997 to 2003, she worked at JPMorgan Chase, where she was responsible for corporate communications at JPMorgan Fleming Asset Management. From 1987 to 1997, Ms. Trower worked at a former division of Citibank, Chancellor Capital Management (now part of Invesco), where she held a variety of communications roles. Ms. Trower serves on the Board of Directors of Hollins University, and she is co-chair of The International Women's Media Foundation.

Each executive officer serves for a one-year term ending at the next annual election of officers, subject to his or her applicable employment agreement and his or her earlier death, resignation or removal.

Item 1A. Risk Factors.

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

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

We face vigorous competition from companies throughout the world, including multinational consumer product companies. Some of these competitors have greater resources than we do and others are newer companies (some backed by private-equity investors) competing in distribution channels where we are less represented. In some cases, our competitors may be able to respond to changing business and economic conditions more quickly than us. Competition in the beauty business is based on a variety of factors including pricing of products, innovation, perceived value, service to the consumer, promotional activities, advertising, special events, new product introductions, e-commerce and m-commerce initiatives and other activities. It is difficult for us to predict the timing and scale of our competitors' actions in these areas.

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

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

Our continued success depends on our ability to anticipate, gauge and react in a timely and cost-effective manner to changes in consumer tastes for skin care, makeup, fragrance and hair care products, attitudes toward our industry and brands, as well as to where and how consumers shop. We must continually work to develop, manufacture and market new products, maintain and adapt our "High-Touch" services to existing and emerging distribution channels, maintain and enhance the recognition of our brands, achieve a favorable mix of products, successfully manage our inventories, and refine our approach as to how and where we market and sell our products. While we devote considerable effort and resources to shape, analyze and respond to consumer preferences, we recognize that consumer tastes cannot be predicted with certainty and can change rapidly. The issue is compounded by the increasing use of digital and social media by consumers and the speed by which information and opinions are shared. If we are unable to anticipate and respond to sudden challenges that we may face in the marketplace, trends in the market for our products and changing consumer demands and sentiment,

our financial results will suffer. In addition, from time to time, sales growth or profitability may be concentrated in a relatively small number of our brands, channels or countries. If such a situation persists or a number of brands, channels or countries fail to perform as expected, there could be a material adverse effect on our business, financial condition and results of operations.

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In key markets, such as the United States, we have seen a decline in retail traffic in our department store customers and certain of our freestanding stores. We are seeing the emergence of strong e- and m-commerce platforms (both in mass and prestige distribution) that are impacting our business. Further consolidation in the retail trade, from these or other factors, may result in us becoming increasingly dependent on key retailers. This could result in an increased risk related to the concentration of our customers. A severe, adverse impact on the business operations of our customers could have a corresponding material adverse effect on us. If one or more of our largest customers change their strategies (including pricing or promotional activities) or they or we change or terminate their relationship with us, there could be a material adverse effect on our business.

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

Achieving our long-term strategy will require investment in new capabilities, brands, categories, distribution channels, technologies and emerging and more mature geographic markets. These investments may result in short-term costs without any current revenues and, therefore, may be dilutive to our earnings, at least in the short term. In addition, we may dispose of or discontinue select brands or streamline operations and incur costs or restructuring and other charges in doing so. Although we believe that our strategy will lead to long-term growth in revenue and profitability, we may not realize, in full or in part, the anticipated benefits. The failure to realize benefits, which may be due to our inability to execute plans, global or local economic conditions, competition, changes in the beauty industry and the other risks described herein, could have a material adverse effect on our business, financial condition and results of operations.

Acquisitions may expose us to additional risks.

We continuously review acquisition and strategic investment opportunities that would expand our current product offerings, our distribution channels, increase the size and geographic scope of our operations or otherwise offer growth and operating efficiency opportunities. There can be no assurance that we will be able to identify suitable candidates or consummate these transactions on favorable terms. If required, the financing for these transactions could result in an increase in our indebtedness, dilute the interests of our stockholders or both. The purchase price for some acquisitions may include additional amounts to be paid in cash in the future, a portion of which may be contingent on the achievement of certain future operating results of the acquired business. If the performance of any such acquired business exceeds such operating results, then we may incur additional charges and be required to pay additional amounts.

Acquisitions including strategic investments or alliances entail numerous risks, which may include:

- difficulties in integrating acquired operations or products, including the loss of key employees from, or customers of, acquired businesses;
- diversion of management's attention from our existing businesses;
- adverse effects on existing business relationships with suppliers and customers;
- adverse impacts of margin and product cost structures different from those of our current mix of business; and
- risks of entering distribution channels, categories or markets in which we have limited or no prior experience.

Our failure to successfully complete the integration of any acquired business or to achieve the long-term plan for such business, as well as any other adverse consequences associated with our acquisition and investment activities, could have a material adverse effect on our business, financial condition and operating results.

Completed acquisitions typically result in additional goodwill and/or an increase in other intangible assets on our balance sheet. We are required at least annually, or as facts and circumstances exist, to test goodwill and other intangible assets with indefinite lives to determine if impairment has occurred. If the testing performed indicates that impairment has occurred, we are required to record a non-cash impairment charge for the difference between the carrying value of the goodwill or other intangible assets with indefinite lives and the implied fair value of the goodwill or the fair value of other intangible assets with indefinite lives in the period the determination is made. We cannot accurately predict the amount and timing of any impairment of assets. Should the value of goodwill or other intangible assets become impaired, there could be a material adverse effect on our financial condition and results of operations.

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

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

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In addition, sudden disruptions in business conditions, for example, from events such as a pandemic, or other local or global health issues, conflicts around the world, or as a result of a terrorist attack, retaliation or similar threats, or as a result of adverse weather conditions, climate changes or seismic events, can have a short-term and, sometimes, long-term impact on consumer spending.

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

A downturn in the economies of, or continuing recessions in, the countries where we sell our products or a sudden disruption of business conditions in those countries could adversely affect consumer confidence, the financial strength of our retailers and our sales and profitability. We are cautious of the continued decline in retail traffic primarily related to brick-and-mortar department stores in the United States as a result of the impact of shifts in consumer preferences as to where and how they shop. We are also cautious of foreign currency movements and their impact on tourism, which has particularly impacted certain tourist-driven stores in the United States. Additionally, we continue to monitor the effects of the macroeconomic environments in certain countries such as Brazil and in the Middle East, the United Kingdom's anticipated exit from the European Union, geopolitical tensions and global security issues.

Volatility in the financial markets and a related economic downturn in key markets or markets generally throughout the world could have a material adverse effect on our business. While we currently generate significant cash flows from our ongoing operations and have access to global credit markets through our various financing activities, credit markets may experience significant disruptions. Deterioration in global financial markets or an adverse change in our credit ratings could make future financing difficult or more expensive. If any financial institutions that are parties to our undrawn revolving credit facility or other financing arrangements, such as foreign exchange or interest rate hedging instruments, were to declare bankruptcy or become insolvent, they may be unable to perform under their agreements with us. This could leave us with reduced borrowing capacity or unhedged against certain foreign currency or interest rate exposures which could have an adverse impact on our financial condition and results of operations.

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

Our business is subject to numerous laws, regulations and policies. Changes in the laws, regulations and policies, including the interpretation or enforcement thereof, that affect, or will affect, our business, including changes in accounting standards, tax laws and regulations, laws and regulations relating to data privacy, anti-corruption, advertising, marketing, manufacturing, distribution, product registration, ingredients, chemicals and packaging, laws in Europe and elsewhere relating to selective distribution, environmental or climate change laws, regulations or accords, trade rules and customs regulations, and the outcome and expense of legal or regulatory proceedings, and any action we may take as a result could adversely affect our financial results.

We are involved, and may become involved in the future, in disputes and other legal or regulatory proceedings that, if adversely decided or settled, could adversely affect our financial results.

We are, and may in the future become, party to litigation, other disputes or regulatory proceedings. In general, claims made by us or against us in litigation, disputes or other proceedings can be expensive and time consuming to bring or defend against and could result in settlements, injunctions or damages that could significantly affect our business or financial results. We are currently vigorously contesting certain of these claims. However, it is not possible to predict the final resolution of the litigation, disputes or proceedings to which we currently are or may in the future become party to, and the impact of certain of these matters on our business, results of operations and financial condition could be material.

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

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

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

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

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

Our success depends, in part, on our ability to retain our key personnel, including our executive officers and senior management team. The unexpected loss of one or more of our key employees could adversely affect our business. Our success also depends, in part, on our continuing ability to identify, hire, train and retain other highly qualified personnel. Competition for these employees can be intense. We may not be able to attract, assimilate or retain qualified personnel in the future, and our failure to do so could adversely affect our business. This risk may be exacerbated by the stresses associated with the implementation of our strategic plan and other initiatives.

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

We operate on a global basis, with a majority of our fiscal 2017 net sales and operating income generated outside the United States. We intend to reinvest these earnings in our foreign operations indefinitely, except where we are able to repatriate these earnings to the United States without material incremental tax provision. A majority of our cash and cash equivalents that result from these earnings remain outside the United States. If these indefinitely reinvested earnings were repatriated into the United States as dividends, we would be subject to additional taxes.

We maintain offices in over 50 countries and have key operational facilities located inside and outside the United States that manufacture, warehouse or distribute goods for sale throughout the world. Our global operations are subject to many risks and uncertainties, including:

- fluctuations in foreign currency exchange rates and the relative costs of operating in different places, which can affect our results of operations, the value of our foreign assets, the relative prices at which we and competitors sell products in the same markets, the cost of certain inventory and non-inventory items required in our operations, and the relative prices at which we sell our products in different markets;
- foreign or U.S. laws, regulations and policies, including restrictions on trade, immigration and travel; import and export license requirements; tariffs and taxes; operations; and investments;
- lack of well-established or reliable legal and administrative systems in certain countries in which we operate; and
- adverse weather conditions, currency exchange controls, and social, economic and geopolitical conditions, such as terrorist attacks, war or other military action.

These risks could have a material adverse effect on our business, prospects, reputation, results of operations and financial condition.

A disruption in operations or our supply chain could adversely affect our business and financial results.

As a company engaged in manufacturing and distribution on a global scale, we are subject to the risks inherent in such activities, including industrial accidents, environmental events, strikes and other labor disputes, disruptions in supply chain or information systems, loss or impairment of key manufacturing sites or suppliers, product quality control, safety, increase in commodity prices and energy costs, licensing requirements and other regulatory issues, as well as natural disasters and other external factors over which we have no control. If such an event were to occur, it could have an adverse effect on our business and financial results.

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

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

We rely on information systems (outsourced and in-house) that support our business processes, including product development, marketing, sales, order processing, production, distribution, finance and intracompany communications throughout the world. We have e-commerce, m-commerce and other Internet websites in the United States and many other countries. These systems may be susceptible to outages due to fire, floods, power loss, telecommunications failures, break-ins and other events. Despite the implementation of network security measures, our systems may be vulnerable to cybersecurity breaches such as computer viruses, break-ins and similar

disruptions from unauthorized tampering. The occurrence of these or other events could disrupt or damage our information systems and adversely affect our business and results of operations.

Failure to adequately maintain the security of our electronic and other confidential information could materially adversely affect our financial condition and results of operations.

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

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

Our implementation and maintenance of global information systems (outsourced and in-house), including supply chain and finance systems, human resource management systems, creative asset management and retail operating systems, as well as associated hardware and use of cloud-based models, involve risks and uncertainties. Failure to implement and maintain these and other systems as planned, in terms of timing, specifications, costs, or otherwise, could have an adverse impact on our business and results of operations.

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

As part of our long-term strategy, we are continually looking for opportunities to provide essential business services in a more cost-effective manner. In some cases, this requires the outsourcing of functions or parts of functions that can be performed more effectively by external service providers. These include certain information systems, finance and human resource functions. While we believe we conduct appropriate due diligence before entering into agreements with the outsourcing entity, the failure of one or more entities to provide the expected services, provide them on a timely basis or to provide them at the prices we expect may have a material adverse effect on our results of operations or financial condition. In addition, if we transition systems to one or more new, or among existing, external service providers, we may experience challenges that could have a material adverse effect on our results of operations or financial condition.

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

Our business planning process is designed to maximize our long-term strength, growth and profitability, not to achieve an earnings target in any particular fiscal quarter. We believe that this longer-term focus is in the best interests of the Company and our stockholders. At the same time, however, we recognize that it may be helpful to provide investors with guidance as to our forecast of net sales, earnings per share and other financial metrics or projections. Accordingly, when we announced our year-end financial results for fiscal 2017, we provided guidance as to certain assumptions, including ranges for our expected net sales and earnings per share for the quarter ending September 30, 2017 and the fiscal year ending June 30, 2018. While we generally expect to provide updates to our guidance when we report our results each fiscal quarter, we assume no responsibility to update any of our forward-looking statements at such times or otherwise. In addition, the longer-term guidance we provide is based on goals that we believe, at the time guidance is given, are reasonably attainable for growth and performance over a number of years. Such targets are more difficult to predict than our current quarter and fiscal year expectations. We historically have paid dividends on our common stock and repurchased shares of our Class A Common Stock. At any time, we could stop or suspend payment of dividends or stop or suspend our stock repurchase program, and any such action could cause the market price of our stock to decline.

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

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

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

As of August 18, 2017, members of the Lauder family beneficially own, directly or indirectly, shares of the Company's Class A Common Stock (with one vote per share) and Class B Common Stock (with 10 votes per share) having approximately 87% of the outstanding voting power of the Common Stock. In addition, there are four members of the Lauder family who are employees and members of our Board of Directors. Another family member is a party to a consulting agreement and a license agreement with us.

As a result of the stock ownership and their positions at the Company, the Lauder family has the ability to exercise significant control and influence over our business, including, all matters requiring stockholder approval, including the election of directors, amendments to the certificate of incorporation and significant corporate transactions, such as a merger or other sale of our Company or its assets, for the foreseeable future.

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

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

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

Item 1B. Unresolved Staff Comments.

As of the filing of this annual report on Form 10-K, there were no unresolved comments from the Staff of the Securities and Exchange Commission.

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Item 2. Properties.

The following table sets forth our principal owned and leased manufacturing, assembly, research and development and distribution facilities, some of which include contiguous office space, as of August 18, 2017. The leases expire at various times through 2026 subject to certain renewal options.

<u>Location</u>		<u>Use</u>	<u>Approximate Square Footage</u>
The Americas			
Blaine, Minnesota	Owned	Manufacturing and R&D	275,000
Blaine, Minnesota	Leased	Distribution	187,000
Melville, New York	Owned	Manufacturing	353,000
Melville, New York	Owned	R&D	134,000
Bristol, Pennsylvania	Leased	Manufacturing	67,000
Bristol, Pennsylvania	Leased	Manufacturing and Assembly	100,000
Bristol, Pennsylvania	Leased	Distribution	782,000
Trevoise, Pennsylvania	Leased	Manufacturing and Assembly	80,000
Agincourt, Ontario, Canada	Owned	Manufacturing	96,000
Markham, Ontario, Canada	Leased	Manufacturing	137,000
Markham, Ontario, Canada	Leased	R&D	42,000
Toronto, Ontario, Canada	Leased	Distribution	186,000
Europe, the Middle East & Africa			
Oevel, Belgium	Owned	Manufacturing	113,000
Oevel, Belgium	Leased	Manufacturing and R&D	81,000
Oevel, Belgium	Leased	Distribution	105,000
Kerpen, Germany	Leased	Distribution	98,000
Sandton, South Africa	Leased	Distribution	65,000
Madrid, Spain	Leased	Distribution	123,000
Lachen, Switzerland	Owned	Manufacturing	29,000
Lachen, Switzerland	Owned	Distribution	125,000
Hampshire, United Kingdom	Leased	Distribution	229,000
Petersfield, United Kingdom	Owned	Manufacturing	242,000
Asia/Pacific			
Alexandria, Australia	Leased	Distribution	87,000
Shanghai, China	Leased	R&D	34,000
Shanghai, China	Leased	Distribution	206,000

Hong Kong	Leased	Distribution	90,000
Tokyo, Japan	Leased	Distribution, R&D and Manufacturing	187,000
Yongin, Korea	Leased	Distribution and Manufacturing	139,000

We own, lease and occupy numerous offices, assembly and distribution facilities and warehouses in the United States and abroad. We consider our properties to be generally in good condition and believe that our facilities are adequate for our operations and provide sufficient capacity to meet anticipated requirements. We lease approximately 767,000 square feet of rentable space for our principal offices in New York, New York. We own a building of approximately 57,000 square feet of office space in Melville, New York. As of June 30, 2017, we directly leased and operated approximately 1,430 freestanding stores.

Item 3. *Legal Proceedings.*

For a discussion of legal proceedings, see *Item 8. Financial Statements and Supplementary Data - Note 15 - Commitments and Contingencies.*

Item 4. *Mine Safety Disclosures.*

Not applicable.

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PART II

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

Market for Registrant’s Common Equity and Related Stockholder Matters

Our Class A Common Stock is publicly traded on the New York Stock Exchange under the symbol “EL.” The following table shows the high and low per share sales prices as reported on the New York Stock Exchange Composite Tape and the cash dividends per share declared in fiscal 2017 and fiscal 2016:

	Fiscal 2017			Fiscal 2016		
	High	Low	Cash Dividends	High	Low	Cash Dividends
First Quarter	\$ 95.38	\$ 86.57	\$.30	\$ 91.68	\$ 73.67	\$.24
Second Quarter	88.74	75.30	.34	89.93	79.49	.30
Third Quarter	87.55	76.34	.34	94.93	81.02	.30
Fourth Quarter	98.40	83.34	<u>.34</u>	97.48	87.08	<u>.30</u>
Fiscal Year	98.40	75.30	<u>\$ 1.32</u>	97.48	73.67	<u>\$ 1.14</u>

We expect to continue the payment of cash dividends in the future, but there can be no assurance that the Board of Directors will continue to declare them. On August 17, 2017, a dividend was declared in the amount of \$.34 per share on our Class A and Class B Common Stock. The dividend is payable in cash on September 15, 2017 to stockholders of record at the close of business on August 31, 2017.

As of August 18, 2017, there were 8,080 record holders of Class A Common Stock and 15 record holders of Class B Common Stock.

Share Repurchase Program

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

Period	Total Number of Shares Purchased ⁽¹⁾	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Maximum Number of Shares that May Yet Be Purchased Under the Program ⁽²⁾
April 2017	3,422	\$ 84.42	–	14,959,413
May 2017	222,500	92.70	222,500	14,736,913
June 2017	301,672	96.11	285,000	14,451,913
	<u>527,594</u>	<u>94.60</u>	<u>507,500</u>	

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

⁽²⁾ The current repurchase program for up to 40.0 million shares was authorized by the Board of Directors on November 1, 2012. Our repurchase program does not have an expiration date.

Subsequent to June 30, 2017 and as of August 18, 2017, we purchased approximately 0.5 million additional shares of our Class A Common Stock for \$45 million pursuant to our share repurchase program.

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Item 6. Selected Financial Data.

The table below summarizes selected financial information. For further information, refer to the audited consolidated financial statements and the notes thereto beginning on page F-1 of this report.

	Year Ended or at June 30				
	2017	2016	2015	2014	2013
	(In millions, except per share data)				
Statement of Earnings Data:					
Net sales ^{(a) - (b)}	\$ 11,824	\$ 11,262	\$ 10,780	\$ 10,969	\$ 10,182
Net earnings attributable to The Estée Lauder Companies Inc. ^{(a) - (g)}	1,249	1,115	1,089	1,204	1,020
Per Share Data:					
Net earnings attributable to The Estée Lauder Companies Inc. per common share:					
Basic ^{(a) - (g)}	\$ 3.40	\$ 3.01	\$ 2.87	\$ 3.12	\$ 2.63
Diluted ^{(a) - (g)}	3.35	2.96	2.82	3.06	2.58
Cash dividends declared per common share	1.32	1.14	.92	.78	1.08

Balance Sheet Data:

Total assets ^(g)	\$	11,568	\$	9,223	\$	8,227	\$	7,860	\$	7,136
Total debt ^(d)		3,572		2,242		1,625		1,334		1,335

(a) Fiscal 2017 results included \$143 million, after tax, or \$.38 per diluted common share related to total charges associated with restructuring and other activities. Fiscal 2016 results included \$90 million, after tax, or \$.24 per diluted common share related to total charges associated with restructuring and other activities. Fiscal 2014 results included \$(2) million, after tax, related to total adjustments associated with restructuring and other activities. Fiscal 2013 results included \$12 million, after tax, or \$.03 per diluted common share related to total charges associated with restructuring and other activities.

(b) As a result of our July 2014 Strategic Modernization Initiative rollout, approximately \$178 million of accelerated orders were recorded as net sales and approximately \$127 million as operating income in fiscal 2014 that would have occurred in the fiscal 2015 first quarter, equal to approximately \$.21 per diluted common share.

(c) During the third quarter of fiscal 2015, we recorded a \$5 million charge, on a before and after tax basis, related to the remeasurement of net monetary assets in Venezuela, equal to \$.01 per diluted common share. During the third quarter of fiscal 2014, we recorded a \$38 million charge, on a before and after tax basis, related to the remeasurement of net monetary assets in Venezuela, equal to \$.10 per diluted common share.

(d) In February 2017, we issued 1.80%, 3.15% and 4.15% Senior Notes in a public offering, each with an aggregate principal amount of \$500 million. These Senior Notes are due in February 2020, March 2027 and March 2047, respectively. We used the net proceeds of the offerings to redeem the Senior Notes due May 15, 2017 and for general corporate purposes. In May 2016, we issued \$450 million of 1.70% Senior Notes due May 10, 2021 and an additional \$150 million of our 4.375% Senior Notes due June 15, 2045 in a public offering. In June 2015, we issued \$300 million of 4.375% Senior Notes due June 15, 2045 in a public offering. In September 2012, we redeemed the \$230 million principal amount of our 7.75% Senior Notes due November 1, 2013 ("2013 Senior Notes") at a price of 108% of the principal amount. We recorded a pre-tax expense on the extinguishment of debt of \$19 million (\$12 million after tax, or \$.03 per diluted share) representing the call premium of \$19 million and the pro-rata write-off of less than \$1 million of issuance costs and debt discount. In August 2012, we issued \$250 million of 2.35% Senior Notes due August 15, 2022 and \$250 million of 3.70% Senior Notes due August 15, 2042 in a public offering. We used the net proceeds of the offering to redeem the 2013 Senior Notes and for general corporate purposes.

(e) Fiscal 2017 results included \$23 million, after tax, or \$.06 per diluted common share related to goodwill and other intangible asset impairments.

(f) Fiscal 2017 included a \$44 million gain, after tax, or \$.12 per diluted common share and fiscal 2016 and 2015 included \$8 million and \$6 million of expense, after tax, respectively, or \$.02 per diluted common share, associated with the changes in fair value of contingent consideration related to certain of our acquisitions.

(g) Fiscal 2017 results include \$75 million, or \$.20 per diluted common share, related to the reversal of a deferred tax asset valuation allowance. The deferred tax asset and associated valuation allowance related to the accumulated carryforward of excess advertising and promotional expenses. In the fourth quarter of fiscal 2017, a favorable change to the tax law in China was enacted that expanded the corporate income tax deduction allowance for advertising and promotional expenses, resulting in this change in realizability of the asset.

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

RESULTS OF OPERATIONS

We manufacture, market and sell beauty products including those in the skin care, makeup, fragrance and hair care categories which are distributed in over 150 countries and territories. The following table is a comparative summary of operating results for fiscal 2017, 2016 and 2015 and reflects the basis of presentation described in *Item 8. Financial Statements and Supplementary Data - Note 2 -*

Summary of Significant Accounting Policies and Note 21 - Segment Data and Related Information for all periods presented. Products and services that do not meet our definition of skin care, makeup, fragrance and hair care have been included in the “other” category.

	Year Ended June 30		
	2017	2016	2015
	(In millions)		
NET SALES			
By Product Category:			
Skin Care	\$ 4,527	\$ 4,446	\$ 4,479
Makeup	5,054	4,702	4,304
Fragrance	1,637	1,487	1,416
Hair Care	539	554	531
Other	69	74	50
	<u>11,826</u>	<u>11,263</u>	<u>10,780</u>
Returns associated with restructuring and other activities	(2)	(1)	–
Net Sales	<u>\$ 11,824</u>	<u>\$ 11,262</u>	<u>\$ 10,780</u>
By Region:			
The Americas	\$ 4,819	\$ 4,710	\$ 4,514
Europe, the Middle East & Africa	4,650	4,381	4,086
Asia/Pacific	2,357	2,172	2,180
	<u>11,826</u>	<u>11,263</u>	<u>10,780</u>
Returns associated with restructuring and other activities	(2)	(1)	–
Net Sales	<u>\$ 11,824</u>	<u>\$ 11,262</u>	<u>\$ 10,780</u>
OPERATING INCOME (LOSS)			
By Product Category:			
Skin Care	\$ 1,014	\$ 842	\$ 832
Makeup	713	758	659
Fragrance	115	87	83
Hair Care	51	52	38
Other	11	5	(6)
	<u>1,904</u>	<u>1,744</u>	<u>1,606</u>
Charges associated with restructuring and other activities	(212)	(134)	–
Net Sales	<u>\$ 1,692</u>	<u>\$ 1,610</u>	<u>\$ 1,606</u>
By Region:			
The Americas	\$ 284	\$ 346	\$ 302
Europe, the Middle East & Africa	1,203	1,027	943
Asia/Pacific	417	371	361
	<u>1,904</u>	<u>1,744</u>	<u>1,606</u>
Charges associated with restructuring and other activities	(212)	(134)	–
Operating Income	<u>\$ 1,692</u>	<u>\$ 1,610</u>	<u>\$ 1,606</u>

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

	Year Ended June 30		
	2017	2016	2015
Net sales	100.0%	100.0%	100.0%
Cost of sales	20.6	19.4	19.5
Gross profit	79.4	80.6	80.5
Operating expenses:			
Selling, general and administrative	63.3	65.1	65.6
Goodwill impairment	0.2	-	-
Impairment of other intangible assets	-	-	-
Restructuring and other charges	1.6	1.2	-
Total operating expenses	65.1	66.3	65.6
Operating income	14.3	14.3	14.9
Interest expense	0.8	0.6	0.6
Interest income and investment income, net	0.2	0.1	0.2
Earnings before income taxes	13.7	13.8	14.5
Provision for income taxes	3.1	3.9	4.4
Net earnings	10.6	9.9	10.1
Net earnings attributable to noncontrolling interests	-	-	-
Net earnings attributable to The Estée Lauder Companies Inc.	10.6%	9.9%	10.1%

In order to meet the demands of consumers, we continually introduce new products, support new and established products through advertising, merchandising and sampling and phase out existing products that no longer meet the needs of our consumers or our objectives. The economics of developing, producing, launching, supporting and discontinuing products impact our sales and operating performance each period. The introduction of new products may have some cannibalizing effect on sales of existing products, which we take into account in our business planning.

Non-GAAP Financial Measures

We use certain non-GAAP financial measures, among other financial measures, to evaluate our operating performance, which represent the manner in which we conduct and view our business. Management believes that excluding certain items that are not comparable from period to period helps investors and others compare operating performance between periods. While we consider the non-GAAP measures useful in analyzing our results, they are not intended to replace, or act as a substitute for, any presentation included in the consolidated financial statements prepared in conformity with U.S. GAAP. See *Reconciliations of Non-GAAP Financial Measures* beginning on page 41 for reconciliations between non-GAAP financial measures and the most directly comparable U.S. GAAP measures.

We operate on a global basis, with the majority of our net sales generated outside the United States. Accordingly, fluctuations in foreign currency exchange rates can affect our results of operations. Therefore, we present certain net sales, operating results and diluted net earnings per common share information excluding the effect of foreign currency rate fluctuations to provide a framework for assessing the performance of our underlying business outside the United States. Constant currency information compares results between periods as if exchange rates had remained constant period-over-period. We calculate constant currency information by translating current year results using prior year weighted-average foreign currency exchange rates.

Overview

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

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Our balanced, diverse and highly desirable brand portfolio positions us well to capitalize on opportunities in fast growing and profitable areas of prestige beauty. We believe that our range of prestige product offerings allows us to increase our share of a consumer's beauty routine and source consumers from brands sold in mass-market distribution.

- Our skin care product category benefits from hero product lines such as Advanced Night Repair from Estée Lauder and Crème de La Mer from La Mer. During fiscal 2017, we continued to expand these product lines through the introduction of the Advanced Night Repair Eye Concentrate Matrix from Estée Lauder and the Revitalizing Hydrating Serum from La Mer. GLAMGLOW also contributed to the success in the category through targeted expanded consumer reach and new launches such as Plumprageous. In the fourth quarter of fiscal 2017, we purchased a minority interest in DECIEM, a skin care brand, which provides us with a strategic investment in a company that attracts millennials and a diverse consumer base.
- In our makeup category, we further developed hero product lines such as Double Wear and Pure Color Envy from Estée Lauder through the launch of additional products including Double Wear Nude Cushion Stick Radiant Makeup and Pure Color Envy Hi-Lustre Light Sculpting Lipstick. We continuously look to acquire brands that complement our existing business, have significant sales growth potential and provide opportunities for future profitable growth. During our fiscal 2017 second quarter, we expanded our makeup portfolio with the acquisitions of Too Faced and BECCA. Both of these brands are primarily distributed in the faster growing specialty-multi and online channels. They are expected to help us reach new consumers, to increase our sales in these channels and to continue generating strong profitable growth.
- Our fragrance category continues to benefit from increased sales of Jo Malone London and Tom Ford fragrances, as well as from our fiscal 2015 and fiscal 2016 acquisitions. We have also benefited from the growth of the fragrance category in the Asia/Pacific region and look for further opportunities to strengthen our business in this category there.
- In our hair care category, we are reaching new consumers as we expand our presence beyond salons, such as the planned September 2017 launch of Bumble and bumble in Ulta Beauty, a leading specialty-multi retailer in the United States.

Our global footprint provides many avenues of growth. We leverage our regional organizations and the talents and expertise of our people to continue to be locally relevant through evolving the way we connect with our consumers in stores, online and where they travel. This includes the expansion of our digital and social media presence and the engagement of global and local influencers to amplify brand or product stories. We tailor our strategy by country with our products, services, channels, marketing and visual merchandising. We continuously strengthen our presence in large, image-building core markets, such as the United States and the United Kingdom, and broaden our presence in emerging markets, including the Middle East, Russia, South Africa and Brazil.

- In North America, we continue to deploy a number of strategies to accelerate growth, despite a challenging environment especially in brick and mortar department stores, and in Latin America we continue to launch new brands, expand the integration of social media and gain share in prestige beauty by encouraging consumers to trade up from mass-market products.
- In Europe, the Middle East & Africa, we are expanding our digital and social media presence as well as leveraging our makeup strength to gain share in prestige beauty.

- In Asia/Pacific, particularly in China, we are leveraging our diversified brand portfolio to benefit from the growth of the makeup and fragrance categories as well as continuing to launch new skin care products such as the Clinique Fresh Pressed line of products with Vitamin C.

We approach distribution strategically by brand, distribution channel and product category. We are adding brands to faster growing channels, such as e- and m-commerce and specialty multi-brand retailers, and we are expanding certain brands into geographic markets where they are not yet sold.

- In fiscal 2017, we increased our penetration in the specialty-multi channel through the acquisitions of BECCA and Too Faced, and we expanded the representation of our existing brands, such as the launch of M·A·C in Ulta Beauty. In addition, we have opportunities to accelerate our growth within specialty-multi brand retailers as they open new doors.
- Internationally, we are expanding our business in freestanding retail stores operated by us and by authorized third parties, in European perfumeries and pharmacies, and in department stores, particularly in the United Kingdom and certain markets in Asia.
- We seek to optimize distribution in both channels and geographies, matching each brand with appropriate opportunities while maintaining high productivity per door. We focus on brand-building retail opportunities that will expand consumer coverage for our brands. As part of this strategy, we continue to diversify our business in our travel retail channel across brands and product categories. Travel retail continues to be an important channel for brand building and profit margin expansion. At the same time it is susceptible to a number of external factors, including fluctuations in currency exchange rates and consumers' willingness and ability to travel and spend.

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- Online net sales continue to grow strongly on a global basis and we are continuing to launch e- and m-commerce sites in new and existing markets. We are also partnering with our retailers globally to drive sales of our products on their online sites. We believe our success in delivering particularly strong online growth is a result of customization of our strategy to meet local market needs. We also continue to develop and implement omnichannel concepts to deliver an integrated consumer experience and better serve consumers as they shop across channels.

While our business is performing well overall, we continue to face strong competition globally and economic challenges in certain countries. In particular, we are cautious of the continued decline in retail traffic primarily related to brick-and-mortar department stores in the United States as a result of the impact of shifts in consumer preferences as to where and how they shop. We are also cautious of foreign currency movements, including their impact on tourism, which has particularly impacted certain tourist-driven stores in the United States. Additionally, we continue to monitor the effects of the macroeconomic environments in certain countries such as Brazil and in the Middle East, the United Kingdom's anticipated exit from the European Union, geopolitical tensions and global security issues.

We believe we can, to some extent, offset the impact of these challenges by accelerating areas of strength among our brands, product categories, channels and markets. However, if economic conditions or the degree of uncertainty or volatility worsen, or the adverse conditions previously described are further prolonged, there could be a negative effect on consumer confidence, demand and spending and, as a result, on our business. We will continue to monitor these and other risks that may affect our business.

We navigate through short-term volatility while focusing on our long-term strategy and using our multiple engines of growth that we believe will help promote sustainable results. We are increasing our presence in emerging markets, continuing efforts to revitalize and accelerate growth in our heritage brands, focusing on key demographics and seeking opportunities to add to our diverse brand portfolio. We are also strengthening our consumer engagement by leveraging digital marketing and enhancing our social media strategies and execution. We will continue to drive product, packaging, and conceptual innovation and creativity that we believe enable us to

introduce products that resonate with consumers. Some initiatives will involve new sub-categories and others may expand key franchises.

Leading Beauty Forward

In May 2016, we announced a multi-year initiative (“Leading Beauty Forward”) to build on our strengths and better leverage our cost structure to free resources for investment to continue our growth momentum. Leading Beauty Forward is designed to enhance our go-to-market capabilities, reinforce our leadership in global prestige beauty and continue creating sustainable value. We plan to approve specific initiatives under Leading Beauty Forward through fiscal 2019 related to the optimization of select corporate functions, supply chain activities, and corporate and regional market support structures, as well as the exit of underperforming businesses, and expect to complete those initiatives through fiscal 2021. Inclusive of charges recorded from inception through June 30, 2017, we expect that Leading Beauty Forward will result in related restructuring and other charges totaling between \$600 million and \$700 million, before taxes, consisting of employee-related costs, asset write-offs and other costs to implement these initiatives. After its full implementation, we expect Leading Beauty Forward to yield annual net benefits, primarily in Selling, general and administrative expenses, of between \$200 million and \$300 million, before taxes. We expect to reinvest a portion of these savings in future growth initiatives. For additional information about Leading Beauty Forward, see *Item 8. Financial Statements and Supplementary Data – Note 8 - Charges Associated with Restructuring and Other Activities*.

Global Technology Infrastructure

In October 2015, we approved plans to transform and modernize our global technology infrastructure (“GTI”) to fundamentally change the way we deliver information technology services internally (such initiative, the “GTI Restructuring”). As part of the GTI Restructuring, we transitioned our GTI from Company-owned assets to a primarily vendor-owned, cloud-based model where we pay for services as they are used. The implementation of the GTI Restructuring was substantially completed during fiscal 2016. For additional information about the GTI restructuring, see *Item 8. Financial Statements and Supplementary Data - Note 8 - Charges Associated with Restructuring and Other Activities*.

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Strategic Modernization Initiative Implementation

We rolled out the last major wave of our Strategic Modernization Initiative (“SMI”) in July 2014, and most of our locations are now SAP-enabled. We plan to continue the implementation of SAP at our remaining locations throughout the next few fiscal years. In connection with the July 2014 implementation, some retailers accelerated their sales orders that would have occurred in our fiscal 2015 first quarter into our fiscal 2014 fourth quarter in advance of this implementation to provide adequate safety stock to mitigate any potential short-term business interruption associated with the SMI rollout. The negative impact on the net sales and operating results for the year ended June 30, 2015 by product category and geographic region was as follows:

(In millions)	Year Ended June 30, 2015	
	Net Sales	Operating Results
Product Category:		
Skin Care	\$ 91	\$ 72
Makeup	65	41
Fragrance	21	14

Hair Care	1	–
Other	–	–
Total	<u>\$ 178</u>	<u>\$ 127</u>

Region:

The Americas	\$ 84	\$ 53
Europe, the Middle East & Africa	68	53
Asia/Pacific	<u>26</u>	<u>21</u>
Total	<u>\$ 178</u>	<u>\$ 127</u>

The lower orders during the year ended June 30, 2015 created a favorable comparison between fiscal 2016 and fiscal 2015 of approximately \$178 million in net sales and approximately \$127 million in operating results and impacted our operating margin comparisons. We believe that the presentation of certain year-to-date comparative information in the following discussions that excludes the impact of the timing of these orders is useful in analyzing the net sales performance and operating results of our business.

Fiscal 2017 Annual Impairment Testing

We assess goodwill and other indefinite-lived intangible assets at least annually for impairment or more frequently if certain events or circumstances exist. Based on our annual goodwill and other intangible asset impairment testing as of April 1, 2017, we determined that the carrying values of the RODIN olio lusso and Editions de Parfums Frédéric Malle reporting units exceeded their fair values. This determination was made based on updated long-term plans, finalized and approved in June 2017, that reflected lower sales growth projections due to a softer than expected retail environment for those brands. As a result, a Step 2 impairment assessment was performed and we recorded an impairment charge of the goodwill related to these reporting units of \$28 million. The fair values of the reporting units were based upon the average of the income approach, which utilizes estimated cash flows and a terminal value, discounted at a rate of return that reflects the relative risk of cash flows, and the market approach, which utilizes performance multiples based on market peers. As of June 30, 2017, no goodwill remained related to the RODIN olio lusso reporting unit and the remaining carrying value of the goodwill related to the Editions de Parfums Frédéric Malle reporting unit was \$6 million.

We also determined that the carrying values of the RODIN olio lusso and Editions de Parfums Frédéric Malle trademarks, as well as the RODIN olio lusso persona and customer relationship intangible assets exceeded their estimated fair values. The fair values of the trademarks were determined utilizing a royalty rate to determine discounted projected future cash flows. As a result, we recognized impairment charges of \$3 million for the remaining carrying values of the RODIN olio lusso trademark, customer relationship and persona intangible assets. We also recognized an impairment charge for the Editions de Parfums Frédéric Malle trademark, which was de minimis. The remaining carrying value of this trademark was \$32 million as of June 30, 2017.

The combined goodwill and other intangible asset impairment charges of \$9 million and \$22 million are reflected in the skin care and fragrance product categories, respectively, and \$17 million and \$14 million are reflected in the Americas and Europe, the Middle East & Africa regions, respectively.

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If the softness in the retail environment impacting our growth projections for the Editions de Parfums Frédéric Malle reporting unit is more severe than we have anticipated, or other business disruptions arise, a resulting change in the long-term plans could have a negative impact on the estimated fair values of the related goodwill and trademark and it is possible we could recognize an impairment charge in the future. Based on the latest quantitative assessment, the fair values of all other reporting units with material goodwill and other indefinite-lived intangible assets, with the exception of our fiscal 2017 acquisitions of Too Faced and BECCA, were substantially in excess of their respective carrying values. With regard to Too Faced and BECCA, the carrying values of the related goodwill and other indefinite-lived intangible assets as of the assessment date approximated their fair values.

NET SALES

(\$ in millions)	Year Ended June 30	
	2017	2016
As Reported:		
Net Sales	\$ 11,824	\$ 11,262
\$ Change from prior year	562	482
% Change from prior year	5%	4%
Non-GAAP Financial Measure ^(a):		
% Change from prior year in constant currency and adjusting for the fiscal 2015 impact of accelerated orders	7%	7%

^(a) See *Reconciliations of Non-GAAP Financial Measures* beginning on page 41 for reconciliations between non-GAAP financial measures and the most directly comparable U.S. GAAP measures. The fiscal 2015 impact of accelerated orders only impacted the comparison of fiscal 2016 to fiscal 2015.

Reported net sales in fiscal 2017 increased in each major product category, except hair care, and grew in each geographic region. Skin care net sales primarily benefited from higher sales of La Mer products. Incremental net sales from our fiscal 2017 second quarter acquisitions of Too Faced and BECCA, as well as net sales increases from Tom Ford, Estée Lauder and Smashbox, drove growth in the makeup product category. Our fragrance category primarily benefited from net sales increases from Jo Malone London. Increased net sales from our fiscal 2016 and 2015 acquisitions of GLAMGLOW, By Kilian, Le Labo and Editions de Parfums Frédéric Malle, also contributed to growth in our skin care and fragrance categories. The net sales decrease in our hair care category primarily reflected a difficult comparison with the prior-year period that featured greater launch activity. Each of our product categories benefited from targeted expanded consumer reach, new product offerings and growth from emerging markets and in the specialty-multi and online channels.

Reported net sales in fiscal 2016 grew in each product category, with the exception of skin care, and in each geographic region, with the exception of Asia/Pacific. The overall decline in the skin care category was primarily due to the unfavorable impact of foreign currency translation and the relatively slow growth in global prestige skin care that particularly impacted net sales in North America, Asia/Pacific and travel retail. However, this category benefited from increased sales of certain products, particularly from La Mer and Origins. Net sales increases in product offerings by M·A·C, Smashbox, Tom Ford, Clinique, Bobbi Brown and Estée Lauder globally drove the growth in the makeup category. Our fragrance category benefited from net sales increases from our luxury brands. Incremental sales from our acquisitions during fiscal 2016 and 2015 also helped drive our skin care and fragrance sales. The net sales increase in our hair care category was driven by product offerings from Aveda and Bumble and bumble, as well as expanded consumer coverage. Each of our product categories benefited from targeted expanded consumer reach, comparable door sales growth from certain brands, new product offerings and growth from emerging markets.

The reported net sales increases were adversely affected by approximately \$187 million and \$488 million of unfavorable foreign currency translation for fiscal 2017 and fiscal 2016, respectively.

Returns associated with restructuring and other activities are not allocated to our product categories or geographic regions because they result from activities that are deemed a Company-wide initiative to redesign, resize and reorganize select corporate functions and go-to-market structures. Accordingly, the following discussions of Net Sales by *Product Categories* and *Geographic Regions* exclude the fiscal 2017 and 2016 impact of returns associated with restructuring and other activities of approximately \$2 million and \$1 million, respectively.

Product Categories

Skin Care

(\$ in millions)	Year Ended June 30	
	2017	2016
As Reported:		
Net Sales	\$ 4,527	\$ 4,446
\$ Change from prior year	81	(33)
% Change from prior year	2%	(1)%
Non-GAAP Financial Measure ^(a):		
% Change from prior year in constant currency and adjusting for the fiscal 2015 impact of accelerated orders	3%	1%

^(a) See *Reconciliations of Non-GAAP Financial Measures* beginning on page 41 for reconciliations between non-GAAP financial measures and the most directly comparable U.S. GAAP measures. The fiscal 2015 impact of accelerated orders only impacted the comparison of fiscal 2016 to fiscal 2015.

Reported skin care net sales increased in fiscal 2017, reflecting higher net sales from La Mer, GLAMGLOW, Estée Lauder, Bobbi Brown and Origins of approximately \$157 million, combined, partially offset by lower net sales from Clinique and M·A·C of approximately \$93 million, combined. Higher net sales from La Mer were primarily due to targeted expanded consumer reach in the Americas region and in our travel retail business, and the increase in net sales from GLAMGLOW reflected incremental sales from additional product assortments and targeted expanded consumer reach. Higher net sales from Estée Lauder were partially due to net sales growth in our travel retail business and in China resulting from higher net sales of the Advanced Night Repair and Revitalizing Supreme lines of products. Net sales growth from Bobbi Brown was driven by new launches including Instant Confidence Stick and Extra Repair Nourishing Milk. The higher net sales from Origins reflected net sales growth in the Asia/Pacific region and in our travel retail business resulting from higher net sales of toners and facial masks.

The lower net sales of Clinique products primarily reflected a soft retail environment for our products, particularly in our travel retail business, Asia/Pacific and, to a lesser extent, the United Kingdom and brick-and-mortar department stores in the United States. The lower net sales from M·A·C were driven by slower retail traffic in brick-and-mortar stores in the United States reflecting the impact of shifts in consumer preferences as to where and how they shop.

The net sales increase for skin care was adversely affected by approximately \$60 million of unfavorable foreign currency translation.

Reported skin care net sales decreased in fiscal 2016, reflecting approximately \$163 million of unfavorable foreign currency translation, partially offset by the favorable comparison due to the fiscal 2015 accelerated orders of approximately \$91 million. The reported net sales decrease reflected lower net sales from Estée Lauder and Clinique of approximately \$138 million, combined. The decrease in net sales of Estée Lauder and Clinique products was due, in part, to lower sales in certain countries within Asia/Pacific, particularly Hong Kong reflecting continued retail softness. The lower net sales from Clinique also reflected decreased sales in travel retail. These decreases were partially offset by higher net sales of La Mer and Origins products, as well as incremental sales from our fiscal 2015 acquisitions of GLAMGLOW and RODIN olio lusso, of approximately \$108 million, combined. Net sales of La Mer products grew in all regions, driven by the continued momentum of the fiscal 2016 launches of The Renewal Oil, The Lifting Eye Serum and Genaissance de La Mer The Serum Essence and an increase in distribution in specialty-multi brand retailers and department stores. Net sales growth of Origins products benefited from higher sales of facial mask products.

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Makeup

(\$ in millions)	Year Ended June 30	
	2017	2016
As Reported:		
Net Sales	\$ 5,054	\$ 4,702
\$ Change from prior year	352	398
% Change from prior year	7%	9%
Non-GAAP Financial Measure ^(a):		
% Change from prior year in constant currency and adjusting for the fiscal 2015 impact of accelerated orders	9%	13%

^(a) See *Reconciliations of Non-GAAP Financial Measures* beginning on page 41 for reconciliations between non-GAAP financial measures and the most directly comparable U.S. GAAP measures. The fiscal 2015 impact of accelerated orders only impacted the comparison of fiscal 2016 to fiscal 2015.

Reported makeup net sales increased in fiscal 2017, reflecting incremental net sales from our fiscal 2017 second quarter acquisitions of Too Faced and BECCA, as well as higher net sales from Tom Ford and Estée Lauder, of approximately \$391 million, combined. Increased net sales from Tom Ford were driven by higher sales of lipstick and eyeshadow products, such as the Tom Ford Soleil Color Collection. Increased net sales of Estée Lauder products were due, in part, to higher sales from the Double Wear line of products and the Pure Color franchise.

Partially offsetting these increases were approximately \$84 million of lower net sales of M·A·C and Clinique products, primarily reflecting slower retail traffic in brick-and-mortar stores in the United States. Partially offsetting these lower net sales from M·A·C was the net sales growth of the brand in Asia/Pacific and in our travel retail business.

The net sales increase for makeup was adversely affected by approximately \$76 million of unfavorable foreign currency translation.

Reported makeup net sales increased in fiscal 2016 despite approximately \$233 million of unfavorable foreign currency translation. The increase was also impacted by the favorable comparison due to the fiscal 2015 accelerated orders of approximately \$65 million. The reported net sales increase primarily reflected higher net sales from our makeup artist brands, Clinique, Smashbox, Tom Ford and Estée Lauder of approximately \$397 million, combined. Sales from our makeup artist brands benefited from new product offerings, as well as the continued broadening of the brands' presence in a number of channels, including our freestanding retail stores and travel retail. The higher net sales from Clinique reflected incremental sales from new launches such as Clinique Beyond Perfecting makeup products. Sales from Smashbox were primarily driven by specialty multi-brand retailers, reflecting the overall strength of the makeup category in that channel. The increase in Tom Ford net sales was driven by higher sales of lip color products. Net sales of Estée Lauder products improved partially due to higher sales from the Double Wear line of products and the Pure Color Envy franchise.

Fragrance

(\$ in millions)	Year Ended June 30	
	2017	2016
As Reported:		
Net Sales	\$ 1,637	\$ 1,487
\$ Change from prior year	150	70
% Change from prior year	10%	5%

Non-GAAP Financial Measure ^(a):

% Change from prior year in constant currency and adjusting for the fiscal 2015 impact of accelerated orders	13%	9%
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^(a) See *Reconciliations of Non-GAAP Financial Measures* beginning on page 41 for reconciliations between non-GAAP financial measures and the most directly comparable U.S. GAAP measures. The fiscal 2015 impact of accelerated orders only impacted the comparison of fiscal 2016 to fiscal 2015.

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Reported fragrance net sales increased in fiscal 2017, primarily reflecting higher net sales from our luxury brands of approximately \$172 million combined. The higher net sales from Jo Malone London were, in part, due to targeted expanded consumer reach in the travel retail, department store and freestanding store channels, as well as the launch of Basil & Neroli. Increased net sales from Tom Ford reflected, in part, the continued success and growth of existing fragrances such as the Signature and Private Blend Franchises. Partially offsetting the increases was approximately \$33 million of lower net sales of certain Estée Lauder and designer fragrances. The lower net sales of certain Estée Lauder fragrances were partially due to a decline in net sales of the Modern Muse franchise. Lower net sales from certain designer fragrances reflected the expiration of our license agreement with Coach.

The net sales increase for fragrance was adversely affected by approximately \$47 million of unfavorable foreign currency translation.

Reported fragrance net sales increased in fiscal 2016 despite approximately \$75 million of unfavorable foreign currency translation. This increase was also impacted by the favorable comparison due to the fiscal 2015 accelerated orders of approximately \$21 million. The reported net sales increase primarily reflected higher net sales of luxury fragrances from Jo Malone London and Tom Ford, as well as incremental sales from our fiscal 2015 acquisitions of Le Labo and Editions de Parfums Frédéric Malle and the fiscal 2016 acquisition of By Kilian of approximately \$134 million, combined. The higher net sales from Jo Malone London were, in part, due to brand expansion in department stores, freestanding stores and travel retail, the recent launch of Mimosa & Cardamom, and increased sales of existing products. The increase in Tom Ford net sales reflected incremental sales from new product launches, including Tom Ford Noir Pour Femme and increased distribution, particularly in travel retail. Partially offsetting these increases were lower sales of certain fragrances from our heritage brands and certain designer fragrances of approximately \$62 million, combined.

Hair Care

(\$ in millions)	Year Ended June 30	
	2017	2016
As Reported:		
Net Sales	\$ 539	\$ 554
\$ Change from prior year	(15)	24
% Change from prior year	(3)%	4%

Non-GAAP Financial Measure ^(a):

% Change from prior year in constant currency and adjusting for the fiscal 2015 impact of accelerated orders	(2)%	7%
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^(a) See *Reconciliations of Non-GAAP Financial Measures* beginning on page 41 for reconciliations between non-GAAP financial measures and the most directly comparable U.S. GAAP measures. The fiscal 2015 impact of accelerated orders only impacted the comparison of fiscal 2016 to fiscal 2015.

Reported hair care net sales decreased in fiscal 2017, primarily reflecting a difficult comparison with the prior-year period that featured greater launch activity.

Reported hair care net sales increased in fiscal 2016 despite the negative impact of foreign currency translation of approximately \$14 million. The increase in net sales reflected new product launches from Aveda, such as Invati Men and Shampure dry shampoo and, to a lesser extent, an increase in distribution of Aveda products in salons and travel retail and Bumble and bumble products in specialty multi-brand retailers.

Geographic Regions

The Americas

(\$ in millions)	Year Ended June 30	
	2017	2016
As Reported:		
Net Sales	\$ 4,819	\$ 4,710
\$ Change from prior year	109	197
% Change from prior year	2%	4%

Non-GAAP Financial Measure ^(a):

% Change from prior year in constant currency and adjusting for the fiscal 2015 impact

of accelerated orders 2% 5%

^(a) See *Reconciliations of Non-GAAP Financial Measures* beginning on page 41 for reconciliations between non-GAAP financial measures and the most directly comparable U.S. GAAP measures. The fiscal 2015 impact of accelerated orders only impacted the comparison of fiscal 2016 to fiscal 2015.

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Reported net sales in the Americas increased in fiscal 2017, reflecting incremental sales, primarily in the United States, from our recent acquisitions of Too Faced and BECCA of approximately \$220 million, combined. Net sales growth from certain of our brands, including Tom Ford, Smashbox, La Mer and Jo Malone London, also contributed to the higher net sales in the region. Higher net sales in Chile and Brazil contributed an additional increase of approximately \$25 million, combined. Net sales in the United States were adversely impacted by slower retail traffic in brick-and-mortar stores that particularly affected M·A·C and our heritage brands. This slower retail traffic reflected the impact of shifts in consumer preferences as to where and how they shop, as well as declines in tourism attributable, in part, to the strong U.S. dollar in relation to most currencies.

Reported net sales in the Americas increased in fiscal 2016 despite the negative impact of approximately \$101 million of unfavorable foreign currency translation. Net sales in the United States and Canada increased approximately \$191 million, combined, and reflected the favorable comparison due to the fiscal 2015 accelerated orders of approximately \$84 million. The increase also reflected higher makeup net sales, driven by Clinique, Smashbox, Estée Lauder and M·A·C, as well as higher skin care and hair care net sales from La Mer and Aveda, respectively. Also contributing were higher fragrance net sales from Tom Ford and Jo Malone London, which were more than offset by lower net sales of Estée Lauder fragrances. Net sales were impacted by a decline in retail traffic in the United States related primarily to mid-tier department stores that principally affected Estée Lauder and Clinique, as well as certain M·A·C freestanding stores, as a result of a decrease in tourism, particularly from Brazilian travelers. Net sales in Latin America increased approximately \$6 million, primarily reflecting higher net sales in Mexico and Argentina, partially offset by lower sales in Brazil as a result of unfavorable foreign currency translation of approximately \$33 million. Excluding the impact of foreign currency translation, the emerging markets of Brazil and Mexico had net sales increases of approximately \$56 million, primarily driven by M·A·C.

Europe, the Middle East & Africa

Year Ended June 30

(\$ in millions)	2017	2016
As Reported:		
Net Sales	\$ 4,650	\$ 4,381
\$ Change from prior year	269	294
% Change from prior year	6%	7%
Non-GAAP Financial Measure ^(a):		
% Change from prior year in constant currency and adjusting for the fiscal 2015 impact of accelerated orders	10%	12%

^(a) See *Reconciliations of Non-GAAP Financial Measures* beginning on page 41 for reconciliations between non-GAAP financial measures and the most directly comparable U.S. GAAP measures. The fiscal 2015 impact of accelerated orders only impacted the comparison of fiscal 2016 to fiscal 2015.

Reported net sales in Europe, the Middle East & Africa increased in fiscal 2017, reflecting higher net sales from our travel retail business, Russia and Italy of approximately \$338 million, combined. The net sales growth in our travel retail business for fiscal 2017 reflected higher net sales from Tom Ford, Jo Malone London, La Mer and M·A·C, driven, in part, by targeted expanded consumer reach and new product offerings. The higher net sales in Russia were primarily driven by increased net sales from Estée Lauder, Clinique and Bobbi Brown, reflecting successful marketing and promotional activities supporting new and existing products. Russia also benefited from incremental sales from the fiscal 2016 acquisition of By Kilian and the introduction of GLAMGLOW to the market during the current year. The higher net sales in Italy were primarily driven by M·A·C. These increases were partially offset by lower net sales in the United Kingdom and the Middle East of approximately \$130 million, combined. Excluding the impact of foreign currency translation, net sales in the United Kingdom increased, primarily driven by higher net sales from Tom Ford, La Mer and Jo Malone London, reflecting an increase in tourism, as well as increased net sales from Estée Lauder partially due to the Victoria Beckham collection. The lower net sales in the Middle East were primarily driven by the impact of the macroeconomic environment on consumer purchases and the associated rebalancing of inventory levels by certain of our distributors.

Net sales in Europe, the Middle East & Africa were adversely affected by approximately \$185 million of unfavorable foreign currency translation which primarily impacted the United Kingdom.

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Reported net sales in Europe, the Middle East & Africa increased in fiscal 2016. This increase includes approximately \$265 million of unfavorable foreign currency translation due to the strength of the U.S. dollar in relation to all currencies in the region. The increase was also impacted by the favorable comparison due to the fiscal 2015 accelerated orders of approximately \$68 million. Higher sales in our travel retail business, the United Kingdom and the Middle East totaled approximately \$225 million, combined. The sales growth in our travel retail business was partially driven by the favorable comparison due to the fiscal 2015 accelerated orders. Travel retail growth also reflected higher net sales from Jo Malone London, Tom Ford, M·A·C and Smashbox, driven in part by increased distribution and new product offerings. Higher sales in the United Kingdom and the Middle East were primarily due to increased net sales from Estée Lauder, our makeup artist brands and Smashbox, reflecting the strength of our makeup category, as well as higher sales from certain of our luxury brands. These increases were partially offset by lower net sales in Russia and South Africa of approximately \$17 million, combined, driven by the negative impact of foreign currency translation. Excluding this impact, net sales in Russia and South Africa increased \$57 million, combined. The sales growth in Russia was primarily due to higher net sales from certain of our heritage and luxury brands. The higher net sales in South Africa were primarily driven by our makeup artist brands and certain of our luxury brands, reflecting successful in-store promotional events.

Asia/Pacific

(\$ in millions)	Year Ended June 30	
	2017	2016

As Reported:

Net Sales	\$	2,357	\$	2,172
\$ Change from prior year		185		(8)
% Change from prior year		9%		Decreased less than 1%

Non-GAAP Financial Measure ^(a):

% Change from prior year in constant currency and adjusting for the fiscal 2015 impact of accelerated orders		9%		4%
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^(a) See *Reconciliations of Non-GAAP Financial Measures* beginning on page 41 for reconciliations between non-GAAP financial measures and the most directly comparable U.S. GAAP measures. The fiscal 2015 impact of accelerated orders only impacted the comparison of fiscal 2016 to fiscal 2015.

Reported net sales in Asia/Pacific increased in fiscal 2017, reflecting higher net sales in China, Japan and Korea of approximately \$152 million, combined. These increases were partially offset by lower net sales of approximately \$8 million in Hong Kong. The higher net sales in China, led by Estée Lauder, La Mer and M·A·C, benefited from targeted expanded consumer reach and reflected an increase in online sales from all brands, primarily driven by marketing and promotional events. The net sales increase in Japan was primarily due to higher net sales from M·A·C, particularly of lip products, as well as Jo Malone London, which benefited from an increase in tourist traffic and online growth. The net sales growth in Korea reflected higher net sales from M·A·C, particularly of lip products and the cushion compact, La Mer, which benefited from the introduction of new products, and Jo Malone London and Tom Ford, resulting from targeted expanded consumer reach. The lower net sales in Hong Kong were primarily driven by the decrease in Chinese consumers traveling there and changes in their spending patterns, which particularly impacted the Estée Lauder and Clinique brands and, to a lesser extent, La Mer.

Reported net sales in Asia/Pacific decreased in fiscal 2016, reflecting approximately \$122 million of unfavorable foreign currency translation due to the strength of the U.S. dollar in relation to all currencies in the region, partially offset by the favorable comparison due to the fiscal 2015 accelerated orders of approximately \$26 million. Lower sales in Hong Kong, Thailand, Malaysia and Korea totaled approximately \$56 million, combined. The lower net sales in Hong Kong were primarily driven by a decrease in Chinese consumers traveling there and changes in their spending patterns, which particularly impacted the Estée Lauder, Clinique and La Mer brands. The decrease in net sales in Thailand, Malaysia, and Korea was driven by the negative impact of foreign currency translation. Excluding this negative impact, the higher sales in Korea were primarily driven by our makeup artist brands, reflecting successful in-store promotional events from M·A·C and the launch of the Skin Foundation Cushion Compact from Bobbi Brown, as well as new product introductions from certain of our luxury brands, such as Genaissance de La Mer The Serum Essence from La Mer. These decreases were partially offset by higher net sales in Japan and, to a lesser extent, the Philippines of approximately \$48 million, combined. The net sales in Japan reflected higher tourism and increased net sales from virtually all of our brands, which was primarily driven by the makeup product category. In the Philippines, the higher net sales reflected the introduction of Jo Malone London and Origins.

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

[Table of Contents](#)**GROSS MARGIN**

Gross margin in fiscal 2017 decreased to 79.4% as compared with 80.6% in fiscal 2016 and 80.5% in fiscal 2015.

	Fiscal 2017 vs. Fiscal 2016 Favorable (Unfavorable) Basis Points	Fiscal 2016 vs. Fiscal 2015 Favorable (Unfavorable) Basis Points
Mix of business	(25)	(20)
Obsolescence charges	(30)	10
Foreign exchange transactions	(25)	(10)

Manufacturing costs and other	15	30
Fiscal 2017 acquisitions	(45)	–
Subtotal	(110)	10
Charges associated with restructuring and other activities	(10)	–
Total	(120)	10

The unfavorable impact of acquisitions for fiscal 2017 was primarily due to a higher cost of sales related to Too Faced and BECCA, which also includes inventory step-up adjustments of \$17 million, or approximately 10 basis points.

OPERATING EXPENSES

Operating expenses as a percentage of net sales in fiscal 2017 decreased to 65.1% as compared with 66.3% in fiscal 2016 and 65.6% in fiscal 2015.

	Fiscal 2017 vs. Fiscal 2016	Fiscal 2016 vs. Fiscal 2015
	Favorable (Unfavorable)	Favorable (Unfavorable)
	Basis Points	Basis Points
General and administrative expenses	50	–
Advertising, merchandising, sampling and product development	60	60
Selling	90	20
Shipping	(20)	10
Store operating costs	(30)	(40)
Stock-based compensation	(20)	(10)
Other	10	10
Subtotal	140	50
Charges associated with restructuring and other activities	(50)	(120)
Changes in fair value of contingent consideration	60	–
Goodwill and other intangible asset impairments	(30)	–
Total	120	(70)

Fiscal 2017 as compared with Fiscal 2016

As a percentage of net sales, operating expenses improved as compared to fiscal 2016, reflecting disciplined expense management across all areas and favorable mix shifts in the growth of our brands and channels. The favorable impact of general and administrative expenses also reflected equity investment income, partially offset by transaction costs related to our fiscal 2017 acquisitions. Selling expenses were favorable compared to fiscal 2016, reflecting lower demonstration costs, partially due to changes in distribution channel mix. The changes in the fair value of contingent consideration were due to the reassessment, in June 2017, of the potential earn-out amounts related to certain of our fiscal 2015 and fiscal 2016 acquisitions. See *Item 8. Financial Statements and Supplementary Data - Note 13 - Fair Value Measurements* for further information regarding contingent consideration.

Fiscal 2016 as compared with Fiscal 2015

The lower advertising, merchandising and sampling costs in fiscal 2016, as a percentage of net sales, as compared to fiscal 2015, were in part due to the brand and channel mix of our spend as certain media formats carry different cost structures. Certain of our brands have lower costs associated with advertising as they focus on digital and social media strategies and rely less on print and television advertising, which carry a higher media cost.

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Adjusting for the impact of the fiscal 2015 accelerated orders, operating expense margin in fiscal 2016 would have increased an additional 90 basis points, to 160 basis points unfavorable as compared to fiscal 2015. This additional increase, as a percentage of net sales, was reflected in general and administrative, selling and shipping, and advertising, merchandising and sampling costs.

OPERATING RESULTS

(\$ in millions)	Year Ended June 30	
	2017	2016
As Reported:		
Operating Income	\$ 1,692	\$ 1,610
\$ Change from prior year	82	4
% Change from prior year	5%	Less than 1%
Operating Margin	14.3%	14.3%
Non-GAAP Financial Measure ^(a):		
% Change in operating income from prior year adjusting for the fiscal 2015 impact of accelerated orders, and other charges associated with restructuring and other activities, goodwill and other intangible asset impairments and changes in fair value of contingent consideration	7%	1%

^(a) See *Reconciliations of Non-GAAP Financial Measures* beginning on page 41 for reconciliations between non-GAAP financial measures and the most directly comparable U.S. GAAP measures. The fiscal 2015 impact of accelerated orders only impacted the comparison of fiscal 2016 to fiscal 2015.

Reported operating results and operating margin in fiscal 2017 were impacted by unfavorable foreign currency translation of \$59 million, which had the largest impact on the Europe, the Middle East & Africa region and the makeup product category. Operating margin in fiscal 2017 was flat as compared to fiscal 2016 as the decrease in gross margin was offset by our lower operating expense margin, as previously noted. The change in operating margin was unfavorably impacted by charges associated with restructuring and other activities of approximately 60 basis points and goodwill and other intangible asset impairments of approximately 30 basis points, partially offset by the favorable changes in fair value of contingent consideration of approximately 60 basis points. Adjusting for these items, operating margin for fiscal 2017 would have increased approximately 30 basis points.

The goodwill and intangible asset impairments and changes in fair value of contingent consideration impacted the operating results of our product categories and geographic regions as follows:

(In millions)	Year ended June 30, 2017			Year ended June 30, 2016		Year-over-year net impact favorable (unfavorable)
	Goodwill and other intangible asset impairments	Changes in fair value of contingent consideration	Net impact	Changes in fair value of contingent consideration		
Product Category:						
Skin Care	\$ (9)	\$ 24	\$ 15	\$ 5	\$	10
Fragrance	(22)	33	11	(13)		24
Total	\$ (31)	\$ 57	\$ 26	\$ (8)	\$	34

Region:

The Americas	\$	(17)	\$	43	\$	26	\$	-	\$	26
Europe, the Middle East & Africa		(14)		14		-		(8)		8
Total	\$	(31)	\$	57	\$	26	\$	(8)	\$	34

Reported operating results and operating margin in fiscal 2016 were impacted by a favorable comparison of approximately \$127 million related to the fiscal 2015 accelerated orders, more than offset by unfavorable foreign currency translation of approximately \$134 million, which negatively impacted each product category and geographic region. In addition, the operating results for fiscal 2016 include the impact of charges associated with restructuring and other activities of \$134 million. Adjusting for the impact of the accelerated orders and charges associated with restructuring and other activities, operating income would have increased 1% and operating margin would have decreased 30 basis points.

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Charges associated with restructuring and other activities are not allocated to our product categories or geographic regions because they result from activities that are deemed a Company-wide initiative to redesign, resize and reorganize select corporate functions and go-to-market structures and to transform and modernize the Company's GTI. Accordingly, the following discussions of Operating Income by *Product Categories* and *Geographic Regions* exclude the fiscal 2017 and fiscal 2016 impact of charges associated with restructuring and other activities of \$212 million, or 2% of net sales, and \$134 million, or 1% of net sales, respectively.

Product Categories**Skin Care**

(\$ in millions)	Year Ended June 30	
	2017	2016
As Reported:		
Operating Income	\$ 1,014	\$ 842
\$ Change from prior year	172	10
% Change from prior year	20%	1%
Non-GAAP Financial Measure ^(a):		
% Change from prior year adjusting for the fiscal 2015 impact of accelerated orders, goodwill and other intangible asset impairments and changes in fair value of contingent consideration	19%	(8)%

^(a) See *Reconciliations of Non-GAAP Financial Measures* beginning on page 41 for reconciliations between non-GAAP financial measures and the most directly comparable U.S. GAAP measures. The fiscal 2015 impact of accelerated orders only impacted the comparison of fiscal 2016 to fiscal 2015.

Reported skin care operating income increased in fiscal 2017, reflecting higher results from La Mer, Estée Lauder and Clinique, partially offset by lower results from M·A·C. The increase in operating income from La Mer and Estée Lauder reflected higher net sales. The higher results from Estée Lauder also reflected a favorable comparison to the higher level of support spending in fiscal 2016. The increase in operating income from Clinique reflected disciplined expense management. The lower results from M·A·C

reflected lower net sales. Skin care operating income also reflected the favorable year-over-year net impact of \$10 million due to the changes in fair value of contingent consideration partially offset by the impairment of goodwill and other intangible assets in fiscal 2017, as previously discussed.

Reported skin care operating income increased in fiscal 2016, reflecting the favorable comparison due to the fiscal 2015 accelerated orders of \$72 million. Excluding this impact, skin care operating income decreased, reflecting lower results from Estée Lauder and Clinique.

Makeup

(\$ in millions)	Year Ended June 30	
	2017	2016
As Reported:		
Operating Income	\$ 713	\$ 758
\$ Change from prior year	(45)	99
% Change from prior year	(6)%	15%
Non-GAAP Financial Measure ^(a):		
% Change from prior year adjusting for the fiscal 2015 impact of accelerated orders	(6)%	8%

^(a) See *Reconciliations of Non-GAAP Financial Measures* beginning on page 41 for reconciliations between non-GAAP financial measures and the most directly comparable U.S. GAAP measures. The fiscal 2015 impact of accelerated orders only impacted the comparison of fiscal 2016 to fiscal 2015.

Reported makeup operating income decreased in fiscal 2017, reflecting lower results from M·A·C and Clinique primarily due to a decrease in net sales, as well as transaction costs of \$15 million related to our fiscal 2017 acquisitions. Partially offsetting this decrease were higher results from Tom Ford and Estée Lauder, reflecting higher net sales.

Reported makeup operating income increased in fiscal 2016, reflecting higher results from M·A·C, Smashbox, Estée Lauder and Clinique, as well as the favorable comparison due to the fiscal 2015 accelerated orders of \$41 million.

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Fragrance

(\$ in millions)	Year Ended June 30	
	2017	2016
As Reported:		
Operating Income	\$ 115	\$ 87
\$ Change from prior year	28	5
% Change from prior year	32%	6%
Non-GAAP Financial Measure ^(a):		
% Change from prior year adjusting for the fiscal 2015 impact of accelerated orders, goodwill and other intangible assets impairments and changes in fair value of contingent consideration	4%	0%

^(a) See *Reconciliations of Non-GAAP Financial Measures* beginning on page 41 for reconciliations between non-GAAP financial measures and the most directly comparable U.S. GAAP measures. The fiscal 2015 impact of accelerated orders only impacted the comparison of fiscal 2016 to fiscal 2015.

Reported fragrance operating income increased in fiscal 2017, reflecting higher results from Jo Malone London and certain designer fragrances, as well as the favorable year-over-year net impact of \$24 million due to the changes in fair value of contingent consideration partially offset by goodwill and other intangible asset impairments, as previously discussed. The higher results from Jo Malone London reflected higher net sales. The higher results from certain of our designer fragrances reflected disciplined expense management and lower selling expenses primarily as a result of a decrease in net sales.

Reported fragrance operating income increased in fiscal 2016, reflecting the favorable comparison due to the fiscal 2015 accelerated orders of \$14 million. Excluding this impact, fragrance operating income decreased, reflecting lower results from Estée Lauder and higher investment spending behind our recently acquired brands, partially offset by higher results from certain of our luxury fragrance brands.

Hair Care

(\$ in millions)	Year Ended June 30	
	2017	2016
As Reported:		
Operating Income	\$ 51	\$ 52
\$ Change from prior year	(1)	14
% Change from prior year	(2)%	37%
Non-GAAP Financial Measure ^(a):		
% Change from prior year adjusting for the fiscal 2015 impact of accelerated orders	(2)%	36%

^(a) See *Reconciliations of Non-GAAP Financial Measures* beginning on page 41 for reconciliations between non-GAAP financial measures and the most directly comparable U.S. GAAP measures. The fiscal 2015 impact of accelerated orders only impacted the comparison of fiscal 2016 to fiscal 2015.

Reported hair care operating income decreased in fiscal 2017, primarily reflecting lower net sales.

Reported hair care operating results increased in fiscal 2016, reflecting higher results from Aveda and Bumble and bumble due in part to increased sales.

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Geographic Regions

The Americas

(\$ in millions)	Year Ended June 30	
	2017	2016
As Reported:		

Operating Income	\$	284	\$	346
\$ Change from prior year		(62)		44
% Change from prior year		(18)%		14%

Non-GAAP Financial Measure ^(a):

% Change from prior year adjusting for the fiscal 2015 impact of accelerated orders, goodwill and other intangible asset impairments and changes in fair value of contingent consideration		(25)%		(4)%
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^(a) See *Reconciliations of Non-GAAP Financial Measures* beginning on page 41 for reconciliations between non-GAAP financial measures and the most directly comparable U.S. GAAP measures. The fiscal 2015 impact of accelerated orders only impacted the comparison of fiscal 2016 to fiscal 2015.

Reported operating income in the Americas decreased in fiscal 2017, primarily reflecting lower results from M·A·C due to a decrease in net sales. Partially offsetting this decrease was the favorable year-over-year net impact of \$26 million due to the changes in fair value of contingent consideration partially offset by the impairment of goodwill and other intangible assets in fiscal 2017, as previously discussed, as well as disciplined expense management by certain of our heritage brands.

Reported operating income in the Americas increased in fiscal 2016, reflecting the favorable comparison due to the fiscal 2015 accelerated orders of \$106 million. Excluding the impact of the accelerated orders, operating income decreased, primarily reflecting an increase in advertising, merchandising and sampling expenses related to M·A·C in-store promotional events and certain of our luxury brands, as well as higher store operating and selling costs as a result of increased distribution. Operating income was impacted by a decline in retail traffic in the United States related primarily to mid-tier department stores that primarily affected Estée Lauder and Clinique, as well as certain M·A·C freestanding stores, as a result of a decrease in tourism, particularly from Brazilian travelers.

Europe, the Middle East & Africa

(\$ in millions)	Year Ended June 30	
	2017	2016
As Reported:		
Operating Income	\$ 1,203	\$ 1,027
\$ Change from prior year	176	84
% Change from prior year	17%	9%

Non-GAAP Financial Measure ^(a):

% Change from prior year adjusting for the fiscal 2015 impact of accelerated orders, goodwill and other intangible asset impairments and changes in fair value of contingent consideration		16%		4%
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^(a) See *Reconciliations of Non-GAAP Financial Measures* beginning on page 41 for reconciliations between non-GAAP financial measures and the most directly comparable U.S. GAAP measures. The fiscal 2015 impact of accelerated orders only impacted the comparison of fiscal 2016 to fiscal 2015.

Reported operating income in Europe, the Middle East & Africa increased in fiscal 2017, primarily driven by higher results from our travel retail business and the United Kingdom of approximately \$192 million, combined. The higher operating results in our travel retail business were driven by an increase in net sales. Operating income within the United Kingdom partially reflected the favorable year-over-year net impact of \$8 million due to the changes in fair value of contingent consideration partially offset by the impairment of goodwill and other intangible assets in fiscal 2017, as previously discussed. The higher results in the region were partially offset by lower results in the Middle East, France and South Africa of approximately \$51 million, combined. The lower results in the Middle

East reflected lower net sales. The lower results in South Africa and France reflected higher spending on marketing, advertising and promotion behind new and existing products, as well as increased selling costs.

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Reported operating income in Europe, the Middle East & Africa increased in fiscal 2016, primarily reflecting higher results from our travel retail business, Germany and the Middle East of approximately \$92 million, combined. The higher results from our travel retail business reflected the fiscal 2015 impact of the accelerated orders of \$106 million. The higher results in Germany were due to increased sales from certain of our heritage brands and our makeup artist brands, primarily due to new product introductions, as well as more effective promotional programs. These higher results were partially offset by lower results in the United Kingdom, France and Russia of approximately \$33 million. The lower results in the United Kingdom were driven by the negative impact of foreign currency. The lower results in France were partially due to higher investment spending behind certain of our heritage and luxury brands.

Asia/Pacific

(\$ in millions)	Year Ended June 30	
	2017	2016
As Reported:		
Operating Income	\$ 417	\$ 371
\$ Change from prior year	46	11
% Change from prior year	12%	3%
Non-GAAP Financial Measure ^(a):		
% Change from prior year adjusting for the fiscal 2015 impact of accelerated orders	12%	(3)%

^(a) See *Reconciliations of Non-GAAP Financial Measures* beginning on page 41 for reconciliations between non-GAAP financial measures and the most directly comparable U.S. GAAP measures. The fiscal 2015 impact of accelerated orders only impacted the comparison of fiscal 2016 to fiscal 2015.

Reported operating income in Asia/Pacific increased in fiscal 2017, primarily reflecting higher results in China, Japan and Korea of approximately \$48 million, combined, driven by net sales growth. These higher results were partially offset by lower results in Hong Kong and Indonesia of approximately \$9 million, combined, primarily driven by lower net sales.

Reported operating income in Asia/Pacific increased in fiscal 2016, reflecting the favorable comparison due to the fiscal 2015 accelerated orders of \$42 million. Excluding this impact, operating income decreased. Lower results in Hong Kong and China totaled approximately \$36 million, combined. The decline in operating results in China was also attributable to higher selling and shipping costs. These lower results were partially offset by higher results in Japan, driven by the impact of the accelerated orders, and, to a lesser extent, Australia, Korea and Taiwan of approximately \$44 million, combined. The improved results in Australia were due to higher sales from virtually all of our brands, as well as an improvement in selling and shipping costs. The higher results in Korea were primarily due to lower advertising, merchandising and sampling expenses. The improved results from Taiwan were primarily due to an increase in net sales.

INTEREST AND INVESTMENT INCOME

Year Ended June 30

(\$ in millions)	2017	2016	2015
Interest expense	\$ 103	\$ 71	\$ 60
Interest income and investment income, net	\$ 28	\$ 16	\$ 14

Interest expense increased in fiscal 2017, primarily due to the issuance of additional long-term debt in May 2016 and February 2017. Interest expense increased in fiscal 2016, primarily due to the issuance of additional long-term debt in June 2015 and May 2016.

Interest income and investment income, net increased in fiscal 2017 primarily due to an increase in cash, short- and long-term investment balances and rates, and in fiscal 2016 primarily due to higher interest income as a result of an increase in short- and long-term investment balances and rates. See *Financial Condition* for further discussion of our modified cash investment strategy.

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PROVISION FOR INCOME TAXES

	Year Ended June 30		
	2017	2016	2015
Effective rate for income taxes	22.3%	27.9%	29.9%
Basis-point change from prior year	(560)	(200)	

The effective tax rate in fiscal 2017 decreased approximately 460 basis points due to the reversal of a deferred tax asset valuation allowance (the “China deferred tax asset valuation allowance reversal”). The deferred tax asset and associated valuation allowance related to the accumulated carryforward of excess advertising and promotional expenses. In the fourth quarter of fiscal 2017, a favorable change to the tax law in China was enacted that expanded the corporate income tax deduction allowance for advertising and promotional expenses, resulting in this change in realizability of the asset. Also contributing to this decrease was a reduction in income tax reserve adjustments of approximately 100 basis points.

The decrease in the effective tax rate in fiscal 2016 was principally attributable to a lower effective tax rate related to our foreign operations, as well as a decrease in income tax reserve adjustments recorded in fiscal 2016.

The provision for income taxes represents U.S. federal, foreign, state and local income taxes. The effective rate differs from the federal statutory rate primarily due to the effect of state and local income taxes, the taxation of foreign income and income tax reserve adjustments, which represent changes in our net liability for unrecognized tax benefits including tax settlements and lapses of the applicable statutes of limitations. Our effective tax rate will change from quarter to quarter based on recurring and non-recurring factors including, but not limited to, the geographical mix of earnings, enacted tax legislation, state and local income taxes, tax reserve adjustments, the ultimate disposition of deferred tax assets relating to stock-based compensation and the interaction of various global tax strategies. In addition, changes in judgment from the evaluation of new information resulting in the recognition, derecognition or remeasurement of a tax position taken in a prior annual period are recognized separately in the quarter of change.

NET EARNINGS ATTRIBUTABLE TO THE ESTÉE LAUDER COMPANIES INC.

(\$ in millions, except per share data)	Year Ended June 30		
	2017	2016	2015

As Reported:

Net earnings attributable to The Estée Lauder Companies Inc.	\$	1,249	\$	1,115	\$	1,089
\$ Change from prior year		134		26		
% Change from prior year		12%		2%		
Diluted net earnings per common share	\$	3.35	\$	2.96	\$	2.82
% Change from prior year		13%		5%		

Non-GAAP Financial Measure ^(a):

% Change in diluted net earnings per common share from prior year adjusting for the fiscal 2015 impact of accelerated orders, charges associated with restructuring and other activities, the 2015 Venezuela remeasurement charge, goodwill and other intangible asset impairments, changes in fair value of contingent consideration and the China deferred tax asset valuation allowance reversal		8%		5%
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^(a) See *Reconciliations of Non-GAAP Financial Measures* beginning on page 41 for reconciliations between non-GAAP financial measures and the most directly comparable U.S. GAAP measures. The fiscal 2015 impact of accelerated orders only impacted the comparison of fiscal 2016 to fiscal 2015.

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RECONCILIATIONS OF NON-GAAP FINANCIAL MEASURES

We use certain non-GAAP financial measures, among other financial measures, to evaluate our operating performance, which represent the manner in which we conduct and view our business. Management believes that excluding certain items that are not comparable from period to period, or reflect the Company's underlying ongoing business, provides transparency for such items and helps investors and others compare and analyze our operating performance from period to period. In the future, we expect to incur charges or adjustments similar in nature to those presented below; however, the impact to the Company's results in a given period may be highly variable and difficult to predict. Our non-GAAP financial measures may not be comparable to similarly titled measures used by, or determined in a manner consistent with, other companies. While we consider the non-GAAP measures useful in analyzing our results, they are not intended to replace, or act as a substitute for, any presentation included in the consolidated financial statements prepared in conformity with U.S. GAAP. The following tables present Net Sales, Operating Income and Diluted net earnings per common share adjusted to exclude the impact of charges associated with restructuring and other activities, goodwill and other intangible asset impairments, the changes in the fair value of contingent consideration, the China deferred tax asset valuation allowance reversal, the fiscal 2015 impact of accelerated orders associated with the SMI rollout, the fiscal 2015 Venezuela remeasurement charge and the effects of foreign currency translation. The tables provide reconciliations between these non-GAAP financial measures and the most directly comparable U.S. GAAP measures. Certain information in the prior-year periods have been restated to conform to current period presentation.

Fiscal 2017 as compared with Fiscal 2016

(\$ in millions)	Year Ended June 30		Variance	% Change	% Change in Constant Currency
	2017	2016			
Net Sales, as reported	\$ 11,824	\$ 11,262	\$ 562	5%	7%
Returns associated with restructuring and other activities	2	1	1		
Net Sales, as adjusted	\$ 11,826	\$ 11,263	\$ 563	5%	7%

(\$ in millions)	Year Ended June 30		Variance	% Change	% Change in Constant Currency
	2017	2016			
Operating Income, as reported	\$ 1,692	\$ 1,610	\$ 82	5%	9%
Charges associated with restructuring and other activities	212	134	78		
Goodwill and other intangible asset impairments	31	–	31		
Changes in fair value of contingent consideration	(57)	8	(65)		
Operating Income, as adjusted	\$ 1,878	\$ 1,752	\$ 126	7%	11%

	Year Ended June 30		Variance	% Change	% Change in Constant Currency
	2017	2016			
Diluted net earnings per common share, as reported	\$ 3.35	\$ 2.96	\$.39	13%	17%
Charges associated with restructuring and other activities	.38	.24	.14		
Goodwill and other intangible asset impairments	.06	–	.06		
Changes in fair value of contingent consideration	(.12)	.02	(.14)		
China deferred tax asset valuation allowance reversal	(.20)	–	(.20)		
Diluted net earnings per common share, as adjusted	\$ 3.47	\$ 3.22	\$.25	8%	11%

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

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

(In millions)	As Reported		Variance	Add: Impact of foreign currency translation	Variance, as adjusted	% Change, as reported	% Change, as adjusted
	Year ended June 30, 2017	Year ended June 30, 2016					

By Product												
Category:												
Skin Care	\$	4,527	\$	4,446	\$	81	\$	60	\$	141	2%	3%
Makeup		5,054		4,702		352		76		428	7	9
Fragrance		1,637		1,487		150		47		197	10	13
Hair Care		539		554		(15)		4		(11)	(3)	(2)
Other		69		74		(5)		–		(5)	(7)	(7)
		11,826		11,263		563		187		750	5	7
Returns associated with restructuring and other activities		(2)		(1)		(1)		–		(1)		
Total	\$	11,824	\$	11,262	\$	562	\$	187	\$	749	5%	7%

By Region:

The Americas	\$	4,819	\$	4,710	\$	109	\$	2	\$	111	2%	2%
Europe, the Middle East & Africa		4,650		4,381		269		185		454	6	10
Asia/Pacific		2,357		2,172		185		–		185	9	9
		11,826		11,263		563		187		750	5	7
Returns associated with restructuring and other activities		(2)		(1)		(1)		–		(1)		
Total	\$	11,824	\$	11,262	\$	562	\$	187	\$	749	5%	7%

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

(In millions)	As Reported			Add:	Add:	Variance, as adjusted	% Change, as reported	% Change, as adjusted						
	Year ended June 30, 2017	Year ended June 30, 2016	Variance	Goodwill and other intangible asset impairments	Changes in fair value of contingent consideration									
By Product														
Category:														
Skin Care	\$	1,014	\$	842	\$	172	\$	9	\$	(19)	\$	162	20%	19%
Makeup		713		758		(45)		–		–		(45)	(6)	(6)
Fragrance		115		87		28		22		(46)		4	32	4
Hair Care		51		52		(1)		–		–		(1)	(2)	(2)
Other		11		5		6		–		–		6	100+	100+
		1,904		1,744		160		31		(65)		126	9	7
Charges associated with restructuring and other activities		(212)		(134)		(78)		–		–		(78)		

Total	\$ 1,692	\$ 1,610	\$ 82	\$ 31	\$ (65)	\$ 48	5%	3%
By Region:								
The Americas	\$ 284	\$ 346	\$ (62)	\$ 17	\$ (43)	\$ (88)	(18)%	(25)%
Europe, the Middle East & Africa	1,203	1,027	176	14	(22)	168	17	16
Asia/Pacific	417	371	46	–	–	46	12	12
	1,904	1,744	160	31	(65)	126	9	7
Charges associated with restructuring and other activities								
	(212)	(134)	(78)	–	–	(78)		
Total	\$ 1,692	\$ 1,610	\$ 82	\$ 31	\$ (65)	\$ 48	5%	3%

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Fiscal 2016 as compared with Fiscal 2015

(\$ in millions)	Year Ended June 30		Variance	% Change	% Change in Constant Currency
	2016	2015			
Net Sales, as reported	\$ 11,262	\$ 10,780	\$ 482	4%	9%
Accelerated orders associated with SMI rollout	–	178	(178)		
Returns associated with restructuring and other activities	1	–	1		
Net Sales, as adjusted	\$ 11,263	\$ 10,958	\$ 305	3%	7%

(\$ in millions)	Year Ended June 30		Variance	% Change	% Change in Constant Currency
	2016	2015			
Operating Income, as reported	\$ 1,610	\$ 1,606	\$ 4	0%	9%
Accelerated orders associated with SMI rollout	–	127	(127)		
Venezuela remeasurement charge	–	5	(5)		
Changes in fair value of contingent consideration	8	7	1		
Charges associated with restructuring and other activities	134	–	134		
Operating Income, as adjusted	\$ 1,752	\$ 1,745	\$ 7	0%	8%

(Not adjusted for differences caused by rounding)	Year Ended June 30		Variance	% Change	% Change in Constant Currency
	2016	2015			
Diluted net earnings per common share, as reported	\$ 2.96	\$ 2.82	\$.14	5%	14%
Accelerated orders associated with SMI rollout	–	.21	(.21)		
Venezuela remeasurement charge	–	.01	(.01)		
Changes in fair value of contingent consideration	.02	.02	–		
Charges associated with restructuring and other activities	.24	–	.24		
Diluted net earnings per common share, as adjusted	<u>\$ 3.22</u>	<u>\$ 3.07</u>	<u>\$.15</u>	5%	13%

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

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

(In millions)	As Reported			Add: Impact of foreign currency translation	Add: Impact of accelerated orders	Variance, as adjusted	% Change, as reported	% Change, as adjusted
	Year ended June 30, 2016	Year ended June 30, 2015	Variance					
By Product Category:								
Skin Care	\$ 4,446	\$ 4,479	\$ (33)	\$ 163	\$ (91)	\$ 39	(1)%	1%
Makeup	4,702	4,304	398	233	(65)	566	9	13
Fragrance	1,487	1,416	71	75	(21)	125	5	9
Hair Care	554	531	23	14	(1)	36	4	7
Other	74	50	24	3	–	27	48	54
	11,263	10,780	483	488	(178)	793	4	7
Returns associated with restructuring and other activities								
	(1)	–	(1)	–	–	(1)		
Total	<u>\$ 11,262</u>	<u>\$ 10,780</u>	<u>\$ 482</u>	<u>\$ 488</u>	<u>\$ (178)</u>	<u>\$ 792</u>	4%	7%
By Region:								
The Americas	\$ 4,710	\$ 4,514	\$ 196	\$ 101	\$ (84)	\$ 213	4%	5%
Europe, the Middle	4,381	4,086	295	265	(68)	492	7	12

East & Africa									
Asia/Pacific	2,172	2,180	(8)	122	(26)	88	0	4	
	11,263	10,780	483	488	(178)	793	4	7	
Returns associated with restructuring and other activities	(1)	-	(1)	-	-	(1)			
Total	\$ 11,262	\$ 10,780	\$ 482	\$ 488	\$ (178)	\$ 792	4%	7%	

The following table reconciles the change in operating income by product category and geographic region, as reported, to the change in operating income excluding the impact of the accelerated orders and changes in fair value of contingent consideration:

(In millions)	As Reported			Add: Impact of accelerated orders	Add: Changes in fair value of contingent consideration	Variance, as adjusted	% Change, as reported	% Change, as adjusted
	Year ended June 30, 2016	Year ended June 30, 2015	Variance					
By Product Category:								
Skin Care	\$ 842	\$ 832	\$ 10	\$ (72)	\$ (9)	\$ (71)	1%	(8)%
Makeup	758	659	99	(41)	-	58	15	8
Fragrance	87	83	4	(14)	10	-	6	0
Hair Care	52	38	14	-	-	14	37	36
Other	5	(6)	11	-	-	11	100+	100+
	1,744	1,606	138	(127)	1	12	9	1
Charges associated with restructuring and other activities	(134)	-	(134)	-	-	(134)		
Total	\$ 1,610	\$ 1,606	\$ 4	\$ (127)	\$ 1	\$ (122)	0%	(7)%
By Region:								
The Americas	\$ 346	\$ 302	\$ 44	\$ (53)	\$ (6)	\$ (15)	14%	(4)%
Europe, the Middle East & Africa	1,027	943	84	(53)	7	38	9	4
Asia/Pacific	371	361	10	(21)	-	(11)	3	(3)
	1,744	1,606	138	(127)	1	12	9	1
Charges associated with restructuring and other activities	(134)	-	(134)	-	-	(134)		
Total	\$ 1,610	\$ 1,606	\$ 4	\$ (127)	\$ 1	\$ (122)	0%	(7)%

FINANCIAL CONDITION

LIQUIDITY AND CAPITAL RESOURCES

Overview

Our principal sources of funds historically have been cash flows from operations, borrowings pursuant to our commercial paper program, borrowings from the issuance of long-term debt and committed and uncommitted credit lines provided by banks and other lenders in the United States and abroad. At June 30, 2017, we had cash and cash equivalents of \$1,136 million compared with \$914 million at June 30, 2016. Our cash and cash equivalents are maintained at a number of financial institutions. To mitigate the risk of uninsured balances, we select financial institutions based on their credit ratings and financial strength and we perform ongoing evaluations of these institutions to limit our concentration risk exposure.

In addition, we purchase short and long-term investments pursuant to our cash investment strategy. Our investment objectives include capital preservation, maintaining adequate liquidity, asset diversification, and achieving appropriate returns within the guidelines set forth in our investment policy. These investments are classified as available-for-sale and totaled \$1,498 million and \$1,505 million at June 30, 2017 and 2016, respectively.

Our business is seasonal in nature and, accordingly, our working capital needs vary. From time to time, we may enter into investing and financing transactions that require additional funding. To the extent that these needs exceed cash from operations, we could, subject to market conditions, issue commercial paper, issue long-term debt securities or borrow under our revolving credit facilities.

Based on past performance and current expectations, we believe that cash on hand, cash generated from operations, available credit lines and access to credit markets will be adequate to support currently planned business operations, information systems enhancements, capital expenditures, potential stock repurchases, restructuring initiatives, commitments and other contractual obligations on both a near-term and long-term basis. Our cash and cash equivalents and short- and long-term investment balances at June 30, 2017 include \$2,376 million of cash and short- and long-term investments in offshore jurisdictions associated with our permanent reinvestment strategy. We do not believe that the indefinite reinvestment of these funds offshore impairs our ability to meet our domestic debt or working capital obligations. If these indefinitely reinvested earnings were repatriated into the United States as dividends, we would be subject to additional taxes.

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

Credit Ratings

Changes in our credit ratings will likely result in changes in our borrowing costs. Our credit ratings also impact the cost of our revolving credit facility. Downgrades in our credit ratings may reduce our ability to issue commercial paper and/or long-term debt and would likely increase the relative costs of borrowing. A credit rating is not a recommendation to buy, sell, or hold securities, is subject to revision or withdrawal at any time by the assigning rating organization, and should be evaluated independently of any other rating or information. As of August 18, 2017, our commercial paper is rated A-1 by Standard & Poor' s and P-1 by Moody' s, and our long-term debt is rated A+ with a stable outlook by Standard & Poor' s and A2 with a stable outlook by Moody' s.

Debt and Access to Liquidity

Total debt as a percent of total capitalization (excluding noncontrolling interests) increased to 45% at June 30, 2017 from 39% at June 30, 2016, primarily due to the February 2017 issuance of the 1.80% Senior Notes due February 7, 2020 ("2020 Senior Notes"), 3.15% Senior Notes due March 15, 2027 ("2027 Senior Notes") and 4.15% Senior Notes due March 15, 2047 ("2047 Senior Notes").

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

Cash Flows

(\$ in millions)	Year Ended June 30		
	2017	2016	2015
Net cash provided by operating activities	\$ 1,800	\$ 1,789	\$ 1,943
Net cash used for investing activities	\$ (2,214)	\$ (1,269)	\$ (1,616)
Net cash provided by (used for) financing activities	\$ 630	\$ (605)	\$ (895)

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The fiscal 2017 increase in net cash provided by operating activities as compared with fiscal 2016 was primarily driven by an increase in net earnings, a decrease in discretionary pension and post-retirement benefit contributions and a favorable change in accounts receivable due to the timing of shipments and collections. These improvements were partially offset by unfavorable changes in accounts payable, primarily due to the timing of payments, and other accrued and noncurrent liabilities, related to a change in legal accruals, accrued professional fees and accrued employee incentive compensation, partially offset by advertising and promotional accruals. The overall change in cash flows from certain working capital components was impacted by our fiscal 2017 acquisitions.

The fiscal 2016 decrease in net cash provided by operating activities as compared with fiscal 2015 was primarily driven by the accelerated orders in connection with our July 2014 SMI implementation, which contributed to an unfavorable comparison in certain working capital components and the increase in net earnings. The decrease in net cash provided by operating activities also reflected an unfavorable change in accounts receivable, reflecting the timing of shipments and collections, and higher long-term payments related to new freestanding retail store locations, including cash payments made to former tenants to acquire the rights under commercial property leases. Also contributing to the decrease was an unfavorable change in accounts payable, primarily due to the timing of expenses. These decreases were partially offset by an increase in other accrued liabilities, due, in part, to higher accrued restructuring costs and employee incentive compensation.

The fiscal 2017 increase in net cash used for investing activities primarily reflected cash paid in connection with the fiscal 2017 second quarter acquisitions of Too Faced and BECCA, partially offset by lower net purchases of investments in connection with our cash investment strategy.

The fiscal 2016 decrease in net cash used for investing activities as compared with fiscal 2015 primarily reflected lower net purchases of investments in connection with our cash investment strategy. The decrease in cash used for investing activities also reflected lower payments related to acquisitions. Cash paid in connection with the fiscal 2015 acquisitions was partially offset by cash paid in connection with the fiscal 2016 acquisition of By Kilian and an additional purchase price true-up payment related to a fiscal 2015 acquisition. Partially offsetting the decrease was cash paid in the second quarter of fiscal 2016 for the long-term investment in Have & Be Co. Ltd., the company behind the skin care brands Dr. Jart + and Do The Right Thing, as well as higher capital expenditure activity, primarily related to leasehold improvements.

The fiscal 2017 increase in net cash provided by financing activities reflected the issuance of the 2020 Senior Notes, 2027 Senior Notes and 2047 Senior Notes, partially offset by the repayment of the 5.55% Senior Notes due May 15, 2017. The increase also reflected lower treasury stock purchases and higher commercial paper borrowings, partially offset by higher dividend payments.

The fiscal 2016 decrease in net cash used for financing activities as compared with fiscal 2015 primarily reflected the proceeds from the issuance of the 1.70% Senior Notes due May 10, 2021 and additional 4.375% Senior Notes due June 15, 2045, as well as lower treasury stock purchases, partially offset by higher dividend payments.

Dividends

For a summary of quarterly cash dividends declared per share on our Class A and Class B Common Stock during the year ended June 30, 2017 and through August 18, 2017, see *Item 8. Financial Statements and Supplementary Data - Note 16 - Common Stock*.

Pension and Post-retirement Plan Funding

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

For the U.S. Qualified Plan, we maintain an investment strategy of matching the duration of a substantial portion of the plan assets with the duration of the underlying plan liabilities. This strategy assists us in maintaining our overall funded ratio. For fiscal 2017 and 2016, we met or exceeded all contribution requirements under ERISA regulations for the U.S. Qualified Plan. In fiscal 2016, we made a discretionary cash contribution to the U.S. Qualified Plan of \$30 million. As we continue to monitor the funded status, we may decide to make cash contributions to the U.S. Qualified Plan or our post-retirement medical plan in the United States during fiscal 2018.

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

(In millions)	Expected 2018	2017	2016
Non-qualified domestic noncontributory pension plan benefit payments	\$ 23	\$ 7	\$ 9
International defined benefit pension plan contributions	\$ 27	\$ 24	\$ 22
Post-retirement plan benefit payments	\$ 1	\$ 7	\$ 6

Commitments and Contingencies

Certain of our business acquisition agreements include contingent consideration or “earn-out” provisions. These provisions generally require that we pay to the seller or sellers of the business additional amounts based on the performance of the acquired business. Since the size of each payment depends upon performance of the acquired business, we do not expect that such payments will have a material adverse impact on our future results of operations or financial condition.

For additional contingencies refer to *Item 8. Financial Statements and Supplementary Data - Note 15 - Commitments and Contingencies (Contractual Obligations)*.

Contractual Obligations

For a discussion of our contractual obligations, see *Item 8. Financial Statements and Supplementary Data - Note 15 - Commitments and Contingencies (Contractual Obligations)*.

Derivative Financial Instruments and Hedging Activities

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

Foreign Exchange Risk Management

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

Credit Risk

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

Market Risk

During the first quarter of fiscal 2017, we changed our market risk assessment model from a value-at-risk model to a sensitivity based model. This sensitivity analysis utilizes hypothetical changes in currency exchange rates and interest rates at the end of the reporting period to express the potential future losses for an instrument or portfolio from adverse changes in market factors. We believe this model provides greater insight into the impact of market risk exposures on our derivative instruments.

We address certain financial exposures through a controlled program of market risk management that includes the use of foreign currency forward contracts to reduce the effects of fluctuating foreign currency exchange rates and to mitigate the change in fair value of specific assets and liabilities on the balance sheet. To perform a sensitivity analysis of our foreign currency forward contracts, we assess the change in fair values from the impact of hypothetical changes in foreign currency exchange rates. A hypothetical 10% weakening of the U.S. dollar against the foreign exchange rates for the currencies in our portfolio would have resulted in a net decrease in the fair value of our portfolio of approximately \$26 million and \$22 million as of June 30, 2017 and 2016, respectively. This potential change does not consider our underlying foreign currency exposures.

In addition, we enter into interest rate derivatives to manage the effects of interest rate movements on our aggregate liability portfolio, including future debt issuances. Based on a hypothetical 100 basis point increase in interest rates, the estimated fair value of our interest rate derivatives would decrease by \$34 million and \$15 million as of June 30, 2017 and 2016, respectively.

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

[Table of Contents](#)**OFF-BALANCE SHEET ARRANGEMENTS**

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

RECENTLY ISSUED ACCOUNTING STANDARDS

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

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The discussion and analysis of our financial condition at June 30, 2017 and our results of operations for the three fiscal years ended June 30, 2017 are based upon our consolidated financial statements, which have been prepared in conformity with U.S. generally accepted accounting principles ("U.S. GAAP"). The preparation of these financial statements requires us to make estimates and assumptions that affect the amounts of assets, liabilities, revenues and expenses reported in those financial statements. These estimates and assumptions can be subjective and complex and, consequently, actual results could differ from those estimates. We consider accounting estimates to be critical if both (i) the nature of the estimate or assumption is material due to the levels of subjectivity and judgment involved, and (ii) the impact within a reasonable range of outcomes of the estimate and assumption is material to the Company's financial condition. Our most critical accounting policies relate to revenue recognition, inventory, pension and other post-retirement benefit costs, goodwill, other intangible assets and long-lived assets and income taxes.

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

Revenue Recognition

Our sales return accrual is a subjective critical estimate that has a direct impact on reported net sales. This accrual is calculated based on a history of actual returns, estimated future returns and information provided by retailers regarding their inventory levels. Consideration of these factors results in an accrual for anticipated sales returns that reflects increases or decreases related to seasonal fluctuations. Experience has shown a relationship between retailer inventory levels and sales returns in the subsequent period, as well as a consistent pattern of returns due to the seasonal nature of our business. In addition, as necessary, specific accruals may be established for significant future known or anticipated events. The types of known or anticipated events that we have considered, and will continue to consider, include, but are not limited to, the financial condition of our customers, store closings by retailers, changes in the retail environment and our decision to continue to support new and existing products.

For a discussion of our Revenue Recognition accounting policy, which includes information about the sales return accrual, see *Item 8. Financial Statements and Supplementary Data - Note 2 - Summary of Significant Accounting Policies*.

Inventory

We state our inventory at the lower of cost or fair-market value, with cost being based on standard cost and production variances, which approximate actual cost on the first-in, first-out method. We believe this method most closely matches the flow of our products from manufacture through sale. The reported net value of our inventory includes saleable products, promotional products, raw materials and componentry and work in process that will be sold or used in future periods.

We also record an inventory obsolescence reserve, which represents the difference between the cost of the inventory and its estimated realizable value, based on various product sales projections. This reserve is calculated using an estimated obsolescence percentage applied to the inventory based on age, historical trends and requirements to support forecasted sales. In addition, and as necessary, we may establish specific reserves for future known or anticipated events.

For further discussion of our Inventory accounting policy, see *Item 8. Financial Statements and Supplementary Data - Note 2 - Summary of Significant Accounting Policies*.

Pension and Other Post-retirement Benefit Costs

We offer the following benefits to some or all of our employees: the U.S. Qualified Plan and an unfunded, non-qualified domestic noncontributory pension plan to provide benefits in excess of statutory limitations (collectively with the U.S. Qualified Plan, the “Domestic Plans”); a domestic contributory defined contribution plan; international pension plans, which vary by country, consisting of both defined benefit and defined contribution pension plans; deferred compensation arrangements; and certain other post-retirement benefit plans.

The amounts needed to fund future payouts under our defined benefit pension and post-retirement benefit plans are subject to numerous assumptions such as an anticipated discount rate, expected rate of return on plan assets, mortality rates and future compensation levels. We evaluate these assumptions with our actuarial advisors and select assumptions that we believe reflect the economics underlying our pension and post-retirement obligations. While we believe these assumptions are within accepted industry ranges, an increase or decrease in the assumptions or economic events outside our control could have a direct impact on reported net earnings.

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The discount rate for each plan used for determining future net periodic benefit cost is based on a review of highly rated long-term bonds. For fiscal 2017, net periodic benefit cost was determined using discount rates for our Domestic Plans of 3.70% and 3.00% and varying rates on our international plans between .25% and 6.00%. The discount rates for our Domestic Plans were based on a bond portfolio that includes only long-term bonds with an Aa rating, or equivalent, from a major rating agency. We used an above-mean yield curve which represents an estimate of the effective settlement rate of the obligation, and the timing and amount of cash flows related to the bonds included in this portfolio are expected to match the estimated defined benefit payment streams of our Domestic Plans. For our international plans, the discount rate in a particular country was principally determined based on a yield curve constructed from high quality corporate bonds in each country, with the resulting portfolio having a duration matching that particular plan.

For fiscal 2017, we used an expected return on plan assets of 7.00% for our U.S. Qualified Plan and varying rates of between 1.50% and 6.00% for our international plans. In determining the long-term rate of return for a plan, we consider the historical rates of return, the nature of the plan’s investments and an expectation for the plan’s investment strategies. See *Item 8. Financial Statements and Supplementary Data - Note 14 - Pension, Deferred Compensation and Post-retirement Benefit Plans* for details regarding the nature of our pension and post-retirement plan investments. The difference between actual and expected return on plan assets is reported as a component of accumulated other comprehensive income. Those gains/losses that are subject to amortization over future periods will be recognized as a component of the net periodic benefit cost in such future periods. For fiscal 2017, our pension plans had actual return on assets of approximately \$99 million as compared with expected return on assets of approximately \$68 million. The resulting net deferred gain of approximately \$31 million, when combined with gains and losses from previous years, will be amortized over periods ranging from approximately 7 to 19 years. The actual return on plan assets from our global pension plans was higher than expected due to the strong performance of equity assets globally and enhanced by fixed income returns in the United Kingdom plan.

A 25 basis-point change in the discount rate or the expected rate of return on plan assets would have had the following effect on fiscal 2017 pension expense:

(In millions)	25 Basis-Point Increase	25 Basis-Point Decrease
Discount rate	\$ (4)	\$ 4
Expected return on assets	\$ (3)	\$ 3

Our post-retirement plans are comprised of health care plans that could be impacted by health care cost trend rates, which may have a significant effect on the amounts reported. A 100 basis-point change in assumed health care cost trend rates for fiscal 2017 would have had the following effects:

(In millions)	100 Basis-Point Increase	100 Basis-Point Decrease
Effect on total service and interest costs	\$ 1	\$ (1)
Effect on post-retirement benefit obligations	\$ 15	\$ (13)

To determine the fiscal 2018 net periodic benefit cost, we are using discount rates of 3.90% and 3.40% for the U.S. Qualified Plan and the non-qualified domestic noncontributory pension plan, respectively, and varying rates for our international plans of between .50% and 6.75%. We are using an expected return on plan assets of 7.00% for the U.S. Qualified Plan and varying rates for our international pension plans of between 1.75% and 6.75%. The net change in these two key assumptions from those used in fiscal 2017 will result in a decrease in pension expense of approximately \$1 million in fiscal 2018.

Goodwill, Other Intangible Assets and Long-Lived Assets

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

When testing goodwill and other indefinite-lived intangible assets for impairment, we have the option of first performing a qualitative assessment to determine whether it is more-likely-than-not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform a quantitative impairment test. For fiscal 2017 and 2016, we elected to perform the qualitative assessment for certain of our reporting units and indefinite-lived intangible assets. This qualitative assessment included the review of certain macroeconomic factors and entity-specific qualitative factors to determine if it was more-likely-than-not that the fair values of our reporting units were below carrying value. For our other reporting units and other indefinite-lived intangible assets, including those acquired during and subsequent to fiscal 2015, a quantitative assessment was performed. We engaged third-party valuation specialists and used industry accepted valuation models and criteria that were reviewed and approved by various levels of management. With regard to our fiscal 2017 acquisitions of BECCA and Too Faced, the carrying values of the related goodwill and other indefinite-lived intangible assets as of the assessment date approximated their fair values.

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

Income Taxes

We account for income taxes using an asset and liability approach that requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in our consolidated financial statements or tax returns. As of June 30, 2017, we have net deferred tax assets of \$322 million. The net deferred tax assets assume sufficient future earnings for their

realization, as well as the continued application of currently anticipated tax rates. Included in net deferred tax assets is a valuation allowance of \$42 million for deferred tax assets, where management believes it is more-likely-than-not that the deferred tax assets will not be realized in the relevant jurisdiction.

We provide tax reserves for U.S. federal, state, local and foreign exposures relating to periods subject to audit. The development of reserves for these exposures requires judgments about tax issues, potential outcomes and timing, and is a subjective critical estimate. We assess our tax positions and record tax benefits for all years subject to examination based upon management's evaluation of the facts, circumstances, and information available at the reporting dates.

For further discussion of our Income Taxes accounting policy, see *Item 8. Financial Statements and Supplementary Data - Note 2 - Summary of Significant Accounting Policies*.

Quantitative Analysis

During the three-year period ended June 30, 2017, there have not been material changes in the assumptions underlying these critical accounting policies, nor to the related significant estimates. The results of our business underlying these assumptions have not differed significantly from our expectations.

While we believe that the estimates that we have made are proper and the related results of operations for the period are presented fairly in all material respects, other assumptions could reasonably be justified that would change the amount of reported net sales, cost of sales or our provision for income taxes as they relate to the provisions for anticipated sales returns, inventory obsolescence reserve and income taxes.

A 250 basis-point change in the items above collectively would have had the following effects for fiscal 2017:

<u>(In millions, except per share data)</u>	<u>250 Basis-Point Increase</u>	<u>250 Basis-Point Decrease</u>
Gross profit	\$ (7)	\$ 7
Operating income	\$ (7)	\$ 7
Income taxes	\$ -	\$ -
Net earnings attributable to The Estée Lauder Companies Inc.	\$ (6)	\$ 6
Net earnings attributable to The Estée Lauder Companies Inc. per diluted common share	\$ (.02)	\$.02

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

We and our representatives from time to time make written or oral forward-looking statements, including statements contained in this and other filings with the Securities and Exchange Commission, in our press releases and in our reports to stockholders. The words and phrases “will likely result,” “expect,” “believe,” “planned,” “may,” “should,” “could,” “anticipate,” “estimate,” “project,” “intend,” “forecast” or similar expressions are intended to identify “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. These statements include, our expectations regarding sales, earnings or other future financial performance and liquidity, product introductions, entry into new geographic regions, information systems initiatives, new methods of sale, our long-term strategy, restructuring and other charges and resulting cost savings, and future operations or operating results. Although we believe that our expectations are based on reasonable assumptions within the bounds of our knowledge of our business and operations, actual results may differ materially from our expectations. Factors that could cause actual results to differ from expectations include:

- (1) increased competitive activity from companies in the skin care, makeup, fragrance and hair care businesses;

(2) our ability to develop, produce and market new products on which future operating results may depend and to successfully address challenges in our business;

(3) consolidations, restructurings, bankruptcies and reorganizations in the retail industry causing a decrease in the number of stores that sell our products, an increase in the ownership concentration within the retail industry, ownership of retailers by our competitors or ownership of competitors by our customers that are retailers and our inability to collect receivables;

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(4) destocking and tighter working capital management by retailers;

(5) the success, or changes in timing or scope, of new product launches and the success, or changes in the timing or the scope, of advertising, sampling and merchandising programs;

(6) shifts in the preferences of consumers as to where and how they shop;

(7) social, political and economic risks to our foreign or domestic manufacturing, distribution and retail operations, including changes in foreign investment and trade policies and regulations of the host countries and of the United States;

(8) changes in the laws, regulations and policies (including the interpretations and enforcement thereof) that affect, or will affect, our business, including those relating to our products or distribution networks, changes in accounting standards, tax laws and regulations, environmental or climate change laws, regulations or accords, trade rules and customs regulations, and the outcome and expense of legal or regulatory proceedings, and any action we may take as a result;

(9) foreign currency fluctuations affecting our results of operations and the value of our foreign assets, the relative prices at which we and our foreign competitors sell products in the same markets and our operating and manufacturing costs outside of the United States;

(10) changes in global or local conditions, including those due to the volatility in the global credit and equity markets, natural or man-made disasters, real or perceived epidemics, or energy costs, that could affect consumer purchasing, the willingness or ability of consumers to travel and/or purchase our products while traveling, the financial strength of our customers, suppliers or other contract counterparties, our operations, the cost and availability of capital which we may need for new equipment, facilities or acquisitions, the returns that we are able to generate on our pension assets and the resulting impact on funding obligations, the cost and availability of raw materials and the assumptions underlying our critical accounting estimates;

(11) shipment delays, commodity pricing, depletion of inventory and increased production costs resulting from disruptions of operations at any of the facilities that manufacture nearly all of our supply of a particular type of product (i.e. focus factories) or at our distribution or inventory centers, including disruptions that may be caused by the implementation of information technology initiatives, or by restructurings;

(12) real estate rates and availability, which may affect our ability to increase or maintain the number of retail locations at which we sell our products and the costs associated with our other facilities;

(13) changes in product mix to products which are less profitable;

(14) our ability to acquire, develop or implement new information and distribution technologies and initiatives on a timely basis and within our cost estimates and our ability to maintain continuous operations of such systems and the security of data and other information that may be stored in such systems or other systems or media;

(15) our ability to capitalize on opportunities for improved efficiency, such as publicly-announced strategies and restructuring and cost-savings initiatives, and to integrate acquired businesses and realize value therefrom;

(16) consequences attributable to local or international conflicts around the world, as well as from any terrorist action, retaliation and the threat of further action or retaliation;

(17) the timing and impact of acquisitions, investments and divestitures; and

(18) additional factors as described in our filings with the Securities and Exchange Commission, including this Annual Report on Form 10-K for the fiscal year ended June 30, 2017.

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

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

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

Item 8. *Financial Statements and Supplementary Data.*

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

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

None.

Item 9A. *Controls and Procedures.*

(a) Evaluation of Disclosure Controls and Procedures

Our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) are designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission and to ensure that information required to be disclosed is accumulated and communicated to management, including our principal executive and financial officers, to allow timely decisions regarding disclosure. The Chief Executive Officer (“CEO”) and the Chief Financial Officer (“CFO”), with assistance from other members of management, have reviewed the effectiveness of our disclosure controls and procedures as of June 30, 2017 and, based on their evaluation, have concluded that the disclosure controls and procedures were effective as of such date.

(b) Internal Control over Financial Reporting

As disclosed in Part II. Item 9A. *Controls and Procedures* in our Annual Report on Form 10-K for the fiscal year ended June 30, 2016, during the fourth quarter of fiscal 2016, we identified a material weakness in internal control over financial reporting related to ineffective general information technology controls in the areas of user access and program change management over certain information technology systems that are relevant to the Company's financial reporting processes and system of internal control over financial reporting. During fiscal 2017, we implemented our previously-disclosed remediation plan that included: (i) improving general information technology program change control activities and policies, including processes to maintain sufficient documentation evidencing execution of these policies; (ii) improving the control activities and procedures associated with user access to certain information technology systems, including proper segregation of duties related to the affected information systems; (iii) educating and re-training control owners regarding internal control processes to mitigate identified risks and maintaining adequate documentation to evidence the effective design and operation of such processes; and (iv) implementing enhanced controls to monitor the effectiveness of the underlying business process controls that are dependent on the data and financial reports generated from the relevant information systems.

During the fourth quarter of fiscal 2017, we completed our testing of the operating effectiveness of the implemented controls and found them to be effective. As a result, we have concluded that the material weakness has been remediated as of June 30, 2017.

(c) Changes in Internal Control Over Financial Reporting

Except for the changes in connection with our implementation of the remediation plan discussed above, there have been no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) that occurred during the fourth quarter of fiscal 2017 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. *Other Information.*

None.

PART III

Item 10. *Directors, Executive Officers and Corporate Governance.*

The information required by this Item, not already provided herein under *Item 1. Business - Executive Officers*, will be included in our Proxy Statement for the 2017 Annual Meeting of Stockholders (the "2017 Proxy Statement"). The 2017 Proxy Statement will be filed within 120 days after the close of the fiscal year ended June 30, 2017 and such information is incorporated herein by reference.

Item 11. *Executive Compensation.*

The information required by this Item will be included in the 2017 Proxy Statement. The 2017 Proxy Statement will be filed within 120 days after the close of the fiscal year ended June 30, 2017 and such information is incorporated herein by reference.

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

The information required by this Item, not already provided under *Equity Compensation Plan Information* as set forth below, will be included in the 2017 Proxy Statement. The 2017 Proxy Statement will be filed within 120 days after the close of the fiscal year ended June 30, 2017 and such information is incorporated herein by reference.

Equity Compensation Plan Information

The following table summarizes the equity compensation plans under which our securities may be issued as of June 30, 2017 and does not include grants made or cancelled and options exercised after such date. The securities that may be issued consist solely of shares of our Class A Common Stock and all plans were approved by stockholders of the Company.

Equity Compensation Plan Information as of June 30, 2017

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in the first column)
Equity compensation plans approved by security holders ^(a)	18,764,503 ^(b)	\$ 62.42 ^(c)	11,875,385 ^(d)

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

(b) Consists of 12,964,257 shares issuable upon exercise of outstanding options, 2,939,213 shares issuable upon conversion of outstanding Restricted Stock Units, 2,239,672 shares issuable upon conversion of outstanding Performance Share Units (“PSUs”) (assuming maximum payout for unvested PSUs and expected payouts for PSUs vested as of June 30, 2017 pending approval by the Stock Plan Subcommittee of our Board of Directors), 131,552 shares issuable upon conversion of Share Units, 30,267 shares issuable upon conversion of PSUs based on total stockholder return (assuming approval by the Stock Plan Subcommittee of our Board of Directors of expected payouts for those vested as of June 30, 2017) and 459,542 shares issuable upon conversion of Long-term PSUs.

(c) Calculated based upon outstanding options in respect of 12,964,257 shares of our Class A Common Stock.

(d) The 2002 Plan authorizes the grant of shares and benefits other than stock options. As of June 30, 2017, there were 11,288,880 shares of Class A Common Stock available for issuance under the 2002 Plan (subject to the approval by the Stock Plan Subcommittee of expected payouts for PSUs and PSUs based on total stockholder return vested as of June 30, 2017). Shares underlying grants cancelled or forfeited under prior plans or agreements may be used for grants under the 2002 Plan. The Director Plan currently provides for an annual grant of options and stock units to non-employee directors. As of June 30, 2017, there were 586,505 shares available for issuance under the Director Plan.

If all of the outstanding options, warrants, rights, stock units and share units, as well as the securities available for future issuance, included in the first and third columns in the table above were converted to shares of Class A Common Stock as of June 30, 2017, the total shares of Common Stock outstanding (i.e. Class A plus Class B) would increase 8% to 398,743,351. Of the outstanding options to purchase 12,964,257 shares of Class A Common Stock, all such shares are exercisable at a price less than \$95.98, the closing price on June 30, 2017. Assuming the exercise of only in-the-money options, the total shares outstanding would increase by 4% to 381,067,722.

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

The information required by this Item will be included in the 2017 Proxy Statement. The 2017 Proxy Statement will be filed within 120 days after the close of the fiscal year ended June 30, 2017 and such information is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services.

The information required by this Item will be included in the 2017 Proxy Statement. The 2017 Proxy Statement will be filed within 120 days after the close of the fiscal year ended June 30, 2017 and such information is incorporated herein by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

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

Exhibit Number	Description
3.1	Restated Certificate of Incorporation, dated November 16, 1995 (filed as Exhibit 3.1 to our Annual Report on Form 10-K filed on September 15, 2003) (SEC File No. 1-14064).*

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Exhibit Number	Description
3.1a	Certificate of Amendment of the Restated Certificate of Incorporation of The Estée Lauder Companies Inc. (filed as Exhibit 3.1 to our Current Report on Form 8-K filed on November 14, 2012) (SEC File No. 1-14064).*
3.2	Certificate of Retirement of \$6.50 Cumulative Redeemable Preferred Stock (filed as Exhibit 3.2 to our Current Report on Form 8-K filed on July 19, 2012) (SEC File No.1-14064).*
3.3	Amended and Restated Bylaws (filed as Exhibit 3.1 to our Current Report on Form 8-K filed on May 23, 2012) (SEC File No. 1-14064).*
4.1	Indenture, dated November 5, 1999, between the Company and State Street Bank and Trust Company, N.A. (filed as Exhibit 4 to Amendment No. 1 to our Registration Statement on Form S-3 (No. 333-85947) filed on November 5, 1999) (SEC File No. 1-14064).*
4.2	Officers' Certificate, dated September 29, 2003, defining certain terms of the 5.75% Senior Notes due 2033 (filed as Exhibit 4.2 to our Current Report on Form 8-K filed on September 29, 2003) (SEC File No. 1-14064).*
4.3	Global Note for 5.75% Senior Notes due 2033 (filed as Exhibit 4.3 to our Current Report on Form 8-K filed on September 29, 2003) (SEC File No. 1-14064).*
4.4	Officers' Certificate, dated May 1, 2007, defining certain terms of the 5.550% Senior Notes due 2017 (filed as Exhibit 4.1 to our Current Report on Form 8-K filed on May 1, 2007) (SEC File No. 1-14064).*
4.5	Global Note for 5.550% Senior Notes due 2017 (filed as Exhibit 4.3 to our Current Report on Form 8-K filed on May 1, 2007) (SEC File No. 1-14064).*
4.6	Officers' Certificate, dated May 1, 2007, defining certain terms of the 6.000% Senior Notes due 2037 (filed as Exhibit 4.2 to our Current Report on Form 8-K filed on May 1, 2007) (SEC File No. 1-14064).*

- 4.7 Global Note for 6.000% Senior Notes due 2037 (filed as Exhibit 4.4 to our Current Report on Form 8-K filed on May 1, 2007) (SEC File No. 1-14064).*
- 4.8 Officers' Certificate, dated August 2, 2012, defining certain terms of the 2.350% Senior Notes due 2022 (filed as Exhibit 4.1 to our Current Report on Form 8-K filed on August 2, 2012) (SEC File No. 1-14064).*
- 4.9 Global Note for the 2.350% Senior Notes due 2022 (filed as Exhibit 4.3 to our Current Report on Form 8-K filed on August 2, 2012) (SEC File No. 1-14064).*
- 4.10 Officers' Certificate, dated August 2, 2012, defining certain terms of the 3.700% Senior Notes due 2042 (filed as Exhibit 4.2 to our Current Report on Form 8-K filed on August 2, 2012) (SEC File No. 1-14064).*
- 4.11 Global Note for the 3.700% Senior Notes due 2042 (filed as Exhibit 4.4 to our Current Report on Form 8-K filed on August 2, 2012) (SEC File No. 1-14064).*
- 4.12 Officers' Certificate, dated June 4, 2015, defining certain terms of the 4.375% Senior Notes due 2045 (filed as Exhibit 4.1 to our Current Report on Form 8-K filed on June 4, 2015) (SEC File No. 1-14064).*
- 4.13 Global Note for the 4.375% Senior Notes due 2045 (filed as Exhibit 4.2 to our Current Report on Form 8-K filed on June 4, 2015) (SEC File No. 1-14064).*
- 4.14 Officers' Certificate, dated May 10, 2016, defining certain terms of the 1.700% Senior Notes due 2021 (filed as Exhibit 4.1 to our Current Report on Form 8-K filed on May 10, 2016) (SEC File No. 1-14064).*
- 4.15 Global Note for the 1.700% Senior Notes due 2021 (filed as Exhibit A in Exhibit 4.1 to our Current Report on Form 8-K filed on May 10, 2016) (SEC File No. 1-14064).*
- 4.16 Officers' Certificate, dated May 10, 2016, defining certain terms of the 4.375% Senior Notes due 2045 (filed as Exhibit 4.3 to our Current Report on Form 8-K filed on May 10, 2016) (SEC File No. 1-14064).*
- 4.17 Global Note for the 4.375% Senior Notes due 2045 (filed as Exhibit B in Exhibit 4.3 to our Current Report on Form 8-K filed on May 10, 2016) (SEC File No. 1-14064).*
- 10.1 Stockholders' Agreement, dated November 22, 1995 (filed as Exhibit 10.1 to our Annual Report on Form 10-K filed on September 15, 2003) (SEC File No. 1-14064).*
- 10.1a Amendment No. 1 to Stockholders' Agreement (filed as Exhibit 10.1 to our Quarterly Report on Form 10-Q filed on October 30, 1996) (SEC File No. 1-14064).*

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Exhibit Number	Description
10.1b	Amendment No. 2 to Stockholders' Agreement (filed as Exhibit 10.2 to our Quarterly Report on Form 10-Q filed on January 28, 1997) (SEC File No. 1-14064).*

- 10.1c Amendment No. 3 to Stockholders' Agreement (filed as Exhibit 10.2 to our Quarterly Report on Form 10-Q filed on April 29, 1997) (SEC File No. 1-14064).*
- 10.1d Amendment No. 4 to Stockholders' Agreement (filed as Exhibit 10.1d to our Annual Report on Form 10-K filed on September 18, 2000) (SEC File No. 1-14064).*
- 10.1e Amendment No. 5 to Stockholders' Agreement (filed as Exhibit 10.1e to our Annual Report on Form 10-K filed on September 17, 2002) (SEC File No. 1-14064).*
- 10.1f Amendment No. 6 to Stockholders' Agreement (filed as Exhibit 10.2 to our Quarterly Report on Form 10-Q filed on January 27, 2005) (SEC File No. 1-14064).*
- 10.1g Amendment No. 7 to Stockholders' Agreement (filed as Exhibit 10.7 to our Quarterly Report on Form 10-Q filed on October 30, 2009) (SEC File No. 1-14064).*
- 10.2 Registration Rights Agreement, dated November 22, 1995 (filed as Exhibit 10.2 to our Annual Report on Form 10-K filed on September 15, 2003) (SEC File No. 1-14064).*
- 10.2a First Amendment to Registration Rights Agreement (originally filed as Exhibit 10.3 to our Annual Report on Form 10-K filed on September 10, 1996) (SEC File No. 1-14064).
- 10.2b Second Amendment to Registration Rights Agreement (filed as Exhibit 10.1 to our Quarterly Report on Form 10-Q filed on April 29, 1997) (SEC File No. 1-14064).*
- 10.2c Third Amendment to Registration Rights Agreement (filed as Exhibit 10.2c to our Annual Report on Form 10-K filed on September 17, 2001) (SEC File No. 1-14064).*
- 10.2d Fourth Amendment to Registration Rights Agreement (filed as Exhibit 10.2 to our Quarterly Report on Form 10-Q filed on January 29, 2004) (SEC File No. 1-14064).*
- 10.3 The Estee Lauder Companies Retirement Growth Account Plan, as amended and restated, effective as of January 1, 2017, further amended effective as of July 1, 2017 (SEC File No. 1-14064). †
- 10.4 The Estee Lauder Inc. Retirement Benefits Restoration Plan (filed as Exhibit 10.5 to our Annual Report on Form 10-K filed on August 20, 2010) (SEC File No. 1-14064).* †
- 10.5 Executive Annual Incentive Plan (filed as Exhibit 10.1 to our Current Report on Form 8-K filed on November 14, 2013) (SEC File No. 1-14064).* †
- 10.6 Employment Agreement with Tracey T. Travis (filed as Exhibit 10.1 to our Current Report on Form 8-K filed on July 20, 2012) (SEC File No. 1-14064).* †
- 10.7 Employment Agreement with Leonard A. Lauder (filed as Exhibit 10.8 to our Annual Report on Form 10-K filed on September 17, 2001) (SEC File No. 1-14064).* †
- 10.7a Amendment to Employment Agreement with Leonard A. Lauder (filed as Exhibit 10.8a to our Annual Report on Form 10-K filed on September 17, 2002) (SEC File No. 1-14064).* †

10.7b	Amendment to Employment Agreement with Leonard A. Lauder (filed as Exhibit 10.2 to our Current Report on Form 8-K filed on November 17, 2005) (SEC File No. 1-14064).* †
10.7c	Amendment to Employment Agreement with Leonard A. Lauder (filed as Exhibit 10.1 to our Quarterly Report on Form 10-Q filed on February 5, 2009) (SEC File No. 1-14064).* †
10.7d	Amendment to Employment Agreement with Leonard A. Lauder (filed as Exhibit 10.8 to our Quarterly Report on Form 10-Q filed on October 30, 2009) (SEC File No. 1-14064).* †
10.7e	Amendment to Employment Agreement with Leonard A. Lauder (filed as Exhibit 10.6 to our Quarterly Report on Form 10-Q filed on November 1, 2010) (SEC File No. 1-14064).* †
10.7f	Amendment to Employment Agreement with Leonard A. Lauder (filed as Exhibit 10.7f to our Annual Report on Form 10-K filed on August 20, 2015).* †
10.8	Employment Agreement with William P. Lauder (filed as Exhibit 10.1 to our Current Report on Form 8-K filed on September 17, 2010) (SEC File No. 1-14064).* †

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Exhibit Number	Description
10.8a	Amendment to Employment Agreement with William P. Lauder (filed as Exhibit 10.1 to our Current Report on Form 8-K filed on February 26, 2013) (SEC File No. 1-14064).* †
10.9	Employment Agreement with Fabrizio Freda (filed as Exhibit 10.1 to our Current Report on Form 8-K filed on February 11, 2011) (SEC File No. 1-14064).* †
10.9a	Amendment to Employment Agreement with Fabrizio Freda and Stock Option Agreements (filed as Exhibit 10.2 to our Current Report on Form 8-K filed on February 26, 2013) (SEC File No. 1-14064).* †
10.10	Employment Agreement with John Demsey (filed as Exhibit 10.1 to our Current Report on Form 8-K filed on September 24, 2010) (SEC File No. 1-14064).* †
10.10a	Amendment to Employment Agreement with John Demsey (filed as Exhibit 10.3 to our Current Report on Form 8-K filed on February 26, 2013) (SEC File No. 1-14064).* †
10.11	Employment Agreement with Cedric Prouvé (filed as Exhibit 10.1 to our Current Report on Form 8-K filed on September 20, 2011) (SEC File No. 1-14064).* †
10.11a	Amendment to Employment Agreement with Cedric Prouvé (filed as Exhibit 10.4 to our Current Report on Form 8-K filed on February 26, 2013) (SEC File No. 1-14064).* †
10.12	Form of Deferred Compensation Agreement (interest-based) with Outside Directors (filed as Exhibit 10.14 to our Annual Report on Form 10-K filed on September 17, 2001) (SEC File No. 1-14064).* †

10.13	Form of Deferred Compensation Agreement (stock-based) with Outside Directors (filed as Exhibit 10.15 to our Annual Report on Form 10-K filed on September 17, 2001) (SEC File No. 1-14064).* †
10.14	The Estee Lauder Companies Inc. Non-Employee Director Share Incentive Plan (as amended and restated on November 9, 2007) (filed as Exhibit 99.1 to our Registration Statement on Form S-8 filed on November 9, 2007) (SEC File No. 1-14064).* †
10.14a	The Estee Lauder Companies Inc. Non-Employee Director Share Incentive Plan (as amended on July 14, 2011) (filed as exhibit 10.15a to our Annual Report on Form 10-K filed on August 22, 2011) (SEC File No. 1-14064).* †
10.14b	The Estée Lauder Companies Inc. Amended and Restated Non-Employee Director Share Incentive Plan (filed as Exhibit 10.2 to our Current Report on Form 8-K filed on November 16, 2015) (SEC File No. 1-14064).* †
10.15	Form of Stock Option Agreement for Annual Stock Option Grants under Non-Employee Director Share Incentive Plan (including Form of Notice of Grant) (filed as Exhibit 99.2 to our Registration Statement on Form S-8 filed on November 9, 2007) (SEC File No. 1-14064).* †
10.15a	Form of Stock Option Agreement for Elective Stock Option Grants under Non-Employee Director Share Incentive Plan (filed as Exhibit 99.3 to our Registration Statement on Form S-8 filed on November 9, 2007) (SEC File No. 1-14064).* †
10.16	The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (filed as Exhibit 10.17 to our Annual Report on Form 10-K filed on August 17, 2012) (SEC File No. 1-14064).* †
10.16a	The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (filed as Exhibit 10.1 to our Current Report on Form 8-K filed on November 16, 2015) (SEC File No. 1-14064).* †
10.16b	The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (SEC File No. 1-14064). †
10.16c	Form of Stock Option Agreement under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (filed as Exhibit 10.1 to our Quarterly Report on Form 10-Q filed on May 4, 2006) (SEC File No. 1-14064).* †
10.16d	Form of Stock Option Agreement under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (including Form of Notice of Grant) (filed as Exhibit 10.3 to our Current Report on Form 8-K filed on September 25, 2007) (SEC File No. 1-14064).* †

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Exhibit Number	Description
10.16e	Form of Stock Option Agreement under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (including Form of Notice of Grant) (filed as Exhibit 10.1 to our Quarterly Report on Form 10-Q filed on October 28, 2008) (SEC File No. 1-14064).* †

- 10.16f Form of Stock Option Agreement under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (including Form of Notice of Grant) (filed as Exhibit 10.1 to our Quarterly Report on Form 10-Q filed on October 30, 2009) (SEC File No. 1-14064).* †
- 10.16g Form of Stock Option Agreement under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (including Form of Notice of Grant) (filed as Exhibit 10.1 to our Quarterly Report on Form 10-Q filed on November 1, 2010) (SEC File No. 1-14064).* †
- 10.16h Form of Stock Option Agreement under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (including Form of Notice of Grant) (filed as Exhibit 10.1 to our Quarterly Report on Form 10-Q filed on November 4, 2011) (SEC File No. 1-14064).* †
- 10.16i Form of Stock Option Agreement under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (including Form of Notice of Grant) (filed as Exhibit 10.1 to our Quarterly Report on Form 10-Q filed on November 2, 2012) (SEC File No. 1-14064).* †
- 10.16j Form of Stock Option Agreement with Fabrizio Freda under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (including Form of Notice of Grant) (filed as Exhibit 10.6 to our Quarterly Report on Form 10-Q filed on November 2, 2012) (SEC File No. 1-14064).* †
- 10.16k Form of Stock Option Agreement under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (including Form of Notice of Grant) (filed as Exhibit 10.16y to our Annual Report on Form 10-K filed on August 20, 2014) (SEC File No. 1-14064).* †
- 10.16l Form of Stock Option Agreement with Fabrizio Freda under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (including Form of Notice of Grant) (filed as Exhibit 10.16z to our Annual Report on Form 10-K filed on August 20, 2014) (SEC File No. 1-14064).* †
- 10.16m Form of Stock Option Agreement under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (including Form of Notice of Grant) (SEC File No. 1-14064).†
- 10.16n Form of Performance Share Unit Award Agreement for Executive Officers under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (including Form of Notice of Grant) (filed as Exhibit 10.2 to our Quarterly Report on Form 10-Q filed on November 2, 2012) (SEC File No. 1-14064).* †
- 10.16o Form of Performance Share Unit Award Agreement for Employees other than Executive Officers under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (including Form of Notice of Grant) (filed as Exhibit 10.3 to our Quarterly Report on Form 10-Q filed on November 2, 2012) (SEC File No. 1-14064).* †
- 10.16p Form of Performance Share Unit Award Agreement with Fabrizio Freda under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (including Form of Notice of Grant) (filed as Exhibit 10.7 to our Quarterly Report on Form 10-Q filed on November 2, 2012) (SEC File No. 1-14064).* †
- 10.16q Form of Performance Share Unit Award Agreement for Employees including Executive Officers under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (including Form of Notice of Grant) (filed as Exhibit 10.16aa to our Annual Report on Form 10-K filed on August 20, 2014) (SEC File No. 1-14064). * †

- 10.16r Form of Performance Share Unit Award Agreement for Employees including Executive Officers under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (including Form of Notice of Grant) (filed as Exhibit 10.1 to our Current Report on Form 8-K filed on August 28, 2015) (SEC File No. 1-14064).* †
- 10.16s Performance Share Unit Award Agreement with Fabrizio Freda under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (including Notice of Grant) (filed as Exhibit 10.1 to our Current Report on Form 8-K filed on September 11, 2015) (SEC File No. 1-14064).* †

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Exhibit Number	Description
10.16t	Performance Share Unit Award Agreement with John Demsey under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (including Notice of Grant) (filed as Exhibit 10.1 to our Current Report on Form 8-K filed on February 1, 2016) (SEC File No. 1-14064).* †
10.16u	Form of Performance Share Unit Award Agreement under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (including Notice of Grant) (filed as Exhibit 10.2 to our Current Report on Form 8-K filed on February 1, 2016) (SEC File No. 1-14064).* †
10.16v	Form of Performance Share Unit Award Agreement under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (including Notice of Grant) (SEC File No. 1-14064). †
10.16w	Form of Restricted Stock Unit Award Agreement for Executive Officers under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (including Form of Notice of Grant) (filed as Exhibit 10.4 to our Quarterly Report on Form 10-Q filed on November 2, 2012) (SEC File No. 1-14064). * †
10.16x	Form of Restricted Stock Unit Award Agreement for Employees other than Executive Officers under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (including Form of Notice of Grant) (filed as Exhibit 10.5 to our Quarterly Report on Form 10-Q filed on November 2, 2012) (SEC File No. 1-14064).* †
10.16y	Form of Restricted Stock Unit Award Agreement under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (including Form of Notice of Grant) (filed as Exhibit 10.1 to our Quarterly Report on Form 10-Q filed on February 6, 2013) (SEC File No. 1-14064).* †
10.16z	Form of Restricted Stock Unit Award Agreement for Executive Officers under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (including Form of Notice of Grant) (filed as Exhibit 10.16bb to our Annual Report on Form 10-K filed on August 20, 2014) (SEC File No. 1-14064). * †
10.16aa	Form of Restricted Stock Unit Award Agreement under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (including Form of Notice of Grant) (SEC File No. 1-14064). †
10.16bb	Form of Restricted Stock Unit Award Agreement for Executive Officers under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (including Form of Notice of Grant) (SEC File No. 1-14064). †

- 10.16cc Form of Restricted Stock Unit Award Agreement for Employees other than Executive Officers under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (including Form of Notice of Grant) (SEC File No. 1-14064). †
- 10.17 Summary of Compensation For Non-Employee Directors of the Company (filed as Exhibit 10.2 to our Quarterly Report on Form 10-Q filed on November 1, 2013) (SEC File No. 1-14064).* †
- 10.18 \$1 Billion Credit Agreement, dated as of July 15, 2014, by and among The Estée Lauder Companies Inc. (the “Company”), the Eligible Subsidiaries of the Company, as defined therein, the lenders listed therein, JPMorgan Chase Bank, N.A., as administrative agent, Citibank, N.A. and BNP Paribas, as syndication agents, and Bank of America, N.A. and The Bank of Tokyo-Mitsubishi UFJ, Ltd., as documentation agents (filed as Exhibit 10.1 to our Current Report on Form 8-K filed on July 17, 2014) (SEC File No. 1-14064).*
- 10.18a Amendment No. 1 dated as of May 28, 2015, to the Credit Agreement, dated as of July 15, 2014 (the “Credit Agreement”), by and among The Estée Lauder Companies Inc. (the “Company”), the eligible subsidiaries of the Company as listed in the Credit Agreement, the lenders party to the Credit Agreement and JPMorgan Chase Bank, N.A., as administrative agent, issuing bank and swingline lender (filed as Exhibit 10.18a to our Annual Report on Form 10-K filed on August 20, 2015) (SEC File No. 1-14064).*
- 10.19 \$1.5 Billion Credit Agreement, dated as of October 3, 2016, by and among The Estée Lauder Companies Inc., the Eligible Subsidiaries of the Company, as defined therein, the lenders listed therein, JPMorgan Chase Bank, N.A., as administrative agent, Citibank, N.A., BNP Paribas, Bank of America, N.A., and The Bank of Tokyo-Mitsubishi UFJ, Ltd., as syndication agents (filed as Exhibit 10.1 to our Current Report on Form 8-K filed on October 4, 2016) (SEC File No. 1-14064).*

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Exhibit Number	Description
10.20	Services Agreement, dated January 1, 2003, among Estee Lauder Inc., Melville Management Corp., Leonard A. Lauder, and William P. Lauder (filed as Exhibit 10.2 to our Quarterly Report on Form 10-Q filed on January 28, 2010) (SEC File No. 1-14064).*
10.21	Services Agreement, dated November 22, 1995, between Estee Lauder Inc. and RSL Investment Corp. (filed as Exhibit 10.3 to our Quarterly Report on Form 10-Q filed on January 28, 2010) (SEC File No. 1-14064).*
10.22	Agreement of Sublease and Guarantee of Sublease, dated April 1, 2005, among Aramis Inc., RSL Management Corp., and Ronald S. Lauder (filed as Exhibit 10.4 to our Quarterly Report on Form 10-Q filed on January 28, 2010) (SEC File No. 1-14064).*
10.22a	First Amendment to Sublease, dated February 28, 2007, between Aramis Inc. and RSL Management Corp. (filed as Exhibit 10.5 to our Quarterly Report on Form 10-Q filed on January 28, 2010) (SEC File No. 1-14064).*
10.22b	Second Amendment to Sublease, dated January 27, 2010, between Aramis Inc. and RSL Management Corp. (filed as Exhibit 10.6 to our Quarterly Report on Form 10-Q filed on January 28, 2010) (SEC File No. 1-14064).*

10.22c	Third Amendment to Sublease, dated November 3, 2010, between Aramis Inc., and RSL Management Corp. (filed as Exhibit 10.1 to our Quarterly Report on Form 10-Q filed on February 4, 2011) (SEC File No. 1-14064).*
10.23	Form of Art Loan Agreement between Lender and Estee Lauder Inc. (filed as Exhibit 10.7 to our Quarterly Report on Form 10-Q filed on January 28, 2010) (SEC file No. 1-14064).*
10.24	Creative Consultant Agreement, dated April 6, 2011, between Estee Lauder Inc. and Aerin Lauder Zinterhofer (filed as Exhibit 10.1 to our Current Report on Form 8-K filed on April 8, 2011) (SEC File No. 1-14064).* †
10.24a	First Amendment to Creative Consultant Agreement between Estee Lauder Inc. and Aerin Lauder Zinterhofer dated October 28, 2014 (filed as Exhibit 10.23a to our Annual Report on Form 10-K filed on August 20, 2015).* †
10.24b	Second Amendment to Creative Consultant Agreement between Estee Lauder Inc. and Aerin Lauder Zinterhofer effective July 1, 2016 (filed as Exhibit 10.18a to our Annual Report on Form 10-K filed on August 24, 2016) (SEC File No. 1-14064).* †
10.25	License Agreement, dated April 6, 2011, by and among Aerin LLC, Aerin Lauder Zinterhofer and Estee Lauder Inc. (filed as Exhibit 10.2 to our Current Report on Form 8-K filed on April 8, 2011) (SEC File No. 1-14064).*
21.1	List of significant subsidiaries.
23.1	Consent of KPMG LLP.
24.1	Power of Attorney.
31.1	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (CEO).
31.2	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (CFO).
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (CEO). (furnished)
32.2	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (CFO). (furnished)
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document

* Incorporated herein by reference.

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

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SIGNATURES

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

THE ESTÉE LAUDER COMPANIES INC.

By /s/ TRACEY T. TRAVIS

Tracey T. Travis
Executive Vice President
and Chief Financial Officer

Date: August 25, 2017

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

<u>Signature</u>	<u>Title (s)</u>	<u>Date</u>
<u>FABRIZIO FREDA*</u> Fabrizio Freda	President, Chief Executive Officer and a Director (Principal Executive Officer)	August 25, 2017
<u>WILLIAM P. LAUDER*</u> William P. Lauder	Executive Chairman and a Director	August 25, 2017
<u>LEONARD A. LAUDER*</u> Leonard A. Lauder	Director	August 25, 2017
<u>CHARLENE BARSHEFSKY*</u> Charlene Barshefsky	Director	August 25, 2017
<u>ROSE MARIE BRAVO*</u> Rose Marie Bravo	Director	August 25, 2017
<u>WEI SUN CHRISTIANSON*</u> Wei Sun Christianson	Director	August 25, 2017
<u>PAUL J. FRIBOURG*</u> Paul J. Fribourg	Director	August 25, 2017
<u>MELLODY HOBSON*</u> Melody Hobson	Director	August 25, 2017

<u>IRVINE O. HOCKADAY, JR.*</u> Irvine O. Hockaday, Jr.	Director	August 25, 2017
<u>JANE LAUDER*</u> Jane Lauder	Director	August 25, 2017
<u>RONALD S. LAUDER*</u> Ronald S. Lauder	Director	August 25, 2017
<u>RICHARD D. PARSONS*</u> Richard D. Parsons	Director	August 25, 2017
<u>LYNN FORESTER DE ROTHSCHILD*</u> Lynn Forester de Rothschild	Director	August 25, 2017
<u>BARRY S. STERNLICHT*</u> Barry S. Sternlicht	Director	August 25, 2017
<u>RICHARD F. ZANNINO*</u> Richard F. Zannino	Director	August 25, 2017
<u>/s/ TRACEY T. TRAVIS</u> Tracey T. Travis	Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	August 25, 2017

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

By /s/ TRACEY T. TRAVIS

Tracey T. Travis
(Attorney-in-Fact)

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THE ESTÉE LAUDER COMPANIES INC.

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

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Management' s Report on Internal Control over Financial Reporting

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

A company' s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles. A company' s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company' s assets that could have a material effect on the financial statements.

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

Under the supervision of and with the participation of the Chief Executive Officer and the Chief Financial Officer, the Company' s management conducted an assessment of the effectiveness of the Company' s internal control over financial reporting based on the

framework and criteria established in *Internal Control - Integrated Framework (2013)*, issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, the Company's management has concluded that, as of June 30, 2017, the Company's internal control over financial reporting was effective.

The effectiveness of the Company's internal control over financial reporting as of June 30, 2017 has been audited by KPMG LLP, an independent registered public accounting firm, as stated in their report which appears under the heading "Report of Independent Registered Public Accounting Firm."

/s/ Fabrizio Freda

Fabrizio Freda

President and Chief Executive Officer

/s/ Tracey T. Travis

Tracey T. Travis

Executive Vice President and Chief Financial Officer

August 25, 2017

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders

The Estée Lauder Companies Inc.:

We have audited The Estée Lauder Companies Inc. and subsidiaries' ("the Company") internal control over financial reporting as of June 30, 2017, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

In our opinion, The Estée Lauder Companies Inc. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of June 30, 2017, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of The Estée Lauder Companies Inc. and subsidiaries as of June 30, 2017 and 2016, and the related consolidated statements of earnings, comprehensive income (loss), equity, and cash flows for each of the years in the three-year period ended June 30, 2017 and our report dated August 25, 2017 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

New York, New York
August 25, 2017

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Report of Independent Registered Public Accounting Firm

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

We have audited the accompanying consolidated balance sheets of The Estée Lauder Companies Inc. and subsidiaries (“the Company”) as of June 30, 2017 and 2016, and the related consolidated statements of earnings, comprehensive income (loss), equity, and cash flows for each of the years in the three-year period ended June 30, 2017. In connection with our audits of the consolidated financial statements, we also have audited the financial statement schedule as listed on the index on page F-1. These consolidated financial statements and financial statement schedule are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Estée Lauder Companies Inc. and subsidiaries as of June 30, 2017 and 2016, and the results of their operations and their cash flows for each of the years in the three-year period ended June 30, 2017, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), The Estée Lauder Companies Inc. and subsidiaries' internal control over financial reporting as of June 30, 2017, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated August 25, 2017 expressed an unqualified opinion on the effectiveness of the Company' s internal control over financial reporting.

/s/ KPMG LLP

New York, New York
August 25, 2017

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THE ESTÉE LAUDER COMPANIES INC.
CONSOLIDATED STATEMENTS OF EARNINGS

	Year Ended June 30		
	2017	2016	2015
(In millions, except per share data)			
Net Sales	\$ 11,824	\$ 11,262	\$ 10,780
Cost of Sales	<u>2,437</u>	<u>2,181</u>	<u>2,100</u>
Gross Profit	<u>9,387</u>	<u>9,081</u>	<u>8,680</u>
Operating expenses			
Selling, general and administrative	7,469	7,338	7,074
Restructuring and other charges	195	133	-
Goodwill impairment	28	-	-
Impairment of other intangible assets	<u>3</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>7,695</u>	<u>7,471</u>	<u>7,074</u>
Operating Income	1,692	1,610	1,606
Interest expense	103	71	60
Interest income and investment income, net	<u>28</u>	<u>16</u>	<u>15</u>
Earnings before Income Taxes	1,617	1,555	1,561
Provision for income taxes	<u>361</u>	<u>434</u>	<u>467</u>
Net Earnings	1,256	1,121	1,094
Net earnings attributable to noncontrolling interests	<u>(7)</u>	<u>(6)</u>	<u>(5)</u>

Net earnings attributable to The Estée Lauder Companies Inc.	<u>\$ 1,249</u>	<u>\$ 1,115</u>	<u>\$ 1,089</u>
Net earnings attributable to The Estée Lauder Companies Inc. per common share			
Basic	<u>\$ 3.40</u>	<u>\$ 3.01</u>	<u>\$ 2.87</u>
Diluted	<u>\$ 3.35</u>	<u>\$ 2.96</u>	<u>\$ 2.82</u>
Weighted-average common shares outstanding			
Basic	367.1	370.0	379.3
Diluted	373.0	376.6	385.7
Cash dividends declared per common share	\$ 1.32	\$ 1.14	\$.92

See notes to consolidated financial statements.

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THE ESTÉE LAUDER COMPANIES INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Year Ended June 30		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
	(In millions)		
Net earnings	<u>\$ 1,256</u>	<u>\$ 1,121</u>	<u>\$ 1,094</u>
Other comprehensive income (loss):			
Net unrealized investment gain (loss)	(8)	7	(1)
Net derivative instrument gain (loss)	(54)	(18)	70
Amounts included in net periodic benefit cost	102	(88)	(24)
Translation adjustments	32	(101)	(306)
Benefit (provision) for deferred income taxes on components of other comprehensive income	(11)	36	(22)
Total other comprehensive income (loss)	<u>61</u>	<u>(164)</u>	<u>(283)</u>
Comprehensive income	<u>1,317</u>	<u>957</u>	<u>811</u>
Comprehensive (income) loss attributable to noncontrolling interests:			
Net earnings	(7)	(6)	(5)
Translation adjustments	—	—	2
	<u>(7)</u>	<u>(6)</u>	<u>(3)</u>
Comprehensive income attributable to The Estée Lauder Companies Inc.	<u>\$ 1,310</u>	<u>\$ 951</u>	<u>\$ 808</u>

[Table of Contents](#)**THE ESTÉE LAUDER COMPANIES INC.****CONSOLIDATED BALANCE SHEETS**

	June 30	
	2017	2016
	(\$ in millions)	
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,136	\$ 914
Short-term investments	605	469
Accounts receivable, net	1,395	1,258
Inventory and promotional merchandise, net	1,479	1,264
Prepaid expenses and other current assets	349	320
Total current assets	4,964	4,225
Property, Plant and Equipment, net	1,671	1,583
Other Assets		
Long-term investments	1,026	1,108
Goodwill	1,916	1,228
Other intangible assets, net	1,327	344
Other assets	664	735
Total other assets	4,933	3,415
Total assets	\$ 11,568	\$ 9,223
LIABILITIES AND EQUITY		
Current Liabilities		
Current debt	\$ 189	\$ 332
Accounts payable	835	717
Other accrued liabilities	1,799	1,632
Total current liabilities	2,823	2,681
Noncurrent Liabilities		
Long-term debt	3,383	1,910
Other noncurrent liabilities	960	1,045
Total noncurrent liabilities	4,343	2,955
Commitments and Contingencies		
Equity		

Common stock, \$.01 par value; Class A shares authorized: 1,300,000,000 at June 30, 2017 and June 30, 2016; shares issued: 429,968,260 at June 30, 2017 and 424,109,008 at June 30, 2016; Class B shares authorized: 304,000,000 at June 30, 2017 and June 30, 2016; shares issued and outstanding: 143,762,288 at June 30, 2017 and 144,770,237 at June 30, 2016	6	6
Paid-in capital	3,559	3,161
Retained earnings	8,452	7,693
Accumulated other comprehensive loss	(484)	(545)
	<u>11,533</u>	<u>10,315</u>
Less: Treasury stock, at cost; 205,627,082 Class A shares at June 30, 2017 and 201,119,435 Class A shares at June 30, 2016	(7,149)	(6,743)
Total stockholders' equity - The Estée Lauder Companies Inc.	<u>4,384</u>	<u>3,572</u>
Noncontrolling interests	<u>18</u>	<u>15</u>
Total equity	<u>4,402</u>	<u>3,587</u>
Total liabilities and equity	<u>\$ 11,568</u>	<u>\$ 9,223</u>

See notes to consolidated financial statements.

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THE ESTÉE LAUDER COMPANIES INC.

CONSOLIDATED STATEMENTS OF EQUITY

	Year Ended June 30		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
	(In millions)		
Common stock, beginning of year	\$ 6	\$ 6	\$ 6
Stock-based compensation	-	-	-
Common stock, end of year	<u>6</u>	<u>6</u>	<u>6</u>
Paid-in capital, beginning of year	3,161	2,872	2,563
Stock-based compensation	398	289	309
Paid-in capital, end of year	<u>3,559</u>	<u>3,161</u>	<u>2,872</u>
Retained earnings, beginning of year	7,693	7,004	6,266
Common stock dividends	(490)	(426)	(351)
Net earnings attributable to The Estée Lauder Companies Inc.	1,249	1,115	1,089
Retained earnings, end of year	<u>8,452</u>	<u>7,693</u>	<u>7,004</u>
Accumulated other comprehensive loss, beginning of year	(545)	(381)	(100)
Other comprehensive income (loss)	61	(164)	(281)
Accumulated other comprehensive loss, end of year	<u>(484)</u>	<u>(545)</u>	<u>(381)</u>
Treasury stock, beginning of year	(6,743)	(5,857)	(4,879)

Acquisition of treasury stock	(355)	(835)	(928)
Stock-based compensation	(51)	(51)	(50)
Treasury stock, end of year	<u>(7,149)</u>	<u>(6,743)</u>	<u>(5,857)</u>
Total stockholders' equity - The Estée Lauder Companies Inc.	<u>4,384</u>	<u>3,572</u>	<u>3,644</u>
Noncontrolling interests, beginning of year	15	11	14
Net earnings attributable to noncontrolling interests	7	6	5
Distributions to noncontrolling interest holders	(4)	(5)	(6)
Acquisition of noncontrolling interest	-	3	-
Other comprehensive loss	-	-	(2)
Noncontrolling interests, end of year	<u>18</u>	<u>15</u>	<u>11</u>
Total equity	<u>\$ 4,402</u>	<u>\$ 3,587</u>	<u>\$ 3,655</u>

See notes to consolidated financial statements.

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THE ESTÉE LAUDER COMPANIES INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended June 30		
	2017	2016	2015
	(In millions)		
Cash Flows from Operating Activities			
Net earnings	\$ 1,256	\$ 1,121	\$ 1,094
Adjustments to reconcile net earnings to net cash flows from operating activities:			
Depreciation and amortization	464	415	409
Deferred income taxes	(118)	(94)	(53)
Non-cash stock-based compensation	219	184	165
Excess tax benefits from stock-based compensation arrangements	(45)	(23)	(48)
Loss on disposal of property, plant and equipment	5	17	15
Goodwill and other intangible asset impairments	31	-	-
Non-cash restructuring and other charges	3	19	-
Pension and post-retirement benefit expense	80	71	64
Pension and post-retirement benefit contributions	(38)	(67)	(59)
Changes in fair value of contingent consideration	(57)	8	7
Other non-cash items	(21)	(7)	-
Changes in operating assets and liabilities:			
Decrease (increase) in accounts receivable, net	(92)	(101)	103
Increase in inventory and promotional merchandise, net	(85)	(69)	(26)
Decrease (increase) in other assets, net	(80)	(72)	8
Increase in accounts payable	54	101	147

Increase in other accrued and noncurrent liabilities	224	286	117
Net cash flows provided by operating activities	1,800	1,789	1,943
Cash Flows from Investing Activities			
Capital expenditures	(504)	(525)	(473)
Payments for acquired businesses, net of cash acquired	(1,681)	(101)	(241)
Proceeds from the disposition of investments	1,226	1,373	305
Purchases of investments	(1,267)	(2,016)	(1,207)
Proceeds from sale of property, plant and equipment	12	–	–
Net cash flows used for investing activities	(2,214)	(1,269)	(1,616)
Cash Flows from Financing Activities			
Proceeds of current debt, net	165	–	13
Proceeds from issuance of long-term debt, net	1,498	616	294
Debt issuance costs	(11)	(4)	(4)
Repayments and redemptions of long-term debt	(306)	(8)	(8)
Net proceeds from stock-based compensation transactions	141	85	101
Excess tax benefits from stock-based compensation arrangements	45	23	48
Payments to acquire treasury stock	(413)	(890)	(983)
Dividends paid to stockholders	(486)	(423)	(350)
Payments to noncontrolling interest holders for dividends	(3)	(4)	(6)
Net cash flows provided by (used for) financing activities	630	(605)	(895)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	6	(22)	(40)
Net Increase (Decrease) in Cash and Cash Equivalents	222	(107)	(608)
Cash and Cash Equivalents at Beginning of Year	914	1,021	1,629
Cash and Cash Equivalents at End of Year	\$ 1,136	\$ 914	\$ 1,021

See notes to consolidated financial statements.

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THE ESTÉE LAUDER COMPANIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF BUSINESS

The Estée Lauder Companies Inc. manufactures, markets and sells skin care, makeup, fragrance and hair care products around the world. Products are marketed under brand names, including: Estée Lauder, Aramis, Clinique, Prescriptives, Lab Series, Origins, M·A·C, Bobbi Brown, La Mer, Aveda, Jo Malone London, Bumble and bumble, Darphin, Ojon, Smashbox, RODIN olio lusso, Le Labo, Editions de Parfums Frédéric Malle, GLAMGLOW, By Kilian, BECCA and Too Faced. Certain subsidiaries of The Estée Lauder Companies Inc. are also the global licensee of the Tommy Hilfiger, Kiton, Donna Karan New York, DKNY, Michael Kors, Tom Ford, Ermenegildo Zegna, Tory Burch and AERIN brand names for fragrances and/or cosmetics.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

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

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

Management Estimates

The preparation of financial statements and related disclosures in conformity with U.S. generally accepted accounting principles (“U.S. GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses reported in those financial statements. Certain significant accounting policies that contain subjective management estimates and assumptions include those related to revenue recognition, inventory, pension and other post-retirement benefit costs, goodwill, other intangible assets and long-lived assets, 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 consolidated financial statements in future periods.

Currency Translation and Transactions

All assets and liabilities of foreign subsidiaries and affiliates are translated at year-end rates of exchange, while revenue and expenses are translated at weighted-average rates of exchange for the period. Unrealized translation gains (losses) reported as cumulative translation adjustments through other comprehensive income (loss) (“OCI”) attributable to The Estée Lauder Companies Inc. amounted to \$32 million, \$(109) million and \$(322) million, net of tax, in fiscal 2017, 2016 and 2015, respectively. For the Company’s Venezuelan and Ukrainian subsidiaries operating in highly inflationary economies, the U.S. dollar is the functional currency. Remeasurement adjustments in financial statements in a highly inflationary economy and other transactional gains and losses are reflected in earnings. These subsidiaries are not material to the Company’s consolidated financial statements or liquidity in fiscal 2017, 2016 and 2015.

The Company enters into foreign currency forward contracts and may enter into option contracts to hedge foreign currency transactions for periods consistent with its identified exposures. Accordingly, the Company categorizes these instruments as entered into for purposes other than trading.

The accompanying consolidated statements of earnings include net exchange gains on foreign currency transactions of \$15 million, \$16 million and \$4 million in fiscal 2017, 2016 and 2015, respectively.

Cash and Cash Equivalents

Cash and cash equivalents include \$434 million and \$205 million of short-term time deposits at June 30, 2017 and 2016, respectively. The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Investments

The Company’s investment objectives include capital preservation, maintaining adequate liquidity, asset diversification, and achieving appropriate returns within the guidelines set forth in the Company’s investment policy. These investments are classified as available-for-sale, with any temporary difference between the cost and fair value of an investment presented as a separate component of

accumulated other comprehensive income (loss) (“AOCI”). See *Note 13 - Fair Value Measurements* for further information about how the fair values of investments are determined.

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THE ESTÉE LAUDER COMPANIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Investments in the common stock of privately-held companies in which the Company has significant influence, but less than a controlling financial interest, are accounted for under the equity method of accounting. The Company accounts for all other investments using the cost-method of accounting. These investments were not material to the Company’s consolidated financial statements as of June 30, 2017 and 2016 and are included in Long-term investments in the accompanying consolidated balance sheets.

The Company evaluates investments held in unrealized loss positions for other-than-temporary impairment on a quarterly basis. Such evaluation involves a variety of considerations, including assessments of the risks and uncertainties associated with general economic conditions and distinct conditions affecting specific issuers. Factors considered by the Company include, but are not limited to (i) the length of time and extent the security has been in a material loss position; (ii) the financial condition and creditworthiness of the issuer; (iii) future economic conditions and market forecasts related to the issuer’s industry, sector, or geography; (iv) the Company’s intent and ability to retain its investment until maturity or for a period of time sufficient to allow for recovery of market value; and (v) an assessment of whether it is more likely than not that the Company will be required to sell its investment before recovery of market value.

Accounts Receivable

Accounts receivable is stated net of the allowance for doubtful accounts and customer deductions totaling \$30 million and \$24 million as of June 30, 2017 and 2016, respectively. This reserve is based upon the evaluation of accounts receivable aging, specific exposures and historical trends.

Inventory and Promotional Merchandise

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

Derivative Financial Instruments

The Company’s derivative financial instruments are recorded as either assets or liabilities on the balance sheet and measured at fair value. All derivatives are (i) designated as a hedge of the fair value of a recognized asset or liability or of an unrecognized firm

commitment (“fair-value” hedge), (ii) designated as a hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability (“cash-flow” hedge), or (iii) not designated as a hedging instrument. Changes in the fair value of a derivative that is designated and qualifies as a fair-value hedge that is highly effective are recorded in current-period earnings, along with the loss or gain on the hedged asset or liability that is attributable to the hedged risk (including losses or gains on unrecognized firm commitments). Changes in the fair value of a derivative that is designated and qualifies as a cash-flow hedge of a forecasted transaction that is highly effective are recorded in OCI. Gains and losses deferred in OCI are then recognized in current-period earnings when earnings are affected by the variability of cash flows of the hedged forecasted transaction (e.g., when periodic settlements on a variable-rate asset or liability are recorded in earnings). Changes in the fair value of derivative instruments not designated as hedging instruments are reported in current-period earnings.

Property, Plant and Equipment

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

Goodwill and Other Indefinite-lived Intangible Assets

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

THE ESTÉE LAUDER COMPANIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Company assesses goodwill and other indefinite-lived intangible assets at least annually for impairment as of the beginning of the fiscal fourth quarter or more frequently if certain events or circumstances exist. The Company tests goodwill for impairment at the reporting unit level, which is one level below the Company’s operating segments. The Company identifies its reporting units by assessing whether the components of its operating segments constitute businesses for which discrete financial information is available and management of each operating segment regularly reviews the operating results of those components. The Company makes certain judgments and assumptions in allocating assets and liabilities to determine carrying values for its reporting units. When testing goodwill for impairment, the Company has the option of first performing a qualitative assessment to determine whether it is more-likely-than-not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform a quantitative goodwill impairment test. If necessary, the quantitative impairment test is performed in two steps: (i) the Company determines if an indication of impairment exists by comparing the fair value of a reporting unit with its carrying value, and (ii) if there is an impairment, the Company measures the amount of impairment loss by comparing the implied fair value of goodwill with the carrying amount of that goodwill. When testing other indefinite-lived intangible assets for impairment, the Company also has the option of first performing a qualitative assessment to determine whether it is more-likely-than-not that the indefinite-lived intangible asset is impaired as a basis for determining whether it is necessary to perform a quantitative test. The quantitative impairment test for indefinite-lived intangible assets encompasses calculating the fair value of an indefinite-lived intangible asset and comparing the fair value to its carrying value. If the carrying value exceeds the fair value, an impairment charge is recorded.

For fiscal 2017 and 2016, the Company elected to perform the qualitative assessment for certain of its reporting units and indefinite-lived intangible assets. This qualitative assessment included the review of certain macroeconomic factors and entity-specific qualitative factors to determine if it was more-likely-than-not that the fair values of its reporting units were below carrying value. The Company

considered macroeconomic factors including the global economic growth, general macroeconomic trends for the markets in which the reporting units operate and the intangible assets are employed, and the growth of the global prestige beauty industry. In addition to these macroeconomic factors, among other things, the Company considered the reporting units' current results and forecasts, any changes in the nature of the business, any significant legal, regulatory, contractual, political or other business climate factors, changes in the industry/competitive environment, changes in the composition or carrying amount of net assets and its intention to sell or dispose of a reporting unit or cease the use of a trademark.

For the Company's other reporting units and other indefinite-lived intangible assets, including those acquired during and subsequent to fiscal 2015, a quantitative assessment was performed. The Company engaged third-party valuation specialists and used industry accepted valuation models and criteria that were reviewed and approved by various levels of management. To determine the fair value of the reporting units, the Company used an equal weighting of the income and market approaches. Under the income approach, we determined fair value using a discounted cash flow method, projecting future cash flows of each reporting unit, as well as a terminal value, and discounting such cash flows at a rate of return that reflected the relative risk of the cash flows. Under the market approach, we utilized market multiples from publicly traded companies with similar operating and investment characteristics as the reporting unit. The key estimates and factors used in these two approaches include revenue growth rates and profit margins based on internal forecasts, terminal value, the weighted-average cost of capital used to discount future cash flows and comparable market multiples. To determine the fair value of other indefinite-lived intangible assets, we use an income approach, the relief-from-royalty method. This method assumes that, in lieu of ownership, a third party would be willing to pay a royalty in order to obtain the rights to use the comparable asset.

Long-Lived Assets

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. When such events or changes in circumstances occur, a recoverability test is performed comparing projected undiscounted cash flows from the use and eventual disposition of an asset or asset group to its carrying value. If the projected undiscounted cash flows are less than the carrying value, then an impairment charge would be recorded for the excess of the carrying value over the fair value, which is determined by discounting estimated future cash flows.

Concentration of Credit Risk

The Company is a worldwide manufacturer, marketer and distributor of skin care, makeup, fragrance and hair care products. The Company's sales that are subject to credit risk are made primarily to department stores, perfumeries, specialty multi-brand retailers and retailers in its travel retail business. The Company grants credit to all qualified customers and does not believe it is exposed significantly to any undue concentration of credit risk.

The Company's largest customer sells products primarily within the United States and accounted for \$922 million, or 8%, \$1,065 million, or 9%, and \$1,060 million, or 10%, of the Company's consolidated net sales in fiscal 2017, 2016 and 2015, respectively. This customer accounted for \$112 million, or 8%, and \$164 million, or 13%, of the Company's accounts receivable at June 30, 2017 and 2016, respectively.

Revenues from product sales are recognized upon transfer of ownership, including passage of title to the customer and transfer of the risk of loss related to those goods. In the Americas region, sales are generally recognized at the time the product is shipped to the customer and in the Europe, the Middle East & Africa and Asia/Pacific regions, sales are generally recognized based upon the customer's receipt. In certain circumstances, transfer of title takes place at the point of sale, for example, at the Company's retail stores. The Company records revenues generated from purchase with purchase promotions in Net Sales and costs of its purchase with purchase and gift with purchase promotions in Cost of Sales.

Revenues are reported on a net sales basis, which is computed by deducting from gross sales the amount of actual product returns received, discounts, incentive arrangements with retailers and an amount established for anticipated product returns. The Company's practice is to accept product returns from retailers only if properly requested and approved. In accepting returns, the Company typically provides a credit to the retailer against accounts receivable from that retailer. As a percentage of gross sales, returns were 3.5% in fiscal 2017, 3.1% in fiscal 2016 and 3.4% in fiscal 2015.

Payments to Customers

Certain incentive arrangements require the payment of a fee to customers based on their attainment of pre-established sales levels. These fees have been accrued and recorded as a reduction of Net Sales in the accompanying consolidated statements of earnings and were not material to the results of operations in any period presented.

The Company enters into transactions related to demonstration, advertising and counter construction, some of which involve cooperative relationships with customers. These activities may be arranged either with unrelated third parties or in conjunction with the customer. To the extent the Company receives an identifiable benefit in exchange for consideration and the fair-value of the benefit can be reasonably estimated, the Company's share of the counter depreciation and the other costs of these transactions (regardless of to whom they were paid) are reflected in Selling, general and administrative expenses in the accompanying consolidated statements of earnings and were approximately \$1,405 million, \$1,387 million and \$1,378 million in fiscal 2017, 2016 and 2015, respectively.

Advertising and Promotion

Global net expenses for advertising, merchandising, sampling, promotion and product development were \$2,908 million, \$2,821 million and \$2,772 million in fiscal 2017, 2016 and 2015, respectively, and are expensed as incurred. Excluding the impact of purchase with purchase and gift with purchase promotions, which are included in Net Sales and Cost of Sales, costs for advertising, merchandising, sampling, promotion and product development included in Selling, general and administrative expenses in the accompanying consolidated statements of earnings were \$2,689 million, \$2,607 million and \$2,559 million in fiscal 2017, 2016 and 2015, respectively.

Research and Development

Research and development costs of \$179 million, \$191 million and \$178 million in fiscal 2017, 2016 and 2015, respectively, are recorded in Selling, general and administrative expenses in the accompanying consolidated statements of earnings and are expensed as incurred.

Shipping and Handling

Shipping and handling expenses of \$400 million, \$363 million and \$364 million in fiscal 2017, 2016 and 2015, respectively, are recorded in Selling, general and administrative expenses in the accompanying consolidated statements of earnings and include distribution center costs, third-party logistics costs and outbound freight.

Operating Leases

The Company recognizes rent expense from operating leases with periods of free and scheduled rent increases on a straight-line basis over the applicable lease term. The Company considers lease renewals when such renewals are reasonably assured. From time to time,

the Company may receive capital improvement funding from its lessors. These amounts are recorded as deferred liabilities and amortized over the remaining lease term as a reduction of rent expense.

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THE ESTÉE LAUDER COMPANIES INC.

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License Arrangements

The Company's license agreements provide the Company with worldwide rights to manufacture, market and sell beauty and beauty-related products (or particular categories thereof) using the licensors' trademarks. Our current licenses have an initial term of approximately 5 years to 10 years, and are renewable subject to the Company's compliance with the license agreement provisions. Most of our license agreements have renewal terms in 5 year increments, with potential renewal periods ranging from approximately 5 years to 25 years. Under each license, the Company is required to pay royalties to the licensor, at least annually, based on net sales to third parties.

Most of the Company's licenses were entered into to create new business. In some cases, the Company acquired, or entered into, a license where the licensor or another licensee was operating a pre-existing beauty products business. In those cases, other intangible assets are capitalized and amortized over their useful lives.

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

Stock-Based Compensation

The Company records stock-based compensation, measured at the fair value of the awards that are ultimately expected to vest, as an expense in the consolidated financial statements. Upon the exercise of stock options or the vesting of restricted stock units, performance share units, performance share units based on total stockholder return and long-term performance share units, the resulting excess tax benefits, if any, are credited to additional paid-in capital. Any resulting tax deficiencies will first be offset against those cumulative credits to additional paid-in capital. If the cumulative credits to additional paid-in capital are exhausted, tax deficiencies will be recorded to the provision for income taxes.

Income Taxes

The Company accounts for income taxes using an asset and liability approach that requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in its consolidated financial statements or tax returns. The net deferred tax assets assume sufficient future earnings for their realization, as well as the continued application of currently anticipated tax rates. Included in net deferred tax assets is a valuation allowance for deferred tax assets, where management believes it is not more-likely-than-not that the deferred tax assets will be realized in the relevant jurisdiction. If the Company's assessment of realizability of a deferred tax asset changes, an increase to a valuation allowance will result in a reduction of net earnings at that time while the reduction of a valuation allowance will result in an increase of net earnings at that time.

The Company provides tax reserves for U.S. federal, state, local and foreign exposures relating to periods subject to audit. The development of reserves for these exposures requires judgments about tax issues, potential outcomes and timing, and is a subjective

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

Recently Issued Accounting Standards

Pension-related Costs

In March 2017, the Financial Accounting Standards Board ("FASB") issued authoritative guidance that amends how companies present net periodic benefit cost in the income statement and balance sheet relating to defined benefit pension and/or other postretirement benefit plans. Within the income statement, the new guidance requires companies to report the service cost component within operating expenses and report the other components of net periodic benefit cost below operating income (if one is reported). In addition, within the balance sheet, the guidance changes the components of the pension cost eligible for capitalization to the service cost component only (e.g., as a cost of internally manufactured inventory or a self-constructed asset).

Effective for the Company - Fiscal 2019 first quarter, with early adoption permitted as of the first interim period in fiscal 2018. The guidance must be applied (a) retrospectively as it pertains to the income statement classification of the components of net periodic benefit cost and (b) prospectively as it pertains to future capitalization of service costs.

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Impact on consolidated financial statements - The Company will adopt this guidance when it becomes effective and although certain components of pension expense will be reclassified out of operating income, the Company does not believe this will have a material impact on reported operating income.

Goodwill

In January 2017, FASB issued authoritative guidance which simplifies the subsequent measurement of goodwill by eliminating the second step from the quantitative goodwill impairment test. The single quantitative step test requires companies to compare the fair value of a reporting unit with its carrying amount and record an impairment charge for the amount that the carrying amount exceeds the fair value, up to the total amount of goodwill allocated to that reporting unit. The Company will continue to have the option of first performing a qualitative assessment to determine whether it is necessary to perform the quantitative goodwill impairment test.

Effective for the Company - Fiscal 2021 first quarter, with early adoption permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017.

Impact on consolidated financial statements - The Company did not elect to apply this guidance to its fiscal 2017 impairment testing and will continue to assess the impact of adopting it on future interim and annual impairment tests.

Income Taxes

In October 2016, the FASB issued authoritative guidance that changes the way companies account for income taxes relating to intra-entity transfers of assets other than inventory. This new guidance requires that an entity recognize the income tax consequences of an intra-entity transfer of an asset other than inventory in the period in which the transfer takes place. Under current guidance, recognition of current and deferred income taxes of an intra-entity asset transfer is deferred. This new guidance may affect consolidated earnings where the intra-entity transfer of an asset other than inventory occurs between entities in jurisdictions with different tax rates. This guidance must be adopted using a modified retrospective approach with a cumulative-effect adjustment to retained earnings as of the beginning of the period of adoption.

Effective for the Company - Fiscal 2019 first quarter, with early adoption permitted.

Impact on consolidated financial statements - The adoption of this guidance is not expected to have a material impact on the Company's consolidated financial statements.

Measurement of Credit Losses on Financial Instruments

In June 2016, the FASB issued authoritative guidance that requires companies to utilize an impairment model for most financial assets measured at amortized cost and certain other financial instruments, which include trade and other receivables, loans and held-to-maturity debt securities, to record an allowance for credit risk based on expected losses rather than incurred losses. In addition, this new guidance changes the recognition method for credit losses on available-for-sale debt securities, which can occur as a result of market and credit risk, as well as additional disclosures. In general, this guidance will require modified retrospective adoption for all outstanding instruments that fall under this guidance.

Effective for the Company - Fiscal 2021 first quarter.

Impact on consolidated financial statements - The Company is currently evaluating the impact of applying this guidance on its financial instruments, such as accounts receivable and short- and long-term investments.

Compensation - Stock Compensation

In March 2016, the FASB issued authoritative guidance that changes the way companies account for certain aspects of share-based payments to employees. This new guidance requires that all excess tax benefits and tax deficiencies related to share-based compensation awards be recorded as income tax expense or benefit in the income statement. In addition, companies are required to treat the tax effects of exercised or vested awards as discrete items in the period that they occur. This guidance also permits an employer to withhold up to the maximum statutory withholding rates in a jurisdiction without triggering liability classification, allows companies to elect to account for forfeitures as they occur, and provides requirements for the cash flow classification of cash paid by an employer when directly withholding shares for tax-withholding purposes and for the classification of excess tax benefits. The new guidance prescribes different transition methods for the various provisions.

Effective for the Company - Fiscal 2018 first quarter, with early adoption permitted.

Impact on consolidated financial statements - The Company will adopt this guidance in its fiscal 2018 first quarter. For the fiscal years ended June 30, 2017 and 2016, the Company recognized \$42 million and \$22 million of excess tax benefits, respectively, directly in its consolidated statements of equity. These amounts may or may not be representative of future amounts to be recognized in the income statement upon the adoption of this new standard, as the impact of the adoption will be primarily dependent on the timing and intrinsic value of stock-based compensation awards, employee exercise behavior and applicable tax rates.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Leases

In February 2016, the FASB issued authoritative guidance that requires lessees to account for most leases on their balance sheets with the liability being equal to the present value of the lease payments. The right-of-use asset will be based on the lease liability adjusted for certain costs such as direct costs. Lease expense will be recognized similar to current accounting guidance with operating leases resulting in a straight-line expense, and financing leases resulting in a front-loaded expense similar to the current accounting for capital leases. This guidance must be adopted using a modified retrospective transition approach for leases that exist or are entered into after the beginning of the earliest comparative period in the financial statements, and provides for certain practical expedients.

Effective for the Company - Fiscal 2020 first quarter, with early adoption permitted.

Impact on consolidated financial statements - The Company currently has an implementation team in place that is performing a comprehensive evaluation of the impact of the adoption of this guidance. While the Company has not completed its evaluation, it believes the adoption of this standard will have a significant impact on its consolidated balance sheets. As disclosed in *Note 15 - Commitments and Contingencies*, the Company has \$2,427 million in future minimum lease commitments as of June 30, 2017. Upon adoption, the Company's lease liability will generally be based on the present value of such payments and the related right-of-use asset will generally be based on the lease liability, adjusted for initial direct costs.

Revenue from Contracts with Customers

In May 2014, the FASB issued authoritative guidance that defines how companies should report revenues from contracts with customers. The standard requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. It provides companies with a single comprehensive five-step principles-based model to use in accounting for revenue and supersedes current revenue recognition requirements, including most industry-specific and transaction-specific revenue guidance.

In March 2016, the FASB issued authoritative guidance that amended the principal versus agent guidance in its new revenue recognition standard. These amendments do not change the key aspects of the principal versus agent guidance, including the definition that an entity is a principal if it controls the good or service prior to it being transferred to a customer, but the amendments clarify the implementation guidance related to the considerations that must be made during the contract evaluation process.

In April 2016, the FASB issued authoritative guidance that amended the new standard to clarify the guidance on identifying performance obligations and accounting for licenses of intellectual property.

In May 2016, the FASB issued authoritative guidance that clarified certain terms, guidance and disclosure requirements during the transition period related to completed contracts and contract modifications. In addition, the FASB provided clarification on the concept of collectability, the calculation of the fair value of noncash consideration and the presentation of sales and other similar taxes.

In May 2016, the FASB issued authoritative guidance to reflect the Securities and Exchange Commission Staff's rescission of their prior comments that covered, among other things, accounting for shipping and handling costs and accounting for consideration given by a vendor to a customer.

In December 2016, the FASB issued authoritative guidance that amends various aspects of the new standard to clarify certain terms, guidance and disclosure requirements. In particular, the guidance addresses disclosure requirements for remaining performance obligations, impairment testing for contract costs and accrual of advertising costs, as well as clarifies several examples.

Effective for the Company - Fiscal 2019, with early adoption permitted. An entity is permitted to apply the foregoing guidance retrospectively to all prior periods presented, with certain practical expedients, or apply the requirements in the year of adoption, through a cumulative adjustment.

Impact on consolidated financial statements - The Company will apply all of this new guidance when they become effective in fiscal 2019 and has not yet selected a transition method. Although the Company has not yet completed its evaluation, it has preliminarily determined that certain promotional goods, such as samples and testers, may be reclassified from Selling, general and administrative expenses to Cost of Sales in the consolidated financial statements upon adoption. Additionally, the Company's customer loyalty programs, which have historically been accounted for under the incremental cost approach, will be accounted for as a reduction of revenue based on the fair value of estimated future redemptions when the obligation is created (i.e. upon sale of the product to the consumer).

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

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NOTE 3 - INVESTMENTS

Gains and losses recorded in AOCI related to the Company's available-for-sale investments as of June 30, 2017 were as follows:

(In millions)	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government and agency securities	\$ 464	\$ 2	\$ (2)	\$ 464
Foreign government and agency securities	103	-	(1)	102
Corporate notes and bonds	506	-	(1)	505
Time deposits	410	-	-	410
Other securities	16	1	-	17
Total	<u>\$ 1,499</u>	<u>\$ 3</u>	<u>\$ (4)</u>	<u>\$ 1,498</u>

Gains and losses recorded in AOCI related to the Company's available-for-sale investments as of June 30, 2016 were as follows:

(In millions)	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government and agency securities	\$ 560	\$ 3	\$ -	\$ 563
Foreign government and agency securities	61	-	-	61
Corporate notes and bonds	454	3	-	457
Time deposits	390	-	-	390
Other securities	32	1	-	33
Total	<u>\$ 1,497</u>	<u>\$ 7</u>	<u>\$ -</u>	<u>\$ 1,504</u>

The following table presents the Company's available-for-sale securities by contractual maturity as of June 30, 2017:

(In millions)	Cost	Fair Value
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Due within one year	\$	604	\$	605
Due after one through five years		895		893
	\$	1,499	\$	1,498

The following table presents the fair market value of the Company's investments with gross unrealized losses that are not deemed to be other-than-temporarily impaired as of June 30, 2017:

(In millions)	In a Loss Position for Less Than 12 Months		In a Loss Position for More Than 12 Months	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Available-for-sale securities	\$ 739	\$ (4)	\$ 9	\$ -

Gross gains and losses realized on sales of investments included in the consolidated statements of earnings were as follows:

(In millions)	Year Ended June 30	
	2017	2016
Gross realized gains	\$ 1	\$ 1
Gross realized losses	(1)	(1)
Total	\$ -	\$ -

The Company utilizes the first-in, first-out method to determine the cost of the security sold. Sale proceeds from investments classified as available-for-sale were \$687 million and \$794 million in fiscal 2017 and 2016, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4 - INVENTORY AND PROMOTIONAL MERCHANDISE

(In millions)	June 30	
	2017	2016
Inventory and promotional merchandise, net consists of:		
Raw materials	\$ 334	\$ 306
Work in process	194	177
Finished goods	762	622
Promotional merchandise	189	159
	\$ 1,479	\$ 1,264

NOTE 5 - PROPERTY, PLANT AND EQUIPMENT

(In millions)	June 30	
	2017	2016

Assets (Useful Life)			
Land	\$	30	\$ 15
Buildings and improvements (10 to 40 years)		192	187
Machinery and equipment (3 to 10 years)		668	680
Computer hardware and software (4 to 15 years)		1,115	1,041
Furniture and fixtures (5 to 10 years)		96	84
Leasehold improvements		1,918	1,789
		<u>4,019</u>	<u>3,796</u>
Less accumulated depreciation and amortization		(2,348)	(2,213)
	\$	<u>1,671</u>	<u>\$ 1,583</u>

The cost of assets related to projects in progress of \$183 million and \$186 million as of June 30, 2017 and 2016, respectively, is included in their respective asset categories above. Depreciation and amortization of property, plant and equipment was \$428 million, \$401 million and \$400 million in fiscal 2017, 2016 and 2015, respectively. Depreciation and amortization related to the Company's manufacturing process is included in Cost of Sales and all other depreciation and amortization is included in Selling, general and administrative expenses in the accompanying consolidated statements of earnings.

NOTE 6 - ACQUISITION OF BUSINESSES

On December 19, 2016, the Company acquired 100% of Too Faced, a makeup brand, for approximately \$1.5 billion. This acquisition is expected to complement the Company's distribution in the specialty-multi channel. The amount paid at closing was funded by cash on hand including the proceeds from the issuance of commercial paper. In February 2017, the Company issued long-term debt to refinance a portion of the outstanding commercial paper, see *Note 11 - Debt*. A working capital adjustment of approximately \$8 million was received by the Company in the fourth quarter of fiscal 2017. The results of operations of Too Faced are included in the Company's consolidated financial statements commencing on the acquisition date.

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The Company has recorded an allocation of the purchase price to the Company's tangible and identifiable intangible assets acquired and liabilities assumed based on their fair value at the acquisition date. The excess of the purchase price over the fair value of the net tangible and intangible assets was recorded as goodwill, which includes value associated with assembled workforce. The calculation of purchase price and purchase price allocation, which is pending finalization of tax-related items and completion of the related final valuation, is as follows:

(In millions)

Cash	\$	28
Accounts receivable ⁽¹⁾		42
Inventory		102
Other current assets		4
Property, plant and equipment		8
Intangible assets		860
Goodwill		<u>607</u>

Total assets acquired	1,651
Accounts payable	60
Other accrued liabilities	15
Deferred income taxes	100
Total liabilities assumed	175
Total purchase price	\$ 1,476

⁽¹⁾ Represents the gross amount of trade receivables of \$42 million, net of estimated customer deductions which were de minimis.

For the year ended June 30, 2017, the Company's statements of earnings included approximately \$165 million of net sales and \$22 million, net of tax, of net loss, inclusive of acquisition-related costs, related to Too Faced. Acquisition-related costs, which primarily include financial advisory, accounting and legal fees, in the amount of \$11 million for the year ended June 30, 2017, are included in Selling, general and administrative expenses in the accompanying consolidated statements of earnings. Measurement period adjustments were not material to the consolidated financial statements.

On November 14, 2016, the Company also acquired 100% of BECCA, a makeup brand. Pro forma results of operations reflecting the Too Faced and BECCA acquisitions have not been presented, as the impact on the Company's consolidated financial results would not have been material.

NOTE 7 - GOODWILL AND OTHER INTANGIBLE ASSETS

As previously discussed in *Note 6 - Acquisition of Businesses*, during the year ended June 30, 2017, the Company acquired Too Faced and BECCA, which included the addition of goodwill of \$705 million, amortizable intangible assets of \$397 million (with a weighted-average amortization period of approximately 10 years) and non-amortizable intangible assets of \$623 million. Goodwill associated with the acquisitions is primarily attributable to the future revenue growth opportunities associated with additional share in the makeup category. As such, the goodwill has been allocated to the Company's makeup product category. Approximately \$316 million of goodwill recorded in connection with certain of these acquisitions is expected to be deductible for tax purposes. These amounts are provisional pending finalization of tax-related items and completion of the related final valuations. During the year ended June 30, 2017, the Company recognized \$11 million of goodwill associated with the continuing earn-out obligations related to the acquisition of the Bobbi Brown brand.

The intangible assets acquired in connection with the acquisitions of Too Faced and BECCA are classified as Level 3 in the fair value hierarchy. The estimate of the fair values of acquired amortizable intangible assets was determined using a multi-period excess earnings income approach. Fair value was determined under this approach by estimating future cash flows over multiple periods, as well as a terminal value, and discounting such cash flows at a rate of return that reflects the relative risk of the cash flows. The estimate of the fair values of acquired intangible assets not subject to amortization was determined using an income approach, specifically the relief-from-royalty method.

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

<u>(In millions)</u>	<u>Skin Care</u>	<u>Makeup</u>	<u>Fragrance</u>	<u>Hair Care</u>	<u>Total</u>
<u>Balance as of June 30, 2015</u>					
Goodwill	\$ 184	\$ 450	\$ 181	\$ 395	\$ 1,210
Accumulated impairments	(29)	-	-	(36)	(65)
	<u>155</u>	<u>450</u>	<u>181</u>	<u>359</u>	<u>1,145</u>
Goodwill acquired during the year	-	10	78	-	88
Translation and other adjustments	-	-	(4)	(1)	(5)
	<u>-</u>	<u>10</u>	<u>74</u>	<u>(1)</u>	<u>83</u>
<u>Balance as of June 30, 2016</u>					
Goodwill	184	460	255	393	1,292
Accumulated impairments	(29)	-	-	(35)	(64)
	<u>155</u>	<u>460</u>	<u>255</u>	<u>358</u>	<u>1,228</u>
Goodwill acquired during the year	-	716	-	-	716
Impairment charges	(6)	-	(22)	-	(28)
	<u>(6)</u>	<u>716</u>	<u>(22)</u>	<u>-</u>	<u>688</u>
<u>Balance as of June 30, 2017</u>					
Goodwill	184	1,176	255	393	2,008
Accumulated impairments	(35)	-	(22)	(35)	(92)
	<u>\$ 149</u>	<u>\$ 1,176</u>	<u>\$ 233</u>	<u>\$ 358</u>	<u>\$ 1,916</u>

Other Intangible Assets

Other intangible assets include trademarks and patents, as well as license agreements and other intangible assets resulting from or related to businesses and assets purchased by the Company. Indefinite-lived intangible assets (e.g., trademarks) are not subject to amortization and are assessed at least annually for impairment during the fiscal fourth quarter or more frequently if certain events or circumstances exist. Other intangible assets (e.g., non-compete agreements, customer lists) are amortized on a straight-line basis over their expected period of benefit, approximately 2 years to 20 years. Intangible assets related to license agreements were amortized on a straight-line basis over their useful lives based on the terms of the respective agreements. The costs incurred and expensed by the Company to extend or renew the term of acquired intangible assets during fiscal 2017 and 2016 were not significant to the Company's results of operations.

Other intangible assets consist of the following:

<u>(In millions)</u>	<u>June 30, 2017</u>			<u>June 30, 2016</u>		
	<u>Gross Carrying Value</u>	<u>Accumulated Amortization</u>	<u>Total Net Book Value</u>	<u>Gross Carrying Value</u>	<u>Accumulated Amortization</u>	<u>Total Net Book Value</u>
	<u>Amortizable intangible assets:</u>					
Customer lists and other	\$ 696	\$ 279	\$ 417	\$ 299	\$ 245	\$ 54

License agreements	43	43	–	43	43	–
	<u>\$ 739</u>	<u>\$ 322</u>	417	<u>\$ 342</u>	<u>\$ 288</u>	54
<u>Non-amortizable intangible assets:</u>						
Trademarks and other			910			290
Total intangible assets			<u>\$ 1,327</u>			<u>\$ 344</u>

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The aggregate amortization expense related to amortizable intangible assets for fiscal 2017, 2016 and 2015 was \$35 million, \$16 million and \$14 million, respectively. The estimated aggregate amortization expense for each of the next five fiscal years is as follows:

(In millions)	Fiscal				
	2018	2019	2020	2021	2022
Estimated aggregate amortization expense	\$ 52	\$ 51	\$ 44	\$ 43	\$ 42

Fiscal 2017 Annual Impairment Testing

The Company assesses goodwill and other indefinite-lived intangible assets at least annually for impairment or more frequently if certain events or circumstances exist. Based on the Company's annual goodwill and other intangible asset impairment testing as of April 1, 2017, the Company determined that the carrying values of the RODIN olio lusso and Editions de Parfums Frédéric Malle reporting units exceeded their fair values. This determination was made based on updated long-term plans, finalized and approved in June 2017, that reflected lower sales growth projections due to a softer than expected retail environment for those brands. As a result, a Step 2 impairment assessment was performed and the Company recorded an impairment charge of the goodwill related to these reporting units of \$28 million. The fair values of the reporting units were based upon the average of the income approach, which utilizes estimated cash flows and a terminal value, discounted at a rate of return that reflects the relative risk of cash flows, and the market approach, which utilizes performance multiples based on market peers.

The Company also determined that the carrying values of the RODIN olio lusso and Editions de Parfums Frédéric Malle trademarks, as well as the RODIN olio lusso persona and customer relationship intangible assets exceeded their estimated fair values. The fair values of the trademarks were determined utilizing a royalty rate to determine discounted projected future cash flows. As a result, the Company recognized impairment charges of \$3 million for the remaining carrying values of the RODIN olio lusso trademark, customer relationship and persona intangible assets. The Company also recognized an impairment charge for the Editions de Parfums Frédéric Malle trademark, which was de minimis.

The combined goodwill and other intangible asset impairment charges of \$9 million and \$22 million are reflected in the skin care and fragrance product categories, respectively, and \$17 million and \$14 million are reflected in the Americas and Europe, the Middle East & Africa regions, respectively.

NOTE 8 - CHARGES ASSOCIATED WITH RESTRUCTURING AND OTHER ACTIVITIES

During fiscal 2017 and 2016, the Company incurred charges associated with restructuring and other activities in connection with its Leading Beauty Forward and Global Technology Infrastructure initiatives as follows:

Sales Returns

Operating Expenses

<u>(In millions)</u>	<u>(included in Net Sales)</u>	<u>Cost of Sales</u>	<u>Restructuring Charges</u>	<u>Other Charges</u>	<u>Total</u>
<u>Fiscal 2017</u>					
Leading Beauty Forward	\$ 2	\$ 15	\$ 122	\$ 73	\$ 212
<u>Fiscal 2016</u>					
Leading Beauty Forward	\$ 1	\$ -	\$ 75	\$ 5	\$ 81
Global Technology Infrastructure	-	-	46	7	53
Total	\$ 1	\$ -	\$ 121	\$ 12	\$ 134

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

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Leading Beauty Forward

Background

In May 2016, the Company announced a multi-year initiative (“Leading Beauty Forward,” “LBF” or the “Program”) to build on its strengths and better leverage its cost structure to free resources for investment to continue its growth momentum. LBF is designed to enhance the Company’s go-to-market capabilities, reinforce its leadership in global prestige beauty and continue creating sustainable value.

The Company plans to approve specific initiatives under LBF through fiscal 2019 related to the optimization of select corporate functions, supply chain activities, and corporate and regional market support structures, as well as the exit of underperforming businesses, and expects to complete those initiatives through fiscal 2021. Inclusive of charges recorded from inception through June 30, 2017, the Company expects that LBF will result in related restructuring and other charges totaling between \$600 million and \$700 million before taxes.

Restructuring actions to be taken over the duration of LBF involve the redesigning, resizing and reorganization of select corporate functions and go-to-market structures to improve effectiveness and create cost efficiencies in support of increased investment in growth drivers. As the Company continues to grow, it is important to more efficiently support its diverse portfolio of brands, channels and geographies in the rapidly evolving prestige beauty environment. The initiatives being evaluated include the creation of a shared-services structure in existing or lower-cost locations, either using Company resources or through external service providers. The Company also believes that decision-making in key areas of innovation, marketing and digital communications should be moved closer to the consumer to increase speed and local relevance.

In connection with LBF, at this time, the Company estimates a net reduction over the duration of LBF in the range of approximately 900 to 1,200 positions globally, which is about 2.5% of its current workforce. This reduction takes into account the elimination of some positions, retraining and redeployment of certain employees and investment in new positions in key areas.

Program-to-Date Approvals

Of the \$600 million to \$700 million restructuring and other charges expected to be incurred, total cumulative charges approved by the Company through June 30, 2017, some of which were recorded during fiscal 2017 and 2016, were:

(In millions)	Sales Returns (included in		Operating Expenses		Total
	Net Sales)	Cost of Sales	Restructuring Charges	Other Charges	
Approval Period					
Fiscal 2016	\$ 4	\$ 28	\$ 87	\$ 71	\$ 190
Fiscal 2017	11	10	132	118	271
Cumulative through June 30, 2017	<u>\$ 15</u>	<u>\$ 38</u>	<u>\$ 219</u>	<u>\$ 189</u>	<u>\$ 461</u>

The major cost types related to the cumulative restructuring initiatives set forth above were:

(In millions)	Employee- Related	Asset-Related	Contract	Other Exit	Total
	Costs	Costs	Terminations	Costs	
Approval Period					
Fiscal 2016	\$ 75	\$ 3	\$ 5	\$ 4	\$ 87
Fiscal 2017	126	1	–	5	132
Cumulative through June 30, 2017	<u>\$ 201</u>	<u>\$ 4</u>	<u>\$ 5</u>	<u>\$ 9</u>	<u>\$ 219</u>

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Specific actions taken since the Program inception include:

- **Optimize Select Corporate Functions** - The Company approved initiatives to realign and optimize its organization to better leverage scale, improve productivity, reduce complexity and achieve cost savings across various functions, including finance, research and development, human resources, global information systems and legal. Such approvals included consulting, other professional services, temporary labor backfill and, to a lesser extent, costs for training and recruiting related to new capabilities, which are necessary for the design of the future structures, processes and technologies of these functions, as well as similar expenses for certain other corporate functions. These actions will result in a net reduction of the workforce, which includes position eliminations, the re-leveling of certain positions and an investment in new capabilities. The Company also approved other charges to support the LBF Project Management Office (“PMO”), primarily consisting of internal costs for employees dedicated solely to project management activities, with a focus on project integration and change management.

The future design of certain corporate functions includes the creation of a shared-services structure, either using Company resources or through external service providers. As part of the future service delivery model, the Company approved the organizational design of the management and governance platform of a shared-services structure using Company resources, as well as the transition of select transactional activities to an external service provider, which is expected to result in other charges for implementation, project and consulting costs.

- **Optimize Supply Chain** - An initiative to centralize the Company’s supply chain management was approved. This includes the relocation of certain operations and positions, with some employees being separated and positions replaced in a new location. Other

charges approved are primarily related to consulting fees for design and implementation, temporary labor backfill during the transition and project management costs.

In addition, the Company approved certain activities related to initiatives to enable distribution capabilities and generate efficiencies through an external service provider and to optimize certain supply chain activities through organizational design in certain key areas. Collectively, these actions will result in a net reduction of the workforce, which includes position eliminations, the re-leveling of certain positions and an investment in new capabilities. Initiatives to redesign certain supply chain planning and transportation management activities and to improve the organizational design of manufacturing and engineering processes related to certain product lines were also approved, primarily resulting in consulting fees and, to a lesser extent, project management costs.

- **Optimize Corporate and Region Market Support Structures** - The Company approved initiatives to enhance its go-to-market support structures and achieve synergies across certain geographic regions, brands and channels. These initiatives are primarily intended to shift certain areas of focus from traditional to social and digital marketing strategies to provide enhanced consumer experience, as well as to support expanded omnichannel opportunities. These actions will result in a net reduction of the workforce, which includes position eliminations, the re-leveling of certain positions and an investment in new capabilities. The Company also approved consulting and other professional services related to the design of future structures, processes and technologies and, to a lesser extent, other costs for recruitment and training related to new capabilities. In addition, the Company approved initiatives to enhance consumer engagement strategies across certain channels in Europe, which is expected to result in product returns.
- **Exit Underperforming Businesses** - To further improve profitability in certain areas of the Company's brands and regions, the Company approved initiatives to exit certain businesses in select markets and channels of distribution. The Company has also decided to close a number of underperforming freestanding retail stores and exit mid-tier department stores for certain brands in the United States to redirect resources to other retail locations and channels with potential for greater profitability. These activities will result in product returns, inventory write-offs, reduction of workforce, accelerated depreciation and termination of contracts.

Program-to-Date Restructuring and Other Charges

Restructuring charges are comprised of the following:

Employee-Related Costs - Employee-related costs are primarily comprised of severance and other post-employment benefit costs, calculated based on salary levels, prior service and other statutory minimum benefits, if applicable. Employee-related costs are expensed when specific employees have been identified and when payment is probable and estimable, which generally occurs upon approval of the related initiative by management with authority delegated from the Company's Board of Directors.

Asset-Related Costs - Asset-related costs primarily consist of asset write-offs or accelerated depreciation related to long-lived assets that will be taken out of service prior to their existing useful life as a direct result of a restructuring initiative. The accelerated portion of depreciation expense will be expensed on a straight-line basis and be classified as restructuring charges, while the portion relating to the previous existing useful life will continue to be reported in Selling, general and administrative expenses.

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Contract Terminations - Costs related to contract terminations include continuing payments to a third party after the Company has ceased benefiting from the rights conveyed in the contract, or a payment made to terminate a contract prior to its expiration. These may include continuing operating lease payments (less estimated sublease payments) to a landlord after exiting a location prior to the lease-end date as a direct result of an approved restructuring initiative. Contract terminations also include minimum payments or fees related to the early termination of license or other personal service contracts. Costs related to contract terminations are expensed upon the cease-use date of a leased property or upon the notification date to the third party in the event of a license or personal service contract termination.

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

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

Sales Returns and Cost of Sales - Product returns (offset by the related cost of sales) and inventory write-offs or write-downs as a direct result of an approved restructuring initiative to exit certain businesses or locations will be recorded as a component of Net Sales and/or Cost of Sales when estimable and reasonably assured. Consulting and other professional services, primarily related to the design of supply chain planning activities, are expensed in Cost of Sales as incurred.

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

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

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

(In millions)	Sales Returns		Operating Expenses		Total
	(included in Net Sales)	Cost of Sales	Restructuring Charges	Other Charges	
Fiscal 2016	\$ 1	\$ -	\$ 75	\$ 5	\$ 81
Fiscal 2017	2	15	122	73	212
Cumulative through June 30, 2017	<u>\$ 3</u>	<u>\$ 15</u>	<u>\$ 197</u>	<u>\$ 78</u>	<u>\$ 293</u>

The major cost types related to the cumulative restructuring charges set forth above were:

(In millions)	Employee-Related Costs	Asset-Related Costs	Contract Terminations	Other Exit Costs	Total
	Fiscal 2016	\$ 74	\$ 1	\$ -	
Fiscal 2017	116	2	2	2	122
Charges recorded through June 30, 2017	<u>\$ 190</u>	<u>\$ 3</u>	<u>\$ 2</u>	<u>\$ 2</u>	<u>\$ 197</u>

Accrued restructuring charges from Program inception through June 30, 2017 were:

(In millions)	Employee-Related Costs	Asset-Related Costs	Contract Terminations	Other Exit Costs	Total
Charges	\$ 74	\$ 1	\$ –	\$ –	\$ 75
Noncash asset write-offs	–	(1)	–	–	(1)
Translation adjustments	(1)	–	–	–	(1)
Balance at June 30, 2016	73	–	–	–	73
Charges	116	2	2	2	122
Cash payments	(39)	–	(2)	(2)	(43)
Noncash asset write-offs	–	(2)	–	–	(2)
Balance at June 30, 2017	\$ 150	\$ –	\$ –	\$ –	\$ 150

Restructuring charges for employee-related costs in fiscal 2017 are net of adjustments to the accrual estimate for certain employees who either resigned or transferred to other existing positions within the Company. Accrued restructuring charges at June 30, 2017 are expected to result in cash expenditures funded from cash provided by operations of approximately \$97 million, \$47 million and \$6 million in fiscal 2018, 2019 and 2020, respectively.

Global Technology Infrastructure

In October 2015, the Company approved plans to transform and modernize its global technology infrastructure (“GTI”) to fundamentally change the way the Company delivers information technology services internally (such initiative, the “GTI Restructuring”). As part of the GTI Restructuring, the Company transitioned its GTI from Company-owned assets to a primarily vendor-owned, cloud-based model where the Company pays for services as they are used. The Company incurred restructuring charges of \$46 million for the year ended June 30, 2016, reflecting contract terminations of \$24 million, asset write-offs of \$18 million and employee-related costs of \$4 million. Other charges in connection with the implementation of this initiative were \$7 million for the year ended June 30, 2016, primarily related to consulting services. These charges are included in Restructuring and other charges in the accompanying consolidated statements of earnings. The implementation of the GTI Restructuring was substantially completed during fiscal 2016.

NOTE 9 - INCOME TAXES

The provision for income taxes is comprised of the following:

(In millions)	Year Ended June 30		
	2017	2016	2015
Current:			
Federal	\$ 218	\$ 224	\$ 237
Foreign	253	293	251
State and local	8	11	32
	479	528	520
Deferred:			
Federal	(58)	(73)	(56)
Foreign	(61)	(22)	2

State and local	<u>1</u>	<u>1</u>	<u>1</u>
	(118)	(94)	(53)
	<u>\$ 361</u>	<u>\$ 434</u>	<u>\$ 467</u>

Earnings before income taxes include amounts contributed by the Company's foreign operations of approximately \$1,676 million, \$1,448 million and \$1,420 million for fiscal 2017, 2016 and 2015, respectively. A portion of these earnings is taxed in the United States.

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

	<u>Year Ended June 30</u>		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Provision for income taxes at statutory rate	35.0%	35.0%	35.0%
Increase (decrease) due to:			
State and local income taxes, net of federal tax benefit	0.7	0.9	1.1
Taxation of foreign operations	(7.5)	(8.0)	(6.8)
China deferred tax asset valuation allowance reversal	(4.6)	-	-
Income tax reserve adjustments	(1.2)	(0.3)	0.5
Other, net	<u>(0.1)</u>	<u>0.3</u>	<u>0.1</u>
Effective tax rate	<u>22.3%</u>	<u>27.9%</u>	<u>29.9%</u>

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

In the fourth quarter of fiscal 2017, a favorable change to the tax law in China was enacted that expanded the corporate income tax deduction allowance for advertising and promotional expenses to include all companies that distribute and sell cosmetics in the country. As a result of the new law, in the fourth quarter of fiscal 2017, the Company released into income its previously established China deferred tax asset valuation allowance of approximately \$75 million related to its accumulated carryforward of excess advertising and promotional expenses.

Federal income and foreign withholding taxes have not been provided on approximately \$4,136 million of undistributed earnings of foreign subsidiaries at June 30, 2017. The Company intends to reinvest these earnings in its foreign operations indefinitely, except where it is able to repatriate these earnings to the United States without material incremental tax provision. The determination and estimation of the future income tax consequences in all relevant taxing jurisdictions involves the application of highly complex tax laws in the countries involved, particularly in the United States, and is based on the tax profile of the Company in the year of earnings repatriation. Accordingly, it is not practicable to determine the amount of tax associated with such undistributed earnings.

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

(In millions)	June 30	
	2017	2016
Deferred tax assets:		
Compensation related expenses	\$ 256	\$ 240
Inventory obsolescence and other inventory related reserves	97	86
Retirement benefit obligations	124	129
Various accruals not currently deductible	189	197
Net operating loss, credit and other carryforwards	65	111
Unrecognized state tax benefits and accrued interest	24	25
Other differences between tax and financial statement values	91	88
	<u>846</u>	<u>876</u>
Valuation allowance for deferred tax assets	(42)	(118)
Total deferred tax assets	<u>804</u>	<u>758</u>
Deferred tax liabilities:		
Depreciation and amortization	(465)	(293)
Other differences between tax and financial statement values	(17)	(43)
Total deferred tax liabilities	<u>(482)</u>	<u>(336)</u>
Total net deferred tax assets	<u>\$ 322</u>	<u>\$ 422</u>

As of June 30, 2017 and 2016, the Company had net deferred tax assets of \$322 million and \$422 million, respectively, substantially all of which are included in Other assets in the accompanying consolidated balance sheets.

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As of June 30, 2017 and 2016, certain subsidiaries had net operating loss and other carryforwards for tax purposes of approximately \$230 million and \$410 million, respectively. With the exception of approximately \$218 million of net operating loss and other carryforwards with an indefinite carryforward period as of June 30, 2017, these carryforwards expire at various dates through fiscal 2024. Deferred tax assets, net of valuation allowances, in the amount of \$34 million and \$4 million as of June 30, 2017 and 2016, respectively, have been recorded to reflect the tax benefits of the carryforwards not utilized to date.

A full valuation allowance has been provided for those deferred tax assets for which, in the opinion of management, it is more-likely-than-not that the deferred tax assets will not be realized.

As of June 30, 2017 and 2016, the Company had gross unrecognized tax benefits of \$68 million and \$82 million, respectively. The total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate was \$42 million.

The Company classifies applicable interest and penalties related to unrecognized tax benefits as a component of the provision for income taxes. During fiscal 2017, the Company recognized a gross interest and penalty benefit of \$5 million in the accompanying consolidated statement of earnings. The total gross accrued interest and penalty expense during fiscal 2016 in the accompanying consolidated statement of earnings was de minimis. The total gross accrued interest and penalties in the accompanying consolidated

balance sheets at June 30, 2017 and 2016 were \$13 million and \$18 million, respectively. A reconciliation of the beginning and ending amount of gross unrecognized tax benefits is as follows:

(In millions)	June 30	
	2017	2016
Beginning of the year balance of gross unrecognized tax benefits	\$ 82	\$ 78
Gross amounts of increases as a result of tax positions taken during a prior period	6	16
Gross amounts of decreases as a result of tax positions taken during a prior period	(23)	(14)
Gross amounts of increases as a result of tax positions taken during the current period	10	12
Amounts of decreases in unrecognized tax benefits relating to settlements with taxing authorities	(5)	(8)
Reductions to unrecognized tax benefits as a result of a lapse of the applicable statutes of limitations	(2)	(2)
End of year balance of gross unrecognized tax benefits	\$ 68	\$ 82

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

During the fourth quarter of fiscal 2017, the Company formally concluded the compliance process with respect to fiscal 2016 under the IRS CAP. The conclusion of this process did not impact the Company's consolidated financial statements. As of June 30, 2017, the compliance process was ongoing with respect to fiscal 2017.

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

During fiscal 2017, the Company concluded various state, local and foreign income tax audits and examinations while several other matters, including those noted above, were initiated or remained pending. On the basis of the information available in this regard as of June 30, 2017, the Company does not expect any significant changes to the total amount of unrecognized tax benefits within the next 12 months.

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The tax years subject to examination vary depending on the tax jurisdiction. As of June 30, 2017, the following tax years remain subject to examination by the major tax jurisdictions indicated:

Major Jurisdiction	Open Fiscal Years
Belgium	2013 - 2017
Canada	2015 - 2017

China	2013 - 2017
France	2013 - 2017
Germany	2013 - 2017
Hong Kong	2011 - 2017
Italy	2014 - 2017
Japan	2016 - 2017
Korea	2014 - 2017
Russia	2015 - 2017
Spain	2013 - 2017
Switzerland	2014 - 2017
United Kingdom	2016 - 2017
United States	2017
State of California	2013 - 2017
State and City of New York	2011 - 2017

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

NOTE 10 - OTHER ACCRUED LIABILITIES

Other accrued liabilities consist of the following:

(In millions)	June 30	
	2017	2016
Advertising, merchandising and sampling	\$ 319	\$ 283
Employee compensation	522	504
Payroll and other taxes	190	163
Other	768	682
	<u>\$ 1,799</u>	<u>\$ 1,632</u>

NOTE 11 - DEBT

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

(In millions)	Debt at June 30		Available financing at June 30, 2017	
	2017	2016	Committed	Uncommitted
4.15% Senior Notes, due March 15, 2047 ("2047 Senior Notes")	\$ 493	\$ -	\$ -	\$ -
4.375% Senior Notes, due June 15, 2045 ("2045 Senior Notes")	455	455	-	-
3.70% Senior Notes, due August 15, 2042 ("2042 Senior Notes")	247	247	-	-
6.00% Senior Notes, due May 15, 2037 ("2037 Senior Notes")	294	293	-	-
5.75% Senior Notes, due October 15, 2033 ("2033 Senior Notes")	197	197	-	-
3.15% Senior Notes, due March 15, 2027 ("2027 Senior Notes")	497	-	-	-

2.35% Senior Notes, due August 15, 2022 (“2022 Senior Notes”)	252	267	–	–
1.70% Senior Notes, due May 10, 2021 (“2021 Senior Notes”)	445	448	–	–
1.80% Senior Notes, due February 7, 2020 (“2020 Senior Notes”)	498	–	–	–
5.55% Senior Notes, due May 15, 2017 (“2017 Senior Notes”)	–	307	–	–
Commercial paper that matured through July 2017 (1.07% interest rate)	170	–	–	1,330
Other long-term borrowings	5	3	–	–
Other current borrowings	19	25	–	140
Revolving credit facility	–	–	1,500	–
	<u>3,572</u>	<u>2,242</u>	<u>\$ 1,500</u>	<u>\$ 1,470</u>
Less current debt including current maturities	<u>(189)</u>	<u>(332)</u>		
	<u>\$ 3,383</u>	<u>\$ 1,910</u>		

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As of June 30, 2017, the Company’s long-term debt consisted of the following:

Notes	Issue Date	Price	Yield	Principal	Unamortized		Debt Issuance Costs	Semi-annual interest payments
					Debt (Discount) Premium	Interest rate swap adjustments		
2047 Senior Notes ⁽¹⁾	February 2017	99.739%	4.165%	\$ 500	\$ (2)	\$ –	\$ (5)	March 15/September 15
2045 Senior Notes ⁽²⁾	June 2015	97.999	4.497	300	(6)	–	(3)	June 15/December 15
2045 Senior Notes ⁽²⁾	May 2016	110.847	3.753	150	16	–	(2)	June 15/December 15
2042 Senior Notes	August 2012	99.567	3.724	250	(1)	–	(2)	February 15/August 15
2037 Senior Notes ⁽³⁾	May 2007	98.722	6.093	300	(3)	–	(3)	May 15/November 15
2033 Senior Notes ⁽⁴⁾	September 2003	98.645	5.846	200	(2)	–	(1)	April 15/October 15
2027 Senior Notes ⁽⁵⁾	February 2017	99.963	3.154	500	–	–	(3)	March 15/September 15
2022 Senior Notes ⁽⁶⁾	August 2012	99.911	2.360	250	–	3	(1)	February 15/August 15
2021 Senior Notes ^{(6),(7)}	May 2016	99.976	1.705	450	–	(3)	(2)	May 10/November 10
2020 Senior Notes ⁽⁶⁾	February 2017	99.986	1.805	500	–	–	(2)	February 7/August 7

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

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

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

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

⁽⁵⁾ In November 2016, in anticipation of the issuance of the 2027 Senior Notes, the Company entered into a series of treasury lock agreements on a notional amount totaling \$450 million at a weighted-average all-in rate of 2.37%. The treasury lock agreements were settled upon the issuance of the new debt, and the Company recognized a gain in OCI of \$2 million that is being amortized against interest expense over the life of the 2027 Senior Notes. As a result of the treasury lock agreements, the debt discount and debt issuance costs, the effective interest rate on the 2027 Senior Notes will be 3.18% over the life of the debt.

⁽⁶⁾ The Company entered into interest rate swap agreements with a notional amount totaling \$250 million, \$450 million and \$250 million to effectively convert the fixed rate interest on its outstanding 2020 Senior Notes, 2021 Senior Notes and 2022 Senior Notes, respectively, to variable interest rates based on three-month LIBOR plus a margin.

⁽⁷⁾ In April 2016, in anticipation of the issuance of the 2021 Senior Notes, the Company entered into a series of treasury lock agreements on a notional amount totaling \$400 million at a weighted-average all-in rate of 1.27%. The treasury lock agreements were settled upon the issuance of the new debt and the Company made a payment of \$1 million that is being amortized to interest expense over the life of the 2021 Senior Notes. As a result of the treasury lock agreements, the debt discount and debt issuance costs, the effective interest rate on the 2021 Senior Notes will be 1.844% over the life of the debt.

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In October 2016, the Company replaced its undrawn \$1.0 billion unsecured revolving credit facility that was set to expire on July 15, 2020 (the “Prior Facility”) with a new \$1.5 billion senior unsecured revolving credit facility that expires on October 3, 2021, unless extended for up to two additional years in accordance with the terms set forth in the agreement (the “New Facility”). The New Facility may be used for general corporate purposes. Up to the equivalent of \$500 million of the New Facility is available for multi-currency loans. Interest rates on borrowings under the New Facility will be based on prevailing market interest rates in accordance with the agreement. The Company incurred costs of approximately \$1 million to establish the New Facility, which will be amortized over the term of the facility. The New Facility has an annual fee of approximately \$1 million, payable quarterly, based on the Company’s current credit ratings. The New Facility contains a cross-default provision whereby a failure to pay other material financial obligations in excess of \$175 million (after grace periods and absent a waiver from the lenders) would result in an event of default and the acceleration of the maturity of any outstanding debt under this facility. At June 30, 2017, no borrowings were outstanding under the New Facility.

In November 2016, the Company increased the size of its commercial paper program, under which it may issue commercial paper in the United States, to \$3 billion (from \$1.5 billion) to finance the Company's second quarter acquisitions. In November 2016, the Company also entered into a senior unsecured credit agreement that provided for a 364 day revolving credit facility (the "364 Day Facility") in the amount of \$1.5 billion for credit support for the Company's commercial paper program and for general corporate purposes.

In February 2017, the Company completed a public offering of \$500 million aggregate principal amount of its 2020 Senior Notes, \$500 million aggregate principal amount of its 2027 Senior Notes and \$500 million aggregate principal amount of its 2047 Senior Notes. The Company used proceeds from this offering for general corporate purposes, including to repay outstanding commercial paper as it matured and to refinance its \$300 million aggregate principal amount of the 2017 Senior Notes when it became due in May 2017.

In February 2017, the Company decreased the size of its commercial paper program, under which it may issue commercial paper in the United States, to \$1.5 billion and terminated the undrawn \$1.5 billion 364 Day Facility.

As of June 30, 2017, the Company had \$170 million of commercial paper outstanding that matured through July 2017, which the Company refinanced as it matured. At August 18, 2017, the Company had \$431 million of commercial paper outstanding, which may be refinanced on a periodic basis as it matures at the then-prevailing market interest rates.

The Company maintains uncommitted credit facilities in various regions throughout the world. Interest rate terms for these facilities vary by region and reflect prevailing market rates for companies with strong credit ratings. During fiscal 2017 and 2016, the monthly average amount outstanding was approximately \$17 million and \$31 million, respectively, and the annualized monthly weighted-average interest rate incurred was approximately 11.2% and 12.5%, respectively.

Refer to *Note 15 - Commitments and Contingencies* for the Company's projected debt service payments, as of June 30, 2017, over the next five fiscal years.

NOTE 12 - DERIVATIVE FINANCIAL INSTRUMENTS

The Company addresses certain financial exposures through a controlled program of risk management that includes the use of derivative financial instruments. The Company enters into foreign currency forward contracts and may enter into option contracts to reduce the effects of fluctuating foreign currency exchange rates. In addition, the Company enters into interest rate derivatives to manage the effects of interest rate movements on the Company's aggregate liability portfolio, including potential future debt issuances. The Company also enters into foreign currency forward contracts and may use option contracts, not designated as hedging instruments, to mitigate the change in fair value of specific assets and liabilities on the balance sheet. The Company does not utilize derivative financial instruments for trading or speculative purposes. Costs associated with entering into derivative financial instruments have not been material to the Company's consolidated financial results.

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For each derivative contract entered into where the Company looks to obtain hedge accounting treatment, the Company formally and contemporaneously documents all relationships between hedging instruments and hedged items, as well as its risk-management objective and strategy for undertaking the hedge transaction, the nature of the risk being hedged, how the hedging instruments' effectiveness in offsetting the hedged risk will be assessed prospectively and retrospectively, and a description of the method of measuring ineffectiveness. This process includes linking all derivatives to specific assets and liabilities on the balance sheet or to

specific firm commitments or forecasted transactions. The Company also formally assesses, both at the inception of the hedges and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. If it is determined that a derivative is not highly effective, or that it has ceased to be a highly effective hedge, the Company will be required to discontinue hedge accounting with respect to that derivative prospectively.

The fair values of the Company's derivative financial instruments included in the consolidated balance sheets are presented as follows:

<u>(In millions)</u>	<u>Asset Derivatives</u>		<u>Liability Derivatives</u>			
	<u>Balance Sheet</u>	<u>Fair Value ⁽¹⁾</u>	<u>Balance Sheet</u>	<u>Fair Value ⁽¹⁾</u>		
	<u>Location</u>	<u>June 30</u>	<u>Location</u>	<u>June 30</u>		
		<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	
Derivatives Designated as Hedging Instruments:						
Foreign currency forward contracts	Prepaid expenses and other current assets	\$ 7	\$ 37	Other accrued liabilities	\$ 44	\$ 18
Interest rate swap contracts	Prepaid expenses and other current assets	3	18	Other accrued liabilities	3	–
Total Derivatives Designated as Hedging Instruments		10	55		47	18
Derivatives Not Designated as Hedging Instruments:						
Foreign currency forward contracts	Prepaid expenses and other current assets	3	11	Other accrued liabilities	2	8
Total Derivatives		\$ 13	\$ 66		\$ 49	\$ 26

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

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The amounts of the gains and losses related to the Company's derivative financial instruments designated as hedging instruments are presented as follows:

(In millions)	Amount of Gain or (Loss) Recognized in OCI on Derivatives (Effective Portion)		Location of Gain or (Loss) Reclassified from AOCI into Earnings (Effective Portion)	Amount of Gain or (Loss) Reclassified from AOCI into Earnings (Effective Portion) ⁽¹⁾	
	June 30			June 30	
	2017	2016		2017	2016
Derivatives in Cash Flow Hedging Relationships:					
Foreign currency forward contracts	\$ (18)	\$ 48	Cost of sales	\$ 10	\$ 17
			Selling, general and administrative	30	48
Interest rate-related derivatives	5	–	Interest expense	1	1
Total derivatives	\$ (13)	\$ 48		\$ 41	\$ 66

⁽¹⁾ The amount of gain (loss) recognized in earnings related to the amount excluded from effectiveness testing was \$3 million and \$(1) million for fiscal 2017 and 2016, respectively. The gain (loss) recognized in earnings related to the ineffective portion of the hedging relationships was de minimis for fiscal 2017. There was no gain (loss) recognized in earnings related to the ineffective portion of hedging relationships for fiscal 2016.

(In millions)	Location of Gain or (Loss) Recognized in Earnings on Derivatives	Amount of Gain or (Loss) Recognized in Earnings on Derivatives ⁽¹⁾	
		June 30	
		2017	2016
Derivatives in Fair Value Hedging Relationships:			
Interest rate swap contracts	Interest expense	\$ (18)	\$ 18

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

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

(In millions)	Location of Gain or (Loss) Recognized in Earnings on Derivatives	Amount of Gain or (Loss) Recognized in Earnings on Derivatives	
		June 30	
		2017	2016
Derivatives Not Designated as Hedging Instruments:			
Foreign currency forward contracts	Selling, general and administrative	\$ (2)	\$ 5

Cash-Flow Hedges

The Company enters into foreign currency forward contracts to hedge anticipated transactions, as well as receivables and payables denominated in foreign currencies, for periods consistent with the Company's identified exposures. The purpose of the hedging activities is to minimize the effect of foreign exchange rate movements on costs and on the cash flows that the Company receives from foreign subsidiaries. The majority of foreign currency forward contracts are denominated in currencies of major industrial countries.

The Company may also enter into foreign currency option contracts to hedge anticipated transactions where there is a high probability that anticipated exposures will materialize. The foreign currency forward contracts entered into to hedge anticipated transactions have been designated as cash-flow hedges and have varying maturities through the end of June 2019. Hedge effectiveness of foreign currency forward contracts is based on a hypothetical derivative methodology and excludes the portion of fair value attributable to the spot-forward difference which is recorded in current-period earnings. Hedge effectiveness of foreign currency option contracts is based on a dollar offset methodology.

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

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The ineffective portion of both foreign currency forward and interest rate derivatives is recorded in current-period earnings. For hedge contracts that are no longer deemed highly effective, hedge accounting is discontinued and gains and losses in AOCI are reclassified to earnings when the underlying forecasted transaction occurs. If it is probable that the forecasted transaction will no longer occur, then any gains or losses in AOCI are reclassified to current-period earnings. As of June 30, 2017, the Company's foreign currency cash-flow hedges were highly effective.

At June 30, 2017, the Company had foreign currency forward contracts in the amount of \$2,895 million. The foreign currencies included in foreign currency forward contracts (notional value stated in U.S. dollars) are principally the British pound (\$541 million), Swiss franc (\$457 million), Hong Kong dollar (\$355 million), Euro (\$295 million), Chinese yuan (\$160 million), Canadian dollar (\$148 million) and Thailand baht (\$126 million).

At June 30, 2016, the Company had foreign currency forward contracts in the amount of \$3,265 million. The foreign currencies included in foreign currency forward contracts (notional value stated in U.S. dollars) are principally the Euro (\$962 million), British pound (\$497 million), Chinese yuan (\$313 million), Hong Kong dollar (\$274 million), Swiss franc (\$256 million), Australian dollar (\$157 million) and Taiwan dollar (\$130 million).

In April 2016, in anticipation of the issuance of the 2021 Senior Notes, the Company entered into a series of treasury lock agreements, which were designated as cash-flow hedges. In November 2016, in anticipation of the issuance of the 2027 and 2047 Senior Notes, the Company entered into a series of treasury lock agreements, which were designated as cash-flow hedges, see *Note 11 - Debt* for further discussion.

The estimated net loss on the Company's derivative instruments designated as cash-flow hedges as of June 30, 2017 that is expected to be reclassified from AOCI into earnings, net of tax, within the next twelve months is \$18 million. The accumulated gain (loss) on derivative instruments in AOCI was \$(4) million and \$50 million as of June 30, 2017 and 2016, respectively.

Fair-Value Hedges

The Company enters into interest rate derivative contracts to manage the exposure to interest rate fluctuations on its funded indebtedness. The Company has interest rate swap agreements, with notional amounts totaling \$250 million, \$450 million and \$250 million to effectively convert the fixed rate interest on its 2020 Senior Notes, 2021 Senior Notes and 2022 Senior Notes, respectively, to

variable interest rates based on three-month LIBOR plus a margin. These interest rate swap agreements are designated as fair-value hedges of the related long-term debt, and the changes in the fair value of the interest rate swap agreements are exactly offset by the change in the fair value of the underlying long-term debt.

Credit Risk

As a matter of policy, the Company enters into derivative contracts only with counterparties that have a long-term credit rating of at least A- or higher by at least two nationally recognized rating agencies. The counterparties to these contracts are major financial institutions. Exposure to credit risk in the event of nonperformance by any of the counterparties is limited to the gross fair value of contracts in asset positions, which totaled \$13 million at June 30, 2017. To manage this risk, the Company has strict counterparty credit guidelines that are continually monitored. Accordingly, management believes risk of loss under these hedging contracts is remote.

NOTE 13 - FAIR VALUE MEASUREMENTS

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

Level 1: Inputs based on quoted market prices for identical assets or liabilities in active markets at the measurement date.

Level 2: Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Inputs reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. The inputs are unobservable in the market and significant to the instrument's valuation.

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The following table presents the Company's hierarchy for its financial assets and liabilities measured at fair value on a recurring basis as of June 30, 2017:

(In millions)	Level 1	Level 2	Level 3	Total
Assets:				
Foreign currency forward contracts	\$ —	\$ 10	\$ —	\$ 10
Interest rate swap contracts	—	3	—	3
Available-for-sale securities:				
U.S. government and agency securities	—	464	—	464
Foreign government and agency securities	—	102	—	102

Corporate notes and bonds	–	505	–	505
Time deposits	–	410	–	410
Other securities	–	17	–	17
Total	\$ –	\$ 1,511	\$ –	\$ 1,511

Liabilities:

Foreign currency forward contracts	\$ –	\$ 46	\$ –	\$ 46
Interest rate swap contracts	–	3	–	3
Contingent consideration	–	–	139	139
Total	\$ –	\$ 49	\$ 139	\$ 188

The following table presents the Company's hierarchy for its financial assets and liabilities measured at fair value on a recurring basis as of June 30, 2016:

(In millions)	Level 1	Level 2	Level 3	Total
Assets:				
Foreign currency forward contracts	\$ –	\$ 48	\$ –	\$ 48
Interest rate swap contracts	–	18	–	18
Available-for-sale securities:				
U.S. government and agency securities	–	563	–	563
Foreign government and agency securities	–	61	–	61
Corporate notes and bonds	–	457	–	457
Time deposits	–	390	–	390
Other securities	–	33	–	33
Total	\$ –	\$ 1,570	\$ –	\$ 1,570
Liabilities:				
Foreign currency forward contracts	\$ –	\$ 26	\$ –	\$ 26
Contingent consideration	–	–	196	196
Total	\$ –	\$ 26	\$ 196	\$ 222

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

(In millions)	June 30			
	2017		2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Nonderivatives				
Cash and cash equivalents	\$ 1,136	\$ 1,136	\$ 914	\$ 914
Available-for-sale securities	1,498	1,498	1,504	1,504

Current and long-term debt	3,572	3,759	2,242	2,482
Additional purchase price payable	38	38	37	37
Contingent consideration	139	139	196	196

Derivatives

Foreign currency forward contracts - asset (liability), net	(36)	(36)	22	22
Interest rate swap contracts - asset (liability), net	-	-	18	18

The following table presents the Company's impairment charges for certain of its nonfinancial assets measured at fair value on a nonrecurring basis, classified as Level 3, during fiscal 2017:

(In millions)	Impairment charges	Date of Fair Value Measurement	Fair Value
Goodwill	\$ 28	April 1, 2017	\$ 6
Other intangible assets, net (trademarks)	2	April 1, 2017	32
Other intangible assets, net (customer lists and other)	1	April 1, 2017	-
Total	\$ 31		\$ 38

To determine the fair value of the RODIN olio lusso and Editions de Parfums Frédéric Malle reporting units as of April 1, 2017, the Company used the average of the income approach, which utilizes estimated cash flows and a terminal value, discounted at a rate of return that reflects the relative risk of cash flows, and the market approach, which utilizes performance multiples based on market peers. For both reporting units, decreased cash flows in future forecasted periods would not support a value in excess of carrying value and therefore the Company concluded that \$28 million of goodwill was impaired.

To determine the fair value of the RODIN olio lusso and Editions de Parfums Frédéric Malle trademarks as of April 1, 2017, the Company assessed the future performance of the reporting units and determined that decreased cash flows in future forecasted periods would not support the carrying values of the trademarks. The Company therefore concluded that the remaining carrying value of the RODIN olio lusso trademark was impaired. The impairment charge for the Editions de Parfums Frédéric Malle trademark was de minimis. The fair values of the trademarks were determined utilizing a royalty rate to determine discounted projected future cash flows. An assessment related to the carrying value of the RODIN olio lusso customer relationship and persona intangible assets also led to the conclusion of full impairment.

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

Cash and cash equivalents - Cash and all highly-liquid securities with original maturities of three months or less are classified as cash and cash equivalents, primarily consisting of cash deposits in interest bearing accounts, money market funds and time deposits. The carrying amount approximates fair value, primarily due to the short maturity of cash equivalent instruments.

Available-for-sale securities - Available-for-sale securities are classified within Level 2 of the valuation hierarchy and are valued using third-party pricing services, and for time deposits, the carrying amount approximates fair value. To determine fair value, the pricing services use market prices or prices derived from other observable market inputs such as benchmark curves, credit spreads, broker/dealer quotes, and other industry and economic factors.

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

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

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

Additional purchase price payable - The Company's additional purchase price payable represents fixed minimum additional purchase price that was discounted using the Company's incremental borrowing rate, which was approximately 1%. The additional purchase price payable is classified within Level 2 of the valuation hierarchy.

Contingent consideration - Contingent consideration obligations consist of potential obligations related to the Company's acquisitions in previous years. The amounts to be paid under these obligations are contingent upon the achievement of stipulated financial targets by the business subsequent to acquisition. The fair values of the contingent consideration related to certain acquisition earn-outs were estimated using a probability-weighted discount model that considers the achievement of the conditions upon which the respective contingent obligation is dependent ("Monte Carlo Method").

The Monte Carlo Method has various inputs into the valuation model, in addition to the risk-adjusted projected future operating results of the acquired entities, which include the following ranges at June 30, 2017:

Risk-adjusted discount rate	1.5% to 2.3%
Revenue volatility	3.7% to 8.5%
Asset volatility	21.1% to 27.3%
Revenue and earnings before income tax, depreciation and amortization correlation coefficient factor	80%
Revenue discount rates	3.0% to 4.8%
Earnings before income tax, depreciation and amortization discount rates	10.7% to 13.1%

Significant changes in the projected future operating results would result in a significantly higher or lower fair value measurement. Changes to the discount rates, volatilities or correlation factors would have a lesser effect. The implied rates are deemed to be unobservable inputs and, as such, the Company's contingent consideration is classified within Level 3 of the valuation hierarchy.

Changes in the fair value of the contingent consideration obligations for the year ended June 30, 2017 are included in Selling, general and administrative expenses in the accompanying consolidated statements of earnings and were as follows:

(In millions)	Fair Value
Contingent consideration at June 30, 2016	\$ 196
Changes in fair value	(57)
Contingent consideration at June 30, 2017	<u>\$ 139</u>

In June 2017, the Company revised and approved the long-term financial projections for its brands. During this update, the Company noted that for certain of its fiscal 2015 and 2016 acquisitions, actual results and the most recent projections were lower during their respective earn-out measurement periods than the financial targets made at June 30, 2016 and it reassessed the likelihood of achieving those targets. As a result, the Company recognized a \$57 million gain within Selling, general and administrative expenses to reflect the adjusted fair value of its contingent consideration, primarily related to the acquisitions of GLAMGLOW, Editions de Parfums Frédéric

Malle and Le Labo as of June 30, 2017. The gain impacted the skin care and fragrance product categories by \$24 million and \$33 million, respectively, and the Americas and Europe, the Middle East & Africa regions by \$43 million and \$14 million, respectively. The Company also considered whether the change in the financial projections impacted the fair values of the related reporting units and intangible assets, see *Note 7 - Goodwill and Other Intangible Assets* for discussion of fiscal 2017 impairments.

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NOTE 14 - PENSION, DEFERRED COMPENSATION AND POST-RETIREMENT BENEFIT PLANS

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

Retirement Growth Account Plan (U.S.)

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

Restoration Plan (U.S.)

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

International Pension Plans

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

Post-retirement Benefit Plans

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

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

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Plan Summaries

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

(In millions)	Pension Plans				Other than Pension Plans	
	U.S.		International		Post-retirement	
	2017	2016	2017	2016	2017	2016
Change in benefit obligation:						
Benefit obligation at beginning of year	\$ 877	\$ 794	\$ 616	\$ 586	\$ 191	\$ 175
Service cost	37	32	28	25	3	3
Interest cost	30	33	11	15	7	7
Plan participant contributions	–	–	4	4	1	1
Actuarial loss (gain)	(1)	62	(26)	53	(11)	13
Foreign currency exchange rate impact	–	–	(2)	(38)	–	(1)
Benefits, expenses, taxes and premiums paid	(40)	(44)	(25)	(29)	(8)	(7)
Settlements and curtailments	–	–	(3)	(1)	–	–
Special termination benefits	–	–	2	1	–	–
Benefit obligation at end of year	<u>\$ 903</u>	<u>\$ 877</u>	<u>\$ 605</u>	<u>\$ 616</u>	<u>\$ 183</u>	<u>\$ 191</u>
Change in plan assets:						
Fair value of plan assets at beginning of year	\$ 743	\$ 721	\$ 529	\$ 519	\$ 33	\$ 32
Actual return on plan assets	71	27	28	57	4	1
Foreign currency exchange rate impact	–	–	(9)	(42)	–	–
Employer contributions	7	39	24	22	7	6
Plan participant contributions	–	–	4	4	1	1
Settlements	–	–	(3)	(2)	–	–
Benefits, expenses, taxes and premiums paid from plan assets	(40)	(44)	(25)	(29)	(8)	(7)
Fair value of plan assets at end of year	<u>\$ 781</u>	<u>\$ 743</u>	<u>\$ 548</u>	<u>\$ 529</u>	<u>\$ 37</u>	<u>\$ 33</u>
Funded status	<u>\$ (122)</u>	<u>\$ (134)</u>	<u>\$ (57)</u>	<u>\$ (87)</u>	<u>\$ (146)</u>	<u>\$ (158)</u>
Amounts recognized in the Balance Sheet consist of:						
Other assets	\$ 12	\$ –	\$ 88	\$ 79	\$ –	\$ –

Other accrued liabilities	(23)	(17)	(5)	(4)	-	(7)
Other noncurrent liabilities	(111)	(117)	(140)	(162)	(146)	(151)
Funded status	(122)	(134)	(57)	(87)	(146)	(158)
Accumulated other comprehensive loss	232	270	72	123	21	35
Net amount recognized	\$ 110	\$ 136	\$ 15	\$ 36	\$ (125)	\$ (123)

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(\$ in millions)	Pension Plans						Other than Pension Plans		
	U.S.			International			Post-retirement		
	2017	2016	2015	2017	2016	2015	2017	2016	2015
Components of net periodic benefit cost:									
Service cost	\$ 37	\$ 32	\$ 32	\$ 28	\$ 25	\$ 24	\$ 3	\$ 3	\$ 3
Interest cost	30	33	30	11	15	17	7	7	8
Expected return on assets	(52)	(49)	(50)	(16)	(20)	(21)	(1)	(2)	(2)
Amortization of:									
Actuarial loss	16	11	10	11	11	10	1	-	1
Prior service cost	1	1	-	2	2	2	-	1	1
Curtailments	-	-	-	-	-	(1)	-	-	-
Special termination benefits	-	-	-	2	1	-	-	-	-
Net periodic benefit cost	\$ 32	\$ 28	\$ 22	\$ 38	\$ 34	\$ 31	\$ 10	\$ 9	\$ 11

Weighted-average assumptions used to determine benefit obligations at June 30:

Discount rate	3.40 - 3.90%	3.00 - 3.70%	3.70 - 4.40%	.50 - 6.75%	.25 - 6.00%	.75 - 7.00%	3.70 - 9.75%	3.50 - 9.50%	4.25 - 9.00%
Rate of compensation increase	3.00 - 7.00%	3.00 - 7.00%	3.00 - 7.00%	1.00 - 5.50%	0 - 5.50%	0 - 5.50%	N/A	N/A	N/A

Weighted-average assumptions used to determine net periodic benefit cost for the year ended June 30:

Discount rate	3.00 - 3.70%	3.70 - 4.40%	3.60 - 4.30%	.25 - 6.00%	.75 - 7.00%	.50 - 6.75%	3.50 - 9.50%	4.25 - 9.00%	4.10 - 9.00%
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Expected return on assets	7.00%	7.00%	7.50%	1.50 - 6.00%	2.00 - 7.00%	2.00 - 6.75%	7.00%	7.00%	7.50%
Rate of compensation increase	3.00 - 7.00%	3.00 - 7.00%	3.00 - 7.00%	0 - 5.50%	0 - 5.50%	1.00 - 5.50%	N/A	N/A	N/A

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

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. The assumed weighted-average health care cost trend rate for the coming year is 7.33% while the weighted-average ultimate trend rate of 4.53% is expected to be reached in approximately 19 years. A 100 basis-point change in assumed health care cost trend rates for fiscal 2017 would have had the following effects:

(In millions)	100 Basis-Point Increase	100 Basis-Point Decrease
Effect on total service and interest costs	\$ 1	\$ (1)
Effect on post-retirement benefit obligations	\$ 15	\$ (13)

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Amounts recognized in AOCI (before tax) as of June 30, 2017 are as follows:

(In millions)	Pension Plans		Other than Pension Plans	Total
	U.S.	International	Post-retirement	
Net actuarial losses, beginning of year	\$ 267	\$ 123	\$ 33	\$ 423
Actuarial gains recognized	(21)	(38)	(12)	(71)
Amortization included in net periodic benefit cost	(16)	(11)	(1)	(28)
Net actuarial losses, end of year	<u>230</u>	<u>74</u>	<u>20</u>	<u>324</u>
Net prior service cost, beginning of year	3	-	1	4

Amortization included in net periodic benefit cost	(1)	(2)	–	(3)
Net prior service cost, end of year	<u>2</u>	<u>(2)</u>	<u>1</u>	<u>1</u>
Total amounts recognized in AOCI	<u>\$ 232</u>	<u>\$ 72</u>	<u>\$ 21</u>	<u>\$ 325</u>

Amounts in AOCI expected to be amortized as components of net periodic benefit cost during fiscal 2018 are as follows:

(In millions)	Pension Plans		Other than
	U.S.	International	Pension Plans
			Post-retirement
Net prior service cost	\$ 1	\$ –	\$ 1
Net actuarial losses	<u>\$ 13</u>	<u>\$ 5</u>	<u>\$ –</u>

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

(In millions)	Pension Plans					
	Retirement Growth		Restoration		International	
	Account		Restoration		International	
	2017	2016	2017	2016	2017	2016
Projected benefit obligation	\$ 769	\$ 754	\$ 134	\$ 123	\$ 605	\$ 616
Accumulated benefit obligation	<u>\$ 726</u>	<u>\$ 710</u>	<u>\$ 120</u>	<u>\$ 109</u>	<u>\$ 540</u>	<u>\$ 549</u>
Fair value of plan assets	<u>\$ 781</u>	<u>\$ 743</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ 548</u>	<u>\$ 529</u>

International pension plans with projected benefit obligations in excess of the plans' assets had aggregate projected benefit obligations of \$281 million and \$330 million and aggregate fair value of plan assets of \$137 million and \$165 million at June 30, 2017 and 2016, respectively. International pension plans with accumulated benefit obligations in excess of the plans' assets had aggregate accumulated benefit obligations of \$220 million and \$226 million and aggregate fair value of plan assets of \$103 million and \$93 million at June 30, 2017 and 2016, respectively.

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

(In millions)	Pension Plans		Other than
	U.S.	International	Pension Plans
			Post-retirement
Expected employer contributions for year ending June 30, 2018	\$ –	\$ 27	\$ –
Expected benefit payments for year ending June 30,			
2018	83	22	7
2019	72	20	8
2020	68	22	8
2021	63	22	9
2022	63	28	10
Years 2023 - 2027	333	132	57

THE ESTÉE LAUDER COMPANIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Plan Assets

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

The Company's target asset allocation at June 30, 2017 is as follows:

	Pension Plans		Other than
	U.S.	International	Pension Plans Post-retirement
Equity	44%	15%	44%
Debt securities	39%	60%	39%
Other	17%	25%	17%
	<u>100%</u>	<u>100%</u>	<u>100%</u>

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

Cash and Cash Equivalents - Cash and all highly-liquid securities with original maturities of three months or less are classified as cash and cash equivalents, primarily consisting of cash and time deposits. The carrying amount approximates fair value, primarily because of the short maturity of cash equivalent instruments.

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

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

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

Equity securities - The fair values are determined using the closing price reported on a major market where the individual securities are traded. These investments are classified within Level 1 of the valuation hierarchy.

Commingled funds - The fair values of publicly traded funds are based upon market quotes and are classified within Level 1 of the valuation hierarchy. The fair values for non-publicly traded funds are determined using the NAV provided by the administrator of the

fund when the Company has the ability to redeem the assets at the measurement date. These assets are classified within Level 2 of the valuation hierarchy. When the Company is utilizing the NAV as a practical expedient those investments are not included in the valuation hierarchy. These investments have monthly redemption frequencies with redemption notice periods ranging from 10 to 30 days. There are no unfunded commitments related to these investments.

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

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

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The following table presents the fair values of the Company's pension and post-retirement plan assets by asset category as of June 30, 2017:

(In millions)	Level 1	Level 2	Level 3	Assets Measured at NAV⁽¹⁾	Total
Cash and cash equivalents	\$ 3	\$ -	\$ -	\$ -	\$ 3
Short term investment funds	-	17	-	6	23
Government and agency securities	-	37	-	-	37
Debt instruments	-	59	-	-	59
Commingled funds	147	761	-	194	1,102
Insurance contracts	-	-	48	-	48
Limited partnerships and hedge fund investments	-	-	-	94	94
Total	\$ 150	\$ 874	\$ 48	\$ 294	\$ 1,366

⁽¹⁾ Per the fiscal 2017 adoption of new accounting guidance issued by the FASB, certain assets that are measured at fair value using the NAV per share (or its equivalent) as a practical expedient have not been classified in the fair value hierarchy.

The following table presents the fair values of the Company's pension and post-retirement plan assets by asset category as of June 30, 2016:

(In millions)	Level 1	Level 2	Level 3	Assets Measured at NAV⁽¹⁾	Total
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Cash and cash equivalents	\$ 14	\$ –	\$ –	\$ –	\$ 14
Short term investment funds	–	43	–	5	48
Government and agency securities	–	29	–	–	29
Equity securities	17	–	–	–	17
Debt instruments	–	145	–	–	145
Commingled funds	207	582	–	100	889
Insurance contracts	–	–	45	–	45
Limited partnerships and hedge fund investments	–	–	–	118	118
Total	<u>\$ 238</u>	<u>\$ 799</u>	<u>\$ 45</u>	<u>\$ 223</u>	<u>\$ 1,305</u>

⁽¹⁾ Per the fiscal 2017 adoption of new accounting guidance issued by the FASB, certain assets that are measured at fair value using the NAV per share (or its equivalent) as a practical expedient have not been classified in the fair value hierarchy.

The following table presents the changes in Level 3 plan assets for fiscal 2017:

(In millions)	Insurance Contracts
Balance as of June 30, 2016	\$ 45
Actual return on plan assets:	
Relating to assets still held at the reporting date	1
Purchases, sales, issuances and settlements, net	1
Foreign exchange impact	1
Balance as of June 30, 2017	<u>\$ 48</u>

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

The Company's 401(k) Savings Plan ("Savings Plan") is a contributory defined contribution plan covering substantially all regular U.S. employees who have completed the hours and service requirements, as defined by the plan document. Regular full-time employees are eligible to participate in the Savings Plan thirty days following their date of hire. The Savings Plan is subject to the applicable provisions of ERISA. The Company matches a portion of the participant's contributions after one year of service under a predetermined formula based on the participant's contribution level. The Company's contributions were \$39 million, \$37 million and \$35 million for fiscal 2017, 2016 and 2015, respectively. Shares of the Company's Class A Common Stock are not an investment option in the Savings Plan and the Company does not use such shares to match participants' contributions.

Deferred Compensation

The Company has agreements with certain employees and outside directors who defer compensation. The Company accrues for such compensation, and either interest thereon or for the change in the value of cash units. The amounts included in the accompanying consolidated balance sheets under these plans were \$75 million and \$71 million as of June 30, 2017 and 2016, respectively. The expense for fiscal 2017, 2016 and 2015 was \$6 million, \$6 million and \$9 million, respectively.

NOTE 15 - COMMITMENTS AND CONTINGENCIES

Contractual Obligations

The following table summarizes scheduled maturities of the Company's contractual obligations for which cash flows are fixed and determinable as of June 30, 2017:

(In millions)	Total	Payments Due in Fiscal					Thereafter
		2018	2019	2020	2021	2022	
Debt service ⁽¹⁾	\$ 5,805	\$ 312	\$ 122	\$ 617	\$ 558	\$ 101	\$ 4,095
Operating lease commitments ⁽²⁾	2,427	377	349	301	239	212	949
Unconditional purchase obligations ⁽³⁾	3,035	1,434	407	435	368	342	49
Gross unrecognized tax benefits and interest							
- current ⁽⁴⁾	3	3	-	-	-	-	-
Total contractual obligations	<u>\$ 11,270</u>	<u>\$ 2,126</u>	<u>\$ 878</u>	<u>\$ 1,353</u>	<u>\$ 1,165</u>	<u>\$ 655</u>	<u>\$ 5,093</u>

- ⁽¹⁾ Includes long-term and current debt and the related projected interest costs, and to a lesser extent, capital lease commitments. Interest costs on long-term and current debt in fiscal 2018, 2019, 2020, 2021, 2022 and thereafter are projected to be \$123 million, \$117 million, \$117 million, \$108 million, \$101 million and \$1,645 million, respectively. Projected interest costs on variable rate instruments were calculated using market rates at June 30, 2017.
- ⁽²⁾ Minimum operating lease commitments only include base rent. Certain leases provide for contingent rents that are not measurable at inception and primarily include rents based on a percentage of sales in excess of stipulated levels, as well as common area maintenance. These amounts are excluded from minimum operating lease commitments and are included in the determination of total rent expense when it is probable that the expense has been incurred and the amount is reasonably measurable. Such amounts have not been material to total rent expense. Total rental expense included in the accompanying consolidated statements of earnings was \$457 million, \$442 million and \$402 million in fiscal 2017, 2016 and 2015, respectively. In July 2017, the Company entered into new lease commitments for its principal offices at the same location. The Company's rental obligations under the new leases will commence in fiscal 2020 and expire in fiscal 2040. Minimum lease obligations pursuant to the leases in fiscal 2020, 2021, 2022 and thereafter are \$5 million, \$24 million, \$32 million and \$597 million, respectively.
- ⁽³⁾ Unconditional purchase obligations primarily include: inventory commitments, additional purchase price payable and contingent consideration which resulted from the fiscal 2016 and 2015 acquisitions, earn-out payments related to the acquisition of Bobbi Brown, royalty payments pursuant to license agreements, advertising commitments, capital improvement commitments, non-discretionary planned funding of pension and other post-retirement benefit obligations and commitments pursuant to executive compensation arrangements. Future contingent consideration, earn-out payments and royalty and advertising commitments were estimated based on planned future sales for the term that was in effect at June 30, 2017, without consideration for potential renewal periods.
- ⁽⁴⁾ Refer to *Note 9 - Income Taxes* for information regarding unrecognized tax benefits. As of June 30, 2017, the noncurrent portion of the Company's unrecognized tax benefits, including related accrued interest and penalties was \$73 million. At this time, the settlement period for the noncurrent portion of the unrecognized tax benefits, including related accrued interest and penalties, cannot be determined and therefore was not included.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Legal Proceedings

The Company is involved, from time to time, in litigation and other legal proceedings incidental to its business. Management believes that the outcome of current litigation and legal proceedings will not have a material adverse effect upon the Company's results of operations, financial condition or cash flows. However, management's assessment of the Company's current litigation and other legal proceedings could change in light of the discovery of facts with respect to legal actions or other proceedings pending against the Company, not presently known to the Company or determinations by judges, juries or other finders of fact which are not in accord with management's evaluation of the possible liability or outcome of such litigation or proceedings. Reasonably possible losses in addition to the amounts accrued for litigation and other legal proceedings are not material to the Company's consolidated financial statements.

NOTE 16 - COMMON STOCK

As of June 30, 2017, the Company's authorized common stock consists of 1,300 million shares of Class A Common Stock, par value \$.01 per share, and 304 million shares of Class B Common Stock, par value \$.01 per share. Class B Common Stock is convertible into Class A Common Stock, in whole or in part, at any time and from time to time at the option of the holder, on the basis of one share of Class A Common Stock for each share of Class B Common Stock converted. Holders of the Company's Class A Common Stock are entitled to one vote per share and holders of the Company's Class B Common Stock are entitled to ten votes per share.

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

<u>(Shares in thousands)</u>	<u>Class A</u>	<u>Class B</u>
Balance at June 30, 2014	234,156.4	148,728.1
Acquisition of treasury stock	(12,397.1)	—
Conversion of Class B to Class A	1,682.0	(1,682.0)
Stock-based compensation	4,394.9	—
Balance at June 30, 2015	227,836.2	147,046.1
Acquisition of treasury stock	(10,534.4)	—
Conversion of Class B to Class A	2,275.9	(2,275.9)
Stock-based compensation	3,411.9	—
Balance at June 30, 2016	222,989.6	144,770.2
Acquisition of treasury stock	(4,694.8)	—
Conversion of Class B to Class A	1,007.9	(1,007.9)
Stock-based compensation	5,038.5	—
Balance at June 30, 2017	<u>224,341.2</u>	<u>143,762.3</u>

The Company is authorized by the Board of Directors to repurchase Class A Common Stock in the open market or in privately negotiated transactions, depending on market conditions and other factors. As of June 30, 2017, the remaining authorized share repurchase balance was 14.5 million shares. Subsequent to June 30, 2017 and as of August 18, 2017, the Company purchased approximately 0.5 million additional shares of its Class A Common Stock for \$45 million pursuant to its share repurchase program.

The following is a summary of cash dividends declared per share on the Company's Class A and Class B Common Stock during the year ended June 30, 2017:

Date Declared	Record Date	Payable Date	Amount per Share
August 18, 2016	August 31, 2016	September 15, 2016	\$.30
November 1, 2016	November 30, 2016	December 15, 2016	\$.34
February 1, 2017	February 28, 2017	March 15, 2017	\$.34
May 2, 2017	May 31, 2017	June 15, 2017	\$.34

On August 17, 2017, a dividend was declared in the amount of \$.34 per share on the Company's Class A and Class B Common Stock. The dividend is payable in cash on September 15, 2017 to stockholders of record at the close of business on August 31, 2017.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 17 - STOCK PROGRAMS

As of June 30, 2017, the Company has two active equity compensation plans which include the Amended and Restated Fiscal 2002 Share Incentive Plan (the "Fiscal 2002 Plan") and the Amended and Restated Non-Employee Director Share Incentive Plan (collectively, the "Plans"). These Plans currently provide for the issuance of approximately 76.8 million shares of Class A Common Stock, which consist of shares originally provided for and shares transferred to the Fiscal 2002 Plan from other inactive plans and employment agreements, to be granted in the form of stock-based awards to key employees, consultants and non-employee directors of the Company. As of June 30, 2017, approximately 11.9 million shares of Class A Common Stock were reserved and available to be granted pursuant to these Plans. The Company may satisfy the obligation of its stock-based compensation awards with either new or treasury shares. The Company's equity compensation awards include stock options, restricted stock units ("RSU"), performance share units ("PSU"), PSUs based on total stockholder return, long-term PSUs and share units.

Total net stock-based compensation expense is attributable to the granting of, and the remaining requisite service periods of stock options, RSUs, PSUs, PSUs based on total stockholder return, long-term PSUs and share units. Compensation expense attributable to net stock-based compensation is as follows:

(In millions)	Year Ended June 30		
	2017	2016	2015
Compensation expense	\$ 219	\$ 184	\$ 165
Income tax benefit	72	60	54

As of June 30, 2017, the total unrecognized compensation cost related to unvested stock-based awards was \$170 million and the related weighted-average period over which it is expected to be recognized is approximately two years.

Stock Options

The following is a summary of the Company's stock option programs as of June 30, 2017 and changes during the fiscal year then ended:

(Shares in thousands)	Shares	Weighted-Average	Aggregate Intrinsic	Weighted-Average Contractual Life
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		Exercise Price Per Share	Value⁽¹⁾ (in millions)	Remaining in Years
Outstanding at June 30, 2016	14,007.5	\$ 52.92		
Granted at fair value	2,477.8	89.24		
Exercised	(3,361.6)	41.81		
Expired	(23.9)	70.93		
Forfeited	(135.5)	81.23		
Outstanding at June 30, 2017	<u>12,964.3</u>	62.42	<u>\$ 435</u>	<u>6.1</u>
Vested and expected to vest at June 30, 2017	<u>12,858.0</u>	62.22	<u>\$ 434</u>	<u>6.0</u>
Exercisable at June 30, 2017	<u>8,458.1</u>	51.17	<u>\$ 379</u>	<u>4.8</u>

⁽¹⁾ The intrinsic value of a stock option is the amount by which the market value of the underlying stock exceeds the exercise price of the option.

The exercise period for all stock options generally may not exceed ten years from the date of grant. Stock option grants to individuals generally become exercisable in three substantively equal tranches over a service period of up to four years. The Company attributes the value of option awards on a straight-line basis over the requisite service period for each separately vesting portion of the award as if the award was, in substance, multiple awards.

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The following is a summary of the per-share weighted-average grant date fair value of stock options granted and total intrinsic value of stock options exercised:

(In millions, except per share data)	Year Ended June 30		
	2017	2016	2015
Per-share weighted-average grant date fair value of stock options granted	<u>\$ 22.79</u>	<u>\$ 21.51</u>	<u>\$ 22.44</u>
Intrinsic value of stock options exercised	<u>\$ 149</u>	<u>\$ 75</u>	<u>\$ 114</u>

The fair value of each option grant was estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions:

	Year Ended June 30		
	2017	2016	2015
Weighted-average expected stock-price volatility	26%	27%	28%

Weighted-average expected option life	7 years	7 years	7 years
Average risk-free interest rate	1.5%	1.9%	2.2%
Average dividend yield	1.3%	1.2%	1.1%

The Company uses a weighted-average expected stock-price volatility assumption that is a combination of both current and historical implied volatilities of the underlying stock. The implied volatilities were obtained from publicly available data sources. For the weighted-average expected option life assumption, the Company considers the exercise behavior for past grants and models the pattern of aggregate exercises. The average risk-free interest rate is based on the U.S. Treasury strip rate for the expected term of the options and the average dividend yield is based on historical experience.

Restricted Stock Units

The Company granted approximately 1.6 million RSUs during fiscal 2017 which, at the time of grant, were scheduled to vest as follows: 0.5 million in fiscal 2018, 0.5 million in fiscal 2019, 0.5 million in fiscal 2020 and 0.1 million in fiscal 2022. Vesting of RSUs granted is generally subject to the continued employment of the grantees. RSUs are accompanied by dividend equivalent rights, payable upon settlement of the RSU either in cash or shares (based on the terms of the particular award) upon settlement of the RSU and, as such, were valued at the closing market price of the Company's Class A Common Stock on the date of grant.

The following is a summary of the status of the Company's RSUs as of June 30, 2017 and activity during the fiscal year then ended:

<u>(Shares in thousands)</u>	<u>Shares</u>	<u>Weighted-Average Grant Date Fair Value Per Share</u>
Nonvested at June 30, 2016	2,795.4	\$ 75.55
Granted	1,594.1	88.91
Dividend equivalents	34.1	86.38
Vested	(1,337.9)	74.05
Forfeited	(146.5)	80.58
Nonvested at June 30, 2017	<u>2,939.2</u>	83.35

Performance Share Units

During fiscal 2017, the Company granted PSUs with a target payout of approximately 0.3 million shares with a grant date fair value per share of \$89.47, which will be settled in stock subject to the achievement of the Company's net sales, diluted net earnings per common share and return on invested capital goals for the three fiscal years ending June 30, 2020, all subject to the continued employment or retirement of the grantees. In January 2017, the Company granted PSUs with a target payout of approximately 0.3 million shares with a grant date fair value per share of \$80.79, which will be settled in stock subject to the achievement of certain net sales and net operating profit goals of a subsidiary of the Company for the fiscal year ending June 30, 2020. In January 2017, the Company also granted PSUs with a target payout of approximately 0.2 million shares with a grant date fair value per share of \$80.79, which will be settled in stock subject to the achievement of certain net sales and net operating profit goals of a subsidiary of the Company for the fiscal year ending June 30, 2022.

Settlement of all PSUs will be made pursuant to a range of opportunities relative to the target goals and, as such, the compensation cost of the PSU is subject to adjustment based upon the attainability of these target goals. No settlement will occur for results below the applicable minimum threshold of a target and additional shares shall be issued if performance exceeds the targeted performance goals. PSUs are accompanied by dividend equivalent rights that will be payable in cash upon settlement of the PSU and, as such, were valued at the closing market value of the Company's Class A Common Stock on the date of grant. These awards are subject to the provisions of the agreement under which the PSUs are granted. The PSUs generally vest at the end of the performance period. Approximately 0.2 million shares of Class A Common Stock are anticipated to be issued, relative to the target goals set at the time of issuance, in settlement of the 0.3 million PSUs that vested as of June 30, 2017. In September 2016, approximately 0.3 million shares of the Company's Class A Common Stock were issued and related accrued dividends were paid, relative to the target goals set at the time of issuance, in settlement of 0.3 million PSUs which vested as of June 30, 2016.

The following is a summary of the status of the Company's PSUs as of June 30, 2017 and activity during the fiscal year then ended:

(Shares in thousands)	Shares	Weighted-Average	
		Grant Date	
		Fair Value Per Share	
Nonvested at June 30, 2016	539.1	\$	76.81
Granted	749.2		83.73
Vested	(259.8)		76.23
Forfeited	(6.3)		81.11
Nonvested at June 30, 2017	<u>1,022.2</u>		82.00

Performance Share Units Based on Total Stockholder Return

During fiscal 2013, the Company granted PSUs to an executive of the Company with an aggregate target payout of 162,760 shares of the Company's Class A Common Stock, subject to continued employment through the end of the relative performance periods of June 30, 2015, 2016, and 2017. Settlement of the PSUs are based upon the Company's relative total stockholder return ("TSR") over the relevant performance period as compared to companies in the S&P 500 on July 1, 2012. The PSUs are accompanied by dividend equivalent rights that will be payable in cash upon settlement. The grant date fair value of the PSUs of \$11 million was estimated using a lattice model with a Monte Carlo simulation and the following assumptions for each performance period, respectively: contractual life of 33, 45 and 57 months, average risk-free interest rate of 0.3%, 0.5% and 0.7% and a dividend yield of 1.0%. Using the historical stock prices and dividends from public sources, the Company estimated the covariance structure of the returns on S&P 500 stocks. The volatility for the Company's stock produced by this estimation was 32%. The average risk-free interest rate is based on the U.S. Treasury strip rates over the contractual term of the grant, and the dividend yield is based on historical experience.

Through June 30, 2017, 92,431 shares of the Company's Class A Common Stock were issued, and related dividends were paid, in accordance with the terms of the grant, related to the performance periods ended June 30, 2016 and 2015. In August 2017, an additional 30,267 shares of the Company's Class A Common Stock are anticipated to be issued, and related dividends to be paid, in accordance with the terms of the grant, related to the performance period ended June 30, 2017.

Long-term Performance Share Units

During September 2015, the Company granted PSUs to an executive of the Company with an aggregate target payout of 387,848 shares (in three tranches of approximately 129,283 each) of the Company's Class A Common Stock, generally subject to continued employment through the end of relative performance periods, which end June 30, 2018, 2019 and 2020. Since the Company achieved positive Net Earnings, as defined in the PSU award agreement, for the fiscal year ended June 30, 2016, performance and vesting of each tranche will be based on the Company achieving positive Cumulative Operating Income, as defined in the PSU award agreement, during the relative performance period. Payment with respect to a tranche will be made on the third anniversary of the last day of the

respective performance period. The PSUs are accompanied by dividend equivalent rights that will be payable in cash at the same time as the payment of shares of Class A Common Stock. The grant date fair value of these PSUs of \$30 million was estimated using the closing stock price of the Company's Class A Common Stock as of September 4, 2015, the date of grant.

During January 2016, the Company granted PSUs to an executive of the Company with an aggregate target payout of 71,694 shares (in three tranches of 23,898 each) of the Company's Class A Common Stock. Since the Company achieved positive Net Earnings, as defined in the PSU award agreement, for the fiscal year ended June 30, 2017, the vesting of each tranche will generally be subject to continued employment through the end of relative service periods that end on January 29, 2018, 2019 and 2020. Payment with respect to a tranche will be made within 30 business days of the date on which the PSUs vest. The PSUs are accompanied by dividend equivalent rights that will be payable in cash at the same time as the payment of shares of the Company's Class A Common Stock. The grant date fair value of these PSUs of \$6 million was estimated using the closing stock price of the Company's Class A Common Stock as of January 28, 2016, the date of grant.

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THE ESTÉE LAUDER COMPANIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Share Units

The Company grants share units to certain non-employee directors under the Amended and Restated Non-Employee Director Share Incentive Plan. The share units are convertible into shares of the Company's Class A Common Stock as provided for in that plan. Share units are accompanied by dividend equivalent rights that are converted to additional share units when such dividends are declared.

The following is a summary of the status of the Company's share units as of June 30, 2017 and activity during the fiscal year then ended:

(Shares in thousands)	Shares	Weighted-Average Grant Date Fair Value Per Share
Outstanding at June 30, 2016	120.7	\$ 45.00
Granted	8.9	78.36
Dividend equivalents	2.0	86.46
Converted	-	-
Outstanding at June 30, 2017	<u>131.6</u>	<u>47.87</u>

Cash Units

Certain non-employee directors defer cash compensation in the form of cash payout share units, which are not subject to the Plans. These share units are classified as liabilities and, as such, their fair value is adjusted to reflect the current market value of the Company's Class A Common Stock. The Company recorded \$2 million, \$2 million and \$3 million as compensation expense to reflect additional deferrals and the change in the market value for fiscal 2017, 2016 and 2015, respectively.

NOTE 18 - NET EARNINGS ATTRIBUTABLE TO THE ESTÉE LAUDER COMPANIES INC. PER COMMON SHARE

Net earnings attributable to The Estée Lauder Companies Inc. per common share (“basic EPS”) is computed by dividing net earnings attributable to The Estée Lauder Companies Inc. by the weighted-average number of common shares outstanding and contingently issuable shares (which satisfy certain conditions). Net earnings attributable to The Estée Lauder Companies Inc. per common share assuming dilution (“diluted EPS”) is computed by reflecting potential dilution from stock-based awards.

A reconciliation between the numerators and denominators of the basic and diluted EPS computations is as follows:

(In millions, except per share data)	Year Ended June 30		
	2017	2016	2015
Numerator:			
Net earnings attributable to The Estée Lauder Companies Inc.	\$ 1,249	\$ 1,115	\$ 1,089
Denominator:			
Weighted-average common shares outstanding - Basic	367.1	370.0	379.3
Effect of dilutive stock options	3.8	4.6	4.6
Effect of PSUs	0.2	0.1	0.1
Effect of RSUs	1.9	1.8	1.6
Effect of performance share units based on TSR	–	0.1	0.1
Weighted-average common shares outstanding - Diluted	373.0	376.6	385.7
Net earnings attributable to The Estée Lauder Companies Inc. per common share:			
Basic	\$ 3.40	\$ 3.01	\$ 2.87
Diluted	3.35	2.96	2.82

As of June 30, 2017, there were 1.8 million stock options excluded from the computation of diluted EPS because their inclusion would be anti-dilutive. As of June 30, 2016, there were 0.2 million stock options excluded from the computation of diluted EPS because their inclusion would be anti-dilutive. As of June 30, 2015, there were no anti-dilutive stock options to be excluded from the computation of diluted EPS. As of June 30, 2017, 2016 and 2015, 1.0 million, 0.5 million and 0.6 million, respectively, of PSUs have been excluded from the calculation of diluted EPS because the number of shares ultimately issued is contingent on the achievement of certain performance targets of the Company, as discussed in *Note 17 - Stock Programs*.

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THE ESTÉE LAUDER COMPANIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 19 - ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The components of AOCI included in the accompanying consolidated balance sheets consist of the following:

(In millions)	Year Ended June 30		
	2017	2016	2015
Net unrealized investment gains, beginning of year	\$ 7	\$ –	\$ 1
Unrealized investment gains (losses)	(8)	7	1

Reclassification to earnings during the year ⁽¹⁾	-	-	(2)
Net unrealized investment gains (losses), end of year	<u>(1)</u>	<u>7</u>	<u>-</u>
Net derivative instruments, beginning of year	32	44	(1)
Gain (loss) on derivative instruments	(13)	48	108
Benefit (provision) for deferred income taxes	5	(17)	(38)
Reclassification to earnings during the year:			
Foreign currency forward contracts ⁽²⁾	(40)	(65)	(38)
Interest rate-related derivatives ⁽³⁾	(1)	(1)	-
Benefit for deferred income taxes on reclassification ⁽⁴⁾	14	23	13
Net derivative instruments, end of year	<u>(3)</u>	<u>32</u>	<u>44</u>
Net pension and post-retirement adjustments, beginning of year	(285)	(235)	(233)
Changes in plan assets and benefit obligations:			
Net actuarial gains (losses) recognized	71	(114)	(48)
Translation adjustments	-	6	16
Benefit (provision) for deferred income taxes	(20)	39	13
Amortization, settlements and curtailments included in net periodic benefit cost ⁽⁵⁾ :			
Net actuarial losses	28	22	21
Net prior service cost	3	4	3
Provision for deferred income taxes on reclassification ⁽⁴⁾	(10)	(7)	(7)
Net pension and post-retirement adjustments, end of year	<u>(213)</u>	<u>(285)</u>	<u>(235)</u>
Cumulative translation adjustments, beginning of year	(299)	(190)	132
Translation adjustments	32	(107)	(319)
Provision for deferred income taxes	-	(2)	(3)
Cumulative translation adjustments, end of year	<u>(267)</u>	<u>(299)</u>	<u>(190)</u>
Accumulated other comprehensive loss	<u>\$ (484)</u>	<u>\$ (545)</u>	<u>\$ (381)</u>

⁽¹⁾ Amounts recorded in Interest income and investment income, net in the accompanying consolidated statements of earnings.

⁽²⁾ For the year ended June 30, 2017, \$10 million and \$30 million were recorded in Cost of Sales and Selling, general and administrative expenses, respectively, in the accompanying consolidated statements of earnings. For the year ended June 30, 2016, \$17 million and \$48 million were recorded in Cost of Sales and Selling, general and administrative expenses, respectively, in the accompanying consolidated statements of earnings. For the year ended June 30, 2015, \$9 million and \$29 million were recorded in Cost of Sales and Selling, general and administrative expenses, respectively, in the accompanying consolidated statements of earnings.

⁽³⁾ Amounts recorded in Interest expense in the accompanying consolidated statements of earnings.

⁽⁴⁾ Amounts recorded in Provision for income taxes in the accompanying consolidated statements of earnings.

⁽⁵⁾ See Note 14 - Pension, Deferred Compensation and Post-Retirement Benefit Plans for additional information.

THE ESTÉE LAUDER COMPANIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 20 - STATEMENT OF CASH FLOWS

Supplemental cash flow information is as follows:

(In millions)	Year Ended June 30		
	2017	2016	2015
Cash:			
Cash paid during the year for interest	\$ 96	\$ 79	\$ 66
Cash paid during the year for income taxes	\$ 456	\$ 451	\$ 417
Non-cash investing and financing activities:			
Capital lease and asset retirement obligations incurred	\$ 12	\$ 27	\$ 9
Pending purchase price true-up payment	\$ -	\$ -	\$ 11
Non-cash purchases (sales) of short- and long-term investments, net	\$ 6	\$ (3)	\$ 2
Property, plant and equipment accrued but unpaid	\$ 29	\$ 29	\$ 29

NOTE 21 - SEGMENT DATA AND RELATED INFORMATION

Reportable operating segments include components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker (the "Chief Executive") in deciding how to allocate resources and in assessing performance. As a result of the similarities in the manufacturing, marketing and distribution processes for all of the Company's products, much of the information provided in the consolidated financial statements is similar to, or the same as, that reviewed on a regular basis by the Chief Executive. Although the Company operates in one business segment, beauty products, management also evaluates performance on a product category basis.

While the Company's results of operations are also reviewed on a consolidated basis, the Chief Executive reviews data segmented on a basis that facilitates comparison to industry statistics. Accordingly, net sales, depreciation and amortization, and operating income are available with respect to the manufacture and distribution of skin care, makeup, fragrance, hair care and other products. These product categories meet the definition of operating segments and, accordingly, additional financial data are provided below. The "other" segment includes the sales and related results of ancillary products and services that do not fit the definition of skin care, makeup, fragrance and hair care.

Product category performance is measured based upon net sales before returns associated with restructuring and other activities, and earnings before income taxes, interest expense, interest income and investment income, net, and charges associated with restructuring and other activities. Returns and charges associated with restructuring and other activities are not allocated to the product categories because they result from activities that are deemed a Company-wide initiative to redesign, resize and reorganize select corporate functions and go-to-market structures, and to transform and modernize the Company's GTI. The accounting policies for the Company's reportable segments are the same as those described in the summary of significant accounting policies, except for depreciation and amortization charges, which are allocated, primarily, based upon net sales. The assets and liabilities of the Company are managed centrally and are reported internally in the same manner as the consolidated financial statements; thus, no additional information is produced for the Chief Executive or included herein.

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THE ESTÉE LAUDER COMPANIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In millions)	Year Ended June 30		
	2017	2016	2015
PRODUCT CATEGORY DATA			
Net Sales:			
Skin Care	\$ 4,527	\$ 4,446	\$ 4,479
Makeup	5,054	4,702	4,304
Fragrance	1,637	1,487	1,416
Hair Care	539	554	531
Other	69	74	50
	<u>11,826</u>	<u>11,263</u>	<u>10,780</u>
Returns associated with restructuring and other activities	(2)	(1)	–
	<u>\$ 11,824</u>	<u>\$ 11,262</u>	<u>\$ 10,780</u>
Depreciation and Amortization:			
Skin Care	\$ 161	\$ 151	\$ 158
Makeup	218	184	168
Fragrance	59	52	54
Hair Care	23	24	26
Other	3	4	3
	<u>\$ 464</u>	<u>\$ 415</u>	<u>\$ 409</u>
Operating Income (Loss) before charges associated with restructuring and other activities:			
Skin Care	\$ 1,014	\$ 842	\$ 832
Makeup	713	758	659
Fragrance	115	87	83
Hair Care	51	52	38
Other	11	5	(6)
	<u>1,904</u>	<u>1,744</u>	<u>1,606</u>
Reconciliation:			
Charges associated with restructuring and other activities	(212)	(134)	–
Interest expense	(103)	(71)	(60)
Interest income and investment income, net	28	16	15
Earnings before income taxes	<u>\$ 1,617</u>	<u>\$ 1,555</u>	<u>\$ 1,561</u>

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THE ESTÉE LAUDER COMPANIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In millions)	Year Ended or at June 30		
	2017	2016	2015
GEOGRAPHIC DATA			
Net Sales:			
The Americas	\$ 4,819	\$ 4,710	\$ 4,514
Europe, the Middle East & Africa	4,650	4,381	4,086
Asia/Pacific	2,357	2,172	2,180
	<u>11,826</u>	<u>11,263</u>	<u>10,780</u>
Returns associated with restructuring and other activities	(2)	(1)	–
	<u>\$ 11,824</u>	<u>\$ 11,262</u>	<u>\$ 10,780</u>
Operating Income (Loss):			
The Americas	\$ 284	\$ 346	\$ 302
Europe, the Middle East & Africa	1,203	1,027	943
Asia/Pacific	417	371	361
	<u>1,904</u>	<u>1,744</u>	<u>1,606</u>
Charges associated with restructuring and other activities	(212)	(134)	–
	<u>\$ 1,692</u>	<u>\$ 1,610</u>	<u>\$ 1,606</u>
Total Assets:			
The Americas	\$ 7,061	\$ 5,423	\$ 4,898
Europe, the Middle East & Africa	3,367	3,016	2,614
Asia/Pacific	1,140	784	715
	<u>\$ 11,568</u>	<u>\$ 9,223</u>	<u>\$ 8,227</u>
Long-Lived Assets (property, plant and equipment, net):			
The Americas	\$ 1,071	\$ 978	\$ 957
Europe, the Middle East & Africa	456	464	400
Asia/Pacific	144	141	133
	<u>\$ 1,671</u>	<u>\$ 1,583</u>	<u>\$ 1,490</u>

Net sales are predominantly attributed to a country within a geographic segment based on the location of the customer. The net sales from the Company's travel retail business are included in the Europe, the Middle East & Africa region. The Company is domiciled in the United States. Net sales in the United States in fiscal 2017, 2016 and 2015 were \$4,238 million, \$4,151 million and \$3,972 million, respectively. The Company's long-lived assets in the United States at June 30, 2017, 2016 and 2015 were \$869 million, \$862 million and \$856 million, respectively.

THE ESTÉE LAUDER COMPANIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 22 - UNAUDITED QUARTERLY FINANCIAL DATA

The following summarizes the unaudited quarterly operating results of the Company for fiscal 2017 and 2016:

(In millions, except per share data)	Quarter Ended				Total Year
	September 30 ⁽¹⁾	December 31 ⁽²⁾	March 31 ⁽³⁾	June 30 ⁽⁴⁾	
<u>Fiscal 2017</u>					
Net Sales	\$ 2,865	\$ 3,208	\$ 2,857	\$ 2,894	\$ 11,824
Gross Profit	2,269	2,571	2,266	2,281	9,387
Operating Income	418	617	427	230	1,692
Net Earnings Attributable to The Estée Lauder Companies Inc.	294	428	298	229	1,249
Net earnings attributable to The Estée Lauder Companies Inc. per common share:					
Basic	.80	1.17	.81	.62	3.40
Diluted	.79	1.15	.80	.61	3.35
<u>Fiscal 2016</u>					
Net Sales	\$ 2,835	\$ 3,124	\$ 2,657	\$ 2,646	\$ 11,262
Gross Profit	2,258	2,535	2,153	2,135	9,081
Operating Income	453	630	384	143	1,610
Net Earnings Attributable to The Estée Lauder Companies Inc.	309	447	265	94	1,115
Net earnings attributable to The Estée Lauder Companies Inc. per common share:					
Basic	.83	1.21	.72	.25	3.01
Diluted	.82	1.19	.71	.25	2.96

(1) Fiscal 2017 first quarter results include charges associated with restructuring and other activities of \$(31) million (\$(20) million after tax, or \$(.05) per diluted common share).

(2) Fiscal 2017 second quarter results include charges associated with restructuring and other activities of \$(41) million (\$(26) million after tax, or \$(.07) per diluted common share). Fiscal 2016 second quarter results include charges associated with restructuring and other activities of \$(19) million (\$(12) million after tax, or \$(.03) per diluted common share).

(3) Fiscal 2017 third quarter results include charges associated with restructuring and other activities of \$(62) million (\$(42) million after tax, or \$(.11) per diluted common share). Fiscal 2016 third quarter results include charges associated with restructuring and other activities of \$(15) million (\$(10) million after tax, or \$(.02) per diluted common share).

(4) Fiscal 2017 fourth quarter results include charges associated with restructuring and other activities of \$(78) million (\$55) million after tax, or \$(.15) per diluted common share), the changes in fair value of contingent consideration of \$58 million (\$42 million after tax, or \$.11 per diluted common share), goodwill and other intangible asset impairments of \$(31) million (\$23) million after tax, or \$(.06) per diluted common share) and the China deferred tax asset valuation allowance reversal of \$75 million, or \$.20 per diluted common share. Fiscal 2016 fourth quarter results include charges associated with restructuring and other activities of \$(100) million (\$(68) million after tax, or \$(.18) per diluted common share).

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THE ESTÉE LAUDER COMPANIES INC.

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

Three Years Ended June 30, 2017

(In millions)

Description	Balance at Beginning of Period	Additions		Deductions	Balance at End of Period
		(1) Charged to Costs and Expenses	(2) Charged to Other Accounts		
Reserves deducted in the balance sheet from the assets to which they apply:					
Allowance for doubtful accounts and customer deductions:					
Year ended June 30, 2017	\$ 24	\$ 18	\$ —	\$ 12 ^(a)	\$ 30
Year ended June 30, 2016	\$ 21	\$ 13	\$ —	\$ 10 ^(a)	\$ 24
Year ended June 30, 2015	\$ 24	\$ 8	\$ —	\$ 11 ^(a)	\$ 21
Sales return accrual:					
Year ended June 30, 2017	\$ 96	\$ 463	\$ —	\$ 450 ^(b)	\$ 109
Year ended June 30, 2016	\$ 97	\$ 373	\$ —	\$ 374 ^(b)	\$ 96
Year ended June 30, 2015	\$ 94	\$ 400	\$ —	\$ 397 ^(b)	\$ 97
Deferred tax valuation allowance:					
Year ended June 30, 2017	\$ 118	\$ 3	\$ —	\$ 79	\$ 42

Year ended June 30, 2016	\$ 121	\$ 6	\$ –	\$ 9	\$ 118
Year ended June 30, 2015	\$ 115	\$ 10	\$ –	\$ 4	\$ 121

Accrued restructuring initiatives:

Year ended June 30, 2017	\$ 77	\$ 122	\$ –	\$ 48	\$ 151
Year ended June 30, 2016	\$ –	\$ 122	\$ –	\$ 45	\$ 77
Year ended June 30, 2015	\$ –	\$ –	\$ –	\$ –	\$ –

(a) Includes amounts written-off, net of recoveries.

(b) Represents actual returns.

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THE ESTÉE LAUDER COMPANIES INC.

INDEX TO EXHIBITS

Exhibit Number	Description
3.1	Restated Certificate of Incorporation, dated November 16, 1995 (filed as Exhibit 3.1 to our Annual Report on Form 10-K filed on September 15, 2003) (SEC File No. 1-14064).*
3.1a	Certificate of Amendment of the Restated Certificate of Incorporation of The Estée Lauder Companies Inc. (filed as Exhibit 3.1 to our Current Report on Form 8-K filed on November 14, 2012) (SEC File No. 1-14064).*
3.2	Certificate of Retirement of \$6.50 Cumulative Redeemable Preferred Stock (filed as Exhibit 3.2 to our Current Report on Form 8-K filed on July 19, 2012) (SEC File No.1-14064).*
3.3	Amended and Restated Bylaws (filed as Exhibit 3.1 to our Current Report on Form 8-K filed on May 23, 2012) (SEC File No. 1-14064).*
4.1	Indenture, dated November 5, 1999, between the Company and State Street Bank and Trust Company, N.A. (filed as Exhibit 4 to Amendment No. 1 to our Registration Statement on Form S-3 (No. 333-85947) filed on November 5, 1999) (SEC File No. 1-14064).*
4.2	Officers' Certificate, dated September 29, 2003, defining certain terms of the 5.75% Senior Notes due 2033 (filed as Exhibit 4.2 to our Current Report on Form 8-K filed on September 29, 2003) (SEC File No. 1-14064).*

- 4.3 [Global Note for 5.75% Senior Notes due 2033 \(filed as Exhibit 4.3 to our Current Report on Form 8-K filed on September 29, 2003\) \(SEC File No. 1-14064\).*](#)
- 4.4 [Officers' Certificate, dated May 1, 2007, defining certain terms of the 5.550% Senior Notes due 2017 \(filed as Exhibit 4.1 to our Current Report on Form 8-K filed on May 1, 2007\) \(SEC File No. 1-14064\).*](#)
- 4.5 [Global Note for 5.550% Senior Notes due 2017 \(filed as Exhibit 4.3 to our Current Report on Form 8-K filed on May 1, 2007\) \(SEC File No. 1-14064\).*](#)
- 4.6 [Officers' Certificate, dated May 1, 2007, defining certain terms of the 6.000% Senior Notes due 2037 \(filed as Exhibit 4.2 to our Current Report on Form 8-K filed on May 1, 2007\) \(SEC File No. 1-14064\).*](#)
- 4.7 [Global Note for 6.000% Senior Notes due 2037 \(filed as Exhibit 4.4 to our Current Report on Form 8-K filed on May 1, 2007\) \(SEC File No. 1-14064\).*](#)
- 4.8 [Officers' Certificate, dated August 2, 2012, defining certain terms of the 2.350% Senior Notes due 2022 \(filed as Exhibit 4.1 to our Current Report on Form 8-K filed on August 2, 2012\) \(SEC File No. 1-14064\).*](#)
- 4.9 [Global Note for the 2.350% Senior Notes due 2022 \(filed as Exhibit 4.3 to our Current Report on Form 8-K filed on August 2, 2012\) \(SEC File No. 1-14064\).*](#)
- 4.10 [Officers' Certificate, dated August 2, 2012, defining certain terms of the 3.700% Senior Notes due 2042 \(filed as Exhibit 4.2 to our Current Report on Form 8-K filed on August 2, 2012\) \(SEC File No. 1-14064\).*](#)
- 4.11 [Global Note for the 3.700% Senior Notes due 2042 \(filed as Exhibit 4.4 to our Current Report on Form 8-K filed on August 2, 2012\) \(SEC File No. 1-14064\).*](#)
- 4.12 [Officers' Certificate, dated June 4, 2015, defining certain terms of the 4.375% Senior Notes due 2045 \(filed as Exhibit 4.1 to our Current Report on Form 8-K filed on June 4, 2015\) \(SEC File No. 1-14064\).*](#)
- 4.13 [Global Note for the 4.375% Senior Notes due 2045 \(filed as Exhibit 4.2 to our Current Report on Form 8-K filed on June 4, 2015\) \(SEC File No. 1-14064\).*](#)
- 4.14 [Officers' Certificate, dated May 10, 2016, defining certain terms of the 1.700% Senior Notes due 2021 \(filed as Exhibit 4.1 to our Current Report on Form 8-K filed on May 10, 2016\) \(SEC File No. 1-14064\).*](#)
- 4.15 [Global Note for the 1.700% Senior Notes due 2021 \(filed as Exhibit A in Exhibit 4.1 to our Current Report on Form 8-K filed on May 10, 2016\) \(SEC File No. 1-14064\).*](#)
- 4.16 [Officers' Certificate, dated May 10, 2016, defining certain terms of the 4.375% Senior Notes due 2045 \(filed as Exhibit 4.3 to our Current Report on Form 8-K filed on May 10, 2016\) \(SEC File No. 1-14064\).*](#)

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Exhibit Number	Description
4.17	<u>Global Note for the 4.375% Senior Notes due 2045 (filed as Exhibit B in Exhibit 4.3 to our Current Report on Form 8-K filed on May 10, 2016) (SEC File No. 1-14064).*</u>

- 10.1 [Stockholders' Agreement, dated November 22, 1995 \(filed as Exhibit 10.1 to our Annual Report on Form 10-K filed on September 15, 2003\) \(SEC File No. 1-14064\).](#)*
- 10.1a [Amendment No. 1 to Stockholders' Agreement \(filed as Exhibit 10.1 to our Quarterly Report on Form 10-Q filed on October 30, 1996\) \(SEC File No. 1-14064\).](#)*
- 10.1b [Amendment No. 2 to Stockholders' Agreement \(filed as Exhibit 10.2 to our Quarterly Report on Form 10-Q filed on January 28, 1997\) \(SEC File No. 1-14064\).](#)*
- 10.1c [Amendment No. 3 to Stockholders' Agreement \(filed as Exhibit 10.2 to our Quarterly Report on Form 10-Q filed on April 29, 1997\) \(SEC File No. 1-14064\).](#)*
- 10.1d [Amendment No. 4 to Stockholders' Agreement \(filed as Exhibit 10.1d to our Annual Report on Form 10-K filed on September 18, 2000\) \(SEC File No. 1-14064\).](#)*
- 10.1e [Amendment No. 5 to Stockholders' Agreement \(filed as Exhibit 10.1e to our Annual Report on Form 10-K filed on September 17, 2002\) \(SEC File No. 1-14064\).](#)*
- 10.1f [Amendment No. 6 to Stockholders' Agreement \(filed as Exhibit 10.2 to our Quarterly Report on Form 10-Q filed on January 27, 2005\) \(SEC File No. 1-14064\).](#)*
- 10.1g [Amendment No. 7 to Stockholders' Agreement \(filed as Exhibit 10.7 to our Quarterly Report on Form 10-Q filed on October 30, 2009\) \(SEC File No. 1-14064\).](#)*
- 10.2 [Registration Rights Agreement, dated November 22, 1995 \(filed as Exhibit 10.2 to our Annual Report on Form 10-K filed on September 15, 2003\) \(SEC File No. 1-14064\).](#)*
- 10.2a [First Amendment to Registration Rights Agreement \(originally filed as Exhibit 10.3 to our Annual Report on Form 10-K filed on September 10, 1996\) \(SEC File No. 1-14064\).](#)
- 10.2b [Second Amendment to Registration Rights Agreement \(filed as Exhibit 10.1 to our Quarterly Report on Form 10-Q filed on April 29, 1997\) \(SEC File No. 1-14064\).](#)*
- 10.2c [Third Amendment to Registration Rights Agreement \(filed as Exhibit 10.2c to our Annual Report on Form 10-K filed on September 17, 2001\) \(SEC File No. 1-14064\).](#)*
- 10.2d [Fourth Amendment to Registration Rights Agreement \(filed as Exhibit 10.2 to our Quarterly Report on Form 10-Q filed on January 29, 2004\) \(SEC File No. 1-14064\).](#)*
- 10.3 [The Estee Lauder Companies Retirement Growth Account Plan, as amended and restated, effective as of January 1, 2017, further amended effective as of July 1, 2017 \(SEC File No. 1-14064\).](#) †
- 10.4 [The Estee Lauder Inc. Retirement Benefits Restoration Plan \(filed as Exhibit 10.5 to our Annual Report on Form 10-K filed on August 20, 2010\) \(SEC File No. 1-14064\).](#)* †
- 10.5 [Executive Annual Incentive Plan \(filed as Exhibit 10.1 to our Current Report on Form 8-K filed on November 14, 2013\) \(SEC File No. 1-14064\).](#)* †

10.6	Employment Agreement with Tracey T. Travis (filed as Exhibit 10.1 to our Current Report on Form 8-K filed on July 20, 2012) (SEC File No. 1-14064).* †
10.7	Employment Agreement with Leonard A. Lauder (filed as Exhibit 10.8 to our Annual Report on Form 10-K filed on September 17, 2001) (SEC File No. 1-14064).* †
10.7a	Amendment to Employment Agreement with Leonard A. Lauder (filed as Exhibit 10.8a to our Annual Report on Form 10-K filed on September 17, 2002) (SEC File No. 1-14064).* †
10.7b	Amendment to Employment Agreement with Leonard A. Lauder (filed as Exhibit 10.2 to our Current Report on Form 8-K filed on November 17, 2005) (SEC File No. 1-14064).* †
10.7c	Amendment to Employment Agreement with Leonard A. Lauder (filed as Exhibit 10.1 to our Quarterly Report on Form 10-Q filed on February 5, 2009) (SEC File No. 1-14064).* †
10.7d	Amendment to Employment Agreement with Leonard A. Lauder (filed as Exhibit 10.8 to our Quarterly Report on Form 10-Q filed on October 30, 2009) (SEC File No. 1-14064).* †

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Exhibit Number	Description
10.7e	Amendment to Employment Agreement with Leonard A. Lauder (filed as Exhibit 10.6 to our Quarterly Report on Form 10-Q filed on November 1, 2010) (SEC File No. 1-14064).* †
10.7f	Amendment to Employment Agreement with Leonard A. Lauder (filed as Exhibit 10.7f to our Annual Report on Form 10-K filed on August 20, 2015).* †
10.8	Employment Agreement with William P. Lauder (filed as Exhibit 10.1 to our Current Report on Form 8-K filed on September 17, 2010) (SEC File No. 1-14064).* †
10.8a	Amendment to Employment Agreement with William P. Lauder (filed as Exhibit 10.1 to our Current Report on Form 8-K filed on February 26, 2013) (SEC File No. 1-14064).* †
10.9	Employment Agreement with Fabrizio Freda (filed as Exhibit 10.1 to our Current Report on Form 8-K filed on February 11, 2011) (SEC File No. 1-14064).* †
10.9a	Amendment to Employment Agreement with Fabrizio Freda and Stock Option Agreements (filed as Exhibit 10.2 to our Current Report on Form 8-K filed on February 26, 2013) (SEC File No. 1-14064).* †
10.10	Employment Agreement with John Demsey (filed as Exhibit 10.1 to our Current Report on Form 8-K filed on September 24, 2010) (SEC File No. 1-14064).* †
10.10a	Amendment to Employment Agreement with John Demsey (filed as Exhibit 10.3 to our Current Report on Form 8-K filed on February 26, 2013) (SEC File No. 1-14064).* †
10.11	Employment Agreement with Cedric Prouvé (filed as Exhibit 10.1 to our Current Report on Form 8-K filed on September 20, 2011) (SEC File No. 1-14064).* †

10.11a	Amendment to Employment Agreement with Cedric Prouvé (filed as Exhibit 10.4 to our Current Report on Form 8-K filed on February 26, 2013) (SEC File No. 1-14064).* †
10.12	Form of Deferred Compensation Agreement (interest-based) with Outside Directors (filed as Exhibit 10.14 to our Annual Report on Form 10-K filed on September 17, 2001) (SEC File No. 1-14064).* †
10.13	Form of Deferred Compensation Agreement (stock-based) with Outside Directors (filed as Exhibit 10.15 to our Annual Report on Form 10-K filed on September 17, 2001) (SEC File No. 1-14064).* †
10.14	The Estee Lauder Companies Inc. Non-Employee Director Share Incentive Plan (as amended and restated on November 9, 2007) (filed as Exhibit 99.1 to our Registration Statement on Form S-8 filed on November 9, 2007) (SEC File No. 1-14064).* †
10.14a	The Estee Lauder Companies Inc. Non-Employee Director Share Incentive Plan (as amended on July 14, 2011) (filed as exhibit 10.15a to our Annual Report on Form 10-K filed on August 22, 2011) (SEC File No. 1-14064).* †
10.14b	The Estée Lauder Companies Inc. Amended and Restated Non-Employee Director Share Incentive Plan (filed as Exhibit 10.2 to our Current Report on Form 8-K filed on November 16, 2015) (SEC File No. 1-14064).* †
10.15	Form of Stock Option Agreement for Annual Stock Option Grants under Non-Employee Director Share Incentive Plan (including Form of Notice of Grant) (filed as Exhibit 99.2 to our Registration Statement on Form S-8 filed on November 9, 2007) (SEC File No. 1-14064).* †
10.15a	Form of Stock Option Agreement for Elective Stock Option Grants under Non-Employee Director Share Incentive Plan (filed as Exhibit 99.3 to our Registration Statement on Form S-8 filed on November 9, 2007) (SEC File No. 1-14064).* †
10.16	The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (filed as Exhibit 10.17 to our Annual Report on Form 10-K filed on August 17, 2012) (SEC File No. 1-14064).* †
10.16a	The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (filed as Exhibit 10.1 to our Current Report on Form 8-K filed on November 16, 2015) (SEC File No. 1-14064).* †
10.16b	The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (SEC File No. 1-14064). †

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Exhibit Number	Description
10.16c	Form of Stock Option Agreement under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (filed as Exhibit 10.1 to our Quarterly Report on Form 10-Q filed on May 4, 2006) (SEC File No. 1-14064).* †

- 10.16d [Form of Stock Option Agreement under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan \(including Form of Notice of Grant\) \(filed as Exhibit 10.3 to our Current Report on Form 8-K filed on September 25, 2007\) \(SEC File No. 1-14064\).* †](#)
- 10.16e [Form of Stock Option Agreement under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan \(including Form of Notice of Grant\) \(filed as Exhibit 10.1 to our Quarterly Report on Form 10-Q filed on October 28, 2008\) \(SEC File No. 1-14064\).* †](#)
- 10.16f [Form of Stock Option Agreement under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan \(including Form of Notice of Grant\) \(filed as Exhibit 10.1 to our Quarterly Report on Form 10-Q filed on October 30, 2009\) \(SEC File No. 1-14064\).* †](#)
- 10.16g [Form of Stock Option Agreement under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan \(including Form of Notice of Grant\) \(filed as Exhibit 10.1 to our Quarterly Report on Form 10-Q filed on November 1, 2010\) \(SEC File No. 1-14064\).* †](#)
- 10.16h [Form of Stock Option Agreement under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan \(including Form of Notice of Grant\) \(filed as Exhibit 10.1 to our Quarterly Report on Form 10-Q filed on November 4, 2011\) \(SEC File No. 1-14064\).* †](#)
- 10.16i [Form of Stock Option Agreement under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan \(including Form of Notice of Grant\) \(filed as Exhibit 10.1 to our Quarterly Report on Form 10-Q filed on November 2, 2012\) \(SEC File No. 1-14064\).* †](#)
- 10.16j [Form of Stock Option Agreement with Fabrizio Freda under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan \(including Form of Notice of Grant\) \(filed as Exhibit 10.6 to our Quarterly Report on Form 10-Q filed on November 2, 2012\) \(SEC File No. 1-14064\).* †](#)
- 10.16k [Form of Stock Option Agreement under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan \(including Form of Notice of Grant\) \(filed as Exhibit 10.16y to our Annual Report on Form 10-K filed on August 20, 2014\) \(SEC File No. 1-14064\).* †](#)
- 10.16l [Form of Stock Option Agreement with Fabrizio Freda under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan \(including Form of Notice of Grant\) \(filed as Exhibit 10.16z to our Annual Report on Form 10-K filed on August 20, 2014\) \(SEC File No. 1-14064\).* †](#)
- 10.16m [Form of Stock Option Agreement under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan \(including Form of Notice of Grant\) \(SEC File No. 1-14064\).†](#)
- 10.16n [Form of Performance Share Unit Award Agreement for Executive Officers under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan \(including Form of Notice of Grant\) \(filed as Exhibit 10.2 to our Quarterly Report on Form 10-Q filed on November 2, 2012\) \(SEC File No. 1-14064\).* †](#)
- 10.16o [Form of Performance Share Unit Award Agreement for Employees other than Executive Officers under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan \(including Form of Notice of Grant\) \(filed as Exhibit 10.3 to our Quarterly Report on Form 10-Q filed on November 2, 2012\) \(SEC File No. 1-14064\).* †](#)

- 10.16p [Form of Performance Share Unit Award Agreement with Fabrizio Freda under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan \(including Form of Notice of Grant\) \(filed as Exhibit 10.7 to our Quarterly Report on Form 10-Q filed on November 2, 2012\) \(SEC File No. 1-14064\). * †](#)
- 10.16q [Form of Performance Share Unit Award Agreement for Employees including Executive Officers under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan \(including Form of Notice of Grant\) \(filed as Exhibit 10.16aa to our Annual Report on Form 10-K filed on August 20, 2014\) \(SEC File No. 1-14064\). * †](#)

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Exhibit Number	Description
10.16r	Form of Performance Share Unit Award Agreement for Employees including Executive Officers under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (including Form of Notice of Grant) (filed as Exhibit 10.1 to our Current Report on Form 8-K filed on August 28, 2015) (SEC File No. 1-14064). * †
10.16s	Performance Share Unit Award Agreement with Fabrizio Freda under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (including Notice of Grant) (filed as Exhibit 10.1 to our Current Report on Form 8-K filed on September 11, 2015) (SEC File No. 1-14064). * †
10.16t	Performance Share Unit Award Agreement with John Demsey under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (including Notice of Grant) (filed as Exhibit 10.1 to our Current Report on Form 8-K filed on February 1, 2016) (SEC File No. 1-14064). * †
10.16u	Form of Performance Share Unit Award Agreement under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (including Notice of Grant) (filed as Exhibit 10.2 to our Current Report on Form 8-K filed on February 1, 2016) (SEC File No. 1-14064). * †
10.16v	Form of Performance Share Unit Award Agreement under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (including Notice of Grant) (SEC File No. 1-14064). †
10.16w	Form of Restricted Stock Unit Award Agreement for Executive Officers under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (including Form of Notice of Grant) (filed as Exhibit 10.4 to our Quarterly Report on Form 10-Q filed on November 2, 2012) (SEC File No. 1-14064). * †
10.16x	Form of Restricted Stock Unit Award Agreement for Employees other than Executive Officers under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (including Form of Notice of Grant) (filed as Exhibit 10.5 to our Quarterly Report on Form 10-Q filed on November 2, 2012) (SEC File No. 1-14064). * †
10.16y	Form of Restricted Stock Unit Award Agreement under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (including Form of Notice of Grant) (filed as Exhibit 10.1 to our Quarterly Report on Form 10-Q filed on February 6, 2013) (SEC File No. 1-14064). * †

10.16z	Form of Restricted Stock Unit Award Agreement for Executive Officers under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (including Form of Notice of Grant) (filed as Exhibit 10.16bb to our Annual Report on Form 10-K filed on August 20, 2014) (SEC File No. 1-14064). * †
10.16aa	Form of Restricted Stock Unit Award Agreement under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (including Form of Notice of Grant) (SEC File No. 1-14064). †
10.16bb	Form of Restricted Stock Unit Award Agreement for Executive Officers under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (including Form of Notice of Grant) (SEC File No. 1-14064). †
10.16cc	Form of Restricted Stock Unit Award Agreement for Employees other than Executive Officers under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (including Form of Notice of Grant) (SEC File No. 1-14064). †
10.17	Summary of Compensation For Non-Employee Directors of the Company (filed as Exhibit 10.2 to our Quarterly Report on Form 10-Q filed on November 1, 2013) (SEC File No. 1-14064).* †
10.18	\$1 Billion Credit Agreement, dated as of July 15, 2014, by and among The Estée Lauder Companies Inc. (the “Company”), the Eligible Subsidiaries of the Company, as defined therein, the lenders listed therein, JPMorgan Chase Bank, N.A., as administrative agent, Citibank, N.A. and BNP Paribas, as syndication agents, and Bank of America, N.A. and The Bank of Tokyo-Mitsubishi UFJ, Ltd., as documentation agents (filed as Exhibit 10.1 to our Current Report on Form 8-K filed on July 17, 2014) (SEC File No. 1-14064).*
10.18a	Amendment No. 1 dated as of May 28, 2015, to the Credit Agreement, dated as of July 15, 2014 (the “Credit Agreement”), by and among The Estée Lauder Companies Inc. (the “Company”), the eligible subsidiaries of the Company as listed in the Credit Agreement, the lenders party to the Credit Agreement and JPMorgan Chase Bank, N.A., as administrative agent, issuing bank and swingline lender (filed as Exhibit 10.18a to our Annual Report on Form 10-K filed on August 20, 2015) (SEC File No. 1-14064).*

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Exhibit Number	Description
10.19	\$1.5 Billion Credit Agreement, dated as of October 3, 2016, by and among The Estée Lauder Companies Inc., the Eligible Subsidiaries of the Company, as defined therein, the lenders listed therein, JPMorgan Chase Bank, N.A., as administrative agent, Citibank, N.A., BNP Paribas, Bank of America, N.A., and The Bank of Tokyo-Mitsubishi UFJ, Ltd., as syndication agents (filed as Exhibit 10.1 to our Current Report on Form 8-K filed on October 4, 2016) (SEC File No. 1-14064).*
10.20	Services Agreement, dated January 1, 2003, among Estee Lauder Inc., Melville Management Corp., Leonard A. Lauder, and William P. Lauder (filed as Exhibit 10.2 to our Quarterly Report on Form 10-Q filed on January 28, 2010) (SEC File No. 1-14064).*
10.21	Services Agreement, dated November 22, 1995, between Estee Lauder Inc. and RSL Investment Corp. (filed as Exhibit 10.3 to our Quarterly Report on Form 10-Q filed on January 28, 2010) (SEC File No. 1-14064).*

10.22	<u>Agreement of Sublease and Guarantee of Sublease, dated April 1, 2005, among Aramis Inc., RSL Management Corp., and Ronald S. Lauder (filed as Exhibit 10.4 to our Quarterly Report on Form 10-Q filed on January 28, 2010) (SEC File No. 1-14064).*</u>
10.22a	<u>First Amendment to Sublease, dated February 28, 2007, between Aramis Inc. and RSL Management Corp. (filed as Exhibit 10.5 to our Quarterly Report on Form 10-Q filed on January 28, 2010) (SEC File No. 1-14064).*</u>
10.22b	<u>Second Amendment to Sublease, dated January 27, 2010, between Aramis Inc. and RSL Management Corp. (filed as Exhibit 10.6 to our Quarterly Report on Form 10-Q filed on January 28, 2010) (SEC File No. 1-14064).*</u>
10.22c	<u>Third Amendment to Sublease, dated November 3, 2010, between Aramis Inc., and RSL Management Corp. (filed as Exhibit 10.1 to our Quarterly Report on Form 10-Q filed on February 4, 2011) (SEC File No. 1-14064).*</u>
10.23	<u>Form of Art Loan Agreement between Lender and Estee Lauder Inc. (filed as Exhibit 10.7 to our Quarterly Report on Form 10-Q filed on January 28, 2010) (SEC file No. 1-14064).*</u>
10.24	<u>Creative Consultant Agreement, dated April 6, 2011, between Estee Lauder Inc. and Aerin Lauder Zinterhofer (filed as Exhibit 10.1 to our Current Report on Form 8-K filed on April 8, 2011) (SEC File No. 1-14064).* †</u>
10.24a	<u>First Amendment to Creative Consultant Agreement between Estee Lauder Inc. and Aerin Lauder Zinterhofer dated October 28, 2014 (filed as Exhibit 10.23a to our Annual Report on Form 10-K filed on August 20, 2015).*</u> <u>†</u>
10.24b	<u>Second Amendment to Creative Consultant Agreement between Estee Lauder Inc. and Aerin Lauder Zinterhofer effective July 1, 2016 (filed as Exhibit 10.18a to our Annual Report on Form 10-K filed on August 24, 2016) (SEC File No. 1-14064).* †</u>
10.25	<u>License Agreement, dated April 6, 2011, by and among Aerin LLC, Aerin Lauder Zinterhofer and Estee Lauder Inc. (filed as Exhibit 10.2 to our Current Report on Form 8-K filed on April 8, 2011) (SEC File No. 1-14064).*</u>
21.1	<u>List of significant subsidiaries.</u>
23.1	<u>Consent of KPMG LLP.</u>
24.1	<u>Power of Attorney.</u>
31.1	<u>Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (CEO).</u>
31.2	<u>Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (CFO).</u>
32.1	<u>Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (CEO). (furnished)</u>
32.2	<u>Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (CFO). (furnished)</u>
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document

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Exhibit Number	Description
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document

* Incorporated herein by reference.

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

FIRST AMENDMENT TO
REGISTRATION RIGHTS AGREEMENT

AMENDMENT NO. 1, dated as of May 17, 1996 (this “Amendment”), to the Registration Rights Agreement, dated November 22, 1995 (the “Agreement”), by and between The Estée Lauder Companies Inc., a Delaware corporation (the “Company”), Leonard A. Lauder (“LAL”), Ronald S. Lauder (“RSL”), William P. Lauder (“WPL”), Gary M. Lauder (“GML”), Aerin Lauder, Jane Lauder, LAL Family Partners L.P., Lauder & Sons L.P., a Delaware limited partnership, LAL, RSL and Ira T. Wender, as trustees (the “EL Trustees”), u/a/d as of June 2, 1994, as amended. between Estée Lauder, as settlor, and the EL Trustees, and known as “The Estée Lauder 1994 Trust Agreement” (the “EL Trust”), LAL and Joel S. Ehrenkranz, as trustees (the “LAL Trustees”), u/a/d as of November 16, 1995, between Estée Lauder, as settlor, and the LAL Trustees, and known as the “The LAL 1995 Preferred Stock Trust” (the “LAL Trust”), the trustees of the various other trusts set forth on the signature pages hereof and Morgan Guaranty Trust Company of New York in its capacity as pledgee of RSL (“Morgan”).

W I T N E S S E T H:

WHEREAS, the Company and the other parties to the Agreement wish to modify the period during which Preferred Stock Requesting Holders may demand registration of their Registrable Preferred Stock; and

WHEREAS, the Company and the other parties to the Agreement wish to clarify the group of persons entitled to piggyback registration rights under the Agreement.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants herein contained, the parties hereto hereby agree as follows:

1. Capitalized terms used in this Amendment without definition shall have the respective meanings ascribed to such terms in the Agreement.
2. For purposes of the Agreement, as amended by the Amendment, the following terms shall have the meanings ascribed to them below:
 - (a) “Preferred Stock Demand Exercise Period” shall mean the period beginning on November 22, 1995 and ending on the later of (a) Mrs. Lauder’s death and (b) June 30, 2000.
 - (b) “Participating Holder” shall mean any Common Stock Demand Holder, any Preferred Stock Requesting Holder or any other Holder.

3. Except as expressly set forth in this Amendment, the Agreement has not been amended or modified and remains in full force and effect.

4. This Amendment shall be governed by and construed in accordance with the internal laws of the State of New York (other than its rules of conflicts of law to the extent the application of the laws of another jurisdiction would be required thereby).

5. This Amendment may be executed in any number of counterparts, each of which shall be deemed to be an original, and all of which, when taken together, shall constitute one and the same agreement.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Agreement as of the date first above written.

THE ESTÉE LAUDER COMPANIES INC.

By: /s/ Leonard A. Lauder

Name: Leonard A. Lauder

Title: Chairman and Chief Executive Officer

/s/ Leonard A. Lauder

Leonard A. Lauder, (a) individually, (b) as Managing Partner of LAL Family Partners L.P., (c) as Trustee of The Estée Lauder 1994 Trust, (d) as a Class B General Partner of Lauder & Sons L.P., (e) as Trustee of The 1995 Estée Lauder LAL Trust (a Class B General Partner of Lauder & Sons L.P.) and (f) as Trustee of the LAL Trust

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/s/ Ronald S. Lauder

Ronald S. Lauder, (a) individually, (b) as Trustee of The Descendants of RSL 1966 Trust, (c) as Trustee of The Estée Lauder 1994 Trust, (d) as a Class B General Partner of Lauder & Sons L.P. and (e) as Trustee of The 1995 Estée Lauder RSL Trust (a Class B General Partner of Lauder & Sons L.P.)

/s/ William P. Lauder

William P. Lauder, (a) individually and (b) as Trustee of The 1992 Leonard A. Lauder Grantor Retained Annuity Trust

/s/ Gary M. Lauder

Gary M. Lauder, (a) individually and (b) as Trustee of The 1992 Leonard A. Lauder Grantor Retained Annuity Trust

/s/ Aerin Lauder

Aerin Lauder

/s/ Jane Lauder

Jane Lauder

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/s/ Joel S. Ehrenkranz

Joel S. Ehrenkranz, (a) as Trustee of the 1992 Leonard A. Lauder Grantor Retained Annuity Trust, (b) as Trustee of the Trust f/b/o Gary M. Lauder and William P. Lauder u/a/d December 15, 1976, created by Leonard Lauder, as Grantor, (c) as Trustee of The 1995 Estée Lauder LAL Trust (a Class B General Partner of Lauder & Sons L.P.) and (d) as Trustee of the LAL Trust

/s/ Carol S. Boulanger

Carol S. Boulanger, as Trustee of the Trust f/b/o Gary M. Lauder and William P. Lauder u/a/d December 15, 1976, created by Leonard Lauder, as Grantor

/s/ Richard D. Parsons

Richard D. Parsons, (a) as Trustee of the Trust f/b/o Aerin Lauder and Jane Lauder u/a/d December 15, 1976,

created by Estée Lauder and Joseph H. Lauder, as Grantors, (b) as Trustee of the Trust f/b/o Aerin Lauder and Jane Lauder u/a/d December 15, 1976, created by Ronald S. Lauder, as Grantor and (c) as Trustee of The 1995 Estée Lauder RSL Trust (a Class B General Partner of Lauder & Sons L.P.)

/s/ Ira T. Wender

Ira T. Wender, (a) as Trustee of The Estée Lauder 1994 Trust, (b) as Trustee of The 1995 Estée Lauder LAL Trust (a Class B General Partner of Lauder & Sons L.P.) and (c) as Trustee of The 1995 Estée Lauder RSL Trust (a Class B General Partner of Lauder & Sons L.P.)

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Morgan Guaranty Trust Company of New York,
in its capacity as pledgee of Ronald S. Lauder

By: /s/ Willa B. Baynard

Name: Willa B. Baynard

Title: Vice President

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**THE ESTEE LAUDER COMPANIES
RETIREMENT GROWTH ACCOUNT PLAN**

**As Amended and Restated
Effective as of January 1, 2017**

**AMENDMENT AND RESTATEMENT OF
THE ESTEE LAUDER COMPANIES
RETIREMENT GROWTH ACCOUNT PLAN**

SECTION 1

NAME AND CONSTRUCTION

1.1 Name of Plan. This Plan shall be known as the “The Estee Lauder Companies Retirement Growth Account Plan.”

1.2 Construction. It is the intention of Estee Lauder that the amended and restated Plan, and its attendant trust fund, will continue to meet the requirements of ERISA and be qualified and exempt from taxes under Sections 401 and 501 of the Code. Effective January 1, 1996, the Plan also is intended to be a “multiple employer plan” within the meaning of Section 413(c) of the Code. The Plan is intended to be a defined benefit plan for purposes of ERISA and the Code.

1.3 Effective Date.

(a) This Amendment and Restatement of the Plan shall generally be effective as of January 1, 2017; provided, however, that earlier or later effective dates may apply to specific provisions of the Plan, as noted in such provisions.

(b) The rights of any person who terminated employment or retired on or before the effective date of any of the relevant provisions of this amendment and restatement of the Plan, including his or her eligibility for benefits, shall be determined solely under the terms of the Plan as in effect on the date of his termination or retirement, unless such person is thereafter reemployed (and, to the extent relevant, again becomes an Active Participant) on or after the effective date of any such provision of amendment and restatement, in which case such provision shall apply to such person.

SECTION 2

DEFINITIONS

2.1 “Accrued Benefit” means a monthly amount of retirement income determined for a Participant as of a specified date, commencing on a Participant’s Normal Retirement Date, and payable as a single life annuity. The Accrued Benefit as of a specified date equals the Participant’s Retirement Account projected to Normal Retirement Date with interest at 4% per annum and then divided by the applicable factor from Appendix A. If the Accrued Benefit is determined after the Participant’s Normal Retirement Date, the Accrued Benefit equals the Participant’s Retirement Account divided by the applicable factor from Appendix A. For those who were participants in the Prior Plans as of December 31, 1990 and satisfy the applicable requirements set forth in Appendix B, the Accrued Benefit is the greater of the accrued benefit described above or the accrued benefit determined under the Prior Plans, as described in Section 5.5 hereof.

2.2 “Actuarial Equivalent” means, with respect to a Participant’s Accrued Benefit, another annuity or benefit that commences at a different date and/or is payable in a different form than the Accrued Benefit, but which has the same present value as the Accrued Benefit, when measured on the basis of the interest rate, mortality table and other factors specified in Appendix A as of the date of commencement of payment of such annuity or benefit, as calculated by or under the supervision of an actuary appointed by Estee Lauder or the Fiduciary Committee, which actuary has been enrolled under Subtitle C of Title III of ERISA.

2.3 “Approved Absence” means (a) any period of absence from work (other than any such absence on account of a period of Disability), with the approval or direction of the Employer, for up to 12 months and, provided said Employee returns to work for the Employer at such time as the Employer may reasonably require, the Approved Absence may exceed such 12-month period but will not be in excess of 24 months, (b) any period of absence during which the Employee was in military service with the armed forces (including Coast Guard and Merchant Marine Service) if the Employee has reemployment rights under applicable laws and complies with the requirements of the law as to reemployment and is reemployed, and (c) any period of Disability, but (except as provided in the last paragraph of Section 5.5) not to exceed 12 months. An Approved Absence will be disregarded for the purpose of the Plan, and the Employee will be regarded as in the service of the Employer during any period of an Approved Absence.

The Hours of Service credited during an Approved Absence shall be those which would normally have been credited but for such absence, or in any case in which the Employer is unable to determine such hours normally credited, eight (8) Hours of Service per day.

2.4 “Average Final Compensation” means the highest average annual “compensation” which is produced by averaging an Employee’s compensation for any five (5) consecutive calendar years within the Employee’s Years of Credited Service. For purposes of this Section only, “compensation” means the straight time basic salary or wages paid to an Employee by the Employer for his services during each calendar year, inclusive of salary reduction contributions made by an Employer on behalf of the Employee under a “cash or deferred arrangement” described in Section 401(k) of the Code and pre-tax contributions made by the Employee under a “cafeteria plan” described in Section 125 of the Code and (effective

January 1, 2001) under an arrangement described in Section 132(f)(4) of the Code, in each case maintained by an Employer, but excluding bonuses, payments for overtime, other Employer contributions for pension, insurance or other welfare benefits, or any other special payments. Notwithstanding the foregoing provisions of this Section 2.4, except to the extent otherwise provided in Section 5.5, “compensation” for each calendar year shall

not exceed the dollar limitation under Section 401(a)(17) of the Code, subject to any adjustment to reflect increases in the cost of living determined by the Secretary of the Treasury pursuant to Section 401(a)(17) of the Code. In determining Average Final Compensation for Participants whose retirement or termination of employment is on or after January 1, 2002, the Participant's "compensation" for 2001 and prior years shall be subject to the annual compensation limit in effect under Section 401(a)(17) of the Code on January 1, 2002 (\$200,000). Effective as of January 1, 2009, "compensation" for purposes of this Section 2.4 shall also include any "differential pay" (as defined in Section 2.10).

2.5 "Beneficiary" means any individual, trust, estate or other recipient entitled pursuant to Section 7.3 of this Plan to receive benefits, on either a primary or contingent basis, because of the death of a Participant.

2.6 "Board of Directors" or "Board" means the Board of Directors of Estee Lauder.

2.7 "Break in Service" means, with respect to any person, a Plan Year during which such person does not perform more than 500 Hours of Service; provided, however, that for purposes of Years of Eligibility Service, such term shall mean the 12-month period commencing on a person's Employment Commencement Date or a Plan Year, as the case may be (a "computation period"), during which such person does not perform more than 500 Hours of Service. A person who is absent from work for maternity or paternity reasons shall be credited with the lesser of the number of Hours of Service necessary to prevent a Break in Service or the number of hours which otherwise would normally have been credited to such person but for such absence (i) in the computation period in which the absence begins, if necessary to prevent a Break in Service, and (ii) in all other cases, in the following computation period. For purposes of this Section, an absence from work for maternity or paternity reasons means an absence (i) by reason of the pregnancy of the person, (ii) by reason of the birth of a child of the person, (iii) by reason of the placement of a child with the person in connection with the adoption of such child by such person or (iv) for purposes of caring for such child for a period beginning immediately following such birth or placement. No person shall incur a Break in Service solely on account of an absence which qualifies under the Family Medical Leave Act of 1993, to the extent required under the provisions of such Act.

2.8 "Code" means the Internal Revenue Code of 1986, as amended.

2.9 "Committee" means The Estee Lauder Inc. Employee Benefits Committee appointed pursuant to Section 11 hereof.

2.10 "Compensation" means, for a particular Plan Year, the straight time basic salary or wages paid to an Employee by the Employer on and after the Entry Date on which the Employee first becomes eligible to participate in the Plan pursuant to Section 3, inclusive of

salary reduction contributions made by an Employer on behalf of the Employee under a "cash or deferred arrangement" described in Section 401(k) of the Code and pre-tax contributions made by the Employee under a "cafeteria plan" described in Section 125 of the Code or (effective January 1, 2001) under an arrangement described in Section 132(f)(4) of the Code, in each case maintained by the Employer, and including bonuses, shift differential, back-up pay, overtime pay, paid time off, training and travel time pay, but excluding (i) commissions, (ii) payments in lieu of unused vacation time, sick time, holidays, seniority days or other unused paid time off, (iii) referral fees, (iv) gratuities, (v) relocation payments, (vi) special allowance payments, (vii) sign-on

payments, (viii) on-call compensation, (ix) any other amounts which are not currently included in the Employee's income for Federal income tax purposes, and (x) amounts paid under Estee Lauder's Short-Term Disability Plan or Long-Term Disability Plan. In addition to other applicable limitations that may be set forth in the Plan and notwithstanding any other contrary provision of the Plan, Compensation taken into account under the Plan for the purpose of calculating a Plan Participant's Accrued Benefit shall not exceed the dollar limitation under Section 401(a)(17) of the Code, subject to any adjustment to reflect increases in the cost of living determined by the Secretary of the Treasury pursuant to Section 401(a)(17) of the Code. Notwithstanding the foregoing, for Participants who terminate employment on or after December 1, 2002, the annual amounts credited to their Retirement Account pursuant to Section 5 for Plan Years prior to 2002 shall be retroactively adjusted as though the \$200,000 dollar limitation in effect under Section 401(a)(17) of the Code for 2002 had been in effect for such prior Plan Years (subject to the Plan's compliance with Sections 401(a)(4) and 415 of the Code and the Treasury Regulations thereunder).

Effective as of January 1, 2009, Compensation shall also include any "differential pay." For this purpose, "differential pay" shall mean any payment which (i) is made by an Employer to an individual with respect to any period during which he or she is performing service in the uniformed services (as defined in Chapter 43, Title 38, United States Code) while on active duty for a period of more than 30 days, and (ii) represents all or a portion of the amount the individual would have received from the Employer if he or she were performing services for such Employer.

Notwithstanding the exclusion of commissions from "Compensation" pursuant to the first paragraph of this Section 2.10, commissions paid on or after April 1, 2010 to Employees of Aveda Corporation, Aveda Experience Centers Inc., Aveda Institute Inc. or Aveda Services Inc. shall be counted as "Compensation" for all purposes under the Plan.

2.11 "Disability" means, with respect to any Employee, a condition which constitutes a disability under the terms of the Employer's Long-Term Disability Plan or under Title II of the Federal Social Security Act, regardless of whether such Employee is otherwise in fact entitled to receive benefits under the Employer's Long-Term Disability Plan and/or Title II of the Federal Social Security Act.

2.12 "Domestic Partner" means any person who is not the Participant's spouse and who, together with the Participant, has properly certified in the form and manner designated by the Committee that they qualify as a domestic partnership. Once an individual has been recognized as a Domestic Partner under the Plan, the individual shall continue to be treated as a Domestic Partner until the earlier of the individual's death, the individual's marriage to the

Participant, or the date the individual or the Participant furnishes, in the form and manner designated by the Committee, a written statement certifying the termination of the domestic partnership.

2.13 "Early Retirement Date" means the first day of the month which next follows a Participant's termination of employment on or after attainment of at least age 55 and completion of at least ten (10) Years of Service, but prior to the Participant's Normal Retirement Date.

2.14 "Effective Date," with respect to the Plan as amended and restated and set forth herein, means January 1, 2017.

2.15 “Employee” means any person who is classified as an employee on the payroll records of an Employer, in accordance with the Employer’s standard personnel practices. Individuals not classified as employees on the payroll records of the Employer for a particular period shall not be considered “Employees” for such period even if a court or administrative agency subsequently determines that such individuals were common law employees of the Employer during such period. Anything herein to the contrary notwithstanding, the term “Employee” shall not include:

- (a) a person who is represented by or included in a collective bargaining unit recognized by the Employer unless the Employer and the collective bargaining agent have agreed that the Plan shall apply to such unit;
- (b) with respect to periods prior to July 1, 1998, an In-Store Employee;
- (c) a person who would be an In-Store Employee, but for the fact that such person is classified as an international military sales person;
- (d) a person who is a nonresident alien who receives no compensation from an Employer which constitutes income from sources within the United States (other than a person employed by Clinique Laboratories, Inc. (Puerto Rico Branch));
- (e) any person who is performing services for the Employer pursuant to an agreement between the Employer and a third party leasing organization, staffing firm, professional employer organization or other similar third party organization; or
- (f) a person who is classified as an “on-call employee” in accordance with the Employer’s standard personnel practices.

Notwithstanding the foregoing, and solely for purposes of determining a person’s non-forfeitable benefit and eligibility to become a Participant, if a person who had been a Leased Employee becomes an Employee, such person shall be treated as an Employee from the first date that such person would have first been treated as a Leased Employee, determined without regard to the one (1)-year requirement of Section 414(n)(2)(B) of the Code; provided, however, that such person shall not become a Participant prior to the first Entry Date coincident with or next following becoming an Employee.

2.16 “Employer” means Estee Lauder, and any other company included within the Group that includes Estee Lauder (or any other corporation or unincorporated trade or business not included within the Group that includes Estee Lauder) that adopts the Plan with the approval of Estee Lauder, as provided in Section 15 hereof, and any successor to any such company that participated in this Plan.

2.17 “Employment Commencement Date” means, with respect to any person, the date coincident with or next following the date on which such person first performs an Hour of Service; provided, however, that with respect to a person who incurs a Break in Service and is thereafter reemployed, such term shall mean the date subsequent to such Break in Service on which he first performs an Hour of Service.

2.18 “Entry Date” means each January 1 and July 1; provided, however, that prior to January 1, 1993, with respect to any person who was a regular and non-contingent Employee of the Employer, “Entry Date” means the first date coincident with or next following such person’s Employment Commencement Date.

2.19 “ERISA” means the Employee Retirement Income Security Act of 1974, as amended.

2.20 “Estee Lauder” means Estee Lauder Inc., a corporation duly organized under the laws of the State of Delaware, and any successor thereto.

2.21 “Fiduciary Committee” means the Estee Lauder Inc. Fiduciary Investment Committee, the members of which shall be appointed by the Board.

2.22 “Group” means Estee Lauder and any other unit or organization that is related to Estee Lauder as a member of a “controlled group of corporations,” a group under “common control” or an “affiliated service group,” all as determined pursuant to Sections 414(b), (c), and (m) of the Code. With respect to a participating Employer which is not in the same Group as Estee Lauder, “Group” means such Employer and any other unit or organization that is related to such employer as a member of a “controlled group of corporations,” a group under “common control” or an “affiliated service group,” all as determined pursuant to Sections 414(b), (c) and (m) of the Code. For purposes of determining whether or not a person is an Employee and the period of employment of such person, each such unit or organization shall be included in the Group only for such period or periods during which it is a “member” of the Group.

2.23 “Hour of Service” means:

(a) Each hour for which an Employee is directly or indirectly compensated, or entitled to be compensated, by the Employer for the performance of duties.

(b) Each hour for which an Employee is credited by the Employer during an Approved Absence.

(c) Except as provided in (b) above, each hour, to a maximum of 501 hours for any single continuous period, for which an Employee is directly or indirectly

compensated, or entitled to be compensated, by the Employer for reasons other than the performance of duties (irrespective of whether the employment relationship has terminated) due to vacation, holidays, incapacity, layoff, jury duty or military duty. Hours shall not be credited for payment to an Employee from a plan required by workers’ compensation, unemployment compensation or disability insurance laws, nor shall hours be credited for reimbursement of such an Employee for his medical or medically-related expenses.

(d) Each hour for which back pay, irrespective of mitigation of damages, has been awarded or agreed to by the Employer provided that if such award or agreement of back pay is for reasons other than the performance of duties, such hours shall be subject to the restrictions of paragraph (c).

The same Hours of Service shall not be credited under more than one of the paragraphs above. All Hours of Service shall be computed and credited to computation periods in accordance with Sections 2530.200b-2(b) and (c) of the Department of Labor regulations; provided, however, that Hours of Service under

paragraph (a) above, with respect to any payroll period, shall be credited for the Plan Year in which such payroll period ends. In determining an Employee's Hours of Service, he shall receive credit for all Hours of Service performed for any corporation or other entity which is a member of the Group; provided that (a) he shall not be credited with any Hours of Service performed for any such corporation or other entity prior to the time that such entity becomes a member of the Group and (b) the number of Hours of Service so credited with respect to his employment with such entity shall cease at the time such entity is no longer a member of the Group.

Notwithstanding any of the foregoing requirements of this definition, an individual employed by the Employer (or by any other member of the Group which includes the Employer) as a common law employee, but who is not then classified as an Employee (including, but not limited to, an individual who was an Employee and thereafter becomes an Inactive Participant on account of a transfer of employment to a non-Employer member of the Group) shall, except for purposes of determining Years of Credited Service, nevertheless be credited with Hours of Service for all periods with respect to which such person is in fact so employed as a common law employee, to the same extent as if he had been an Employee.

When an Employee's total actual Hours of Service are not specifically tracked during a payroll period, the following equivalencies shall be used in accordance with Section 2530.200b-3(e) of the Department of Labor regulations: Employees shall be credited with the following Hours of Service for each payroll period for which they are required to be credited with at least one (1) Hour of Service:

<u>Payroll Period Applicable to Employee</u>	<u>Hours of Service</u>
Monthly	190
Semi-monthly	95
Biweekly	90
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Weekly	45
Per diem	10

2.24 "In-Store Employee" means any person who:

(a) is classified as an employee on the payroll records of the Employer, in accordance with the Employer's standard personnel practices; and

(b) performs services primarily in department stores, or in free-standing stores owned or leased by Estee Lauder or by another member of the Group that make sales to the general public (including stores providing sales of discounted merchandise to the general public).

2.25 "Initial Effective Date" means January 1, 1991.

2.26 “Leased Employee” means an individual who performs services for the Employer, other than as a common law employee, if (a) such services are provided pursuant to a written or oral agreement between the Employer and any other person; (b) the individual has performed during any consecutive 12-month period (i) at least 1,500 Hours of Service for the Employer or (ii) a number of Hours of Service which is at least 501 and which is at least equal to 75% of the median Hours of Service that are customarily performed by an employee of the Employer in the particular position; and (c) such services are performed under the primary direction or control of the Employer.

2.27 “Normal Retirement Date” means the first day of the month which next follows a Participant’s attainment of at least age 65 and completion of at least five (5) Years of Service.

2.28 “Normal Retirement Income” means a Participant’s Accrued Benefit payable hereunder at his Normal Retirement Date in the form provided in Section 9.1 hereof.

2.29 “Participant” means any person who has become eligible to participate in the Plan in accordance with Section 3, and who has neither been paid in full any benefit to which he may be entitled under the Plan nor completely forfeited such benefit. An “Active Participant” means a Participant who is an Employee. An “Inactive Participant” means a Participant who is not an Active Participant.

2.30 “Periodic Adjustment Percentage” means:

(a) For Plan Years beginning prior to January 1, 2017, the greater of (i) the arithmetic daily average of one (1)-year Treasury Constant Maturities for each calendar year immediately preceding the applicable Plan Year for which it is applied, as published in the Federal Reserve Statistical Release H.15 (519) of the Board of Governors of the Federal Reserve System, or (ii) 4%, and

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(b) For Plan Years beginning on or after January 1, 2017, the greater of (i) the arithmetic average of the monthly averages of one (1)-year Treasury Constant Maturity rates determined for each of the last five (5) months of the calendar year immediately preceding the applicable Plan Year for which it is applied, as published in the Federal Reserve Statistical Release H.15 (519) of the Board of Governors of the Federal Reserve System, or (ii) 4%.

2.31 “Plan” means The Estee Lauder Companies Retirement Growth Account Plan as effective January 1, 1991, and as it hereafter may be further amended from time to time.

2.32 “Plan Year” means the calendar year.

2.33 “Prior Plan” means the Estee Lauder Inc. Employee Retirement Plan, As Amended Effective July 1, 1975 (incorporating all amendments adopted through December 31, 1990), or the Estee Lauder Hemisphere Corporation Pension Plan, As Amended and Restated Effective January 1, 1986 (incorporating all amendments adopted through December 31, 1990), as such plans were in effect immediately prior to January 1, 1991, whichever plan (if any) is applicable to a Participant. The terms and provisions of the applicable Prior Plan fix and determine the rights and obligations under the Plan with respect to any Employee whose employment terminated prior to January 1, 1991.

2.34 “Retirement Account” means the bookkeeping account maintained with respect to a Participant as described in Section 5.1 hereof.

2.35 “Retirement Income Commencement Date” means the first day of the first period for which a benefit under the Plan is paid as an annuity or any other form.

2.36 “Social Security Covered Compensation” means the 35 year average of the maximum annual wages covered by the Federal Social Security Act as in effect, ending in the year Social Security retirement age (as defined in Section 415(b)(8) of the Code) is attained.

2.37 “Surviving Spouse” means a wife or husband of a Participant who has been married to such Participant by legal contract as of the earlier of the death of the Participant or the Participant’s Retirement Income Commencement Date.

2.38 “Trustee” means the trustee or trustees which may at any time be acting as trustee of the Trust Fund, as provided in Section 12 hereof.

2.39 “Trust Fund” or “Fund” means all funds at any time held by the Trustee and/or insurance company for the purposes of the Plan, as provided in Section 12 hereof.

2.40 “Year of Credited Service” means, with respect to any Participant, a Plan Year during which the Participant completes at least 1,000 Hours of Service as an Employee, commencing on such Participant’s Entry Date, or, if later, January 1, 1993. In the case of a Participant who participated in the Plan prior to January 1, 1993, Years of Credited Service shall also include all Years of Credited Service accrued under the Plan as of December 31, 1992; fractional Years of Credited Service accrued under the Plan as of December 31, 1992 shall be converted to Hours of Service by crediting such Participant, for the Plan Year commencing on January 1, 1993, with 190 Hours of Service for each calendar month during which the Participant

performed an Hour of Service. In the case of a Participant who was a participant in a Prior Plan, Years of Credited Service shall, in addition, include all Credited Service (as defined in the Prior Plan) recognized under such Prior Plan for benefit accrual purposes as of December 31, 1990.

2.41 “Year of Eligibility Service” means, with respect to any person, a consecutive 12-month period beginning on such person’s Employment Commencement Date during which he completes at least 1,000 Hours of Service. If such person fails to complete at least 1,000 Hours of Service during such 12-month period, then a “Year of Eligibility Service” shall be determined based on the completion of at least 1,000 Hours of Service in the Plan Year beginning with or within the 12-month period beginning on such person’s Employment Commencement Date, and then each Plan Year thereafter.

In the case of a Participant who terminates employment and does not have any nonforfeitable right to his Accrued Benefit, Years of Eligibility Service before a period of consecutive one (1)-year Breaks in Service shall not be taken into account if the number of consecutive one (1)-year Breaks in Service in such period equals or exceeds five (5). A Participant whose Years of Eligibility Service are disregarded pursuant to the preceding sentence shall, upon his reemployment, be treated as newly employed for eligibility purposes. If a Participant’s

Years of Service may not thus be disregarded, such Participant shall again become an Active Participant immediately upon the date he first performs an Hour of Service as an Employee.

2.42 “Year of Service” means, with respect to any person, a Plan Year during which the person completes at least 1,000 Hours of Service (except as set forth in Section 8.4 hereof (relating to the “rule of parity”)) commencing on the later of January 1, 1993, or

(i) for purposes of Section 5.2 hereof, in the case of any In-Store Employee who becomes a Participant on July 1, 1998 or in the case of employment by a non-Employer member of the Group, the Employment Commencement Date,

(ii) for purposes of Section 5.2, in the case of any Participant not described in the foregoing clause (i), the first day of the Plan Year in which such person’s Entry Date occurs, and

(iii) for purposes of Section 8 hereof, the Employment Commencement Date.

In the case of a person who was in the employ of an Employer or other member of the Group prior to January 1, 1993, Years of Service shall also include all Years of Service accrued under the Plan as of December 31, 1992; fractional Years of Service accrued under the Plan as of December 31, 1992 shall be converted to Hours of Service by crediting such person, for the Plan Year commencing on January 1, 1993, with 95 Hours of Service for each semi-monthly period during which the person performed an Hour of Service.

In the case of a person who was a participant in a Prior Plan, Years of Service shall, in addition, include (i) for purposes of Section 8 hereof, all Service (as defined in the Prior Plan) recognized for purposes of vesting under such Prior Plan as of December 31, 1990 and

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(ii) for purposes of Section 5.2, all Credited Service (as defined in the Prior Plan) recognized under such Prior Plan for benefit accrual purposes as of December 31, 1990.

The masculine pronoun wherever used herein shall include the feminine pronoun, and the singular shall include the plural.

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SECTION 3

PARTICIPATION

3.1 Each Employee who was a participant in a Prior Plan immediately prior to the Initial Effective Date shall become a Participant herein as of the Initial Effective Date.

3.2 Each person who becomes an Employee on or after the Initial Effective Date, or who became an Employee prior to that date but was not a participant in a Prior Plan immediately prior to the Initial Effective Date, shall become a Participant on the first Entry Date on which such person is an Employee coincident with or next following his completion of a Year of Eligibility Service; provided, however, that any

person who was an In-Store Employee on June 30, 1998 and completed at least a Year of Eligibility Service at any time on or prior to such date shall become a Participant on July 1, 1998 if such person remains an Employee on such date; and further, provided, that, in the case of any Employee whose Entry Date, determined without regard to any Year of Eligibility Service requirement, would otherwise have occurred prior to January 1, 1993, such Employee shall become a Participant as of such Entry Date, without the need to also complete a Year of Eligibility Service.

3.3 If a person who has been in the employ of an Employer or another member of the Group as a non-Employee subsequently becomes an Employee, such Employee shall become a Participant in accordance with Section 3.2 hereof.

3.4 A Participant who has become an Inactive Participant on account of his ceasing to be an Employee, while remaining employed by a member of the Group, shall once again become an Active Participant upon the date on which he first performs an Hour of Service as an Employee following the date he becomes an Inactive Participant.

3.5 Except as otherwise provided in this Section, benefits commencing after Normal Retirement Age shall not be less than the Actuarial Equivalent of the benefits to which the Participant would have been entitled if such benefits had commenced at Normal Retirement Age. Upon written notification to a Participant who elects to remain in service pursuant to Section 4.3 hereof, or to a former retired Participant who returns to the service of an Employer as a Participant herein, the retirement income payments to which the Participant is entitled on and after Normal Retirement Age but before he retires (or, in the case of a former retired Participant, again retires) shall be permanently forfeited so long as such Participant remains in "section 203(a)(3)(B) service," as described in Department of Labor Regulation Section 2530.203-3(c). For this purpose, a Participant's service shall be deemed "section 203(a)(3)(B) service" for any month in which he is credited with at least 40 Hours of Service or such other standard as may be applicable under Section 203(a)(3)(B) of ERISA. In the case of a Participant whose retirement income commenced to be paid before his Normal Retirement Date, upon his subsequent retirement, his retirement income shall be recomputed, based on the amount credited to his Retirement Account pursuant to Section 5 hereof and reduced on an actuarial basis to take account of retirement income payments previously received by him.

3.6 Notwithstanding the foregoing, the following eligibility rules shall apply to In-Store Employees on and after January 1, 2007:

(a) In-Store Employees who have not become Participants under the preceding provisions of this Section 3 by December 31, 2006, shall not be eligible to become Participants after such date.

(b) Individuals who have terminated employment (as In-Store Employees or otherwise) with an Employer and are rehired on or after January 1, 2007 as In-Store Employees shall not be eligible to become Participants after their rehire. If any such individual was a Participant immediately prior to his rehire, he shall continue to be a Participant after his rehire to the extent otherwise permitted under the Plan, but his Accrued Benefit shall be frozen in accordance with Section 5.9.

(c) Employees who change status on or after January 1, 2007 to that of an In-Store Employee from another category of Employee shall not be eligible to become Participants after their status change. If any such Employee was a Participant immediately prior to his status change,

(i) If he was a vested Participant as of December 31, 2006, he shall continue to be a Participant after his status change for all purposes under the Plan; and

(ii) If he was not a vested Participant as of December 31, 2006, he shall continue to be a Participant after his status change to the extent otherwise permitted under the Plan, but his Accrued Benefit shall be frozen in accordance with Section 5.9.

(d) An individual whose status changes from that of an In-Store Employee to another category of Employee on or after January 1, 2007 shall be permitted to participate in the Plan after such status change if and when he otherwise satisfies the Plan's eligibility requirements.

(e) Notwithstanding any other provision of this Section 3.6, with respect to any individuals who are classified as "on-call employees" in accordance with the Employer's standard personnel practices but continue to be Participants by virtue of the provisions of the Plan in effect prior to the Effective Date, the Accrued Benefits of such individuals shall continue to be frozen in accordance with the terms of the Plan as in effect prior to the Effective Date.

SECTION 4

RETIREMENT DATES

4.1 Except as otherwise provided in this Section 4, each Participant may retire on his Normal Retirement Date and shall receive the Normal Retirement Income.

4.2 A Participant may retire on or after his Early Retirement Date and shall be entitled to receive his Accrued Benefit on or after his termination of employment in accordance with the provisions of Sections 9 and 10 hereof.

4.3 Any Participant whose employment is continued by the Employer after the Participant has reached his Normal Retirement Date shall receive retirement income payments commencing on the first day of the month following the date of his actual retirement, based on the amount credited to his Retirement Account at such date.

SECTION 5

PARTICIPANTS' RETIREMENT ACCOUNTS

5.1 A Retirement Account shall be established and maintained for each Participant pursuant to this Section 5 (and for certain individuals who were participants in a Prior Plan) to which credits shall be made in accordance with the provisions of this Section 5. Except as otherwise provided in Section 5 hereof, an Inactive Participant who was a participant in a Prior Plan before January 1, 1991 but is not an Active Participant at any time on or after January 1, 1991 shall be credited with an amount equal to his "Accrued Benefit under the Prior

Plan,” determined in accordance with Appendix A, but a Retirement Account shall not be established for such Inactive Participant. Except as otherwise provided in Section 5.5 and 5.6 hereof, a Participant’s Accrued Benefit under this Plan shall be based on the amount credited to his Retirement Account. The Retirement Account established and maintained pursuant to this Section 5 is intended to be a bookkeeping account. Neither the establishment of such Retirement Account nor the making of credits to such Retirement Account shall be construed as an allocation of assets of the Plan to, or a segregation of such assets in, such account, or otherwise as creating a right of the Participant to receive specific assets of the Plan. Benefits provided under the Plan shall be paid from the general assets of the Plan in the amounts, in the forms and at the times provided in Sections 4, 8, 9 and 10 hereof.

5.2 The annual amount credited to a Participant’s Retirement Account pursuant to this Section shall be based upon the Participant’s Years of Service and the Participant’s Compensation for the applicable Plan Year or portion thereof. Credits pursuant to this Section shall be made to a Participant’s Retirement Account as of the last day of each Plan Year beginning with 1991 and ending with the last day of the month in which occurs the Participant’s termination of employment.

(a) For each Participant who has fewer than five (5) Years of Service as of the last day of the Plan Year, credits shall be made to the Participant’s Retirement Account in an amount equal to 3% of the Participant’s Compensation earned while an Active Participant for such Plan Year.

(b) For each Participant who has five (5) Years of Service as of the last day of the Plan Year, credits shall be made to the Participant’s Retirement Account in an amount equal to the sum of (i) 3% of the Participant’s Compensation earned while an Active Participant for such Plan Year multiplied by a fraction, the numerator of which is the number of whole calendar months in such Plan Year while an Active Participant preceding the anniversary of his Entry Date (“Anniversary Date”) and the denominator of which is the number of whole months in such Plan Year while an Active Participant, and (ii) 4% of the Participant’s Compensation earned while an Active Participant for such Plan Year multiplied by a fraction, the numerator of which is the number of whole calendar months in such Plan Year while an Active Participant following the Anniversary Date (including the calendar month in which the Anniversary Date occurs) and the denominator of which is the number of whole months in such Plan Year while an Active Participant.

(c) For each Participant who has more than five (5) but fewer than ten (10) Years of Service as of the last day of the Plan Year, credits shall be made to the Participant’s Retirement Account in an amount equal to 4% of the Participant’s Compensation earned while an Active Participant for such Plan Year.

(d) For each Participant who has ten (10) Years of Service as of the last day of the Plan Year, credits shall be made to the Participant’s Retirement Account in an amount equal to the sum of (i) 4% of the Participant’s Compensation earned while an Active Participant for such Plan Year multiplied by a fraction, the numerator of which is the number of whole calendar months in such Plan Year while an Active Participant preceding the Anniversary Date and the denominator of which is the number of whole months in such Plan Year while an Active Participant, and (ii) 5% of the Participant’s Compensation earned while an Active Participant for such Plan Year multiplied by a fraction, the numerator of which is the number of whole calendar months in such Plan Year while an Active Participant following the Anniversary Date (including the calendar month in which the Anniversary Date occurs) and the denominator of which is the number of whole months in such Plan Year while an Active Participant.

(e) For each Participant who has more than ten (10) Years of Service as of the last day of the Plan Year, credits shall be made to the Participant's Retirement Account in an amount equal to 5% of the Participant's Compensation earned while an Active Participant for such Plan Year.

No credits shall be made pursuant to this Section with respect to any period during which a Participant is an Inactive Participant. In the event that a Participant becomes an Inactive Participant by reason of his transfer of employment to a non-Employer member of the Group, no credits shall be made to his Retirement Account pursuant to this Section after the end of the month in which the transfer occurs, and for purposes of this Section his Compensation shall be considered to be \$0 after the end of the Plan Year in which the transfer occurs until such time that he again performs an Hour of Service as an Employee (i.e., again becomes an Active Participant); provided, however, that such Participant's Retirement Account balance shall continue to be increased in accordance with Section 5.4 hereof following such transfer.

5.3 In the case of an Active Participant in the Plan who as of the Initial Effective Date had an accrued benefit under a Prior Plan as of December 31, 1990, there shall be credited to the Retirement Account of such Participant as of January 1, 1991, an amount that is the single sum value of his "Accrued Benefit under the Prior Plan," determined in accordance with Appendix A.

5.4 For Plan Years beginning on or after the Initial Effective Date, each Participant's Retirement Account balance on the first day of the Plan Year shall be automatically increased as of the last day of the Plan Year by an amount equal to the Retirement Account balance on the first day of the Plan Year multiplied by the Periodic Adjustment Percentage; provided, however, in the case of a Participant who terminates employment, for any reason, such increase shall continue to be made until the last date as of which a Retirement Account balance is maintained for such Participant; further provided, however, if such increase is for less than a full Plan Year, the Periodic Adjustment Percentage shall be proportionately reduced.

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5.5 In the case of any Participant on or after the Initial Effective Date who was a Participant under a Prior Plan on December 31, 1990 and satisfies the applicable requirements set forth in Appendix B, such Participant's Accrued Benefit shall be the greater of (i) the amount credited to his Retirement Account or (ii) the accrued benefit which would have been determined for him under the terms and provisions of the Prior Plan as in effect immediately prior to the Initial Effective Date, had such Prior Plan continued in effect until the date of his termination of employment. For this purpose, in the case of the Prior Plan which is the Estee Lauder Inc. Employee Retirement Plan, the annual amount of the Participant's Normal Retirement Income is equal to the greater of (a), (b) or (c) below:

(a) 1% of that portion of his Average Final Compensation which is not in excess of his Social Security Covered Compensation plus 1½% of that portion of such Average Final Compensation which is in excess of such Social Security Covered Compensation, multiplied by the number of his Years of Credited Service.

(b) \$2,500 with 25 or more Years of Credited Service and reduced proportionately for Years of Credited Service less than 25.

(c) The sum of (i) the amount that would otherwise have been determined under (a) above had such Participant terminated employment on December 31, 1993 (or, if earlier, his actual date of termination of employment) and had such Participant's "compensation" (as used in Section 2.4) for each Plan

Year during the period ending on such applicable date been limited to \$200,000 (or such greater amount as may have been permitted after taking into account increases for cost of living for such Plan Year, as determined by the Secretary of the Treasury) and with such dollar limit further applied by taking into account the family aggregation rules of Section 414(q)(6) of the Code pursuant to Section 401(a)(17) of the Code (as in effect on such applicable date), and (ii) the benefit that would otherwise have been determined under (a) above counting only Years of Credited Service performed after December 31, 1993.

In the case of the Estee Lauder Hemisphere Corporation Pension Plan, the annual amount of the Participant's Normal Retirement Income would be equal to the greater of (a), (b) or (c) below:

(a) 1% of that portion of his Average Final Compensation which is not in excess of his Social Security Covered Compensation plus 1½% of that portion of such Average Final Compensation which is in excess of such Social Security Covered Compensation, multiplied by the number of his Years of Credited Service.

(b) \$1,620 with 25 or more Years of Credited Service and reduced proportionately for Years of Credited Service less than 25.

(c) The sum of (i) the amount that would otherwise have been determined under (a) above had such Participant terminated employment on December 31, 1993 (or, if earlier, his actual date of termination of employment) and had such Participant's "compensation" (as used in Section 2.4) for each Plan Year during the period ending on such applicable date been limited to \$200,000 (or such greater amount as may have been permitted after taking into account increases for cost of living for such Plan Year, as determined by the Secretary of the Treasury) and with such dollar limit further applied by taking into account the

family aggregation rules of Section 414(q)(6) of the Code pursuant to Section 401(a)(17) of the Code (as in effect on such applicable date), and (ii) the benefit that would otherwise have been determined under (a) above counting only Years of Credited Service after December 31, 1993.

In the case of a Participant whose Accrued Benefit is determined under the terms of a Prior Plan under this Section, a Participant may, subject to consent as provided in Sections 9.4 and 9.5 hereof, elect a reduced retirement income to commence on the first day of any month which is between the date of his Early Retirement Date and his Normal Retirement Date.

In the case of the Estee Lauder Inc. Employee Retirement Plan, the amount of the percentage of such reduction shall be equal to the sum of (a) the product derived by multiplying seven-twelfths (7/12) of 1% times the number of whole calendar months by which the pension commencement date precedes the Participant's attainment of age 57 and (b) the product derived by multiplying five-twelfths (5/12) of 1% by the excess of (i) the number of whole calendar months by which the pension commencement date precedes the Participant's attainment of age 62 over (ii) the number of whole calendar months specified in (a). No reduction shall be applied to such early retirement income amount if the pension commencement date occurs on or after the Participant's attainment of age 62.

In the case of the Estee Lauder Inc. Hemisphere Corporation Pension Plan, the amount of the percentage of such reduction shall be equal to the sum of (a) the product derived by multiplying one-fourth (1/4) of 1% times the number of whole calendar months (up to and including the first 60 thereof) by which the pension

commencement date precedes the Normal Retirement Date and (b) the product derived by multiplying one-half (1/2) of 1% by the number of calendar months, if any, by which the pension commencement date precedes by more than 60 calendar months the Normal Retirement Date.

Notwithstanding any other provision of the Plan to the contrary:

(i) in the case of any Participant who is eligible for a benefit set forth in this Section 5.5 and incurs a Disability prior to January 1, 1998, such Participant (i) shall continue to be credited with Hours of Service during the period of such Disability, to the same extent as if such person had not become so disabled, for purposes of determining such person's Years of Credited Service used in calculating such person's benefit pursuant to this Section 5.5, and (ii) shall, during the portion of such Participant's period of such Disability beginning on January 1st of the year following the year in which such period of Disability first commenced, be considered to continue to receive "compensation" for purposes of determining such person's Average Final Compensation, based upon such person's level of "base pay" as in effect immediately prior to the incurring of such Disability, and

(ii) in the case of any Participant who is eligible for a benefit set forth in this Section 5.5 and incurs a Disability on or after January 1, 1998, such Participant (i) shall continue to be credited with Hours of Service during a period not exceeding the first 12 months of such Disability, to the same extent as if such person had not become so disabled, for purposes of determining such person's Years of Credited Service used in calculating such person's benefit pursuant to this Section 5.5, and (ii)

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shall, during that portion (if any) of such Participant's period of such Disability beginning on January 1st of the year following the year in which such period of Disability first commenced during which such Participant continues to be so credited with Hours of Service pursuant to the immediately preceding clause (i), be considered to continue to receive "compensation" for purposes of determining such person's Average Final Compensation, based upon such person's level of "base pay" as in effect immediately prior to the incurring of such Disability;

provided, however, that in no event shall such person continue to be so credited with Hours of Service or be imputed with "compensation" for periods after such person's Normal Retirement Date.

5.6 Notwithstanding anything to the contrary provided herein or elsewhere in the Plan, any Participant who retires on or after his Normal Retirement Date with at least five (5) Years of Credited Service but less than ten (10) Years of Credited Service shall be entitled to a Normal Retirement Income of not less than \$100 per month for life, and any Participant who retires on or after his Normal Retirement Date with at least ten (10) Years of Credited Service shall be entitled to a Normal Retirement Income of not less than \$200 per month for life.

5.7 The benefits otherwise payable to a Participant or a Beneficiary under this Plan and, where relevant, the Accrued Benefit of a Participant, shall be limited to the extent required, and only to the extent required, by the provisions of Section 415 of the Code and rulings, notices and regulations issued thereunder. To the extent applicable, Section 415 of the Code and rulings, notices and regulations issued thereunder are hereby incorporated by reference into this Plan. In calculating these limits, the following rules shall apply:

(a) Except where otherwise specifically set forth in rulings, notices and regulations incorporated into this Plan by reference, the limitations applicable to alternative forms of benefits (other than a “qualified joint and survivor annuity,” as defined in Section 417(b) of the Code) shall be determined using the factors set forth in Appendix A, subject to the limitations on actuarial assumptions imposed by Section 415(b)(2)(E) of the Code.

(b) If the applicable limits of Section 415 of the Code are increased after a benefit is in pay status by virtue of an adjustment to those limits reflecting a change in the cost of living index or an amendment to the Code, benefit payments to a Participant or his Beneficiary shall be increased automatically to the maximum extent permitted under the revised limits. This increase shall occur only to the extent it would not cause the benefit to exceed the benefit to which the Participant or Beneficiary would have been entitled in the absence of the limits under Section 415 of the Code.

(c) If, upon the death of a Participant whose benefits were limited under this Section, the Surviving Spouse shall be entitled to a benefit payment smaller than that which was payable while the Participant was alive, the benefit payments to the Surviving Spouse shall equal the lesser of:

(i) the benefit payment which would be payable to the Surviving Spouse if benefits under this Plan had not been limited by this Section, and

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(ii) the benefit payment which would be payable to the Surviving Spouse if the benefit provided under this Plan had been a “qualified joint and survivor annuity,” as defined in Section 417(b) of the Code, with survivor benefits equal to 100% of the amount payable while the Participant was alive, in an amount equal to the maximum limitations provided under this Section.

(d) If the Participant is entitled to a benefit under any defined benefit plan which is, or ever has been, maintained by the Employer or another member of the Group, the limits under this Section shall be applied to the combined benefits payable and the benefit payable hereunder shall be reduced to the extent necessary to make the combined benefits meet the limits under this Section.

(e) To calculate average compensation for a Participant’s high three (3)-years of service, compensation shall be the Employee’s Compensation, and the three (3)-year average shall be calculated using consecutive limitation years. In making such average compensation calculations in limitation years beginning on or after April 5, 2007, the compensation limit of Section 401(a)(17) of the Code shall apply for each year taken into account in calculating such average. Notwithstanding the immediately preceding sentence, the benefits accrued or payable with respect to a Participant as of the end of the limitation year that immediately precedes the first limitation year beginning on or after April 5, 2007, pursuant to Plan provisions that were both adopted and in effect before April 5, 2007, shall be deemed to satisfy the limitations of Section 415(b) of the Code in accordance with Treasury Regulation Section 1.415(a)-1(g)(4).

(f) Except as provided below, the Compensation of each Participant that may be taken into account in any limitation year for purposes of this Section 5.7 must be actually paid or made available to the Participant (or, if earlier, includable in the gross income of the Participant) within the limitation year, and must be paid or treated as paid prior to the Participant’s severance from employment with the Employer, including payments made in the following limitation year solely because of the timing of pay periods and pay dates (as described in Treasury Regulation Section 1.415(c)-2(e)(2)). Notwithstanding the preceding sentence, the

following amounts are also included in Compensation for a limitation year: any payment of regular compensation for services during the Employee's regular working hours, compensation for services outside the Employee's regular working hours (such as overtime or shift differential), commissions, bonuses or other similar payments made after severance from employment with the Employer that are paid by the later of 2½ months after severance from employment or the end of the limitation year that includes the date of severance from employment.

(g) A limitation year shall be a Plan Year for purposes of this Section.

5.8 Notwithstanding any other provision of the Plan to the contrary, the Accrued Benefit of an Inactive Participant who (i) was a participant in a Prior Plan and (ii) had a condition of Disability as of December 30, 1990, shall continue to be determined under the benefit formula of such Prior Plan, unless such Inactive Participant is eligible for the benefit set forth in Section 5.5 hereof. A Participant who first has a condition of Disability on or after January 1, 1991 shall be covered under the benefit formula of this Plan as of the Initial Effective

Date unless such Participant is eligible for the benefit set forth in Section 5.5 hereof. For purposes of determining the opening Retirement Account balance under this Plan, Average Final Compensation shall be used, except that with respect to any year in which there were no earnings or earnings were reduced because of Disability, such Participant's last year of actual base pay shall be used on an annualized basis.

5.9 Notwithstanding the foregoing, the following rules shall apply to In-Store Employees, effective as of December 31, 2006:

(a) The Accrued Benefit of any Participant who is an In-Store Employee and is not vested in such Accrued Benefit as of December 31, 2006 shall be frozen as of such date.

(b) The Accrued Benefit of any Participant who terminates employment (as an In-Store Employee or otherwise) with an Employer and is rehired on or after January 1, 2007 as an In-Store Employee shall be frozen as of the date immediately preceding the date of such rehire (or such earlier date as may have applied under other provisions of the Plan).

(c) The Accrued Benefit of any Participant who changes status on or after January 1, 2007 to that of an In-Store Employee from another category of Employee shall be frozen as of the date immediately preceding the date of such status change (or such earlier date as may have applied under other provisions of the Plan). The preceding sentence shall not apply, however, to any Participant who was vested in his Accrued Benefit as of December 31, 2006.

(d) Following the applicable date of the Accrued Benefit freeze described in subsections (a), (b) or (c) above, the Retirement Account of the affected Participant shall no longer be eligible for Compensation-based credits pursuant to Section 5.2, but shall continue to be eligible for increases based on the Periodic Adjustment Percentage pursuant to Section 5.4.

(e) If a Participant whose Accrued Benefit is frozen under this Section 5.9 changes status on or after January 1, 2007 from that of an In-Store Employee to another category of Employee that is eligible to accrue benefits under the Plan, he shall be permitted to accrue additional benefits after such status change in accordance with the terms of the Plan.

(f) Notwithstanding any other provision of this Section 5.9, with respect to any individuals who are classified as “on-call employees” in accordance with the Employer’s standard personnel practices but continue to be Participants by virtue of the provisions of the Plan in effect prior to the Effective Date, the Accrued Benefits of such individuals shall continue to be frozen in accordance with the terms of the Plan as in effect prior to the Effective Date.

5.10 The provisions of this Section 5.10 shall apply to each Participant (i) whose Entry Date was on or before January 1, 1998, (ii) whose Accrued Benefit is not determined under the terms of a Prior Plan, and (iii) who is actively employed by an Employer in a manufacturing job category as of October 1, 2013 and will have attained at least 50 years of

age as of December 31, 2013 (a “Manufacturing Participant”). The determination of whether a job category is “manufacturing” for this purpose shall be made by the Committee or its delegate in its sole discretion.

Any Manufacturing Participant who elects a Retirement Income Commencement Date which is on or after his Early Retirement Date and prior to his Normal Retirement Date shall have his Plan benefit calculated as an annuity (the “Manufacturing Early Retirement Annuity”) in the following manner:

(a) The Manufacturing Participant’s Retirement Account shall be projected to his Normal Retirement Date with interest using the Periodic Adjustment Percentage in effect for the Plan Year in which the Retirement Income Commencement Date occurs;

(b) Such projected Retirement Account balance shall then be divided by the applicable factor from Appendix A to produce an Actuarial Equivalent, annual amount of single life annuity that would be payable commencing at the Normal Retirement Date; and

(c) Such single life annuity amount shall then be reduced by a percentage equal to the sum of (i) the product derived by multiplying seven-twelfths (7/12) of 1% times the number of whole calendar months by which the Retirement Income Commencement Date precedes the Participant’s attainment of age 57 and (ii) the product derived by multiplying five-twelfths (5/12) of 1% by the excess of (A) the number of whole calendar months by which the Retirement Income Commencement Date precedes the Participant’s attainment of age 62 over (B) the number of whole calendar months specified in (i). No reduction shall be applied to such single life annuity amount if the Retirement Income Commencement Date occurs on or after the Participant’s attainment of age 62.

The Manufacturing Early Retirement Annuity determined in accordance with this Section 5.10 shall in no event be less than the Actuarial Equivalent of the Manufacturing Participant’s Accrued Benefit otherwise determined under the Plan. The Manufacturing Early Retirement Annuity shall be payable in either the normal form of benefit or in any of the optional forms of benefit, including a lump sum, otherwise available to the Manufacturing Participant in accordance with Section 9.

SECTION 6

CONTRIBUTIONS

6.1 No contributions are to be made by Participants under this Plan.

6.2 Subject to the provisions of Section 13 hereof, the Employer intends to contribute over a period of time such amounts as may be determined by actuarial calculations to be required of the Employer to provide benefits in accordance with the Plan. Any forfeitures arising under the Plan shall not be applied to increase the benefits any Participant would otherwise receive under the Plan but shall be applied to reduce the Employer contributions under the Plan.

6.3 Subject to the provisions of Section 13 hereof, the administrative expenses of the Plan, except to the extent paid by the Employer, shall be paid out of the funds of the Plan.

6.4 Except as provided in paragraphs (a) and (b) below, and except as provided in Section 16 hereof, Employer contributions made under the Plan will be held for the exclusive benefit of Participants, and their joint annuitants or Beneficiaries and may not revert to the Employer.

(a) A contribution made by the Employer under a mistake of fact may be returned to the Employer within one (1) year after it is contributed to the Plan.

(b) A contribution conditioned upon its deductibility under Section 404 of the Code may be returned, to the extent the deduction is disallowed, to the Employer within one (1) year after the disallowance. All contributions to the Plan are hereby conditioned upon their deductibility.

The maximum contribution that may be returned to the Employer will not exceed the amount actually contributed to the Plan, or the value of such contribution on the date it is returned to the Employer, if less.

6.5 In recognition of the fact that the Plan is, effective January 1, 1996, subject to the requirements of Section 413(c) of the Code, the provisions of Section 413(c)(4) of the Code shall, with respect to periods on and after that date, be applied consistent with such rules and procedures as shall be adopted by the actuary appointed under the Plan.

SECTION 7

DEATH BENEFIT

7.1 Death Before Retirement Date.

(a) If a Participant with a nonforfeitable right to the amount credited to his Retirement Account pursuant to Section 8 hereof dies prior to commencement of benefits, then his Surviving Spouse, or if (i) the Participant elects a Beneficiary other than his Surviving Spouse and such Surviving Spouse consents to such designation pursuant to Section 7.3 of the Plan or (ii) the Participant is unmarried, the Participant's Domestic Partner or other designated Beneficiary, as applicable, shall receive the amount credited to the Retirement Account, payable in a single life annuity. The Surviving Spouse (or Domestic Partner or other designated Beneficiary, if applicable) may elect to receive such benefit in a cash lump sum payment; provided,

however, that if the Actuarial Equivalent value of such amount does not exceed \$1,000, such value shall automatically be paid in a cash lump sum in accordance with the last sentence of Section 10.1 hereof.

(b) Notwithstanding the foregoing subsection (a), if (i) a Participant described in such subsection (a) was subject to the provisions of Section 5.5 and (ii) at the time of his death there is a Surviving Spouse and the Participant has not designated a Beneficiary other than his Surviving Spouse with such Surviving Spouse's consent pursuant to Section 7.3, the single life annuity otherwise payable to such Surviving Spouse pursuant to this Section 7.1 shall not be less than the single life annuity otherwise payable to such person determined in accordance with the provisions of Section 6.1 or 6.2, as the case may be, of the appropriate Prior Plan and based solely on such Participant's Normal Retirement Income determined in accordance with Section 5.5; provided, however, that if the Actuarial Equivalent value of the single life annuity otherwise so determined pursuant to this subsection (b) does not exceed \$1,000, such value shall automatically be paid in a cash lump sum in accordance with the last sentence of Section 10.1 hereof.

7.2 Death After Date of Commencement of Benefits. In the event of a Participant's death after commencement of benefits, and if an optional form of benefit under Section 9.3 hereof is applicable, then the death benefit payable hereunder, if any, shall be determined in accordance with such optional election. Otherwise, no death benefit shall be payable.

7.3 Beneficiary Designation. If a Participant has a Surviving Spouse, his Surviving Spouse shall be his Beneficiary, unless the Participant designates someone other than his Surviving Spouse as his Beneficiary (other than as a contingent Beneficiary) and the Surviving Spouse consents to such designation. If the Participant does not have a Surviving Spouse or if his Surviving Spouse consents, the Participant shall have the right to designate any person as a Beneficiary, to receive the amount, if any, payable pursuant to this Plan upon his death and may from time to time change any such designation in accordance with procedures established by the Committee. Each such designation shall be submitted to the Committee or its designee in such form and manner as may be required by the Committee or its designee. In the event that a Participant designates someone other than his Surviving Spouse as his Beneficiary

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(other than as a contingent Beneficiary), such Beneficiary designation shall not be effective unless (i) the Surviving Spouse consents to such Beneficiary designation in writing, in a form acceptable to the Committee or its designee, and such consent is witnessed by a Plan representative or a notary public or (ii) the Participant provides the Committee or its designee with sufficient evidence to show that the Participant does not have a Surviving Spouse or that his Surviving Spouse cannot be located. The Committee shall decide which Beneficiary, if any, shall have been validly designated.

If a Participant does not have a Surviving Spouse and no Beneficiary has been designated, or if a Participant does not have a Surviving Spouse and the Committee determines that a designation made by the Participant is not effective for any reason, the Committee shall designate the Participant's Domestic Partner, if any, or, if there is no such Domestic Partner, the Participant's estate as the Beneficiary.

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SECTION 8

TERMINATION OF EMPLOYMENT

8.1 A Participant shall be 100% vested in the amount credited to his Retirement Account after having completed at least five (5) Years of Service. Effective for Plan Years beginning on or after January 1, 2008, a Participant shall be 100% vested in the amount credited to his Retirement Account after having completed at least three (3) Years of Service. If a Participant terminates employment other than by early or normal retirement or death after having completed at least five (5) Years of Service (or at least three (3) Years of Service effective for Plan Years beginning on or after January 1, 2008), he shall be entitled to elect, with spousal consent under the terms of Section 9.4 hereof, if applicable, payment of the amount credited to his Retirement Account (or if greater, for distributions made prior to January 1, 2007, an amount equal to the Actuarial Equivalent of his Accrued Benefit) as of such date of termination in a cash lump sum or, (i) if the Participant has a Surviving Spouse at the time of such termination of employment, as an annuity of the form described in Section 9.2 hereof or (ii) if the Participant has no Surviving Spouse at the time of such termination of employment, as an annuity of the form of benefit described in Section 9.1 hereof. Such payment shall be made (or in the case of an annuity, shall commence) in accordance with the last sentence of Section 10.1 hereof, and such election to be subject to consent as provided in Sections 9.4 and 9.5 hereof; provided, however, that if the Actuarial Equivalent value of such amount does not exceed \$1,000, such value shall automatically be paid in a cash lump sum in accordance with the last sentence of Section 10.1 hereof. If such Participant does not elect such lump sum or annuity, he shall be entitled to receive his Accrued Benefit commencing on the first day of any month after his termination of employment (but not later than his Normal Retirement Date), payable in a lump sum or as an annuity, in accordance with Sections 9.1 or 9.2 hereof, to the extent applicable. For purposes of this Section 8, a Participant who is terminated for Disability after a one (1)-year absence because of Disability shall be deemed to have completed at least five (5) Years of Service.

8.2 In no event shall the retirement income of a terminated Employee who was a participant under a Prior Plan immediately prior to the Initial Effective Date be less than the Actuarial Equivalent of the benefit that would have been payable under the Prior Plan had the Participant's employment terminated immediately prior to the Initial Effective Date.

8.3 Notwithstanding any other provision of this Plan, each Participant shall be 100% vested in his Retirement Account on his Normal Retirement Date.

8.4

(a) If a Participant's service terminates prior to having completed five (5) Years of Service (or three (3) Years of Service for any Participant who performs at least one (1) Hour of Service on or after January 1, 2008), and at a time when he is 0% vested in the amount credited to his Retirement Account, he shall, notwithstanding any other provision of the Plan to the contrary, be deemed to automatically receive, as of such person's date of termination of employment, a single lump sum distribution which is the Actuarial Equivalent of his entire vested Accrued Benefit under the Plan, and he shall thereupon forfeit his Retirement Account as

of such same date. Any forfeiture resulting from the operation of this Section, or any other provisions of the Plan, shall be used to reduce future Employer contributions.

(b) If a Participant's Retirement Account is forfeited pursuant to the preceding paragraph (a) above and such Participant is subsequently reemployed as an Employee of an Employer (i) after the number of consecutive one (1)-year Breaks in Service equals or exceeds five (5), the Years of Service completed prior to the Breaks in Service shall not be aggregated with Years of Service completed after the reemployment date, or (ii) prior to incurring five (5) or more consecutive one (1)-year Breaks in Service, the amounts previously credited to his Retirement Account will be restored, the Years of Service completed prior to the Breaks in Service will be aggregated with the Years of Service after his reemployment date and the Participant shall become a Participant of the Plan upon his reemployment.

(c) If a Participant's vested percentage is 100% at the time of his termination of employment, and such Participant is subsequently reemployed as an Employee of an Employer, Years of Service completed prior to any number of one (1)-year Breaks in Service shall be aggregated with Years of Service after the reemployment. If such Participant received a complete distribution of his benefits under the Plan prior to his reemployment, then the amounts credited to his Retirement Account as of his date of termination shall be restored on his reemployment date, but any subsequent distribution paid to the Participant after his reemployment shall be offset by the present value of any distributions previously paid to him at any time in accordance with the requirements of Section 411(a)(7) of the Code and the regulations promulgated thereunder.

(d) For purposes of determining the amount credited to the Retirement Account of a reemployed Participant described in Section 8.4(c) above, (i) if such Participant received a complete distribution of his benefits under the Plan prior to his reemployment, the amount credited to his Retirement Account upon reemployment shall be \$0, and (ii) if such Participant received distributions of only a portion of his benefits under the Plan prior to his reemployment, the amount credited to his Retirement Account upon reemployment shall be the amount credited to his Retirement Account at the time of his prior termination of employment less the amount of such distributions, and his Retirement Account shall be increased in accordance with Section 5.4 by applying the Periodic Adjustment Percentage to the undistributed amounts credited to his Retirement Account during the period between his termination of employment and his reemployment. Notwithstanding the foregoing, if the reemployed Participant repays in full his prior distributions plus interest in accordance with Section 411(a)(7) of the Code, the Participant's Retirement Account shall be credited with the full amount credited to such Retirement Account at the time of his prior termination of employment, increased in accordance with Section 5.4 by applying the Periodic Adjustment Percentage to such amount for the period between his termination of employment and his reemployment.

8.5 Notwithstanding the foregoing provisions of this Section 8 and solely in the case of a Participant subject to the provisions of Section 5.5:

(a) if such Participant's Accrued Benefit is in fact determined pursuant to Section 5.5, rather than with reference to the amount credited to his Retirement Account, then the provisions of Section 8.1 shall instead be applied with reference to such Accrued Benefit so

determined pursuant to Section 5.5, and in connection therewith, the amount of any cash lump sum shall be the Actuarial Equivalent of such Accrued Benefit; and

(b) regardless of whether such Participant's Accrued Benefit is in fact so determined pursuant to Section 5.5, the provisions of Section 8.4 shall be applied with reference to both such person's Retirement Account and the amount otherwise calculated pursuant to Section 5.5.

SECTION 9**OPTIONAL FORMS OF BENEFIT****9.1 Normal Form of Benefit.**

(a) The normal form of benefit shall be an income payable monthly for life, commencing on the Normal Retirement Date and terminating with the payment preceding death; provided, however, that a Participant may, with spousal consent under the terms of Section 9.4 hereof, if applicable, elect to receive the amount credited to his Retirement Account (or if greater, for distributions made prior to January 1, 2007, an amount equal to the Actuarial Equivalent of his Accrued Benefit) in a single cash lump sum; further provided, however, that if the Actuarial Equivalent value of such amount does not exceed \$1,000, such amount shall automatically be paid to the Participant in a cash lump sum in accordance with the last sentence of Section 10.1 hereof.

(b) Notwithstanding the foregoing subsection (a) and in the case of a Participant subject to the provisions of Section 5.5 or Section 5.6, if such Participant's Accrued Benefit is in fact determined pursuant to Section 5.5 or Section 5.6, rather than with reference to the amount credited to his Retirement Account, then the provisions of the foregoing subsection (a) shall instead be applied with reference to such Accrued Benefit so determined pursuant to Section 5.5 or Section 5.6, and in connection therewith, the amount of any cash lump sum shall be the Actuarial Equivalent of such Accrued Benefit.

(c) In the case of an eligible Participant who is subject to Section 5.10, the provisions of the foregoing subsection (a) shall not be applied with reference to the amount credited to his Retirement Account and instead shall be applied with reference to the Manufacturing Early Retirement Annuity determined under Section 5.10, and in connection therewith, the amount of any cash lump sum shall be the Actuarial Equivalent of such Manufacturing Early Retirement Annuity (and in no event shall such lump sum be less than the amount credited to the Participant's Retirement Account).

9.2 Automatic Post-Retirement Surviving Spouse Option. Subject to the conditions hereinafter set forth in this Section, if a Participant has a Surviving Spouse at his Retirement Income Commencement Date, the amount of retirement income payment to which he would otherwise be entitled under the normal form of benefit described in Section 9.1 shall be reduced on an Actuarial Equivalent basis to reflect the fact that, if such spouse shall survive him, a retirement income shall be payable under the Plan to his Surviving Spouse during such spouse's remaining lifetime after his death in an amount equal to 50% of the reduced amount of retirement income payments. A married Participant may elect (and may revoke such election and thereafter reelect) that his retirement income not be paid in the 50% joint and survivor form described in the preceding sentence, subject to the provisions of Section 9.4 hereof.

9.3 Notwithstanding the foregoing provisions of this Section 9, a Participant who retires on or after his Early Retirement Date may, subject to consent as provided in Sections 9.4 and 9.5 hereof, elect to receive the value of (i) his entire Accrued Benefit in accordance with Option 1 or 2; or (ii) his Accrued Benefit as of his Retirement Income Commencement Date less

the value of his Accrued Benefit as of December 31, 1990 separately in accordance with Option 1 or 2, and his Accrued Benefit as of December 31, 1990 under a Prior Plan separately in accordance with Option 3 or 4 or, for Retirement Income Commencement Dates prior to November 1, 2008, Option 5. Without limiting the foregoing, an eligible Participant who is subject to Section 5.10 may, subject to consent as provided in Sections 9.4 and 9.5 hereof, elect to receive the value of the Manufacturing Early Retirement Annuity determined under Section 5.10 in accordance with Option 1 or 2.

Option 1. An Actuarial Equivalent retirement income to be paid to the retired Participant for the rest of his life, and after his death either 50%, 100% or, effective for Plan Years beginning on or after January 1, 2008, 75% (in accordance with his election) of such Actuarial Equivalent retirement income to be paid to his contingent annuitant for the rest of the contingent annuitant' s life.

Option 2. An Actuarial Equivalent retirement income to be paid to the retired Participant payable for the greater of his lifetime or a period of ten (10) years. If the retired Participant dies before the expiration of ten (10) years, the remaining installments of his Actuarial Equivalent retirement income shall be paid to his Beneficiary.

Option 3. An Actuarial Equivalent retirement income to be paid to the retired Participant for the rest of his life, and after his death either 25%, 66.67%, 75% or 100% (in accordance with his election) of such Actuarial Equivalent retirement income to be paid to his contingent annuitant for the rest of the contingent annuitant' s life. Notwithstanding the foregoing, the 66.67% contingent annuity shall not be available for Retirement Income Commencement Dates on or after November 1, 2008.

Option 4. An Actuarial Equivalent retirement income to be paid to the retired Participant for the rest of his life, and if he dies before receiving 120 monthly payments, such Actuarial Equivalent retirement income to be paid to his Beneficiary for the remainder of the 120 months.

Option 5. A Participant who retires early in accordance with Section 4.2 hereof and whose Retirement Income Commencement Date is prior to November 1, 2008 may elect to receive an Actuarial Equivalent retirement income providing larger monthly payments, in lieu of the retirement income otherwise payable upon early retirement, until the earliest date on which his Social Security benefit could commence; thereafter his monthly retirement income payments shall be reduced by the estimated monthly amount of his Social Security benefit computed to commence on such date. This optional form provides, insofar as practical, a level total retirement income (from this Plan and Social Security) for the Participant. In the event of the election of this Social Security adjustment option, the monthly payment of the adjusted retirement income shall commence at the date of retirement and shall cease with the earlier of the last payment prior to the death of the Participant or the last payment payable as calculated under this option.

9.4 The following rules and requirements must be met in order for any optional form of retirement income to be applicable.

(a) The election must be made pursuant to a qualified election (as described in paragraphs (b) and (g) of this Section) and filed with the Committee or its designee within the 90-day period

(180-day period for Plan Years beginning on or after January 1, 2007) ending on the Retirement Income Commencement Date.

(b) The consent of a contingent annuitant or Beneficiary shall not be required for a qualified election of an option; except that, if a married Participant elects to receive a form of benefit other than the Automatic Post-Retirement Survivor Spouse Option described in Section 9.2 hereof, a qualified election requires that the Surviving Spouse waive such spouse's right to the Automatic Post-Retirement Surviving Spouse Option. Such waiver shall not be effective unless (i) the consent is in writing; (ii) the election designates a specific alternate Beneficiary, including any class of Beneficiaries or any contingent Beneficiaries, which may not be changed without spousal consent (or the Surviving Spouse expressly permits designations by the Participant without any further spousal consent); (iii) the Surviving Spouse's consent acknowledges the effect of the election; (iv) the Surviving Spouse's consent is witnessed by a Plan representative or notary public; and (v) the election designates a form of benefit payment that may not be changed without spousal consent (or the Surviving Spouse expressly permits designations by the Participant without any further spousal consent). In the absence of a waiver by such spouse, other than for the reason that such spouse cannot be located, the election of a form of payment other than as provided in Section 9.2 hereof shall be null and void. Any consent by a Surviving Spouse obtained under this provision (or establishment that the consent of a Surviving Spouse may not be obtained) shall be effective only with respect to such Surviving Spouse. A consent that permits designations by the Participant without any requirement of further consent by the Surviving Spouse must acknowledge that such spouse has the right to limit consent to a specific Beneficiary, and a specific form of benefit where applicable, and that such spouse voluntarily elects to relinquish either or both of such rights. A revocation of a prior waiver may be made by a Participant without the consent of the Surviving Spouse at any time prior to the commencement of benefits. The number of revocations shall not be limited. No consent obtained under this provision shall be valid unless the Participant has received notice as provided in paragraph (g) of this Section.

(c) An election may not be made nor will it be accepted by the Committee or its designee, or if accepted it shall become null and void, if the Actuarial Equivalent value of the Participant's entire Accrued Benefit as of his Retirement Income Commencement Date would be \$1,000 or less, and such value shall automatically be paid to the Participant in a cash lump sum.

(d) If the stated effective date of the option is prior to the Participant's Normal Retirement Date and the Participant continues in service after such stated effective date, the election shall become null and void but, subject to the rules and requirements contained in this Section, the Participant may thereafter make another election. If the stated effective date is the Participant's Normal Retirement Date or any later date and he continues in service after such stated effective date, the option shall take effect upon his subsequent death or retirement.

(e) If a Participant who has elected Option 4 under Section 9.3 hereof dies while the option is in effect, and his Beneficiary is a natural person who survives the Participant but dies before the 120 monthly payments have been paid to the Participant and the

Beneficiary, the lump sum discounted value of the unpaid balance of such 120 monthly payments shall be paid to the Beneficiary's estate.

(f) If the contingent annuitant is other than the Surviving Spouse, and if the actuarial present value of the payments to be made to the Participant under an option will be less than 51% of the Actuarial

Equivalent value of the normal form of retirement benefit provided in Section 9.1 hereof, the optional benefit shall be adjusted so that the value of the Participant's benefit will be equal to 51% of the Actuarial Equivalent value of the Participant's normal form of retirement benefit. Notwithstanding the foregoing sentence, for annuity starting dates occurring on or after January 1, 2006, the level of benefits payable to a contingent annuitant who is not the Surviving Spouse shall be determined in accordance with Q&A-2(c) of Treasury Regulations Section 1.401(a)(9)-6, as applicable.

(g) No election shall be a qualified election unless, at least 30 days (or such a shorter period permitted by the Code and the regulations promulgated thereunder) and no more than 90 days (180 days for Plan Years beginning on or after January 1, 2007) prior to the Participant's Retirement Income Commencement Date, the Committee shall furnish him (by mail or personal delivery) a statement generally describing the 50% joint and survivor form and other optional forms of benefit and explaining the relative financial effects of making an election under Section 9.2 hereof, or an election of an optional form of payment under Section 9.3 hereof. The statement shall also describe the right of the Participant and his Surviving Spouse to waive the 50% joint and survivor form, the effect of such a waiver, and the right to revoke such waiver.

9.5 If the Actuarial Equivalent value of a Participant's vested Accrued Benefit exceeds \$1,000 and the Accrued Benefit is "immediately distributable" (as defined below), the Participant and any Surviving Spouse (or where either the Participant or the spouse has died, the survivor) must consent to any distribution of such Accrued Benefit. An Accrued Benefit is "immediately distributable" if any part of the Accrued Benefit could be distributed to the Participant (or Surviving Spouse) before the Participant attains (or would have attained if not deceased) Normal Retirement Age. The consent of the Participant and any Surviving Spouse shall be obtained in writing within the 90-day period (180-day period for Plan Years beginning on or after January 1, 2007) ending on the Retirement Income Commencement Date. The Participant and any Surviving Spouse shall be notified of the right to defer any distribution until the Participant's Accrued Benefit is no longer immediately distributable and, for Plan Years beginning on or after January 1, 2008, of the consequences of failing to defer receipt of such distribution). Such notification shall include a general description of the material features, and an explanation of the relative values of, the optional forms of benefit available under the Plan in a manner that would satisfy the notice requirements of Section 417(a)(3) of the Code, and shall be provided no less than 30 days (or such shorter period permitted by the Code and the regulations promulgated thereunder) and no more than 90 days (180 days for Plan Years beginning on or after January 1, 2007) prior to the Retirement Income Commencement Date. Notwithstanding the foregoing, only the Participant need consent to the commencement of a distribution in the form of a 50%, 75% or 100% joint and survivor annuity described in Option 1 or Option 3 under Section 9.3 while the Accrued Benefit is immediately distributable, provided that the Surviving Spouse is the contingent annuitant. Neither the consent of the Participant nor the Surviving Spouse shall be required to the extent that a distribution is required to satisfy Section 401(a)(9) or 415 of the Code.

9.6 Any Distributee (as defined below) who is entitled to receive a Plan distribution that would be an "Eligible Rollover Distribution" (as defined below), may elect to have such distribution paid in the form of a direct trustee-to-trustee transfer to an "Eligible Retirement Plan" (as defined below) specified by such individual. The Committee shall prescribe uniform rules for making such direct transfer election. For purposes of this Section 9.6:

(a) "Distributee" means a (i) Participant, (ii) the Surviving Spouse of a Participant, (iii) an alternate payee (within the meaning of Section 414(p) of the Code) who is a Spouse or former Spouse of the Participant, or (iv), effective for distributions on or after January 1, 2007, a non-Spouse Beneficiary.

(b) “Eligible Rollover Distribution” means any distribution of all or any portion of the balance to the credit of the individual, except that an Eligible Rollover Distribution does not include: any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the individual or the joint lives (or joint life expectancies) of the individual and the individual’s designated Beneficiary, or for a specified period of ten (10) years or more; any distribution to the extent such distribution is required under Section 401(a)(9) of the Code; and any distribution that is made upon hardship of the individual.

(c) “Eligible Retirement Plan” means any of the following plans or arrangements that accepts the individual’s Eligible Rollover Distribution: (i) an individual retirement account described in Section 408(a) of the Code, (ii) an individual retirement annuity described in Section 408(b) of the Code, (iii) a Roth IRA described in Section 408A of the Code, (iv) a qualified plan trust, (v) an annuity plan described in Section 403(a) of the Code, (vi) an annuity contract described in Section 403(b) of the Code, or (vii) an eligible deferred compensation plan described in Section 457(b) of the Code that is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state. In the case of a non-Spouse Beneficiary, an “Eligible Retirement Plan” shall include only (i) an individual retirement account described in Section 408(a) of the Code, (ii) an individual retirement annuity described in Section 408(b) of the Code (other than an endowment contract) or (iii) a Roth IRA described in Section 408A of the Code, established for the purpose of receiving the Eligible Rollover Distribution on behalf of such non-Spouse Beneficiary.

SECTION 10

PAYMENT OF RETIREMENT INCOME

10.1 Subject to the provisions of Sections 9 and 11 hereof, retirement income payable in other than a lump sum shall be payable in monthly installments, as of the first day of each month with the first payment to be made as of the appropriate retirement date or earlier date of termination of employment, but in no event later than the 60th day after the later of the close of the Plan Year in which the Participant attains age 65 or terminates employment or in which occurs his tenth (10th) Year of Credited Service, and with final payment to be made as of the first day of the month in which death occurs, or, if earlier, the first day of the month payments cease under the option elected. Subject to the foregoing sentence, retirement income payable in a single cash lump sum shall be paid on or as soon as administratively possible following the date he becomes entitled thereto.

10.2 Anything elsewhere in the Plan to the contrary notwithstanding, the entire nonforfeitable interest of each Participant shall be either:

(a) distributed to the Participant not later than the Participant’s “Required Beginning Date” (as defined in Section 10.2(b)), or

(b) distributed to, or for the benefit of, the Participant and the Participant’s contingent annuitant in installments beginning not later than the Participant’s Required Beginning Date and continuing, in accordance with such regulations as the Secretary of the Treasury may prescribe, (i) over the life of the Participant or over the lives of the Participant and the Participant’s contingent annuitant or (ii) over a period certain not extending beyond the life expectancy of the Participant and the Participant’s Beneficiary. For purposes of this Section, the “Required Beginning Date” shall mean the later of April 1 of the calendar year

which follows the calendar year in which the Participant attains age 70½, or the calendar year in which the Participant retires; provided, however, that a distribution to a Participant who is a “five percent owner” (as defined in Section 416 of the Code) shall begin no later than April 1 of the calendar year which follows the calendar year in which such Participant attains age 70½. Notwithstanding the foregoing, any Participant who attains age 70½ after December 31, 1995 but on or before December 31, 1997 may elect to nevertheless commence his distribution on April 1 of the calendar year following the calendar year in which the Participant attains age 70½ even if the Participant is still employed by the Employer. In addition to the foregoing, in applying the rules of this Section 10.2, the regulations promulgated under Section 401(a)(9) of the Code are incorporated herein by reference, as are the rules promulgated by the Department of the Treasury and the Internal Revenue Service with respect to compliance with Section 401(a)(9) of the Code without violating Section 411(d)(6) of the Code.

If distribution of a Participant’s nonforfeitable interest has begun in accordance with Section 10.2(b) hereof and the Participant dies before his entire nonforfeitable interest has been distributed to him, the remaining portion of such interest shall be distributed at least as rapidly as under the method of distribution being used under Section 10.2(b) hereof as of the date of the Participant’s death.

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If a Participant dies before distribution of the Participant’s nonforfeitable interest has begun in accordance with Section 10.2(b) hereof, the entire nonforfeitable interest shall be distributed within five years after the death of the Participant, except such portion thereof as shall be payable in installments to, or for the benefit of, the Participant’s contingent annuitant, beginning not later than one (1) year after the date of the Participant’s death and continuing, in accordance with such regulations as the Secretary of the Treasury may prescribe, over the life of the contingent annuitant (or over a period certain not extending beyond the life expectancy of the contingent annuitant); provided, however, that if the Surviving Spouse is the Participant’s contingent annuitant, the date on which the distributions are required to begin shall not be later than the Participant’s Required Beginning Date and, if the Surviving Spouse dies before the distributions to the Surviving Spouse begin, this paragraph shall be applied as if the Surviving Spouse was the Participant.

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SECTION 11

ADMINISTRATION OF THE PLAN

11.1 Except with respect to those responsibilities delegated to the Fiduciary Committee hereunder, the Plan shall be administered by the Committee, which shall be responsible for carrying out the provisions of the Plan. The Committee shall be a “named fiduciary” under Section 402(a)(2) of ERISA. The Committee shall consist of at least three (3) members who shall be appointed in the manner authorized by the Board. Vacancies therein shall be filled in the same manner as appointments. Any member of the Committee may be removed by action of the Board or may resign of his own accord by delivering his written resignation to the Board and to the secretary of the Committee.

11.2 The members of the Committee shall elect from their number a chairman. The chairman shall appoint a secretary, who need not be a member of the Committee. The members of the Committee may appoint from their number subcommittees with such powers as they shall determine, may authorize one or more

of their number or any agent to execute or deliver any instrument or make any payment in their behalf, and may employ clerks and may employ such counsel, accountants, and actuaries as may be required in carrying out the provisions of the Plan.

11.3 The Committee shall hold meetings upon such notice, at such time, and at such place as they may determine.

11.4 A majority of the members of the Committee at the time in office shall constitute a quorum for the transaction of business. All resolutions or other actions taken by the Committee shall be by the affirmative vote of a majority of those present at the meeting, or the written consent of a majority of members at the time in office, if they act without a meeting.

11.5 No member of the Committee who is also an Employee shall receive any compensation for his services as such, but the Employer may reimburse any member for any necessary expenses incurred.

11.6 The Committee shall from time to time establish rules for the administration of the Plan and the transaction of its business. Except as herein otherwise expressly provided, the Committee shall have the exclusive right to interpret the Plan and to decide any matters arising thereunder in connection with the administration of the Plan, the eligibility of any person to benefits thereunder and the amounts of such benefits. It shall endeavor to act by general rules so as not to discriminate in favor of any person. Its decisions and the records of the Committee shall be conclusive and binding upon the Employer, the Participants, and all other persons having any interest under the Plan.

The Committee shall have the power to amend the Plan, provided that such amendment does not increase the total cost of providing benefits under the Plan by an amount in excess of \$1,000,000 in any Plan Year computed in accordance with generally accepted accounting or actuarial principles; and provided, further, that such amendment does not affect the duties delegated hereunder to the Fiduciary Committee.

The Committee may appoint a Plan administrator for the Plan and shall delegate to the Plan administrator the duty to maintain all records and accounts necessary for the effective administration of the Plan, and to take any actions necessary to comply with the reporting and disclosure requirements imposed by the Code, ERISA and any other applicable federal or state statute or regulation, including any law or regulation promulgated by any foreign governing body which applies to the Plan. The Committee may delegate to any Plan administrator such other duties as it may deem necessary and appropriate. The Committee shall receive reports from each such Plan administrator as the Committee may request.

11.7 The Committee shall cause to be maintained accounts showing the fiscal transactions of the Plan, and in connection therewith shall require the Trustee to submit any necessary reports, and shall keep in convenient form such data as may be necessary for actuarial valuations of the assets and liabilities of the Plan. The Committee may retain counsel, accountants, actuaries and/or other persons to assist in the discharge of its duties.

11.8 The members of the Committee, the Fiduciary Committee, the Board, and the officers and directors of the Employer shall be entitled to rely upon all tables, valuations, certificates, and reports furnished by any duly appointed actuary, upon all certificates and reports made by any duly appointed accountant, and upon all opinions given by any duly appointed legal counsel. The members of the Committee, the Fiduciary Committee,

the Board, and the officers and directors of the Employer shall not be held liable for any action taken in good faith in reliance upon any such tables, valuations, certificates, reports, or opinions. All actions so taken shall be conclusive upon each of them and upon all persons having any interest under the Plan. No member of the Committee shall be personally liable by virtue of any instrument executed by him or on his behalf as a member of the Committee, or for any mistake of judgment made by himself or any other member or by anyone employed by the Employer, or for any loss unless resulting from his own actions, including gross negligence or willful misconduct. Each member of the Committee shall be indemnified by the Employer against losses reasonably incurred by him in connection with any claim, proceeding or action to which he may be a party by reason of his membership in the Committee (including amounts paid in a settlement approved by the Employer and reasonable attorney's fees and expenses incurred in connection with such claim, proceeding or action); provided, however, that such indemnification shall not apply to matters as to which he shall be finally adjudged, by a court of competent jurisdiction in a decision from which no appeal may be taken or with respect to which the time to appeal has expired without an appeal having been made, to have engaged in gross negligence or willful misconduct. The foregoing right of indemnification shall be in addition to any other rights to which any such member may be entitled as a matter of law or pursuant to the bylaws of Estee Lauder or any other Employer.

11.9 In the event that any Participant, contingent annuitant or Beneficiary claims to be entitled to a benefit under the Plan, and the Committee determines that such claim should be denied in whole or in part, the Committee shall, in writing, notify such claimant within 90 days of receipt of such claim that his claim has been denied, setting forth the specific reasons for such denial. Such notification shall be written in a manner reasonably expected to be understood by such Participant or other payee and shall set forth the pertinent sections of the Plan relied on and, where appropriate, an explanation of how the claimant can obtain review of

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such denial. Within 60 days after the mailing or delivery by the Committee of such notice, such claimant may request, by mailing or delivery of written notice to the Committee, a review by the Committee of the decision denying the claim. If the claimant fails to request such a hearing within such 60-day period, it shall be conclusively determined for all purposes of this Plan that the denial of such claim by the Committee is correct. If such claimant requests a review within such 60-day period, he shall have the opportunity to review pertinent documents and to submit a written statement to the Committee. After such review, the Committee shall determine whether such denial of the claim was correct and shall notify such claimant in writing of its determination within 60 days from receipt of his request and no further review shall thereafter be required by the Committee.

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SECTION 12

INVESTMENT OF PLAN ASSETS; DUTIES OF FIDUCIARY COMMITTEE

12.1 All assets for providing the benefits of the Plan shall be held in trust for the exclusive benefit of Participants, contingent annuitants and Beneficiaries under the Plan, and no part of the corpus or income shall be used for, or diverted to, purposes other than for the exclusive benefit of Participants, contingent annuitants, and Beneficiaries under the Plan except as provided in Sections 6.3 and 16.4 hereof. No Participant, contingent annuitant, or Beneficiary under the Plan, nor any other person, shall have any interest in or right to

any part of the earnings of the Trust Fund, or any rights in, to, or under the Trust Fund or any part of its assets, except to the extent expressly provided in the Plan.

12.2 All contributions to the Plan by the Employer shall be committed in trust to the Trustee and/or to an insurance company as provided for in Section 404 of ERISA. The Trustee shall be appointed from time to time by the Fiduciary Committee by the appropriate instrument, with such powers in the Trustee as to investment, reinvestment, control, and disbursement of the funds as the Fiduciary Committee shall approve and as shall be in accordance with the Plan. The Fiduciary Committee may remove, replace, or add a Trustee at any time. Upon the removal, replacement, or resignation of any Trustee, the Fiduciary Committee may designate a successor Trustee.

12.3 In the discretion of the Fiduciary Committee all contributions to the Plan by the Employer committed to the Trustee and/or insurance company may be commingled from time to time in whole or in part with any other fund or funds held by the Trustee and/or insurance company for use in connection with the payment of pensions of any Employee of the Employer or with any other fund or funds held by the Trustee and/or insurance company pursuant to any other retirement plan which is a qualified pension plan under Section 401(a) of the Code. For purposes of this Plan, the word “fund” or “funds” as used in this Section 12 and hereafter in this Plan shall mean the allocable portion of the fund or funds held by the Trustee and/or insurance company in respect of the contributions made pursuant to this Plan.

12.4 The Fiduciary Committee shall determine the manner in which the funds of the Plan shall be disbursed in accordance with the Plan and the provisions of the trust instrument, including the form of voucher or warrant to be used in making disbursements and the qualifications of persons authorized to approve and sign the same and any other matters incident to the disbursement of such funds.

12.5 The Fiduciary Committee shall adopt from time to time actuarial tables to be used as the basis for all actuarial calculations and shall recommend the rates of contribution payable by the Employer to the Plan as provided in Section 6 hereof. The Fiduciary Committee shall determine from time to time the per centum rate of interest to be used as the basis for all calculations. As an aid to the Fiduciary Committee in adopting tables and in recommending the rates of contribution payable by the Employer to the Plan, the actuary appointed by the Fiduciary Committee shall make annual actuarial valuations of the assets and liabilities of the Plan and

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shall certify to the Fiduciary Committee the tables and rates of contribution which he would recommend for use by the Fiduciary Committee.

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SECTION 13

OBLIGATIONS OF THE EMPLOYER

13.1 All contributions by the Employer for benefits under the Plan shall be voluntary, and the Employer shall be under no legal obligation to make and/or continue to make them. The Employer shall have no liability in respect to payments or benefits or otherwise under the Plan, and the Employer shall have no liability in respect to the administration of the Trust Fund or of the funds, securities, or other assets paid over to the

Trustee, and each Participant, each contingent annuitant, and each Beneficiary shall look solely to such Trust Fund for any payments or benefits under the Plan.

SECTION 14

MISCELLANEOUS PROVISIONS

14.1 Except as otherwise provided by law (which shall include a “qualified domestic relations order” pursuant to Section 414(p) of the Code and any other circumstance described in Section 401(a)(13) of the Code and the Treasury regulations promulgated thereunder), no benefit payable under the Plan shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, or charge; nor shall any such benefit be in any manner liable for or subject to the debts, contracts, liabilities, engagements, or torts of the person entitled to such benefit.

14.2 If any Participant, contingent annuitant, or Beneficiary under the Plan shall become bankrupt or attempt to anticipate, alienate, sell, transfer, assign, pledge, encumber or charge any benefit in a manner not allowed pursuant to Section 14.1, then such benefit shall, in the discretion of the Committee, cease and terminate. In that event the Committee shall hold or apply the benefit or any part thereof to or for such Participant, contingent annuitant or Beneficiary, his spouse, children, or other dependents, or any of them, in such manner and in such proportions as the Committee shall in its sole discretion determine.

14.3 The establishment and/or maintenance of the Plan shall not be construed as conferring any rights upon any Employee or any person for a continuation of employment, and shall not be construed as limiting in any way the right of the Employer to discharge any Employee or to treat him without regard to the effect which such treatment might have upon him as a Participant of the Plan.

14.4 If any person entitled to receive any benefits from the Trust Fund is a minor or, in the judgment of the Committee, legally, physically or mentally incapable of personally receiving any distributions, the Committee may instruct the Trustee to make distribution to such other person, persons, or institutions that, in the judgment of the Committee, are then maintaining or have custody of such distributee.

14.5 The determination of the Committee as to the identity of the proper payee of any benefit under the Plan and the amount of such benefit properly payable shall be conclusive, and payment in accordance with such determination shall constitute a complete discharge of all obligations on account of such benefit.

14.6 In the event any amount shall become payable from the Trust Fund to a Beneficiary or the estate of any deceased person and if, after written notice from the Trustee mailed to the last known address of such Beneficiary, or of the executor or administrator of such estate (as certified to the Trustee by the Committee), such person or such executor or administrator shall not have presented himself to the Trustee within two (2) years after the mailing of such notice, the Trustee shall notify the Committee, and the Committee shall instruct the Trustee to distribute such amount due to such Beneficiary or such estate among one or more of the spouse and blood relatives of such deceased person, as designated by the Committee.

14.7 This Plan may be adopted, by action of the Board of Directors, with respect to Employees who are United States citizens employed by a foreign subsidiary (as defined in Section 3121(1)(8) of the Code) of the Employer, with such Employees being treated as Employees of an Employer for the purpose described in Section 406 of the Code if the following conditions are met:

(a) the Employer has entered into an agreement under Section 3121(1) of the Code which applies to the foreign subsidiary by which such Employees are employed; and

(b) no contributions under another funded plan of deferred compensation (whether or not a plan described in Section 401(a), 403(a), or 405(a) of the Code) are provided by any other Employer with respect to the remuneration paid to such Employees by such subsidiary.

14.8 In the case of any merger or consolidation with, or transfer of assets or liabilities to, any other plan each Participant in the Plan will (if the Plan then terminated) receive a benefit immediately after the merger, consolidation or transfer which is equal to or greater than the benefit he would have been entitled to receive immediately before the merger, consolidation or transfer (if the Plan had then terminated). Such merger, consolidation or transfer shall comply with Section 414(l) of the Code and the regulations promulgated thereunder.

14.9 The rights of any person who terminated employment or retired on or before the effective date of any of the relevant provisions of this restatement, including his eligibility for benefits, shall be determined solely under the terms of the Plan as in effect on the date of his termination of employment or retirement, unless such person is thereafter reemployed and again becomes a Participant.

14.10 Notwithstanding any provision of the Plan to the contrary, contributions, benefits and service credit with respect to qualified military service will be provided in accordance with Section 414(u) of the Code.

14.11 In the case of a Participant who, on or after January 1, 2007, dies while performing “qualified military service” (within the meaning of Section 414(u)(5) of the Code), the survivors of the Participant shall be entitled to any additional benefits (including vesting) provided under the Plan had the Participant resumed and then terminated employment on account of death.

SECTION 15

ADOPTION OF PLAN BY MEMBERS OF THE GROUP

15.1 Any member of the Group, other than Estee Lauder, or any other corporation or unincorporated trade or business which is not a member of the Group may, with the consent of the Board of Directors, adopt this Plan, thereby bringing such Group member or other corporation or unincorporated trade or business within the definition of Employer. With respect to such member of the Group or other corporation or unincorporated trade or business, the term “Original Effective Date” of the Plan shall refer to the date as to which such member adopts the Plan or the date as of which the Plan is extended to such member as the case may be.

15.2 The Board of Directors shall, subject to the requirements of ERISA and the Code, determine the extent to which, if at all, the period of employment prior to the extension of the Plan to a member

of the Group or other corporation or unincorporated trade or business shall be recognized for purposes of the Plan.

15.3 In the event that a retirement plan or pension plan maintained by a member of the Group, or other corporation or unincorporated trade or business, for any other division, plant, or location is added to this Plan, the rights and benefits of Employees who were covered under such other plan shall, from and after the Original Effective Date of the Plan with respect to said Employer, be determined under such terms and conditions with respect to such Employees as shall be specified by the Board of Directors in the resolution approving the adoption or extension of the Plan as to the said Employees.

The assets under such other plans maintained by a member of the group applicable to Employees to be covered by this Plan shall, to the extent practicable and subject to the provisions of Section 14.8 hereof, be transferred to the Fund under this Plan, and such transferred assets shall be merged with the Fund held under this Plan.

15.4 If any Employer which has come within the definition of Employer pursuant to this Section 15 subsequently withdraws or is withdrawn from the Plan, or discontinues the Plan with respect to all or part of its Employees, the Committee shall determine the share of the Fund which shall be allocated to the Employees of such Employer who are thereby affected. If a separate defined benefit pension plan is being continued for such Employees, such Employer shall, subject to the provisions of Section 14.8 hereof, designate a successor Trustee under a separate instrument to whom such allocable funds shall be transferred with respect to all or the specified classifications of its Employees, as the case may be, unless the Board of Directors shall determine that such Employer and its affected Employees may upon proper action of such Employer continue to participate in the Trust Fund maintained in connection with this Plan. If the Plan is discontinued with respect to all or part of such Employer's Employees, such allocable funds shall be allocated with respect to each Employee affected, and shall be applied pursuant to Section 16.4 hereof.

15.5 If any Employer which is not a member of the Group which includes Estee Lauder adopts the Plan in accordance with Section 15.1, the Plan shall be treated as a "multiple

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employer plan" within the meaning of Section 413(c) of the Code, and it shall comply with all the requirements of the Code and ERISA applicable to such plans.

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SECTION 16

AMENDMENT AND TERMINATION

16.1 Estee Lauder reserves the right at any time, and from time to time, by action of the Committee to amend, in whole or in part, retroactively or prospectively or both, any or all of the provisions of the Plan; provided, however, that no part of the assets of the Plan shall, by reason of any amendment, be used for or diverted to purposes other than for the exclusive benefit of Participants, contingent annuitants, and Beneficiaries; and further provided that any amendment adopted by the Committee which would cause the Plan and the trust established under the Plan to cease to meet the requirements of Section 401(a) or 501(a) of the Code respectively,

shall be null and void; and any actions taken under the Plan pursuant to such amendment, any benefit increases (or decreases) accruing under the Plan as a result of such amendment, and any increases (or decreases) in benefit payments under the Plan made as a result of such amendment, during the period from the date of adoption of such amendment to the date it is determined that such amendment should so cause the Plan and the trust under the Plan to cease to meet such requirements, shall be, respectively, rectified, nullified, and restored as soon as possible to the extent necessary to permit the Plan and the trust under the Plan to continue to meet the requirements of Section 401(a) and 501(a) of the Code, respectively.

Notwithstanding the previous paragraph herein, no amendment to the Plan shall:

- (a) reduce the Participant' s accrued normal retirement income as of the date on which the amendment is adopted,
- (b) eliminate or reduce any early retirement benefit or retirement-type subsidy (to be determined by regulation), or an optional form of retirement income under the Plan, with respect to the accrued normal retirement income, or
- (c) reduce a retired Participant' s retirement income as of the beginning of the Plan Year in which the amendment is effective.

The Board of Directors' approval shall be required for any amendment to the Plan which is anticipated by the Committee to increase the cost to Estee Lauder of maintaining the Plan by an amount in excess of \$1,000,000 in any Plan Year, computed in accordance with generally accepted accounting or actuarial principles.

16.2 The Board of Directors may terminate the Plan at any time as to all or any particular group or groups of Participants and such other persons, if any, who have or may become entitled to benefits under the Plan on account of such Participants as to whom the Plan shall have been terminated, which Participants and other persons shall be referred to collectively as the terminated group in this Section 16. After the Plan termination date which is applicable to the terminated group, benefits shall be provided to the terminated group in accordance with Section 16.4 hereof. In the event of such termination, each member of the terminated group will be fully (100%) vested in his accrued benefit.

16.3 The terminated group' s portion of the Fund shall equal the sum of that part of the fair market value on the Plan termination date of the entire Fund that would have been

allocated to each person in the terminated group in accordance with Section 16.4 hereof if the Plan had been terminated on such date as to all Participants in the Plan and no expenses were incurred in connection with such termination of the Plan.

16.4 A terminated group' s share of the Fund shall be allocated as follows:

- (a) first, to provide benefits to each person in the terminated group in accordance with Section 4044(a) of ERISA, and the regulations issued pursuant thereto;

(b) then, to the extent that after the making of the allocation described in (a) above, there remain in the Fund any assets which are applicable to the terminated group, the said assets shall be applied to pay for any unpaid administrative expenses for the administration of the Plan as to the terminated group; and

(c) lastly, to the extent that after making the allocations described in (a) and (b) above, there remain in the Fund any assets which are applicable to the terminated group, then such remaining assets shall be paid to the Employer for its own use and benefit provided that such payment to the Employer does not contravene any provision of law.

16.5 Upon termination of the Plan, (i) the rate of interest used to determine accrued benefits under the Plan shall be equal to the average of the rates of interest used under the Plan during the five (5)-year period ending on the termination date, and (ii) the interest rate and mortality table used to determine the amount of any benefit under the Plan payable in the form of an annuity payable at normal retirement age shall be the rate and table specified in Appendix A, except that if such rate is a variable rate, the interest rate shall be determined under the rules of clause (i). This section shall be interpreted and applied in a manner consistent with Section 411(b)(5)(B)(vi) of the Code and the guidance issued thereunder.

SECTION 17

LIMITATION ACCORDING TO TREASURY DEPARTMENT REQUIREMENTS

The purpose of this Section is to conform the Plan to the requirements of Section 1.401(a)(4)-5(b) of the Income Tax Regulations.

17.1 If a benefit becomes or is payable for a Plan Year to a Participant who is among the 25 highest paid “highly compensated employees” or “highly compensated former employees” (each as defined in Section 414(q) of the Code and regulations and rulings issued thereunder) for a Plan Year, such benefit cannot exceed an amount equal to the payments that would be made during the Plan Year on behalf of the Participant under a single life annuity that is the Actuarial Equivalent of the sum of the Participant’s Accrued Benefit and any other benefits under the Plan; provided, however, that this Section shall not apply if (i) benefits that would be payable to such a Participant are less than 1% of the total value of current liabilities under the Plan, or (ii) the assets of the Trust Fund exceed, immediately after payment of a benefit to such a Participant, 110% of the value of current liabilities under the Plan. (For purposes of this Section, the value of current liabilities shall be as defined in Section 412(l)(7) of the Code.)

17.2 In the event of a termination of the Plan, the benefit of any highly compensated employee or highly compensated former employee shall be limited to a benefit that is nondiscriminatory under Section 401(a)(4) of the Code.

17.3 In the event Congress should provide by statute, or the Internal Revenue Service or Department of the Treasury should provide by regulation or ruling, that such limitations are no longer necessary for the Plan to meet the requirements of Section 401(a) or other applicable provisions of the Code then in effect, such limitations shall become void and shall no longer apply, without the necessity of further amendment to the Plan.

SECTION 18**TOP-HEAVY PLAN PROVISIONS**

18.1 Anything elsewhere in this Plan to the contrary notwithstanding, the provisions of this Section 18 shall apply to the Plan for any Plan Year if, on the last day of the preceding Plan Year, either (i) the present equivalent actuarial value of the cumulative accrued normal retirement income of Key Employees exceeds 60% of the present equivalent actuarial value of the cumulative accrued normal retirement income of all Participants, or (ii) the sum of (A) the present equivalent actuarial value of the cumulative accrued normal retirement income of Key Employees under the Plan, (B) the present equivalent actuarial value of the accumulated accrued benefits of Key Employees under all other qualified defined benefit plans included in the Aggregation Group, and (C) the cumulative account balances of Key Employees under all qualified defined contribution plans included in the Aggregation Group exceeds 60% of the sum of (D) the present equivalent actuarial value of the cumulative accrued normal retirement income of all Participants under the Plan, (E) the present equivalent actuarial value of the accumulated accrued benefits of all Participants under all other qualified defined benefit plans included in the Aggregation Group, and (F) the cumulative account balances of all Participants under all qualified defined contribution plans included in the Aggregation Group. For the purpose of the foregoing sentence, the “equivalent actuarial value” of the cumulative accrued normal retirement income of each Participant under the Plan shall be calculated utilizing a 5% interest rate assumption and is increased by the amount of the aggregate distributions, if any, made with respect to the Participant under the Plan during the five (5)-year period ending on the last day of the preceding Plan Year (except that for Plan Years beginning on or after January 1, 2002, distributions on account of severance from employment, death or disability shall be taken into account only if made during the one (1)-year period ending on the last day of the preceding Plan Year); and the present equivalent actuarial value of the accumulated accrued benefit of each Participant under all other qualified defined benefit plans and the cumulative account balances of each Participant under any qualified defined contribution plan shall be increased by the amount of the aggregate distributions, if any, made with respect to the Participant under such other plan during that five (5)-year period (or one (1)-year period, as applicable). The term “Aggregation Group” shall mean all plans to which the Employer contributes in which a Key Employee is a Participant and all other plans to which the Employer contributes that enable any such plan to meet the requirements of Section 401(a)(4) or Section 410 of the Code. If a Participant is not a Key Employee for any Plan Year, but was a Key Employee in a prior Plan Year, the accrued normal retirement income for such Participant shall not be taken into account. The accrued normal retirement income of any Participant or former Participant who has not during the five (5)-year period ending on the last day of the preceding Plan Year received from the Employer any compensation other than benefits under the Plan (or for determinations on or after January 1, 2002, who has not during the one (1)-year period ending on the last day of the preceding Plan Year performed any services for the Employer) shall not be taken into account. In any Plan Year for which the provisions of this Section 18 apply and thereafter, each Employee who is a Participant during that Plan Year and has completed at least three (3) Years of Service shall have a nonforfeitable right, in the event he ceases to be an Employee prior to his Normal Retirement Date, otherwise than by death or early retirement, to receive for the remainder of his life (beginning at his Normal Retirement Date if he is still living) a deferred vested retirement income in an amount per month equal to his accrued normal retirement income computed as of

the date he ceases to be an Employee (including benefits accrued before the provisions of this Section 18 apply).

Notwithstanding the foregoing, each such Employee who has completed not less than three (3) Years of Service shall be permitted to elect, within 90 days after the first day of the Plan Year for which the provisions of this Section 18 apply, to have his nonforfeitable percentage computed in accordance with the provisions of Section 8 hereof without regard to this paragraph.

18.2 In any Plan Year for which the provisions of this Section 18 apply, if the accrued normal retirement income of any Participant who is not a Key Employee, when expressed as an equivalent actuarial value of a benefit payable annually in the form of a single life annuity (with no ancillary benefits) beginning when the Participant attains age 65 (without taking into account contributions or benefits under Chapter 2 of Chapter 21 of Title II of the Social Security Act, or any other Federal or State law), is less than the Compensation from Estee Lauder not in excess of \$150,000 (\$200,000 for Plan Years beginning on or after January 1, 2002), for years in the Participant's Testing Period, then the accrued normal retirement income of that Participant shall be increased to an amount equal at the last day of that Plan Year to such Applicable Percentage of the Participant's average Compensation from the Employer for years in the Participant's Testing Period.

18.3 In any Plan Year for which the provisions of this Section 18 apply, the Compensation from the Employer of each Participant taken into account under the Plan shall not exceed the first \$150,000 (\$200,000 for Plan Years beginning on or after January 1, 2002) (or such other figure as shall result from such annual cost-of-living adjustments as the Secretary of the Treasury or his delegate shall make pursuant to Section 401(a)(17)(B) of the Code).

18.4 In any Plan Year commencing prior to January 1, 2000 for which the provisions of this Section 18 apply, the figure "1.0" shall be substituted for the figure "1.25" as required by Section 416 of the Code for the purpose of determining an Employee's "defined contribution plan fraction" and "defined benefit plan fraction" under Section 415(e) of the Code.

18.5 For purposes of this Section, the following definitions shall apply:

(a) "Applicable Percentage" means, in respect of any Participant, the lesser of (i) 2% multiplied by the number of the Participant's Years of Service (disregarding any Year of Service in which ended a Plan Year for which the provisions of this Section 18 were not applicable and any Year of Service completed in a Plan Year beginning before January 1, 1984) or (ii) 20%.

(b) "Compensation" means, for purposes of this Section only, Compensation as defined in Section 2.10 hereof but including any special pay or remuneration reportable to the Internal Revenue Service on Form W-2 for Federal income tax purposes, but with respect to Plan Years commencing prior to January 1, 1998, "Compensation" excludes contributions made by an Employer on behalf of an Employee under a "cash or deferred arrangement" described in Section 401(k) of the Code.

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(c) "Key Employee" means a Participant, former Participant or the contingent annuitant of any Participant who, at any time during the Plan Year or, for determinations prior to January 1, 2002, any of the four (4) preceding Plan Years, is or was

(i) an officer of an Employer whose compensation from the Employer for the Plan Year exceeds (A) for determinations prior to January 1, 2002, 50% of the dollar limitation in effect

under Section 415(b)(1)(A) of the Code for the calendar year in which such Plan Year ends, or (B) for determinations on or after January 1, 2002, \$130,000 (as adjusted to reflect increases in the cost of living as determined by the Secretary of the Treasury);

(ii) solely for determinations prior to January 1, 2002, one (1) of the ten (10) employees having annual compensation from the Employer in excess of the limitation in effect under Section 415(c)(1)(A) of the Code and owning (or considered as owning within the meaning of Section 318 of the Code) the largest interests in the Employer;

(iii) the owner of 5% or more of the outstanding stock of the Employer (or stock possessing more than 5% of the total combined voting power of all stock of the Employer); or

(iv) an owner of 1% or more of the outstanding stock of the Employer (or stock possessing more than 1% of the total combined voting power of all stock of the Employer) whose Compensation from the Employer for the Plan Year is more than \$150,000. Any Employee who is not a Key Employee shall be deemed a Non-Key Employee.

(d) “Testing Period” means, in respect of any Participant, the period of consecutive years (not exceeding five (5)), and disregarding any Year of Service in which ended a Plan Year for which the provisions of this Section 18 were not applicable, any Year of Service completed in a Plan Year beginning before January 1, 1984, and any year that begins after the close of the last Plan Year for which the provisions of this Section 18 were applicable), during which the Participant had the greatest aggregate Compensation from the Employer.

SECTION 19

FUNDING-BASED LIMITS ON BENEFITS AND BENEFIT ACCRUALS

19.1 Funding-based Limitation on Shutdown Benefits and Other Unpredictable Contingent Event Benefits.

(a) If any Participant is entitled to an “unpredictable contingent event benefit” (as defined in Treasury Regulation Section 1.436-1(j)(9)) payable with respect to any event occurring during any Plan Year, such benefit shall not be provided if the “adjusted funding target attainment percentage” (as defined in Treasury Regulation Section 1.436-1(j)(1))) for such Plan Year—

(i) is less than 60%; or

(ii) would be less than 60% taking into account such occurrence.

(b) Section 19.1(a) shall cease to apply with respect to any Plan Year, effective as of the first day of the Plan Year, upon payment by the Employer of a contribution (in addition to any minimum required contribution under Section 430 of the Code) equal to—

(i) in the case of clause (a)(i) above, the amount of the increase in the funding target of the Plan (under Section 430 of the Code) for the Plan Year attributable to the occurrence referred to in subsection (a) above, and

(ii) in the case of clause (a)(ii), the amount sufficient to result in a funding target attainment percentage of 60%.

19.2 Limitations on Plan Amendments Increasing Liability for Benefits.

(a) No amendment to the Plan which has the effect of increasing liabilities of the Plan by reason of increases in benefits, establishment of new benefits, changing the rate of benefit accrual, or changing the rate at which benefits become nonforfeitable may take effect during any Plan Year if the adjusted funding target attainment percentage for such Plan Year is—

(i) less than 80%; or

(ii) would be less than 80% taking into account such amendment.

(b) Section 19.2(a) shall cease to apply with respect to any Plan Year, effective as of the first day of the Plan Year (or if later, the effective date of the amendment), upon payment by the Employer of a contribution (in addition to any minimum required contribution under Section 430 of the Code) equal to—

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(i) in the case of clause (a)(i) above, the amount of the increase in the funding target of the Plan (under Section 430 of the Code) for the Plan Year attributable to the amendment, and

(ii) in the case of clause (a)(ii), the amount sufficient to result in an adjusted funding target attainment percentage of 80%.

(c) Section 19.2(a) shall not apply to any amendment which provides for an increase in benefits under a formula which is not based on a Participant's compensation, but only if the rate of such increase is not in excess of the contemporaneous rate of increase in average wages of Participants covered by the amendment.

19.3 Limitations on Accelerated Benefit Distributions.

(a) In any case in which the Plan's adjusted funding target attainment percentage for a Plan Year is less than 60%, the Plan shall not pay any prohibited payment (as defined in Section 19.3(d) below) after the valuation date for the Plan Year.

(b) During any period in which Estee Lauder is a debtor in a case under title 11, United States Code, or similar Federal or State law, the Plan shall not pay any prohibited payment. The preceding sentence shall not apply on or after the date on which the enrolled actuary of the Plan certifies that the adjusted funding target attainment percentage of the Plan is not less than 100%.

(c) In any case in which the Plan's adjusted funding target attainment percentage for a Plan Year is 60% or greater but less than 80%, the Plan shall not pay any prohibited payment after the valuation date for the Plan Year to the extent that the amount of the payment exceeds the lesser of—

(i) 50% of the amount of the payment which could be made without regard to this Section 19; or

(ii) the present value (determined under guidance prescribed by the Pension Benefit Guaranty Corporation, using the interest and mortality assumptions under Section 417(e) of the Code) of the maximum guarantee with respect to the Participant under Section 4022 of ERISA.

Only one (1) prohibited payment meeting the requirements of this Section 19.3(c) shall be made with respect to any Participant during any period of consecutive Plan Years to which the limitations under either Section 19.3 applies. For purposes of this one (1) payment per Participant limitation, a Participant and any Beneficiary on his behalf (including for this purpose an alternate payee) shall be treated as one (1) Participant. If the accrued benefit of a Participant is allocated to such an alternate payee and one (1) or more other persons, the amount under this Section 19.3(c) shall be allocated among such persons in the same manner as the accrued benefit is allocated unless the qualified domestic relations order provides otherwise.

(d) For purposes of this Section 19.3, a “prohibited payment” means–

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(i) any payment, in excess of the monthly amount paid under a single life annuity (plus any social security supplements described in the last sentence of Section 411(a)(9) of the Code), to a Participant or Beneficiary whose annuity starting date (as defined in Section 417(f)(2) of the Code) occurs during any period a limitation under this Section 19.3 is in effect;

(ii) any payment for the purchase of an irrevocable commitment from an insurer to pay benefits; and

(iii) any other payment specified by the Secretary of the Treasury in regulations.

Notwithstanding the foregoing, the term “prohibited payment” does not include the payment of a benefit that may be immediately distributed without the consent of the Participant under Section 411(a)(11) of the Code.

19.4 Limitation on Benefit Accruals In the Event of a Severe Funding Shortfall.

(a) In any case in which the Plan’s adjusted funding target attainment percentage for a Plan Year is less than 60%, benefit accruals under the Plan shall cease as of the valuation date for the Plan Year.

(b) Section 19.4(a) shall cease to apply with respect to any Plan Year, effective as of the first day of the Plan Year, upon payment by the Employer of a contribution (in addition to any minimum required contribution under Section 430 of the Code) equal to the amount sufficient to result in an adjusted funding target attainment percentage of 60%.

19.5 Applicable Code and Regulation Provisions. The limitations of this Section 19 shall be interpreted and applied in a manner consistent with Section 436 of the Code and Section 1.436-1 of the Treasury Regulations.

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SECTION 20

EXECUTION

To record the amendment and restatement of the Plan as set forth herein, the Board of Directors of Estee Lauder Inc. has adopted this restatement effective as of January 1, 2017 and authorized its execution below.

By: /s/ Michael O' Hare
Michael O' Hare

Chairman,
Estee Lauder Inc. Employee Benefits Committee

Date: December 16, 2016

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APPENDIX A

1. Except as otherwise noted below, the assumptions to be used to convert a single life annuity into any other form of benefit, other than a lump sum distribution or a level income annuity (Option 5 of Section 9.3), are as follows:

Interest Rate: 6%

Mortality Table: For Participants, the 1971 TPF&C Mortality Table for male lives, set back four (4) years. For contingent annuitants, the 1971 TPF&C Mortality Table for male lives, set back two (2) years.

2. To the extent that (A) any Participant' s Retirement Account is to be converted into an equivalent, immediately payable, annual amount of single life annuity or an equivalent, immediately payable, annual amount of level income annuity (Option 5 of Section 9.3) and (B) the distribution of such single life annuity is to begin as of date prior to January 1, 1999, such conversion shall be done by applying an immediate conversion factor to such Participant' s Retirement Account, with such factor based upon the above specified mortality table and the Pension Benefit Guaranty Corporation ("PBGC") immediate interest rate applicable to the month as of which the distribution of the single life annuity is otherwise to begin.

To the extent that (A) any Participant' s Retirement Account is to be converted into an equivalent, immediately payable, annual amount of single life annuity or an equivalent, immediately payable, annual amount of level income annuity (Option 5 of Section 9.3) and (B) the distribution of such single life annuity is to begin as of date during calendar year 1999, such conversion shall be done by applying an immediate conversion factor to such Participant' s Retirement Account, with such factor based upon the "applicable mortality table" (as defined under Section 417(e)(3) of the Code) and whichever of the following two (2) interest rates results in the larger single life annuity:

- (i) the “applicable interest rate” (as defined under Section 417(e)(3) of the Code) as in effect for the second calendar month immediately prior to the first day of the calendar quarter in which falls the date as of which the distribution of the single life annuity is otherwise to begin, and
- (ii) such same “applicable interest rate” as in effect for the second calendar month immediately prior to the month in which falls the date as of which such distribution of the single life annuity is otherwise to begin.

To the extent that (A) any Participant’ s Retirement Account is to be converted into an equivalent, immediately payable, annual amount of single life annuity or an equivalent, immediately payable, annual amount of level income annuity (Option 5 of Section 9.3) and (B) the distribution of such single life annuity is to begin as of a date on or after January 1, 2000, such conversion shall be done by applying an immediate conversion factor to such Participant’ s Retirement Account, with such factor based upon the “applicable mortality table” (as defined under Section 417(e)(3) of the Code) and the “applicable interest rate” (as defined under Section

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417(e)(3) of the Code) as in effect for the second calendar month immediately prior to the first day of the calendar quarter in which falls the date as of which the distribution of the single life annuity is otherwise to begin. Effective for distributions commencing on or after August 1, 2008, the “applicable interest rate” shall be determined as of the fourth calendar month immediately prior to the first day of such calendar quarter; provided, however, that for the one-year period beginning on August 1, 2008, the “applicable interest rate” shall be determined as of either the second or the fourth calendar month immediately prior to the first day of such calendar quarter, whichever results in the larger distribution.

For purposes of this Appendix A, the “applicable mortality table” (as defined under Section 417(e)(3) of the Code) shall be the table prescribed by Revenue Ruling 95-6 for distributions on or after January 1, 1999 and prior to December 31, 2002, and the table prescribed by Revenue Ruling 2001-62 for distributions on or after December 31, 2002 and prior to January 1, 2008, and the table prescribed by Revenue Ruling 2007-67 for distributions on or after January 1, 2008 (except to the extent that sections 4 and 5 of this Appendix A permit use on or after January 1, 2008 of a table determined without giving effect to the changes in Section 417(e)(3) of the Code made by the Pension Protection Act of 2006 (“PPA 2006”)).

3. To the extent that (A) any immediately payable, lump sum distribution under the Plan is the equivalent of a single life annuity otherwise deferred to a Participant’ s Normal Retirement Date and (B) such distribution is to occur as of a date prior to January 1, 1999, such Participant’ s Retirement Account is converted into an annual amount of such a deferred single life annuity using a deferred conversion factor, with such factor based upon the above specified mortality table and the PBGC immediate/deferred blended interest rate (under Section 417(e)(3) of the Code, as in effect immediately prior to the enactment of Public Law 103-465) applicable to the month as of which the distribution of such lump sum benefit is otherwise to occur.

To the extent that (A) any immediately payable, lump sum distribution under the Plan is the equivalent of a single life annuity otherwise deferred to a Participant’ s Normal Retirement Date and (B) such distribution is to occur as of a date during calendar year 1999, such Participant’ s Retirement Account is converted into an annual amount of such a deferred single life annuity using a deferred conversion factor, with such factor based upon the “applicable mortality table” (as defined under Section 417(e)(3) of the Code) and whichever of the following two (2) interest rates results in the larger single life annuity:

- (i) the “applicable interest rate” (as defined under Section 417(e)(3) of the Code) as in effect for the second calendar month immediately prior to the first day of the calendar quarter in which falls the date as of which such distribution is otherwise to occur, and
- (ii) such same “applicable interest rate” as in effect for the second calendar month immediately prior to the month in which falls the date as of which such distribution is otherwise to occur.

To the extent that (A) any immediately payable, lump sum distribution under the Plan is the equivalent of a single life annuity otherwise deferred to a Participant’ s Normal

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Retirement Date and (B) such distribution is to occur as of a date on or after January 1, 2000, such Participant’ s Retirement Account is converted into an annual amount of such a deferred single life annuity using a deferred conversion factor, with such factor based upon the “applicable mortality table” (as defined under Section 417(e)(3) of the Code) and the applicable interest rate” (as defined under Section 417(e)(3) of the Code) as in effect for the second calendar month immediately prior to the first day of the calendar quarter in which falls the date as of which such distribution is otherwise to occur. Effective for distributions commencing on or after August 1, 2008, the “applicable interest rate” shall be determined as of the fourth calendar month immediately prior to the first day of such calendar quarter; provided, however, that for the one-year period beginning on August 1, 2008, the “applicable interest rate” shall be determined as of either the second or the fourth calendar month immediately prior to the first day of such calendar quarter, whichever results in the larger distribution.

4. To the extent that (A) any Participant’ s single life annuity otherwise payable immediately is converted into an equivalent, immediately payable lump sum distribution or an equivalent, immediately payable, annual amount of level income annuity (Option 5 of Section 9.3) and (B) the distribution of such benefit is to occur or commence as of a date prior to January 1, 1999, such conversion shall be done by applying an immediate conversion factor to the annual amount of such single life annuity, with such factor based upon the above specified mortality table and the PBGC immediate interest rate applicable to the month as of which the distribution of such lump sum benefit is otherwise to occur.

To the extent that (A) any Participant’ s single life annuity otherwise payable immediately is converted into an equivalent, immediately payable lump sum distribution or an equivalent, immediately payable, annual amount of level income annuity (Option 5 of Section 9.3) and (B) the distribution of such benefit is to occur or commence as of a date during calendar year 1999, such conversion shall be done by applying an immediate conversion factor to the annual amount of such single life annuity, with such factor based upon the “applicable mortality table” (as defined under Section 417(e)(3) of the Code) and whichever of the following two (2) interest rates results in the larger single life annuity:

- (i) the “applicable interest rate” (as defined under Section 417(e)(3) of the Code) as in effect for the second calendar month immediately prior to the first day of the calendar quarter in which falls the date as of which such distribution is otherwise to occur, and
- (ii) such same “applicable interest rate” as in effect for the second calendar month immediately prior to the month in which falls the date as of which such distribution is otherwise to occur.

To the extent that (A) any Participant’ s single life annuity otherwise payable immediately is converted into an equivalent, immediately payable lump sum distribution or an equivalent, immediately payable,

annual amount of level income annuity (Option 5 of Section 9.3) and (B) the distribution of such benefit is to occur or commence as of a date on or after January 1, 2000 and prior to January 1, 2008, such conversion shall be done by applying an immediate conversion factor to the annual amount of such single life annuity, with such factor based upon the “applicable mortality table” (as defined under Section 417(e)(3) of the Code) and

the “applicable interest rate” (as defined under Section 417(e)(3) of the Code) as in effect for the second calendar month immediately prior to the first day of the calendar quarter in which falls the date as of which such distribution is otherwise to occur.

To the extent that (A) any Participant’s single life annuity otherwise payable immediately is converted into an equivalent, immediately payable lump sum distribution or an equivalent, immediately payable, annual amount of level income annuity (Option 5 of Section 9.3) and (B) the distribution of such benefit is to occur or commence as of a date on or after January 1, 2008, such conversion shall be done by applying to the annual amount of such single life annuity the immediate conversion factor specified in clause (i) or (ii) below that produces the greater lump sum benefit amount: (i) the factor based upon the “applicable mortality table” and “applicable interest rate” determined in accordance with the immediately preceding paragraph, without giving effect to the changes in Section 417(e)(3) of the Code made by PPA 2006; or (ii) the factor based upon the “applicable mortality table” (as defined under Section 417(e)(3) of the Code as amended by PPA 2006) and the “applicable interest rate” (as defined under Section 417(e)(3) of the Code as amended by PPA 2006) as in effect for the second calendar month immediately prior to the first day of the calendar quarter in which falls the date as of which such distribution is otherwise to occur. Effective for distributions commencing on or after August 1, 2008, the “applicable interest rate” for purposes of both clauses (i) and (ii) of this paragraph shall be determined as of the fourth calendar month immediately prior to the first day of such calendar quarter; provided, however, that for the one-year period beginning on August 1, 2008, the “applicable interest rate” shall be determined as of either the second or the fourth calendar month immediately prior to the first day of such calendar quarter, whichever results in the larger distribution.

5. Each Participant’s single life annuity otherwise deferred to such Participant’s Normal Retirement Date is, if the distribution of a lump sum benefit is otherwise to occur as of a date prior to January 1, 1999, converted into an equivalent, immediately payable lump sum distribution by using a deferred conversion factor, with such factor based upon the above specified mortality table and the PBGC immediate/deferred blended interest rate (under Section 417(e)(3) of the Code, as in effect immediately prior to the enactment of Public Law 103-465) applicable to the month as of which the distribution of such lump sum benefit is otherwise to occur.

Each Participant’s single life annuity otherwise deferred to such Participant’s Normal Retirement Date is, if the distribution of a lump sum benefit is otherwise to occur as of a date during calendar year 1999, converted into an equivalent, immediately payable lump sum distribution by using a deferred conversion factor, with such factor based upon the “applicable mortality table” (as defined under Section 417(e)(3) of the Code) and whichever of the following two (2) interest rates results in the larger single life annuity:

- (i) the “applicable interest rate” (as defined under Section 417(e)(3) of the Code) as in effect for the second calendar month immediately prior to the first day of the calendar quarter in which falls the date as of which such distribution is otherwise to occur, and
- (ii) such same “applicable interest rate” as in effect for the second calendar month

immediately prior to the month in which falls the date as of which such distribution is otherwise to occur.

Each Participant' s single life annuity otherwise deferred to such Participant' s Normal Retirement Date is, if the distribution of a lump sum benefit is otherwise to occur as of a date on or after January 1, 2000 and prior to January 1, 2008, converted into an equivalent, immediately payable lump sum distribution by using a deferred conversion factor, with such factor based upon the "applicable mortality table" (as defined under Section 417(e)(3) of the Code) and the "applicable interest rate" (as defined under Section 417(e)(3) of the Code) as in effect for the second calendar month immediately prior to the first day of the calendar quarter in which falls the date as of which such distribution is otherwise to occur.

Each Participant' s single life annuity otherwise deferred to such Participant' s Normal Retirement Date shall be, if the distribution of a lump sum benefit is otherwise to occur as of a date on or after January 1, 2008, converted into an equivalent, immediately payable lump sum distribution by using the deferred conversion factor specified in clause (i) or (ii) below that produces the greater lump sum benefit amount: (i) the factor based upon the "applicable mortality table" and "applicable interest rate" determined in accordance with the immediately preceding paragraph, without giving effect to the changes in Section 417(e)(3) of the Code made by PPA 2006; or (ii) the factor based upon the "applicable mortality table" (as defined under Section 417(e)(3) of the Code as amended by PPA 2006) and the "applicable interest rate" (as defined under Section 417(e)(3) of the Code as amended by PPA 2006) as in effect for the second calendar month immediately prior to the first day of the calendar quarter in which falls the date as of which such distribution is otherwise to occur. Effective for distributions commencing on or after August 1, 2008, the "applicable interest rate" for purposes of both clauses (i) and (ii) of this paragraph shall be determined as of the fourth calendar month immediately prior to the first day of such calendar quarter; provided, however, that for the one-year period beginning on August 1, 2008, the "applicable interest rate" shall be determined as of either the second or the fourth calendar month immediately prior to the first day of such calendar quarter, whichever results in the larger distribution.

6. If and to the extent it becomes necessary to correct for a failure to commence a Participant' s or Beneficiary' s Plan distribution on the date required under the terms of the Plan, and such correction includes the payment of a lump sum (a "make-up payment") equal to the missed payment or payments plus an adjustment for interest from the date the missed payment or payments would have been made to the date of the actual make-up payment, such interest shall be calculated using an interest rate of:

- (i) 6% per annum, for failures to commence a Participant' s or Beneficiary' s distribution by the Required Beginning Date or such other commencement date required under Section 10.2 of the Plan and Section 401(a)(9) of the Code; or
- (ii) 5% per annum, for all other failures.

APPENDIX B

In order to receive the benefits described in Section 5.5 of the Plan, a Participant must have been a participant under a Prior Plan on December 31, 1990 and must satisfy the requirements set forth below that correspond to his termination of employment date.

<u>Termination of Employment Date</u>	<u>Requirements</u>
1. After December 31, 1990 and prior to July 1, 1991	1. Age 50 with 10 Years of Service on December 31, 1990; age 55 with 10 Years of Service on his termination of employment date
2. After June 30, 1991 and prior to January 1, 1993	2. Age 55 with 10 Years of Service on his termination of employment date
3. After December 31, 1992	3. Age 50 with 5 Years of Service, or any age and 10 Years of Service, as of January 1, 1993

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APPENDIX C

ADDITIONAL EARLY RETIREMENT BENEFITS

1.1 Eligibility for Additional Benefits

A. Any Participant employed in the United States by an Employer, or on sick leave or long-term disability under the Employer's Long-Term Disability Plan, may elect to retire on August 1, 1991 (such designated date of retirement hereinafter referred to in this Appendix C as the "Retirement Day") and be eligible to receive the additional benefits ("Additional Benefits") set forth under this Appendix C, provided that (i) on or before July 31, 1991 such Participant shall have attained at least age 55 and completed at least ten Years of Service under the Plan (including periods of disability in which no Years of Service were credited), (ii) the document entitled "Special Retirement Option Agreement," which includes a General Release in favor of the Employer, is signed, witnessed and dated no earlier than July 8, 1991 but no later than July 18, 1991 in strict accordance with the instructions contained therein, and (iii) such Participant shall have made an election to retire on such other forms as the Employer may require during the period commencing 45 days after such Participant receives the "Special Retirement Option Agreement" from the Employer but ending no later than July 31, 1991. Participants who previously retired on or after January 1, 1991 and before August 1, 1991 and who were employed in the United States by the Employer shall also be eligible for the Additional Benefits under this Appendix C, provided the preceding requirements in clauses (i)-(iii) hereof are satisfied.

B. Notwithstanding the provisions of paragraph A hereof, any individual whose active employment with an Employer ceased by mutual agreement on or before May 17, 1991 shall not be eligible for any benefits under this Appendix C.

C. Notwithstanding the provisions of paragraph A above, any individual who is classified by an Employer as a Corporate Department Head or President of a division shall not be eligible for the Additional Benefits under this Appendix C.

1.2 Additional Benefits

Each Participant eligible for Additional Benefits under this Appendix C to the Plan who elects to retire on the Retirement Day shall be entitled to the following:

A. The Additional Benefits shall be equal to the benefit determined, under Section 5.5 of the Plan, by increasing the Participant's age as of August 1, 1991, by five (5) years and Years of Service as of August 1, 1991, by five (5) years. The Additional Benefits shall be added to the regular pension benefit determined under Section 5.5 of the Plan.

B. The reduction contained in Section 5.5 of the Plan, which applies to the early commencement of a Participant's benefits prior to age 62, shall be applied after increasing the Participant's age by five (5) years as provided under paragraph A above.

C-1

C. The Additional Benefits provided under this Appendix C to the Plan shall be payable in the form applicable to the Participant in accordance with the provisions of Section 9 of the Plan.

D. Participants who (i) retired on or after January 1, 1991 and prior to August 1, 1991, (ii) are receiving retirement benefits under the Plan prior to August 1, 1991, and (iii) are eligible under Section 1.1 A hereof, shall have the amount of their retirement benefits recomputed under this Appendix C from the date of their previous retirement and paid in accordance with the form of benefit previously elected under Section 9 of the Plan. No changes to the form of benefit previously elected shall be permitted; however, the Additional Benefits payable for the period of time from the date of the previous retirement to July 31, 1991 shall be paid in the form of a lump sum distribution at the time prescribed under paragraph E hereof. In no event shall Additional Benefits be paid to Participants who retired before January 1, 1991.

E. If a Participant elects the Additional Benefits provided under this Appendix C to the Plan, such Participant's retirement benefits shall be payable commencing in the first month following the month in which the Retirement Day occurs.

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APPENDIX D

ADDITIONAL EARLY RETIREMENT BENEFITS

1.1 Eligibility for Additional Benefits

A. Any Participant employed in the Commonwealth of Puerto Rico by the Estee Lauder Hemisphere Division of Clinique (the "Employer"), or on sick leave or long-term disability under the

Employer's Long-Term Disability Plan, may elect to retire on December 1, 1991 (such designated date of retirement hereinafter referred to in this Appendix D as the "Retirement Day") and be eligible to receive the additional benefits ("Additional Benefits") set forth under this Appendix D, provided that (i) on or before November 30, 1991 such Participant shall have attained at least age 55 and completed at least ten (10) Years of Service under the Plan (including periods of disability in which no Years of Service were credited), (ii) the document entitled "Special Retirement Option Agreement and General Release," which includes a General Release in favor of the Employer, is signed, witnessed and dated no earlier than November 4, 1991 but no later than November 14, 1991 in strict accordance with the instructions contained therein, and (iii) such Participant shall have made an election to retire on such other forms as the Employer may require during the period commencing 45 days after such Participant receives the "Special Retirement Option Agreement" from the Employer but ending no later than November 30, 1991. Participants who previously retired on or after January 1, 1991 and before December 1, 1991 and who were employed in the Commonwealth of Puerto Rico by the Employer shall also be eligible for the Additional Benefits under this Appendix D, provided the preceding requirements in clauses (i)-(iii) hereof are satisfied.

B. Notwithstanding the provisions of paragraph A hereof, any individual whose active employment with the Employer ceased by mutual agreement on or before September 19, 1991 shall not be eligible for any benefits under this Appendix D.

C. Notwithstanding the provisions of paragraph A above, any individual who is classified by the Employer as a Corporate Department Head or President of a division shall not be eligible for the Additional Benefits under this Appendix D.

1.2 Additional Benefits

Each Participant eligible for Additional Benefits under this Appendix D to the Plan who elects to retire on the Retirement Day shall be entitled to the following:

A. The Additional Benefits shall be equal to the benefit determined, under Section 5.5 of the Plan, by increasing the Participant's age as of December 1, 1991, by five (5) years and Years of Service as of December 1, 1991, by five (5) years. The Additional Benefits shall be added to the regular pension benefit determined under Section 5.5 of the Plan.

B. The reduction contained in Section 5.5 of the Plan, which applies to the early commencement of a Participant's benefits, shall be applied after increasing the Participant's age by five (5) years as provided under paragraph A above.

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C. The Additional Benefits provided under this Appendix D to the Plan shall be payable in the form applicable to the Participant in accordance with the provisions of Section 9 of the Plan.

D. Participants who (i) retired on or after January 1, 1991 and prior to December 1, 1991, (ii) are receiving retirement benefits under the Plan prior to December 1, 1991, and (iii) are eligible under Section 1.1 A hereof, shall have the amount of their retirement benefits recomputed under this Appendix D from the date of their previous retirement and paid in accordance with the form of benefit previously elected under Section 8 of the Plan. No changes to the form of benefit previously elected shall be permitted; however, the Additional Benefits payable for the period of time from the date of the previous retirement to November 30, 1991

shall be paid in the form of a lump sum distribution at the time prescribed under paragraph E hereof. In no event shall Additional Benefits be paid to Participants who retired before January 1, 1991.

E. If a Participant elects the Additional Benefits provided under this Appendix D to the Plan, such Participant's retirement benefits shall be payable commencing in the first month following the month in which the Retirement Day occurs.

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APPENDIX E

SPECIAL PROVISIONS GOVERNING EMPLOYEES OF WHITMAN PACKAGING CORPORATION WHO DID NOT OTHERWISE BECOME ELIGIBLE EMPLOYEES PRIOR TO JANUARY 1, 1992

SECTION 1.1 SCOPE.

The provisions of this Appendix E shall apply with respect to each person who first became an employee of Whitman Packaging Corporation prior to January 1, 1992; other than any such person who, prior to that date, terminated such employment and immediately thereupon transferred to, and became an employee of, an entity which was then an Employer under the Plan as then in effect (a "Whitman Employee"). The provisions of this Appendix E shall apply notwithstanding any contrary provisions of the Plan, of which this Appendix is a part.

Except to the extent expressly provided to the contrary herein, all defined terms shall have the same meanings as provided under the Plan. Each reference to the Plan shall (except with reference to the first sentence of the preceding paragraph) be to the Plan as in effect at the time such provision is applied to a Whitman Employee, as the context shall require.

The provisions of this Appendix E shall not apply with respect to (a) any person described in Appendix F or (b) any person who first becomes an employee of Whitman Packaging Corporation ("Whitman") on or after January 1, 1992.

SECTION 1.2 COMMENCEMENT OF STATUS AS A PARTICIPATING EMPLOYER

Whitman shall become an Employer under the Plan on January 1, 1992.

SECTION 1.3 COMMENCEMENT OF PLAN PARTICIPATION BY WHITMAN EMPLOYEES

No Whitman Employee shall be permitted to become a Participant prior to January 1, 1992. The first date on or after January 1, 1992 on which any such person may become a Participant shall be governed by the otherwise applicable provisions of Section 3 of the Plan. In applying the terms of such participation eligibility provision, there shall be taken into account all of such Whitman Employee's period of employment with Whitman on or after January 1, 1984, but only to the extent that any such period of employment would have been taken into account had Whitman otherwise been an Employer throughout such person's entire such period of employment.

SECTION 1.4 CREDITS TO RETIREMENT ACCOUNTS

In determining the amount to be credited to the Retirement Account of a Whitman Employee who becomes a Participant pursuant to the provisions of Section 5 of the Plan, there shall be taken into account all periods of such person's employment with Whitman on or after January 1, 1984 which would otherwise have been taken into account for such purpose had

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Whitman otherwise been an Employer throughout such person's entire such period of employment; provided, however, that there shall be taken into account for this purpose with respect to any Whitman Employee who becomes a Participant (i) who transferred from a non-exempt position to an exempt position prior to January 1, 1992, all periods of employment beginning with the date on which such Whitman Employee first became a regular, full-time employee of Whitman; (ii) who is in a non-exempt position, all periods of employment beginning on the later of (A) January 1, 1984, or (B) such Whitman Employee's Plan Entry Date for purposes of the Whitman Packaging Corporation Money Purchase Plan.

SECTION 1.5 VESTING

In determining the extent to which any Whitman Employee is vested in his Retirement Account pursuant to the provisions of Section 8 of the Plan, there shall be taken into account all periods of such person's employment with Whitman which are otherwise taken into account with respect to such employee pursuant to the provisions of Section 1.4 of this Appendix E.

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APPENDIX F

SPECIAL PROVISIONS GOVERNING EMPLOYEES OF WHITMAN PACKAGING CORPORATION WHO OTHERWISE BECOME ELIGIBLE EMPLOYEES PRIOR TO JANUARY 1, 1992

SECTION 1.1 SCOPE

The provisions of this Appendix F shall apply with respect to each person who, prior to January 1, 1992, (a) became an employee of Whitman Packaging Corporation and (b) thereafter terminated such employment and immediately thereupon transferred to, and became an employee of an entity which was then an Employer under the Plan as then in effect (a "Transferred Whitman Employee"). The provisions of this Appendix F shall apply notwithstanding any contrary provisions of the Plan, of which this Appendix is a part.

Except to the extent expressly provided to the contrary herein, all defined terms shall have the same meanings as provided under the Plan. Each reference to the Plan shall (except with reference to the first sentence of the preceding paragraph) be to the Plan as in effect at the time such provision is applied to a Transferred Whitman Employee, as the context shall require.

The provisions of this Appendix F shall not apply with respect to (a) any person subject to the provisions of Appendix E or (b) any person who first becomes an employee of Whitman Packaging Corporation (“Whitman”) on or after January 1, 1992.

SECTION 1.2 CREDITS TO RETIREMENT ACCOUNTS

In determining the amount to be credited to the Retirement Account of a Transferred Whitman Employee for the Plan Year commencing January 1, 1992 and for each subsequent Plan Year (but not for any prior Plan Year) pursuant to the provisions of Section 5 of the Plan, but only in the case of such a person who is otherwise entitled to have an amount so credited for such Plan Year, there shall be taken into account all periods of such person’s employment with Whitman on or after January 1, 1984 which would otherwise have been taken into account for such purpose had Whitman otherwise been an Employer throughout such person’s entire such period of employment; provided, however, that there shall be taken into account for this purpose with respect to any Transferred Whitman Employee (i) who transferred from a non-exempt position to an exempt position with Whitman prior to becoming a Transferred Whitman Employee, all periods of employment beginning with the date on which such Transferred Whitman Employee first became a regular, full-time employee of Whitman; (ii) who was in a non-exempt position with Whitman prior to becoming a Transferred Whitman Employee, all periods of employment beginning on the later of (iii) January 1, 1984, or (iv) such Transferred Whitman Employee’s Plan Entry Date for purposes of the Whitman Packaging Corporation Money Purchase Plan.

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SECTION 1.3 VESTING

In determining the extent to which any Transferred Whitman Employee is, for the Plan Year commencing January 1, 1992 and each subsequent Plan Year, vested in his Retirement Account pursuant to the provisions of Section 8 of the Plan, there shall be taken into account all periods of such person’s employment with Whitman which are otherwise taken into account with respect to such employee pursuant to the provisions of Section 1.2 of this Appendix F.

In determining the extent to which any Transferred Whitman Employee is, for any Plan Year beginning prior to January 1, 1992, vested in such aforementioned Account, such person’s prior employment with Whitman shall be taken into account only to the extent required under the provisions of Section 411 of the Code.

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APPENDIX G

SPECIAL PROVISIONS GOVERNING EMPLOYEES OF NORTHTEC INC. WHO DID NOT OTHERWISE BECOME ELIGIBLE EMPLOYEES PRIOR TO JANUARY 1, 1992

SECTION 1.1 SCOPE

The provisions of this Appendix G shall apply with respect to each person who first became an employee of Northtec Inc. prior to January 1, 1992 at either its Trevese, Pa. or Bristol, Pa. locations; other than any such person who, prior to that date, terminated such employment and immediately thereupon transferred to, and

became an employee of, an entity which was then an Employer under the Plan as then in effect (a “Northtec Employee”). The provisions of this Appendix G shall apply notwithstanding any contrary provisions of the Plan, of which this Appendix is a part.

Except to the extent expressly provided to the contrary herein, all defined terms shall have the same meanings as provided under the Plan. Each reference to the Plan shall (except with reference to the first sentence of the preceding paragraph) be to the Plan as in effect at the time such provision is applied to a Northtec Employee, as the context shall require.

The provisions of this Appendix G shall not apply with respect to (a) any person described in Appendix H or (b) any person who first becomes an employee of Northtec Inc. (“Northtec”) on or after January 1, 1992.

SECTION 1.2 COMMENCEMENT OF STATUS AS A PARTICIPATING EMPLOYER

Northtec shall become an Employer under the Plan on January 1, 1992.

SECTION 1.3 COMMENCEMENT OF PLAN PARTICIPATION BY NORTHTEC EMPLOYEES

A. No Northtec Employee shall be permitted to become a Participant prior to January 1, 1992. The first date on or after January 1, 1992 on which any such person may become a Participant shall be governed by the otherwise applicable provisions of Section 2 of the 1992 Plan.

B. In applying the terms of the participation eligibility provision referred to in subsection (a) of this Section 1.3 in the case of any Northtec Employee employed at the Trevoise, Pa. location prior to January 1, 1992, there shall be taken into account all of such employee’s period of employment with Northtec on or after July 17, 1989, but only to the extent that any such period of employment would have been taken into account had Northtec otherwise been an Employer throughout such person’s entire such period of employment.

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C. In applying the terms of the participation eligibility provision referred to in Section 1.3 in the case of any Northtec Employee employed at the Bristol, Pa. location prior to January 1, 1992, there shall be taken into account all of such employee’s period of employment with Northtec (including, for such purpose, all periods of employment on and after November 1, 1987, with Powder Masters, which formerly operated such location), but only to the extent that any such period of employment would have been taken into account had Northtec (or Powder Masters, as the case may be) otherwise been an Employer throughout such person’s entire such period of employment.

SECTION 1.4 CREDITS TO RETIREMENT ACCOUNTS

A. In determining the amount to be credited to the Retirement Account of a Northtec Employee who becomes a Participant pursuant to the provisions of Section 5 of the Plan, on behalf of any Northtec Employee employed at the Trevoise, Pa. location prior to January 1, 1992, who otherwise becomes a Participant, there shall be taken into account all periods of such person’s employment with Northtec on or after July 17, 1989 which would otherwise have been taken into account for such purpose had Northtec otherwise been an Employer throughout such person’s entire such period of employment.

B. In determining the amount to be credited to the Retirement Account of a Northtec Employee who becomes a Participant pursuant to the provisions of Section 5 of the Plan, on behalf of any Northtec Employee employed at the Bristol, Pa. location prior to January 1, 1992, who otherwise becomes a Participant, there shall be taken into account all periods of such person's employment with Northtec (including, for such purpose, all periods of employment on and after November 1, 1987, with Powder Masters) which would otherwise have been taken into account for such purpose had Northtec (or Powder Masters, as the case may be) otherwise been an Employer throughout such person's entire such period of employment.

C. In addition to the credits referred to in subsections (b) and (c) of this Section 1.4, each Northtec Employee who becomes a Participant on January 1, 1992 shall, as of such date, be credited with \$400 for each full calendar year of employment prior to January 1, 1992, but with such calendar years being limited to the period otherwise taken into account under the foregoing provisions of this Section 1.4.

SECTION 1.5 VESTING

In determining the extent to which any Northtec Employee is vested in his Account pursuant to the provisions of Section 8 of the Plan, there shall be taken into account all periods of such person's employment with Northtec which are otherwise taken into account with respect to such employee pursuant to the provisions of Section 1.4 of this Appendix G.

SECTION 1.6 TRANSFER BETWEEN LOCATIONS

In the case of any Northtec Employee who, prior to January 1, 1992 had been employed at both the Trevese, Pa. location and the Bristol, Pa. location, the provisions of this Appendix G shall, notwithstanding any other provision of this Appendix G to the contrary, be applied as if such person had, throughout the entire period prior to January 1, 1992, remained employed at whichever of such two locations such Northtec Employee was first employed.

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APPENDIX H

SPECIAL PROVISIONS GOVERNING EMPLOYEES OF NORTHTEC INC. WHO OTHERWISE BECOME ELIGIBLE EMPLOYEES PRIOR TO JANUARY 1, 1992

SECTION 1.1 SCOPE

The provisions of this Appendix H shall apply with respect to each person who, prior to January 1, 1992, (a) became an employee of Northtec Inc. at either its Trevese, Pa. or Bristol, Pa. locations and (b) thereafter terminated such employment and immediately thereupon transferred to, and became an employee of an entity which was then an Employer under the Plan as then in effect (a "Transferred Northtec Employee"). The provisions of this Appendix H shall apply notwithstanding any contrary provisions of the Plan, of which this Appendix is a part.

Except to the extent expressly provided to the contrary herein, all defined terms shall have the same meanings as provided under the Plan. Each reference to the Plan shall (except with reference to the first sentence

of the preceding paragraph) be to the Plan as in effect at the time such provision is applied to a Transferred Northtec Employee, as the context shall require.

The provisions of this Appendix H shall not apply with respect to (a) any person subject to the provisions of Appendix G or (b) any person who first becomes an employee of Northtec Inc. (“Northtec”) on or after January 1, 1992.

SECTION 1.2 CREDITS TO RETIREMENT ACCOUNTS

A. In determining the amount to be credited to the Retirement Account of a Transferred Northtec Employee, who was employed at the Trevese, Pa. location prior to becoming a Transferred Northtec Employee, for the Plan Year commencing January 1, 1992 and for each subsequent Plan Year (but not for any prior Plan Year) pursuant to the provisions of Section 5 of the Plan, but only in the case of such a person who is otherwise entitled to have an amount so credited for such Plan Year, there shall be taken into account all periods of such person’s employment with Northtec on or after July 17, 1989 which would otherwise have been taken into account for such purpose had Northtec otherwise been an Employer throughout such person’s entire such period of employment.

B. In determining the amount to be credited to the Retirement Account of a Transferred Northtec Employee, who was employed at the Bristol, Pa. location prior to becoming a Transferred Northtec Employee, for the Plan Year commencing January 1, 1992 and for each subsequent Plan Year (but not for any prior Plan Year) pursuant to the provisions of Section 5 of the Plan, but only in the case of such a person who is otherwise entitled to have an amount so credited for such Plan Year, there shall be taken into account all periods of such person’s employment with Northtec (including, for such purpose, all periods of employment on and after November 1, 1987, with Powder Masters) which would otherwise have been taken into account for such purpose had Northtec (or Powder Masters, as the case may be) otherwise been an Employer throughout such person’s entire such period of employment.

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C. In addition to the credits referred to in subsections (b) and (c) of this Section 1.2, each Transferred Northtec Employee who was otherwise a Participant in the Plan on January 1, 1992, shall, as of such date, be credited with the greater of (a) the balance otherwise determined under the Plan as of that date, without regard to this Appendix H or (b) an amount equal to the sum of \$400 multiplied by the number of such person’s full calendar years of employment prior to January 1, 1992. For this purpose, such calendar years of employment for any Transferred Northtec Employee shall be determined by taking into account all periods of employment otherwise taken into account with respect to such person under the foregoing provisions of this Section 1.2 as well as all periods otherwise recognized under the Plan without regard to this Appendix H.

SECTION 1.3 VESTING

In determining the extent to which any Transferred Northtec Employee is, for the Plan Year commencing January 1, 1992 and each subsequent Plan Year, vested in his Retirement Account pursuant to the provisions of Section 8 of the Plan, there shall be taken into account all periods of such person’s employment with Northtec which are otherwise taken into account with respect to such employee pursuant to the provisions of Section 1.2 of this Appendix H.

In determining the extent to which any Transferred Northtec Employee is, for any Plan Year beginning prior to January 1, 1992, vested in such aforementioned Account, such person's prior employment with Northtec shall be taken into account only to the extent required under the provisions of Section 411 of the Code.

SECTION 1.4 TRANSFER BETWEEN LOCATIONS

In the case of any Transferred Northtec Employee who, prior to so becoming a Transferred Northtec Employee, had been employed at both the Trevese, Pa. location and the Bristol, Pa. location, the provisions of this Appendix H shall, notwithstanding any other provisions of this Appendix H to the contrary, be applied as if such person had, throughout the entire period prior to becoming a Transferred Northtec Employee, remained employed at whichever of such two locations such person was first employed.

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APPENDIX I

ADDITIONAL RETIREMENT BENEFITS

SECTION 1.1 ELIGIBILITY FOR ADDITIONAL BENEFITS

The following Participants shall receive the additional benefits provided pursuant to this Appendix I:

[XXXX]
[XXXX]
[XXXX]
[XXXX]
[XXXX]
[XXXX]
[XXXX]

SECTION 1.2 ADDITIONAL BENEFITS

Each Participant described in the foregoing Section 1.1 of this Appendix I shall be entitled to the following:

- A. The Additional Benefits shall be equal to the benefit determined, under Section 5.5 of the Plan, by increasing the Participant's age by five (5) years and Years of Credited Service by five (5) years. The Additional Benefits shall be added to the regular pension benefit determined under Section 5.5 of the Plan.
- B. The reduction contained in Section 5.5 of the Plan, which applies to the early commencement of a Participant's benefits, shall be applied after increasing the Participant's age by five (5) years as provided under paragraph A above.
- C. The Additional Benefits provided under this Appendix I shall be payable in the form otherwise applicable to the Participant in accordance with the generally applicable provisions of the Plan.

APPENDIX J

ADDITIONAL EARLY RETIREMENT BENEFITS - II

SECTION 1.1 ELIGIBILITY FOR ADDITIONAL BENEFITS

(1) Any Participant who is (i) employed by the Employer, (ii) on an Approved Absence (paid or unpaid) from the Employer, (iii) on sick leave or long-term disability under the Employer's Long-Term Disability Plan with disability payments continuing on and after January 1, 1997 or (iv) receiving severance payments from the Employer that are being paid on or after January 1, 1997 (such persons being hereinafter referred to as a "Covered Employee"), may elect to retire on the first day of any month commencing on January 1, 1997 and ending on July 1, 1998 as designated by the Employer and Covered Employee in the "General Release" (such designated date of retirement hereinafter referred to in this Appendix J as the "Retirement Date").

Such Covered Employee shall be eligible to receive the benefit described in Paragraph 1.2 of this Appendix J, provided that (i) on or before December 31, 1996, such Covered Employee shall have attained at least age 50 and completed at least ten (10) Years of Service or Years of Credited Service under the Plan, (ii) on or before December 31, 1996, any such Covered Employee who was employed by Whitman Packaging Corporation has completed at least four Years of Eligibility Service under the Plan, (iii) the document entitled "Special Retirement Opportunity" is signed, witnessed and dated no earlier than November 8, 1996 in strict accordance with the instructions contained therein, and (iv) such Covered Employee shall have made an election to retire on such other forms as the Employer may require during the period commencing at least 45 days after such Covered Employee receives the "General Release" from the Employer but ending no later than June 4, 1998. Participants who previously retired on or after January 1, 1996 and before January 1, 1997 and who were employed in the United States by the Employer shall also be eligible for the benefits described in Paragraph 1.2 of this Appendix J, provided the preceding requirements in clauses (i)-(iv) hereof are satisfied (such persons are hereinafter referred to as "Retired Covered Employees").

(2) Notwithstanding the provisions of paragraph 1 above, any individual who is classified by an Employer as a Corporate Department Head or President of a division shall not be eligible for the benefit described in Paragraph 1.2 of this Appendix J.

SECTION 1.2 ADDITIONAL BENEFITS

(1) Each Covered Employee who elects to retire on the Retirement Date shall be entitled to his Accrued Benefit which will be calculated as if such Covered Employee was five (5) years older than his actual age as of December 31, 1996, and by increasing his Years of Service and Years of Credited Service as of December 31, 1996 (the difference between the Covered Employee's benefit determined under this Appendix J and his benefit determined without regard to the enhancement provided under this Appendix J shall hereinafter be referred to as the "Additional Benefit").

(2) The reduction contained in Section 5.5 of the Plan, which applies to the early commencement of a Covered Employee's Accrued Benefit determined under the terms of the Prior Plan, shall be applied after increasing the Covered Employee's age by five (5) years as provided under Paragraph 1.2(1) above.

(3) If the Covered Employee elects to retire pursuant to the provisions of this Appendix J, such Covered Employee may elect at any time prior to the date of commencement of his benefit to receive his benefit, calculated in accordance with the provisions of the Plan and this Appendix J, in the forms of payment applicable to the Covered Employee in accordance with the provisions of Section 9 of the Plan.

(4) All Retired Covered Employees who (i) retired on or after January 1, 1996 and prior to January 1, 1997 and (ii) are receiving retirement benefits under the Plan prior to January 1, 1997 shall have the amount of their retirement benefits recomputed under this Appendix J (taking into the account the provisions of paragraphs (1) and (2) hereof) from the date of their previous retirement and paid in accordance with the form of benefit previously elected under Section 9 of the Plan. No changes to the form of benefit previously elected shall be permitted. In no event shall Additional Benefits be paid to Participants who retired before January 1, 1996.

(5) If a Covered Employee or Retired Covered Employee elects to receive the Additional Benefits provided under this Appendix J to the Plan, such Covered Employee's or Retired Covered Employee's retirement benefits shall be payable with respect to or commencing on the first month following the month in which the Retirement Date occurs.

SECTION 1.3 DEFINED TERMS

Except to the extent set forth above, the provisions of this Appendix J are subject to the terms and conditions of the Plan and defined terms used in this Appendix J shall have the same meaning as used in the Plan.

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APPENDIX K

SPECIAL PROVISIONS GOVERNING EMPLOYEES OF BOBBI BROWN PROFESSIONAL COSMETICS, INC. WHO DID NOT OTHERWISE BECOME ELIGIBLE EMPLOYEES

SECTION 1.1 SCOPE

The provisions of this Appendix K shall apply notwithstanding any contrary provisions of the Plan, of which this Appendix is a part.

Except to the extent expressly provided to the contrary herein, all defined terms shall have the same meanings as provided under the Plan. Each reference to the Plan shall (except with reference to the first sentence of the preceding paragraph) be to the Plan as in effect at the time such provision is applied to a Bobbi Brown Employee (as defined below), as the context shall require.

SECTION 1.2 COMMENCEMENT OF STATUS AS A PARTICIPATING EMPLOYER

Bobbi Brown Professional Cosmetics, Inc. (“Bobbi Brown”) shall become an Employer under the Plan on January 1, 1996.

SECTION 1.3 COMMENCEMENT OF PLAN PARTICIPATION BY BOBBI BROWN EMPLOYEES

No Bobbi Brown employee shall be permitted to become a Participant prior to January 1, 1996. Each person who (i) is employed by Bobbi Brown on January 1, 1996 and (ii) is otherwise an Employee on that date shall become a Participant on January 1, 1996. (Each person who so becomes a Participant on that date is hereafter referred to as a “Bobbi Brown Employee”.)

SECTION 1.4 CREDITS TO RETIREMENT ACCOUNTS

In determining the amount to be credited to the Retirement Account of a Bobbi Brown Employee who becomes a Participant, pursuant to the provisions of Section 5 of the Plan, such person’s Years of Service, for such purpose, shall be determined based upon the date that such person would otherwise have, without regard to this Appendix K, first become a Participant had Bobbi Brown been an Employer throughout such person’s entire period of employment with Bobbi Brown.

SECTION 1.5 VESTING

In determining the extent to which any Bobbi Brown Employee is vested in his Retirement Account pursuant to the provisions of Section 8 of the Plan, such person’s Years of Service, for such purpose, shall be determined by taking into account all periods of such person’s employment with Bobbi Brown which would otherwise have been taken into account for such

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purpose had Bobbi Brown otherwise been an Employer throughout such person’s entire period of employment with Bobbi Brown.

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APPENDIX L

**SPECIAL PROVISIONS GOVERNING
ESTEE LAUDER EMPLOYEES WHO WERE PREVIOUSLY
EMPLOYED BY THE DONNA KARAN COMPANY
WHO DID NOT OTHERWISE
BECOME ELIGIBLE EMPLOYEES**

SECTION 1.1 SCOPE

The provisions of this Appendix L shall apply with respect to each person who was an employee of The Donna Karan Company (“DK”) immediately prior to November 10, 1997 and becomes an Employee prior to December 31, 1998 (a “DK Employee”). The provisions of this Appendix L shall apply notwithstanding any contrary provisions of the Plan, of which this Appendix is a part.

Except to the extent expressly provided to the contrary herein, all defined terms shall have the same meanings as provided under the Plan. Each reference to the Plan shall be to the Plan as in effect at the time such provision is applied to a DK Employee, as the context shall require.

SECTION 1.2 COMMENCEMENT OF PLAN PARTICIPATION BY DK EMPLOYEES

No DK Employee shall be permitted to become a Participant prior to November 10, 1997. The first date on or after November 10, 1997 on which any such person may become a Participant shall be governed by the otherwise applicable provisions of Section 3 of the Plan. In applying the terms of such participation eligibility provision, there shall be taken into account all of such DK Employee's period of employment with DK, but only to the extent that any such period of employment would have been taken into account had DK otherwise been an Employer throughout such person's entire period of employment with DK.

SECTION 1.3 CREDITS TO RETIREMENT ACCOUNTS

In determining the amount to be credited to the Retirement Account of a DK Employee who becomes a Participant pursuant to the provisions of Section 5 of the Plan, there shall be taken into account all periods of such person's employment with DK which would otherwise have been taken into account for such purpose had DK otherwise been an Employer throughout such person's entire such period of employment.

SECTION 1.4 VESTING

In determining the extent to which any DK Employee is vested in his Retirement Account pursuant to the provisions of Section 8 of the Plan, there shall be taken into account all periods of such person's employment with DK which are otherwise taken into account with respect to such employee pursuant to the provisions of Section 1.4 of this Appendix L.

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APPENDIX M

**SPECIAL PROVISIONS GOVERNING
CERTAIN TRANSFERRED EMPLOYEES**

SECTION 1.1 SCOPE

The provisions of this Appendix M shall apply with respect to each person (i) who was an employee of one of the companies listed below on or after the date specified below for such company, and (ii) whose employment is subsequently transferred from such company to an Employer (each a "Transferred Employee"):

<u>Company</u>	<u>Date</u>
Make-Up Art Cosmetics Inc.	December 28, 1994
Make-UP Art Cosmetics (U.S.) Inc.,	
FFJD, Inc.	

Sassaby Cosmetics, Inc.	October 31, 1997
Aveda Corporation Aveda Services Inc.	December 1, 1997

The provisions of the Appendix M shall apply notwithstanding any contrary provisions of the Plan, of which this Appendix is a part.

Except to the extent expressly provided to the contrary herein, all defined terms shall have the same meanings as provided under the Plan. Each reference to the Plan shall be to the Plan as in effect at the time such provision is applied to a Transferred Employee, as the context shall require.

SECTION 1.2 COMMENCEMENT OF PLAN PARTICIPATION BY TRANSFERRED EMPLOYEES

The first date on which any Transferred Employee may become a Participant shall be governed by the otherwise applicable provisions of Section 3 of the Plan. In applying the terms of such participation eligibility provision, there shall be taken into account all of such Transferred Employee's period of employment with his prior employer listed in Section 1.1 of this Appendix M (including any corporate predecessor thereof), but only to the extent that any such period of employment would have been taken into account had such prior employer otherwise been an Employer throughout such person's entire period of employment.

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SECTION 1.3 CREDITS TO RETIREMENT ACCOUNTS

In determining the amount to be credited to the Retirement Account of a Transferred Employee who becomes a Participant pursuant to the provisions of Section 5 of the Plan, there shall be taken into account all periods of such person's employment with his prior employer listed in Section 1.1 of this Appendix M (including any corporate predecessor thereof) which would otherwise have been taken into account for such purpose had such prior employer otherwise been an Employer throughout such person's entire such period of employment.

SECTION 1.4 VESTING

In determining the extent to which any Transferred Employee is vested in his Retirement Account pursuant to the provisions of Section 8 of the Plan, there shall be taken into account all periods of such person's employment with his prior employer listed in Section 1.1 of this Appendix M (including any corporate predecessor thereof) which would otherwise have been taken into account for such purpose had such prior employer otherwise been an Employer throughout such person's entire period of employment.

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APPENDIX N

**PROVISIONS GOVERNING
CERTAIN EMPLOYEES OF
MAKE-UP ART COSMETICS INC. AND
ITS AFFILIATES AND PREDECESSORS**

SECTION 1.1 SCOPE

The provisions of this Appendix N to the Estee Lauder Inc. Retirement Growth Account Plan shall apply with respect to each person employed by Make-Up Art Cosmetics Inc., Make-Up Art Cosmetics (U.S.), Inc., FFJD, Inc., or their respective predecessors (collectively, the “MAC Companies”) on December 31, 1999 (“MAC Employee”).

The provisions of this Appendix N shall apply notwithstanding any contrary provisions of the Plan, of which this Appendix is a part.

Except to the extent expressly provided to the contrary herein, all defined terms shall have the same meanings as provided under the Plan. Each reference to the Plan shall be to the Plan as in effect at the time such provision is applied to a MAC Employee, as the context shall require.

SECTION 1.2 COMMENCEMENT OF STATUS AS PARTICIPATING EMPLOYER

Make-Up Art Cosmetics Inc., Make-Up Art Cosmetics (U.S.), Inc., and FFJD, Inc. shall become Participating Employers under the Plan on January 1, 2000.

SECTION 1.3 COMMENCEMENT OF PLAN PARTICIPATION BY MAC EMPLOYEES

No MAC Employee shall be permitted to become a Participant prior to January 1, 2000. Each MAC Employee who is regularly scheduled to work twenty hours or more per week as of December 31, 1999, may become a Participant in the Plan on January 1, 2000, notwithstanding any otherwise applicable provisions of Section 3 of the Plan. Each other MAC Employee may become a Participant in the Plan on the first applicable entry date on or after January 1, 2000, in accordance with the provisions of Section 3 of the Plan; however, for purposes of determining eligibility under the Plan, there shall be taken into account all periods attributable to such person’s employment with the MAC Companies, prior to December 31, 1999, that would otherwise have been taken into account for such purpose had such prior employer otherwise been an Employer throughout such person’s entire period of employment. Any other individual who becomes actively employed by the MAC Companies on or after January 1, 2000, may become a Participant of the Plan on the first applicable entry date on or after January 1, 2000, in accordance with the provisions of Section 3 of the Plan.

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SECTION 1.4 CREDITS TO RETIREMENT ACCOUNTS

In determining the amount to be credited to the Retirement Account of a MAC Employee who becomes a Participant pursuant to the provisions of Section 5 of the Plan, there shall be taken into account all periods of such person’s employment with the MAC Companies that would otherwise have been taken into account for

such purpose had such prior employer otherwise been an Employer throughout such person' s entire period of employment.

SECTION 1.5 VESTING

In determining the extent to which any MAC Employee is vested in his Retirement Account pursuant to the provisions of Section 8 of the Plan, there shall be taken into account all periods of such person' s employment with the MAC Companies that would otherwise have been taken into account for such purpose had such prior employer otherwise been an Employer throughout such person' s entire period of employment.

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APPENDIX O

ADDITIONAL EARLY RETIREMENT BENEFIT - III

SECTION 1.1 ELIGIBILITY FOR ADDITIONAL BENEFITS

(1) Any Participant who is a non-exempt Employee in Manufacturing, Engineering, Distribution and Quality Assurance at the Melville Complex or the Oakland, New Jersey facility and is either (i) actively employed by the Employer, or (ii) on an Approved Absence (paid or unpaid) from the Employer, (each such person being hereinafter referred to as a "Covered Employee"), may elect to retire on May 1, 2000, as designated by the Employer and Covered Employee in the "General Release" (such designated date of retirement hereinafter referred to in this Appendix O as the "Retirement Date").

Such Covered Employee shall be eligible to receive the benefit described in Section 1.2 of this Appendix O, provided that (i) on or before April 30, 2000, such Covered Employee shall have attained at least age 55 and completed at least ten (10) Years of Service or Years of Credited Service under the Plan, (ii) the document entitled "Special Retirement Opportunity" is signed, witnessed and dated no earlier than March 10, 2000, in strict accordance with the instructions contained therein and (iii) such Covered Employee shall have made an election to retire on such other forms as the Employer may require during the period commencing at least 45 days after such Covered Employee receives the "General Release" from the Employer but ending no later than April 24, 2000. Individuals who would have been Covered Employees but for the fact that they previously retired on or after January 1, 2000, and before May 1, 2000, shall also be eligible for the benefits described in Section 1.2 of this Appendix O, provided the requirements in clauses (i) and (ii) of this paragraph are satisfied (such persons are hereinafter referred to as "Retired Covered Employees").

SECTION 1.2 ADDITIONAL BENEFITS

(1) Each Covered Employee who elects to retire on the Retirement Date shall be entitled to his Accrued Benefit which will be calculated as if such Covered Employee was five (5) years older than his actual age as of April 30, 2000, and by increasing by five (5) years his Years of Service and Years of Credited Service as of April 30, 2000, (the difference between the Covered Employee' s benefit determined under this Appendix O and his benefit determined without regard to the enhancement provided under this Appendix O shall hereinafter be referred to as the "Additional Benefit").

(2) The reduction contained in Section 5.5 of the Plan, which applies to the early commencement of a Covered Employee's Accrued Benefit determined under the terms of the Prior Plan, shall be applied after increasing the Covered Employee's age by five (5) years as provided under Section 1.2(1) above.

(3) If the Covered Employee elects to retire pursuant to the provisions of this Appendix O, such Covered Employee may elect at any time prior to the date of commencement of his Additional Benefit to receive such benefit, calculated in accordance with the provisions of the Plan and this Appendix O, in any of the forms of payment applicable to the Covered Employee in

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accordance with the provisions of Section 9 of the Plan. Notwithstanding the foregoing, in the case of a Covered Employee whose Additional Benefit is computed by reference to Section 5.6 of the Plan, such Covered Employee may elect to receive such Additional Benefit in the form of a lump sum distribution or any other form of payment allowed under Section 9 of the Plan.

(4) If a Covered Employee elects to retire and receive the Additional Benefit provided under this Appendix O to the Plan, such Covered Employee's retirement benefits shall be payable commencing on the first day of the first month coincident with or next following the date on which the Covered Employee retires.

(5) All Retired Covered Employees shall have the amount of their retirement benefits computed under this Appendix O (taking into account the provisions of paragraphs (1) and (2) of this Section 1.2) as of May 1, 2000, and such amount shall be paid in accordance with the form of benefit previously elected under Section 9 of the Plan. No changes to the form of benefit previously elected shall be permitted except to the extent necessary to permit a Retired Covered Employee whose Additional Benefit is calculated by reference to Section 5.6 of the Plan to elect a lump sum distribution under paragraph (3) of this Section 1.2. In no event shall Additional Benefits be paid to Participants who retired prior to January 1, 2000.

SECTION 1.3 DEFINED TERMS

Except to the extent set forth above, the provisions of this Appendix O are subject to the terms and conditions of the Plan and capitalized terms not otherwise defined in this Appendix O shall have the same meaning as used in the Plan.

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APPENDIX P

PROVISIONS GOVERNING CERTAIN EMPLOYEES OF STILA COSMETICS, INC. AND ITS AFFILIATES AND PREDECESSORS

SECTION 1.1 SCOPE

The provisions of this Appendix P to the Estee Lauder Inc. Retirement Growth Account Plan shall apply with respect to each person employed by Stila Cosmetics, Inc. or its predecessor on December 31, 2000 (“Stila Employee”).

The provisions of this Appendix P shall apply notwithstanding any contrary provisions of the Plan, of which this Appendix is a part.

Except to the extent expressly provided to the contrary herein, all defined terms shall have the same meanings as provided under the Plan. Each reference to the Plan shall be to the Plan as in effect at the time such provision is applied to a Stila Employee, as the context shall require.

For purposes of Section 1.6 hereof, the term “Stila Employee” shall also include any other individual who became actively employed by Stila Cosmetics, Inc. on or after January 1, 2001, became a Participant in the Plan in accordance with the provisions of Section 3 of this Plan, and continued to be a Participant as of April 10, 2006.

SECTION 1.2 COMMENCEMENT OF STATUS AS PARTICIPATING EMPLOYER

Stila Cosmetics, Inc., shall become a Participating Employer under the Plan on January 1, 2001.

SECTION 1.3 COMMENCEMENT OF PLAN PARTICIPATION BY STILA EMPLOYEES

No Stila Employee shall be permitted to become a Participant prior to January 1, 2001. Each Stila Employee who is regularly scheduled to work twenty hours or more per week as of December 31, 2000, may become a Participant in the Plan on January 1, 2001, notwithstanding any otherwise applicable provisions of Section 3 of the Plan. Each other Stila Employee may become a Participant in the Plan on the first applicable entry date on or after January 1, 2001, in accordance with the provisions of Section 3 of the Plan; however, for purposes of determining eligibility under the Plan, there shall be taken into account all periods attributable to such person’s employment with the Stila, prior to December 31, 2000, that would otherwise have been taken into account for such purpose had such prior employer otherwise been an Employer throughout such person’s entire period of employment. Any other individual who becomes actively employed by Stila Cosmetics, Inc. on or after January 1, 2001, may become a

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Participant of the Plan on the first applicable entry date on or after January 1, 2001, in accordance with the provisions of Section 3 of the Plan.

SECTION 1.4 CREDITS TO RETIREMENT ACCOUNTS

In determining the amount to be credited to the Retirement Account of a Stila Employee who becomes a Participant pursuant to the provisions of Section 5 of the Plan, there shall be taken into account all periods of such person’s employment with Stila that would otherwise have been taken into account for such purpose had such prior employer otherwise been an Employer throughout such person’s entire period of employment.

SECTION 1.5 VESTING

In determining the extent to which any Stila Employee is vested in his Retirement Account pursuant to the provisions of Section 8 of the Plan, there shall be taken into account all periods of such person’s employment

with Stila that would otherwise have been taken into account for such purpose had such prior employer otherwise been an Employer throughout such person's entire period of employment.

SECTION 1.6 SALE OF STILA ASSETS AND OPERATIONS

On April 10, 2006, the Employer sold certain assets and operations of Stila Cosmetics, Inc. to Stila Corp., an unrelated purchaser. In connection with such sale, each Stila Employee who was actively employed by Stila Cosmetics, Inc. as of April 10, 2006 shall be fully vested in his or her Accrued Benefit under the Plan.

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APPENDIX Q

PROVISIONS GOVERNING CERTAIN EMPLOYEES OF AVEDA CORPORATION AND ITS AFFILIATES AND PREDECESSORS

SECTION 1.1 SCOPE

The provisions of this Appendix Q to the Estee Lauder Inc. Retirement Growth Account Plan shall apply with respect to each person employed by Aveda Corporation, Aveda Services Inc., Aveda Environmental Lifestyle Stores Inc. and Aveda Institute Inc. or their respective predecessors (collectively, the "Aveda Companies") on December 31, 2001 ("Aveda Employee").

The provisions of this Appendix Q shall apply notwithstanding any contrary provisions of the Plan, of which this Appendix is a part.

Except to the extent expressly provided to the contrary herein, all defined terms shall have the same meanings as provided under the Plan. Each reference to the Plan shall be to the Plan as in effect at the time such provision is applied to an Aveda Employee, as the context shall require.

SECTION 1.2 COMMENCEMENT OF STATUS AS PARTICIPATING EMPLOYER

Aveda Corporation, Aveda Services Inc., Aveda Environmental Lifestyle Stores Inc. and Aveda Institute Inc., shall become Participating Employers under the Plan on January 1, 2002.

SECTION 1.3 COMMENCEMENT OF PLAN PARTICIPATION BY AVEDA EMPLOYEES

No Aveda Employee shall be permitted to become a Participant prior to January 1, 2002. Each Aveda Employee may become a Participant in the Plan on the first applicable entry date on or after January 1, 2002, in accordance with the provisions of Section 3 of the Plan; however, for purposes of determining eligibility under the Plan, there shall be taken into account all periods attributable to such person's employment with the Aveda Companies, prior to December 31, 2001, that would otherwise have been taken into account for such purpose had such prior employer otherwise been an Employer throughout such person's entire period of employment. Any other individual who becomes actively employed by the Aveda Companies on or after January 1, 2002, may

become a Participant of the Plan on the first applicable entry date on or after January 1, 2002, in accordance with the provisions of Section 3 of the Plan.

SECTION 1.4 CREDITS TO RETIREMENT ACCOUNTS

In determining the amount to be credited to the Retirement Account of an Aveda Employee who becomes a Participant pursuant to the provisions of Section 5 of the Plan, there

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shall be taken into account all periods of such person's employment with the Aveda Companies that would otherwise have been taken into account for such purpose had such prior employer otherwise been an Employer throughout such person's entire period of employment.

SECTION 1.5 VESTING

In determining the extent to which any Aveda Employee is vested in his Retirement Account pursuant to the provisions of Section 8 of the Plan, there shall be taken into account all periods of such person's employment with the Aveda Companies that would otherwise have been taken into account for such purpose had such prior employer otherwise been an Employer throughout such person's entire period of employment.

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APPENDIX R

**PROVISIONS GOVERNING
CERTAIN EMPLOYEES OF
SASSABY COSMETICS INC. AND
ITS AFFILIATES AND PREDECESSORS**

SECTION 1.1 SCOPE

The provisions of this Appendix R shall apply with respect to each person employed by Sassaby Cosmetics Inc. or its predecessors ("Sassaby") on June 30, 2002 ("Sassaby Employee").

The provisions of this Appendix R shall apply notwithstanding any contrary provisions of the Plan, of which this Appendix is a part.

Except to the extent expressly provided to the contrary herein, all defined terms shall have the same meanings as provided under the Plan. Each reference to the Plan shall be to the Plan as in effect at the time such provision is applied to a Sassaby Employee, as the context shall require.

SECTION 1.2 COMMENCEMENT OF STATUS AS PARTICIPATING EMPLOYER

Sassaby Cosmetics Inc., shall become a Participating Employer under the Plan on July 1, 2002.

SECTION 1.3 COMMENCEMENT OF PLAN PARTICIPATION BY SASSABY EMPLOYEES

No Sassaby Employee shall be permitted to become a Participant prior to July 1, 2002. Each Sassaby Employee may become a Participant in the Plan on the first applicable entry date on or after July 1, 2002, in accordance with the provisions of Section 3 of the Plan; however, for purposes of determining eligibility under the Plan, there shall be taken into account all periods attributable to such person's employment with Sassaby, prior to December 31, 2001, that would otherwise have been taken into account for such purpose had such prior employer otherwise been an Employer throughout such person's entire period of employment. Any other individual who becomes actively employed by Sassaby on or after July 1, 2002, may become a Participant of the Plan on the first applicable entry date on or after July 1, 2002, in accordance with the provisions of Section 3 of the Plan.

SECTION 1.4 CREDITS TO RETIREMENT ACCOUNTS

In determining the amount to be credited to the Retirement Account of a Sassaby Employee who becomes a Participant pursuant to the provisions of Section 5 of the Plan, there shall be taken into account all periods of such person's employment with Sassaby that would

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otherwise have been taken into account for such purpose had such prior employer otherwise been an Employer throughout such person's entire period of employment.

SECTION 1.5 VESTING

In determining the extent to which any Sassaby Employee is vested in his Retirement Account pursuant to the provisions of Section 8 of the Plan, there shall be taken into account all periods of such person's employment with Sassaby that would otherwise have been taken into account for such purpose had such prior employer otherwise been an Employer throughout such person's entire period of employment.

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APPENDIX S

SPECIAL PROVISIONS GOVERNING TRANSFERRED EMPLOYEES OF RODAN & FIELDS LLC

SECTION 1.1 SCOPE

The provisions of this Appendix S shall apply with respect to each person (i) who was an employee of Rodan & Fields LLC on or after July 17, 2003, and (ii) whose employment is subsequently transferred from such company to an Employer (each a "Transferred Employee").

The provisions of the Appendix S shall apply notwithstanding any contrary provisions of the Plan, of which this Appendix is a part.

Except to the extent expressly provided to the contrary herein, all defined terms shall have the same meanings as provided under the Plan. Each reference to the Plan shall be to the Plan as in effect at the time such provision is applied to a Transferred Employee, as the context shall require.

For purposes of Section 1.5 hereof, the term “Transferred Employee” shall also include any other individual who became actively and primarily employed in connection with the Rodan & Fields business on or after July 17, 2003, became a Participant in the Plan in accordance with the provisions of Section 3 of this Plan, and continued to be a Participant as of August 8, 2007.

SECTION 1.2 COMMENCEMENT OF PLAN PARTICIPATION BY TRANSFERRED EMPLOYEES

The first date on which any Transferred Employee may become a Participant shall be governed by the otherwise applicable provisions of Section 3 of the Plan. In applying the terms of such participation eligibility provision, there shall be taken into account all of such Transferred Employee’s period of employment with Rodan & Fields LLC, the prior employer (including any corporate predecessor thereof), but only to the extent that any such period of employment would have been taken into account had such prior employer otherwise been an Employer throughout such person’s entire period of employment.

SECTION 1.3 CREDITS TO RETIREMENT ACCOUNTS

In determining the amount to be credited to the Retirement Account of a Transferred Employee who becomes a Participant pursuant to the provisions of Section 5 of the Plan, there shall be taken into account all periods of such person’s employment with his prior employer, Rodan & Fields LLC (including any corporate predecessor thereof) which would otherwise have been taken into account for such purpose had such prior employer otherwise been an Employer throughout such person’s entire such period of employment.

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SECTION 1.4 VESTING

In determining the extent to which any Transferred Employee is vested in his Retirement Account pursuant to the provisions of Section 8 of the Plan, there shall be taken into account all periods of such person’s employment with his prior employer, Rodan & Fields LLC (including any corporate predecessor thereof) which would otherwise have been taken into account for such purpose had such prior employer otherwise been an Employer throughout such person’s entire period of employment.

SECTION 1.5 SALE OF RODAN & FIELDS

The Retirement Accounts of Transferred Employees who were actively performing services primarily for Rodan & Fields as of August 8, 2007, and who remained employed by the purchaser of the Rodan & Fields business through December 31, 2007, shall be fully vested as of December 31, 2007.

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APPENDIX T

**PROVISIONS GOVERNING
CERTAIN EMPLOYEES OF
DARPHIN LLC AND
ITS AFFILIATES AND PREDECESSORS**

SECTION 1.1 SCOPE

The provisions of this Appendix T shall apply with respect to each person employed by Darphin LLC or its predecessors (“Darphin”) on December 31, 2004 (“Darphin Employee”).

The provisions of this Appendix T shall apply notwithstanding any contrary provisions of the Plan, of which this Appendix is a part.

Except to the extent expressly provided to the contrary herein, all defined terms shall have the same meanings as provided under the Plan. Each reference to the Plan shall be to the Plan as in effect at the time such provision is applied to a Darphin Employee, as the context shall require.

SECTION 1.2 COMMENCEMENT OF STATUS AS PARTICIPATING EMPLOYER

Darphin LLC shall become a Participating Employer under the Plan on January 1, 2005.

SECTION 1.3 COMMENCEMENT OF PLAN PARTICIPATION BY DARPHIN EMPLOYEES

No Darphin Employee shall be permitted to become a Participant prior to January 1, 2005. Each Darphin Employee may become a Participant in the Plan on the first applicable entry date on or after January 1, 2005, in accordance with the provisions of Section 3 of the Plan; however, for purposes of determining eligibility under the Plan, there shall be taken into account all periods attributable to such person’s employment with Darphin, prior to January 1, 2005, that would otherwise have been taken into account for such purpose had such prior employer otherwise been an Employer throughout such person’s entire period of employment. Any other individual who becomes actively employed by Darphin on or after January 1, 2005, may become a Participant of the Plan on the first applicable entry date on or after January 1, 2005, in accordance with the provisions of Section 3 of the Plan.

SECTION 1.4 CREDITS TO RETIREMENT ACCOUNTS

In determining the amount to be credited to the Retirement Account of a Darphin Employee who becomes a Participant pursuant to the provisions of Section 5 of the Plan, there shall be taken into account all periods of such person’s employment with Darphin or any affiliate of Darphin (e.g., Laboratories Darphin SAS in France) that would otherwise have been taken

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into account for such purpose had such prior employer otherwise been an Employer throughout such person’s entire period of employment.

SECTION 1.5 VESTING

In determining the extent to which any Darphin Employee is vested in his Retirement Account pursuant to the provisions of Section 8 of the Plan, there shall be taken into account all periods of such person's employment with Darphin that would otherwise have been taken into account for such purpose had such prior employer otherwise been an Employer throughout such person's entire period of employment.

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APPENDIX U

PROVISIONS GOVERNING CERTAIN EMPLOYEES OF APPLIED GENETICS INC. DERMATICS AND ITS AFFILIATES AND PREDECESSORS

SECTION 1.1 SCOPE

The provisions of this Appendix U shall apply with respect to each person employed by Applied Genetics Inc. Dermatics or its predecessors ("AGI") on September 17, 2008 and whose employment is subsequently transferred from AGI to an Employer on or before April 1, 2009 (each an "AGI Employee").

The provisions of this Appendix U shall apply notwithstanding any contrary provisions of the Plan, of which this Appendix is a part.

Except to the extent expressly provided to the contrary herein, all defined terms shall have the same meanings as provided under the Plan. Each reference to the Plan shall be to the Plan as in effect at the time such provision is applied to an AGI Employee, as the context shall require.

SECTION 1.2 COMMENCEMENT OF PLAN PARTICIPATION BY AGI EMPLOYEES

No AGI Employee shall be permitted to become a Participant prior to the first date after September 17, 2008 that such AGI Employee became an Employee of an Employer. The first date on which any AGI Employee may become a Participant shall be governed by the otherwise applicable provisions of Section 3 of the Plan. In applying the terms of such participation eligibility provision, there shall be taken into account all of such AGI Employee's period of employment with AGI, the prior employer (including any corporate predecessor thereof), but only to the extent that any such period of employment would have been taken into account had such prior employer otherwise been an Employer throughout such person's entire period of employment.

SECTION 1.3 CREDITS TO RETIREMENT ACCOUNTS

In determining the amount to be credited to the Retirement Account of an AGI Employee who becomes a Participant pursuant to the provisions of Section 5 of the Plan, there shall not be taken into account any periods of such person's employment with AGI or any corporate predecessor thereof.

SECTION 1.4 VESTING

In determining the extent to which any AGI Employee is vested in his Retirement Account pursuant to the provisions of Section 8 of the Plan, there shall be taken into account all

periods of such person's employment with AGI which would otherwise have been taken into account for such purpose had such prior employer otherwise been an Employer throughout such person's entire period of employment.

APPENDIX V

RETIREE MEDICAL ACCOUNT

SECTION 1.1 ESTABLISHMENT OF SEPARATE ACCOUNT

Effective as of June 28, 2010, the Trustee shall establish a separate account under the Trust Fund (the "Retiree Medical Account") which shall be used to account for the payment of Retiree Medical Benefits in accordance with this Appendix V, and to account for all Employer contributions made to the Trust Fund to fund such benefits. The Trustee may, for investment purposes, commingle the assets allocated to the Retiree Medical Account with the other assets of the Trust Fund, provided that the Trustee allocates in a reasonable manner the investment income of the Trust Fund among the Retiree Medical Account and the other accounts under the Trust Fund. The Retiree Medical Account is intended to satisfy the requirements of Section 401(h) of the Code.

SECTION 1.2 DEFINITIONS

For purposes of this Appendix V:

"Medical Plan" means either The Estee Lauder Companies Medical Plan or The Estee Lauder Companies Retiree Medical Plan, whichever is applicable to the Participant.

"Medical Retiree" means a Participant who

(i) on and after his or her Retirement Date is eligible to receive both payment of a retirement benefit under this Plan and coverage under the Medical Plan for himself or herself, his or her spouse and/or dependents; and

(ii) is not, and has not been for any Plan Year beginning on or after January 1, 2010, a "key employee" within the meaning of Section 416(i) of the Code.

"Retiree Medical Account" means the separate account established under the Trust Fund pursuant to this Appendix V.

"Retiree Medical Benefits" means the sickness, accident, hospitalization and medical benefits payable to or on behalf of a Medical Retiree, his or her spouse and/or dependents on and after his Retirement Date pursuant to the Medical Plan.

“Retirement Date” means the date of the Participant’s retirement in accordance with Section 4 of the Plan.

All other capitalized terms not defined herein shall have the meanings assigned to such terms in Section 2 of the Plan.

SECTION 1.3 PAYMENT OF RETIREE MEDICAL BENEFITS

Beginning as of January 1, 2017 and continuing until all of the assets allocated to the Retiree Medical Account have been paid (the “Payment Period”), the Trustee, as directed periodically by the Committee or its delegate, shall pay all Retiree Medical Benefits for all Medical Retirees and their spouses and/or dependents from assets allocated to the Retiree Medical Account. Such benefits shall be paid in a nondiscriminatory manner with respect to all Medical Retirees. The amount of Retiree Medical Benefits payable pursuant to this Appendix V shall be determined by the Committee or its delegate from time to time in a uniform nondiscriminatory manner but shall not exceed the benefits payable to Medical Retirees, their spouses and/or dependents pursuant to the Medical Plan.

The Committee or its delegate may direct that assets allocated to the Retiree Medical Account be used to reimburse the Employer for Retiree Medical Benefits paid by the Employer during the Payment Period, provided that the Employer’s payment of such benefits and such reimbursement meet the requirements of U.S. Department of Labor Prohibited Transaction Exemption 80-26, as such exemption may be amended from time to time. The Committee may adopt such procedures as it deems necessary to effectuate compliance with such exemption.

All claims for medical benefits by a Medical Retiree, his or her spouse and/or dependents shall be submitted and determined solely in accordance with the terms of the Medical Plan. Nothing in this Appendix V shall be construed to limit the authority of the plan administrator of the Medical Plan to determine the validity of claims under, and to otherwise administer, the Medical Plan.

SECTION 1.4 EMPLOYER CONTRIBUTIONS

The Employer shall designate, at the time it makes contributions to the Trust Fund, the amount of such contributions (if any) that are to be allocated to the Retiree Medical Account. The aggregate amount of Employer contributions allocated to the Retiree Medical Account after June 28, 2010 shall not exceed 25% of the aggregate Employer contributions made to the Trust Fund after such date (excluding Employer contributions made to fund past service credits). All Employer contributions allocated to the Retiree Medical Account shall be conditioned on their deductibility, and if such contributions are determined to be nondeductible they shall be returned to the Employer.

SECTION 1.5 IMPOSSIBILITY OF DIVERSION

No assets allocated to the Retiree Medical Account (including investment income allocated to such Account) shall be used for, or diverted to, any purpose other than the payment of Retiree Medical Benefits prior to the satisfaction of all liabilities payable pursuant to this Appendix V.

SECTION 1.6 FORFEITURES

If any rights of a Medical Retiree, his or her spouse and/or dependents to have Retiree Medical Benefits paid from the Trust Fund shall be forfeited, all amounts forfeited shall be applied as soon as possible to reduce the Employer contributions that otherwise would be allocated to the Retiree Medical Account.

SECTION 1.7 AMENDMENT AND TERMINATION

The Employer reserves the right to amend the Medical Plan as it relates to Retiree Medical Benefits and no provision hereof shall preclude the Employer from making such amendment. If the Medical Plan is amended to change or eliminate the benefits payable to Medical Retirees, their spouses and/or dependents, including amendments reducing or eliminating such benefits as a result of legislation that requires governmental provision of post-retirement health care benefits or that requires an alternative procedure that largely provides for the provision of such benefits, the liabilities for Retiree Medical Benefits payable under this Appendix V shall be appropriately adjusted. Upon satisfaction of all liabilities for Retiree Medical Benefits, all amounts remaining in the Trust Fund that are allocated to the Retiree Medical Account shall be returned to the Employer.

APPENDIX W

**PROVISIONS GOVERNING
CERTAIN EMPLOYEES OF BUMBLE AND BUMBLE, LLC,
BUMBLE AND BUMBLE PRODUCTS, LLC
AND THEIR PREDECESSORS**

SECTION 1.1 SCOPE

The provisions of this Appendix W to The Estee Lauder Companies Retirement Growth Account Plan shall apply with respect to each person employed by Bumble and Bumble, LLC or Bumble and Bumble Products, LLC (collectively, the “Bumble Companies”) on December 31, 2011 (“Bumble Employee”).

The provisions of this Appendix W shall apply notwithstanding any contrary provisions of the Plan, of which this Appendix is a part.

Except to the extent expressly provided to the contrary herein, all defined terms shall have the same meanings as provided under the Plan. Each reference to the Plan shall be to the Plan as in effect at the time such provision is applied to a Bumble Employee, as the context shall require.

SECTION 1.2 COMMENCEMENT OF STATUS AS PARTICIPATING EMPLOYER

Bumble and Bumble, LLC and Bumble and Bumble Products, LLC shall become Participating Employers under the Plan on January 1, 2012.

SECTION 1.3 COMMENCEMENT OF PLAN PARTICIPATION BY BUMBLE EMPLOYEES

No Bumble Employee shall be permitted to become a Participant prior to January 1, 2012. Each Bumble Employee may become a Participant in the Plan on the first applicable entry date on or after January 1, 2012, in accordance with the provisions of Section 3 of the Plan; however, for purposes of determining eligibility under the Plan, there shall be taken into account all periods attributable to such person's employment with the Bumble Companies prior to December 31, 2011, that would otherwise have been taken into account for such purpose had such prior employer otherwise been an Employer throughout such person's entire period of employment. Any other individual who becomes actively employed by the Bumble Companies on or after January 1, 2012, may become a Participant of the Plan on the first applicable entry date on or after January 1, 2012, in accordance with the provisions of Section 3 of the Plan.

SECTION 1.4 CREDITS TO RETIREMENT ACCOUNTS

In determining the amount to be credited to the Retirement Account of a Bumble Employee who becomes a Participant pursuant to the provisions of Section 5 of the Plan, there shall be taken into account all periods of such person's employment with the Bumble Companies

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that would otherwise have been taken into account for such purpose had such prior employer otherwise been an Employer throughout such person's entire period of employment.

SECTION 1.5 VESTING

In determining the extent to which any Bumble Employee is vested in his Retirement Account pursuant to the provisions of Section 8 of the Plan, there shall be taken into account all periods of such person's employment with the Bumble Companies that would otherwise have been taken into account for such purpose had such prior employer otherwise been an Employer throughout such person's entire period of employment.

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APPENDIX X

**PROVISIONS GOVERNING
CERTAIN EMPLOYEES OF DJF ENTERPRISES, INC.
AND ITS PREDECESSORS**

SECTION 1.1 SCOPE

The provisions of this Appendix X to The Estee Lauder Companies Retirement Growth Account Plan shall apply with respect to each person actively employed by DJF Enterprises, Inc., doing business as Smashbox Cosmetics, on December 31, 2012 ("Smashbox Employee").

The provisions of this Appendix X shall apply notwithstanding any contrary provisions of the Plan, of which this Appendix is a part.

Except to the extent expressly provided to the contrary herein, all defined terms shall have the same meanings as provided under the Plan. Each reference to the Plan shall be to the Plan as in effect at the time such provision is applied to a Smashbox Employee, as the context shall require.

SECTION 1.2 COMMENCEMENT OF STATUS AS PARTICIPATING EMPLOYER

DJF Enterprises, Inc., doing business as Smashbox Cosmetics (“Smashbox”), shall become a Participating Employer under the Plan on January 1, 2013.

SECTION 1.3 COMMENCEMENT OF PLAN PARTICIPATION BY SMASHBOX EMPLOYEES

No Smashbox Employee shall be permitted to become a Participant prior to January 1, 2013. Each Smashbox Employee may become a Participant in the Plan on the first applicable entry date on or after January 1, 2013, in accordance with the provisions of Section 3 of the Plan; however, for purposes of determining eligibility under the Plan, there shall be taken into account all periods attributable to such person’s employment with Smashbox prior to December 31, 2012, that would otherwise have been taken into account for such purpose had Smashbox otherwise been an Employer throughout such person’s entire period of employment. Any other individual who becomes actively employed by Smashbox on or after January 1, 2013, may become a Participant of the Plan on the first applicable entry date on or after January 1, 2013, in accordance with the provisions of Section 3 of the Plan.

SECTION 1.4 CREDITS TO RETIREMENT ACCOUNTS

In determining the amount to be credited to the Retirement Account of a Smashbox Employee who becomes a Participant pursuant to the provisions of Section 5 of the Plan, there shall be taken into account all periods of such person’s employment with Smashbox that would otherwise have been taken into account for such purpose had Smashbox otherwise been an Employer throughout such person’s entire period of employment.

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SECTION 1.5 VESTING

In determining the extent to which any Smashbox Employee is vested in his Retirement Account pursuant to the provisions of Section 8 of the Plan, there shall be taken into account all periods of such person’s employment with Smashbox that would otherwise have been taken into account for such purpose had Smashbox otherwise been an Employer throughout such person’s entire period of employment.

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APPENDIX Y

SPECIAL SUPPLEMENT

TO

RELATING TO CERTAIN PARTICIPANTS EMPLOYED IN PUERTO RICO

The provisions of this Special Supplement to The Estee Lauder Companies Retirement Growth Account Plan (the “Plan”), relating only to certain participants, as set forth herein, are generally effective as of January 1, 2011, except as may otherwise be provided herein.

SECTION 1
NAME AND CONSTRUCTION

1.1 Purpose. The purpose of this Puerto Rico Supplement is to comply with the qualification requirements of Section 1081.01(a) of the Puerto Rico Internal Revenue Code of 2011, as amended (“PR Code”). In the event of an amendment to the PR Code or enactment of a successor statute which replaces or renumbers a section of the PR Code referenced in this supplement, all such references shall automatically be renumbered or replaced, as applicable. The provisions of this supplement shall only apply to Puerto Rico Participants as defined below.

1.2 General Provisions. Except as provided herein, the provisions of the Plan shall apply to this Puerto Rico Supplement. Wherever a term used in the Plan is specially defined in this Puerto Rico Supplement, such definition shall apply for purposes of applying the provisions of the Plan in the context of this Puerto Rico Supplement. In addition, where the terms and provisions of the Plan and this Puerto Rico Supplement conflict, the terms and provisions of this Puerto Rico Supplement shall govern.

SECTION 2
DEFINITIONS

2.1. Compensation means, for a particular Plan Year, the straight time basic salary or wages paid to an Employee by the Employer on and after the Entry Date on which the Employee first becomes eligible to participate in the Plan pursuant to Section 3, inclusive of salary reduction contributions made by an Employer on behalf of the Employee under a “cash or deferred arrangement” described in Section 401(k) of the Code or Section 1081.01 of the PR Code and

pre-tax contributions made by the Employee under a “cafeteria plan” described in Section 125 of the Code or Section 1031.6 of the PR Code or (effective January 1, 2001) under an arrangement described in Section 132(f)(4) of the Code, in each case maintained by the Employer, and including bonuses, shift differential, back-up pay, overtime pay, paid time off, training and travel time pay, but excluding (i) commissions, (ii) payments in lieu of unused vacation time, sick time, holidays, seniority days or other unused paid time off, (iii) referral fees, (iv) gratuities, (v) relocation payments, (vi) special allowance payments, (vii) sign-on payments, (viii) on-call compensation, (ix) any other amounts which are not currently included in the Employee’s income for Federal income tax purposes, and (x) amounts paid under Estee Lauder’s Short-Term Disability Plan or Long-Term Disability Plan. In addition to other applicable limitations that may be set forth in the Plan and notwithstanding any other contrary provision of the

Plan, Compensation taken into account under the Plan for the purpose of calculating a Plan Participant's Accrued Benefit shall not exceed the dollar limitation under Section 401(a)(17) of the Code, subject to any adjustment to reflect increases in the cost of living determined by the Secretary of the Treasury pursuant to Section 401(a)(17) of the Code. Notwithstanding the foregoing, for Participants who terminate employment on or after December 1, 2002, the annual amounts credited to their Retirement Account pursuant to Section 5 for Plan Years prior to 2002 shall be retroactively adjusted as though the \$200,000 dollar limitation in effect under Section 401(a)(17) of the Code for 2002 had been in effect for such prior Plan Years (subject to the Plan's compliance with Sections 401(a)(4) and 415 of the Code and the Treasury Regulations thereunder).

Effective as of January 1, 2009, Compensation shall also include any "differential pay." For this purpose, "differential pay" shall mean any payment which (i) is made by an Employer to an individual with respect to any period during which he or she is performing service in the uniformed services (as defined in Chapter 43, Title 38, United States Code) while on active duty for a period of more than 30 days, and (ii) represents all or a portion of the amount the individual would have received from the Employer if he or she were performing services for such Employer.

Notwithstanding the exclusion of commissions from "Compensation", commissions paid on or after April 1, 2010 to Employees of Aveda Corporation, Aveda Experience Centers Inc., Aveda Institute Inc. or Aveda Services Inc. shall be counted as "Compensation" for all purposes under the Plan.

2.2. Group means Estee Lauder and any other unit or organization that is related to Estee Lauder as member of a "controlled group of corporations", within the meaning of Sections 1010.04 of the PR Code, is a member of a group of related entities which includes Estee Lauder and any participating Employer within the meaning of Section 1010.05 of the PR Code or is a member of an "affiliated service group" which includes Estee Lauder and any participating Employer within the meaning of Section 1081.01(a)(14) of the PR Code. For purposes of determining whether or not a person is an Employee and the period of employment of such

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person, each such unit or organization shall be included in the Group only for such period or periods during which it is a "member" of the Group.

2.3. Highly Compensated Participant means any PR Employee who at any time during the Plan Year is eligible to be a PR Participant in this Plan, or a participant in any other plan maintained by any member of the Group if all or a portion of the contributions to or benefits under such plan are aggregated with this Plan for purposes of Section 1081.01 of the PR Code, and if either:

- (a) was an officer of the sponsoring Employer;
- (b) owns more than five-percent (5%) of shares with voting rights or owns more than five percent (5%) of the total value of all classes of the corporation that is the sponsoring employer;
- (c) owns more than five-percent (5%) of the capital or interest in the profits of the Employer, in the case on an entity other than a corporation; and,

(d) during the preceding year, received Compensation from the Employer in excess of the applicable limit for the particular taxable year under Section 414(q)(1)(B) of the Code, as adjusted by the Internal Revenue Service.

(e) To determine if an employee owns more than five-percent (5%) of shares, capital stock or profits, there shall be taken into consideration the rules for the controlled group of the employer, the group of related entities and affiliated service group as defined under the PR Code. who is a PR Participant that is not a Highly Compensated Participant.

2.3. Non-highly Compensated Participant means any PR Employee who at any time during the Plan Year is eligible to be a PR Participant in this Plan, or a participant in any other plan maintained by any member of the Group if all or a portion of the contributions to or benefits under such plan are aggregated with this Plan for purposes of Section 1081.01 of the PR Code, and who is a PR Participant that is not a Highly Compensated Participant.

2.4. Puerto Rico Internal Revenue Code or PR Code means the Puerto Rico Internal Revenue Code of 2011, as amended.

2.5. Puerto Rico Employee. The words “Puerto Rico Employee” or “PR Employee” shall mean an Employee:

- (a) whose compensation is subject to Puerto Rico income taxes, and,
- (b) for the time in which the services are or were provided, is or was a bona fide resident of Puerto Rico.

2.6. Puerto Rico Participant. The words “Puerto Rico Participant” or “PR Participant” shall mean any PR Employee of a Participating Employer who

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has met the eligibility and participation requirements provided in the Plan at a time when he/she is a Puerto Rico Employee, or any other individual who is a former PR Employee in the Plan whose services are or were primarily provided in Puerto Rico and has an accrued benefit under the Plan.

SECTION VI CONTRIBUTIONS

6.4 Except as provided in paragraphs (a) and (b) below, and except as provided in Section 16 of the Plan, Employer contributions made under the Plan will be held for the exclusive benefit of Participants, and their joint annuitants or Beneficiaries and may not revert to the Employer.

(a) A contribution made by the Employer under a mistake of fact may be returned to the Employer within one (1) year after it is contributed to the Plan.

(b) A contribution conditioned upon its deductibility under Section 404 of the Code may be returned, to the extent the deduction is disallowed, to the Employer within one (1) year after the disallowance. All contributions to the Plan are hereby conditioned upon their deductibility.

(c) For purposes of the Puerto Rico Participants, all contributions made by an Employer are conditional upon qualification of the plan under PR Code Section 1081.01(a) and upon deductibility under PR Code Section 1033.09. Notwithstanding anything in the Plan to the contrary, it shall be prohibited at any time for any part of the Trust Fund (other than such part as is required to pay taxes and administration expenses) to be used for, or diverted to purposes other than for the exclusive benefit of the Participants or their Beneficiaries, except that upon the direction of the Employer, any contribution made by an Employer by a mistake of fact shall be returned to an Employer within one year after the payment of the contribution; (b) any contribution shall be returned to the Employer within one year after the denial of initial qualification of the Plan under PR Code Section 1081.01(a); and (c) any contribution may be returned to the extent disallowed as a deduction under PR Code Section 1033.09 within one year after the disallowance of the deduction.

The maximum contribution that may be returned to the Employer will not exceed the amount actually contributed to the Plan, or the value of such contribution on the date it is returned to the Employer, if less.

SECTION IX OPTIONAL FORMS OF BENEFIT

9.7 Direct Rollovers for PR Participants. In the event the PR Participant demonstrates to the Employer's satisfaction that the plan contribution qualifies as a rollover contribution, a Puerto Rico Participant may elect, at the time and in the manner prescribed by the Employer, to have any portion of an eligible rollover distribution paid directly to a PR Eligible Retirement Plan specified by the

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distributee in a direct rollover subject to the terms and conditions set forth below. In no event, however, shall the provisions of this section be construed to provide any form of benefit, or entitle any person to a benefit, not otherwise provided under the terms of this Plan, except to the extent expressly required by this Section. For purposes of this Section 9.7:

(a) Eligible Rollover Distribution. An Eligible Rollover Distribution is any distribution of all or any portion of the balance to the credit of the distributee, except that an eligible rollover distribution does not include:

- (I) any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the distributee or the joint lives (or joint life expectancies) of the distributee and the distributee's designated Beneficiary, or for a specified period of ten (10) years or more; and,
- (II) any distribution to the extent such distribution is required pursuant to Section 401(a)(9) of the Code.

A portion of a distribution shall not fail to be an "eligible rollover distribution" merely because the portion consists of amounts which are not includible in gross income. However, such portion may be transferred only to a qualified trust described in Section 401(a) of the Code and 1081.01(a) of the PR Code

that agrees to separately account for amounts so transferred, including separately accounting for the portion of such distribution which is not so includible.

(b) PR Eligible Retirement Plan. A PR Eligible Retirement Plan is a qualified trust described in Section 401(a) of the Code and Section 1081.01(a) of the PR Code.

(c) Distributee. A distributee includes:

- (1) A PR Participant;
- (2) a PR Participant's surviving spouse and a PR Participant's or former PR Participant's spouse or former spouse who is the Alternate Payee under a Qualified Domestic Relations Order, without regard to the interest of the spouse or former spouse; and,
- (3) any beneficiary who is a named beneficiary in accordance with Section 7.3 of the Plan.

(d) Direct Rollover. A direct rollover is a payment by the Plan to the PR Eligible Retirement Plan specified by the distributee.

(e) Partial Direct Rollover. A distributee may elect to have a portion of such an eligible rollover distribution paid to a PR Eligible Retirement Plan in a direct rollover. If a distributee elects such a partial direct rollover, the remaining portion of the eligible rollover distribution must be paid to the distributee.

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(f) Multiple Direct Rollovers Not Permitted. A distributee is not permitted to divide an eligible rollover distribution into separate distributions to be paid to two or more eligible retirement plans in direct rollovers. A distributee must elect that the eligible rollover distribution or portion thereof be distributed in a direct rollover payable to a single eligible retirement plan selected by the distributee.

(g) Elections For Periodic Payments. If distribution is made to a distributee in a series of periodic payments, his election to make or not to make a direct rollover with respect to one payment in a series of payments shall apply to all subsequent payments in the series unless the distributee makes a subsequent election to change his prior election.

SECTION 10 PAYMENT OF RETIREMENT INCOME

10.3 Withholding on Distribution of Benefits

(a) A PR Participant shall be subject to withholding at source in an amount equal to ten percent (10%) on any distribution or payment other than nontaxable total distributions or loans to participants payable with respect to any PR Participant or beneficiary (such as partial distributions made after participant's separation from service and withdrawals made before the separation from service). The withholding at source shall only apply on any amount that exceeds the amounts the PR Participant has already been taxed. Notwithstanding the foregoing, in the case of distributions to a PR Participant or beneficiary in the form of an annuity or periodic payments by reason of separation from employment or to a beneficiary, there shall be deducted and withheld ten percent (10%) of the amount of distributions paid

during the taxable year in excess of the amounts contributed by the participant to the plan that have been taxed to him, increased by:

Amounts not subject to withholding

Taxable Year	Pensioners under 60 years of age	Pensioners 60 years of age or older
2011	\$19,500	\$23,500
2012	\$21,000	\$25,000
2013	\$23,500	\$27,500
2014	\$26,500	\$30,500
2015 and after	\$31,000	\$35,000

For purposes of this Section the term “periodic payments” shall have the same meaning as defined in Section 1031.02(a)(13)(D) of the PR Code.

SECTION 14
MISCELLANEOUS PROVISIONS

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14.4 Payments to Incompetent or Minors. If any person entitled to receive any benefits from the Trust Fund is a minor or, in the judgment of the Committee, legally, physically or mentally incapable of personally receiving any distributions, the Committee may only make a payment due to such person under the Plan to any person or entity that is appointed tutor or legal guardian by court of competent jurisdiction for the benefit of the incapacitated PR Participant or beneficiary. Once a proper claim has been made to the Committee, any payments to which the minor or incapacitated PR Participant or Beneficiary is entitled will be made to the legal guardian or other person legally charged with the care of the person or of his estate.

14.12 Construction The Plan and all rights thereunder shall be construed, administered and enforced according to the laws of the Commonwealth of Puerto Rico to the extent such laws are not inconsistent with and/or preempted by ERISA.

14.13 Administrator and Trustee. The Plan Administrator and Trustee will furnish each other such information relating to the Plan and Trust as may be required under the PR Code and its regulations, or as required by any form adopted by the Puerto Rico Treasury Department, or under ERISA and its regulations, or as required by any form adopted by the US and PR Labor Departments.

SECTION 17
LIMITATION ACCORDING TO UNITED STATES AND PUERTO RICO
TREASURY DEPARTMENT REQUIREMENTS

The purpose of this Section is to conform the Plan to the requirements of Section 1.401(a)(4)-5(b) of the Income Tax Regulations and to the PR Code.

17.1. If a benefit becomes or is payable for a Plan Year to a Participant who is among the 25 highest paid “highly compensated employees” or “highly compensated former employees” (each as defined in Section 414(q) of the Code and regulations and rulings issued thereunder) for a Plan Year, such benefit cannot exceed an amount equal to the payments that would be made during the Plan Year on behalf of the Participant under a single life annuity that is the Actuarial Equivalent of the sum of the Participant’s Accrued Benefit and any other benefits under the Plan; provided, however, that this Section shall not apply if (i) benefits that would be payable to such a Participant are less than 1% of the total value of current liabilities under the Plan, or (ii) the assets of the Trust Fund exceed, immediately after payment of a benefit to such a Participant, 110% of the value of current liabilities under the Plan, (For purposes of this Section, the value of current liabilities shall be as defined in Section 412(1)(7) of the Code.)

For purposes of applicable PR Code requirements only, a PR Participant shall be considered a “Highly Compensated Employee” if either:

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- (a) was an officer of the participating Employer;
- (b) owns more than five-percent (5%) of shares with voting rights or owns more than five percent (5%) of the total value of all classes of the entity that is the participating Employer;
- (c) owns more than five-percent (5%) of the capital or interest in the profits of the Employer, in the case on an entity other than a corporation; and,
- (d) during the preceding year, received Compensation from the Employer in excess of the applicable limit for the particular taxable year under Section 414(q)(1)(B) of the Code, as adjusted by the Internal Revenue Service.
- (e) To determine if an employee owns more than five-percent (5%) of shares, capital stock or profits, there shall be taken into consideration the rules for the controlled group of the employer, the group of related entities and affiliated service group as defined under the PR Code.

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APPENDIX Z

PROVISIONS GOVERNING CERTAIN EMPLOYEES OF GLAMGLOW LLC

SECTION 1.1 SCOPE

The provisions of this Appendix Z to The Estee Lauder Companies Retirement Growth Account Plan shall apply with respect to each person employed by GlamGlow LLC (“GlamGlow”) on December 31, 2015 (“GlamGlow Employee”).

The provisions of this Appendix Z shall apply notwithstanding any contrary provisions of the Plan, of which this Appendix is a part.

Except to the extent expressly provided to the contrary herein, all defined terms shall have the same meanings as provided under the Plan. Each reference to the Plan shall be to the Plan as in effect at the time such provision is applied to a GlamGlow Employee, as the context shall require.

SECTION 1.2 COMMENCEMENT OF STATUS AS PARTICIPATING EMPLOYER

GlamGlow shall become a participating Employer under the Plan on January 1, 2016.

SECTION 1.3 COMMENCEMENT OF PLAN PARTICIPATION BY GLAMGLOW EMPLOYEES

No GlamGlow Employee shall be permitted to become a Participant prior to January 1, 2016. Each GlamGlow Employee may become a Participant in the Plan on the first applicable Entry Date on or after January 1, 2016, in accordance with the provisions of Section 3 of the Plan; however, for purposes of determining eligibility under the Plan, there shall be taken into account all periods attributable to such person's employment with GlamGlow that would otherwise have been taken into account for such purpose had GlamGlow been an Employer throughout such person's entire period of employment. Any other individual who becomes actively employed by GlamGlow on or after January 1, 2016 may become a Participant in the Plan on or after January 1, 2016 in accordance with the provisions of Section 3 of the Plan.

SECTION 1.4 CREDITS TO RETIREMENT ACCOUNTS

In determining the amount to be credited to the Retirement Account of a GlamGlow Employee who becomes a Participant pursuant to the provisions of Section 5 of the Plan, there shall be taken into account all periods of such person's employment by GlamGlow that would

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otherwise have been taken into account for such purpose had GlamGlow been an Employer throughout such person's entire period of employment.

SECTION 1.5 VESTING

In determining the extent to which any GlamGlow Employee is vested in his Retirement Account pursuant to the provisions of Section 8 of the Plan, there shall be taken into account all periods of such person's employment with GlamGlow that would otherwise have been taken into account for such purpose had GlamGlow been an Employer throughout such person's entire period of employment.

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APPENDIX AA

PROVISIONS GOVERNING CERTAIN EMPLOYEES OF

BY KILIAN INC AND EDITIONS DE PARFUMS LLC
(effective as of July 1, 2017)

SECTION 1.1 SCOPE

The provisions of this Appendix AA to The Estee Lauder Companies Retirement Growth Account Plan shall apply with respect to each person actively employed by By Kilian Inc (“Kilian”) and Editions de Parfums LLC (“Parfums”) on June 30, 2017 (“Appendix AA Employee”).

The provisions of this Appendix AA shall apply notwithstanding any contrary provisions of the Plan, of which this Appendix is a part.

Except to the extent expressly provided to the contrary herein, all defined terms shall have the same meanings as provided under the Plan. Each reference to the Plan shall be to the Plan as in effect at the time such provision is applied to an Appendix AA Employee, as the context shall require.

SECTION 1.2 COMMENCEMENT OF STATUS AS PARTICIPATING EMPLOYER

Kilian and Parfums shall each become a Participating Employer under the Plan on July 1, 2017.

SECTION 1.3 COMMENCEMENT OF PLAN PARTICIPATION BY APPENDIX AA EMPLOYEES

No Appendix AA Employee shall be permitted to become a Participant prior to July 1, 2017. Each Appendix AA Employee may become a Participant in the Plan on the first applicable Entry Date on or after July 1, 2017, in accordance with the provisions of Section 3 of the Plan; however, for purposes of determining eligibility under the Plan, there shall be taken into account all periods attributable to such person’s employment with either Kilian or Parfums that would otherwise have been taken into account for such purpose had the applicable company been an Employer throughout such person’s entire period of employment. Any other individual who becomes actively employed by either Kilian or Parfums on or after July 1, 2017 may become a Participant in the Plan on or after July 1, 2017 in accordance with the provisions of Section 3 of the Plan.

SECTION 1.4 CREDITS TO RETIREMENT ACCOUNTS

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In determining the amount to be credited to the Retirement Account of an Appendix AA Employee who becomes a Participant pursuant to the provisions of Section 5 of the Plan, there shall be taken into account all periods of such person’s employment by either Kilian or Parfums that would otherwise have been taken into account for such purpose had such company been an Employer throughout such person’s entire period of employment.

SECTION 1.5 VESTING

In determining the extent to which any Appendix AA Employee is vested in his Retirement Account pursuant to the provisions of Section 8 of the Plan, there shall be taken into account all periods of such person's employment with either Kilian or Parfums that would otherwise have been taken into account for such purpose had such company been an Employer throughout such person's entire period of employment.

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THE ESTEE LAUDER COMPANIES RETIREMENT GROWTH ACCOUNT PLAN

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**THE ESTÉE LAUDER COMPANIES INC.
AMENDED AND RESTATED FISCAL 2002
SHARE INCENTIVE PLAN
(as of July 20, 2017)**

1. **Purpose.** The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (the “Plan”) is intended to provide incentives which will attract, retain, motivate and reward highly competent people as officers, directors and key employees of The Estée Lauder Companies Inc. (the “Company”) and its subsidiaries and affiliates, by providing them opportunities to acquire shares of the Class A Common Stock, par value \$.01 per share, of the Company (“Class A Common Stock”) or to receive monetary payments based on the value of such shares pursuant to the Benefits (as defined below) described herein. Additionally, the Plan is intended to assist in further aligning the interests of the Company’s officers, directors and key employees to those of its other stockholders.

2. **Administration.**

(a) The Plan will be administered by a committee (the “Committee”) appointed by the Board of Directors of the Company (the “Board”) from among its members (which may be the Compensation Committee or the Stock Plan Subcommittee) and shall be comprised, unless otherwise determined by the Board, solely of not less than two members who shall be (i) “Non-Employee Directors” within the meaning of Rule 16b-3(b)(3) (or any successor rule) promulgated under the Securities Exchange Act of 1934, as amended (the “Exchange Act”) and (ii) “outside directors” within the meaning of Treasury Regulation Section 1.162-27(e)(3) under Section 162(m) of the Internal Revenue Code of 1986, as amended (the “Code”). The Committee is authorized, subject to the provisions of the Plan, to establish such rules and regulations as it deems necessary for the proper administration of the Plan and to make such determinations and interpretations and to take such action in connection with the Plan and any Benefits (as defined below) granted hereunder as it deems necessary or advisable, including the right to establish the terms and conditions of Benefits, to accelerate the vesting or exercisability of Benefits and to cancel Benefits. The Committee may determine the extent to which any Benefit under the Plan is required to comply, or not comply, with Section 409A of the Code. All determinations and interpretations made by the Committee shall be binding and conclusive on all participants and their legal representatives. No member of the Committee and no employee of the Company shall be liable for any act or failure to act hereunder, except in circumstances involving his or her bad faith, gross negligence or willful misconduct, or for any act or failure to act hereunder by any other member or employee or by any agent to whom duties in connection with the administration of the Plan have been delegated. The Company shall indemnify members of the Committee and any agent of the Committee who is an employee of the Company, a subsidiary or an affiliate against any and all liabilities or expenses to which they may be subjected by reason of any act or failure to act with respect to their duties on behalf of the Plan, except in circumstances involving such person’s bad faith, gross negligence or willful misconduct.

(b) The Committee may delegate to one or more of its members, or to one or more agents, such administrative duties as it may deem advisable, and the Committee, or any person to whom it has delegated duties as aforesaid, may employ one or more persons to render advice with respect to any responsibility the Committee or such person may have under the Plan. The Committee may employ such legal or other counsel, consultants and agents as it may deem desirable for the administration of the Plan and may rely upon any opinion or computation received from any such counsel, consultant or agent. Expenses incurred by the Committee in the engagement of such counsel, consultant or agent shall be paid by the Company, or the subsidiary or affiliate whose employees have benefited from the Plan, as determined by the Committee.

(c) Notwithstanding any provision of the Plan to the contrary, the Board may from time to time reserve to a committee (the “Employee Equity Award Committee”), comprised of one or more members of the Board whether or not such member(s) serve on the Committee, any or all of the authority and responsibility of the Committee under the Plan (other than with respect to Sections 13 and 21 of the Plan) with respect to Benefits granted to employees of the Company other than (i) executive officers of the Company, (ii) members of the Board, (iii) any individual who is a “covered employee” within the meaning of Section 162(m)(3) of the Code, or (iv) any individual who is subject to the reporting and liability provisions of Section 16 of the Exchange Act. To the extent and during such time as the Board has so reserved any authority and responsibility to the Employee Equity Award Committee, the Employee Equity Award Committee shall have all of the powers of the Committee hereunder, and any reference herein to the Committee (other than in this Section 2(c) and in Sections 13 and 21 and of the Plan) shall include the Employee Equity Award Committee. To the extent that any action of the Employee Equity Award Committee under the Plan made within such authority conflicts with actions taken by the Committee, the actions of the Committee shall control.

3. **Participants.** Participants will consist of such officers, directors and key employees of the Company and its subsidiaries and affiliates as the Committee in its sole discretion determines to be significantly responsible for the success and future growth and profitability of the Company and whom the Committee may designate from time to time to receive Benefits under the Plan. Designation of a participant in any year shall not require the Committee to designate such person to receive a Benefit in any other year or, once designated, to receive the same type or amount of Benefit as granted to the participant in any other year. The Committee shall consider such factors as it deems pertinent in selecting participants and in determining the type and amount of their respective Benefits.

4. **Type of Benefits.** Benefits under the Plan may be granted in any one or a combination of the following (collectively, “Benefits”): (a) Stock Options, (b) Stock Appreciation Rights, (c) Stock Awards, (d) Performance Awards and (e) Stock Units (each as described below). Stock Awards, Performance Awards, and Stock Units may, as determined by the Committee in its discretion, constitute Performance-Based Awards, as described in Section 11 hereof. Benefits shall be evidenced by agreements (which need not be identical) in such forms as the Committee may from time to time approve (each a “Benefit Agreement”); provided, however, that in the event of any conflict between the provisions of the Plan and any Benefit Agreement and subject to Section 12, the provisions of the Plan shall prevail.

5. **Common Stock Available Under the Plan; Minimum Vesting.**

(a) Subject to the provisions of this Section 5 and any adjustments made in accordance with Section 13 hereof, the maximum number of shares of Class A Common Stock that is available for issuance to participants (including permitted assignees) and their beneficiaries under this Plan shall be 74,000,000 (the “Maximum Aggregate Share Amount”), which may be authorized and unissued or treasury shares. Any shares of Class A Common Stock covered by a Benefit (or portion of a Benefit) granted under the Plan, which is forfeited or canceled, expires or, in the case of a Benefit other than a Stock Option, is settled in cash, shall again be available for issuance under the Plan. The preceding sentence shall apply only for purposes of determining the aggregate number of shares of Class A Common Stock available for Benefits but shall not apply for purposes of determining (x) the maximum number of shares of Class A Common Stock with respect to which Benefits (including the maximum number of shares of Class A Common Stock subject to Stock Options and Stock Appreciation Rights) may be granted to an individual participant under the Plan or (y) the maximum number of shares of Class A common Stock that may be delivered through Stock Options under the Plan.

(b) Shares of Class A Common Stock withheld or tendered (either actually or by attestation) to satisfy tax withholding obligations for Benefits granted under the Plan or any shares of Class A Common Stock withheld or tendered to pay the exercise price of Stock Options under the Plan shall be counted against the shares of Class A Common Stock available for issuance under the Plan and shall not be available again for grant. Shares of Class A Common Stock delivered under the Plan in settlement, assumption or substitution of outstanding awards (or obligations to grant future awards) under the plans or arrangements of another entity (“Assumed Awards”) shall not reduce the maximum number of shares of Class A Common Stock available for issuance under the Plan, to the extent that such settlement, assumption or substitution is as a result of the Company or its subsidiaries or affiliates acquiring another entity (or an interest in another entity). This Section 5(b) shall apply only for purposes of determining the aggregate number of shares of Class A Common Stock available for Benefits but shall not apply for purposes of determining (x) the maximum number of shares of Class A Common Stock with respect to which Benefits (including the maximum number of shares of Class A Common Stock subject to Stock Options and Stock Appreciation Rights) may be granted to an individual participant under the Plan or (y) the maximum number of shares of Class A Common Stock that may be delivered through Stock Options under the Plan.

(c) Subject to any adjustments made in accordance with Section 13 hereof, the following additional aggregate and individual maximums are imposed under the Plan. The aggregate number of shares of Class A Common Stock that may be delivered through Stock Options shall be the Maximum Aggregate Share Amount. Subject to any adjustments made in accordance with Section 13 hereof, the number of shares of Class A Common Stock with respect to which Benefits may be granted to an individual participant under the Plan in any fiscal year of the Company shall not exceed 4,000,000; provided, however, that the number of such shares granted to any non-employee director of the Company in any fiscal year of the Company shall not exceed 24,000.

(d) For all Stock Awards, Performance Awards or Stock Units (collectively, “Share Awards”) granted after August 18, 2010, except in the event of a participant’s death, disability, or retirement, or in the event of a Change in Control (as define below) (i) Share Awards granted as to which vesting is based solely on continuation of service will vest over a minimum period of three (3) years from the date of grant, (ii) Share Awards granted that do not exceed 600 shares of Class A Common Stock (subject to any adjustments made in accordance with Section 13 hereof) per participant as to which vesting is based solely on continuation of service will vest over a minimum period of one (1) year, and (iii) Share Awards as to which

vesting is based solely or in part on the achievement of one or more performance conditions will vest based on a performance period of no shorter than one (1) year (and if vesting is within one year of the grant date, the grant date must be within the first three months of the performance period). Notwithstanding the foregoing, such minimum vesting requirements shall not apply to (x) Assumed Awards and (y) Share Awards granted after September 8, 2015 involving an aggregate number of shares of Class A Common Stock not in excess of 5% of the Remaining Available Shares (as defined below). "Remaining Available Shares" means 16,397,036, which equals (i) the shares of Class A Common Stock remaining available for issuance under the Plan as of September 8, 2015 plus (ii) 10,000,000 shares of Class A Common Stock. Vesting over a minimum period of three (3) years or one (1) year shall not require cliff vesting and may include periodic vesting over such applicable period.

6. **Stock Options.** Stock Options will consist of awards from the Company that will enable the holder to purchase a number of shares of Class A Common Stock at set terms. Stock Options may be "incentive stock options" within the meaning of Section 422 of the Code ("Incentive Stock Options"), or Stock Options which do not constitute Incentive Stock Options ("Nonqualified Stock Options"). The Committee will have the authority to grant to any participant one or more Incentive Stock Options, Nonqualified Stock Options, or both types of Stock Options (in each case with or without Stock Appreciation Rights). Each Stock Option shall be subject to such terms and conditions consistent with the Plan as the Committee may impose from time to time, subject to the following limitations:

(a) **Exercise Price.** Each Stock Option granted hereunder shall have such per-share exercise price as the Committee may determine at the date of grant; provided, however, except in the case of Assumed Awards to the extent permitted by Section 409A of the Code and subject to subsection (d) below, that the per-share exercise price shall not be less than 100% of the Fair Market Value (as defined below) of the Class A Common Stock on the date the Stock Option is granted.

(b) **Payment of Exercise Price.** The exercise price may be paid in cash or, in the discretion of the Committee, by the delivery of shares of Class A Common Stock of the Company then owned by the participant, by the withholding of shares of Class A Common Stock for which a Stock Option is exercisable or by a combination of these methods. In the discretion of the Committee, payment also may be made by delivering a properly executed exercise notice to the Company together with a copy of irrevocable instructions to a broker to deliver promptly to the Company the amount of sale or loan proceeds to pay the exercise price. To facilitate the foregoing, the Company may enter into agreements for coordinated procedures with one or more brokerage firms. The Committee may prescribe any other method of paying the exercise price that it determines to be consistent with applicable law and the purposes of the Plan, including, without limitation, in lieu of the exercise of a Stock Option by delivery of shares of Class A Common Stock of the Company then owned by a participant, providing the Company with a notarized statement attesting to the number of shares owned, in which case upon verification by the Company, the Company would issue to the participant only the number of incremental shares to which the participant is entitled upon exercise of the Stock Option. In determining which methods a participant may utilize to pay the exercise price, the Committee may consider such factors as it determines are appropriate.

(c) **Exercise Period.** Stock Options granted under the Plan shall be exercisable at such time or times and subject to such terms and conditions as shall be determined by the Committee; provided, however, that no Stock Option shall be exercisable later than ten years after the date it is granted except, for Stock Options granted before April 10, 2007, in the event of a participant's death, the exercise period of such participant's Stock Options may be extended beyond such period but no longer than one year after the participant's death. All Stock Options shall terminate at such earlier times and upon such conditions or circumstances as the Committee shall in its discretion set forth in the Benefit Agreement relating to the option grant.

(d) **Limitations on Incentive Stock Options.** Incentive Stock Options may be granted only to participants who are employees of the Company or one of its subsidiaries (within the meaning of Section 424(f) of the Code) at the date of grant. The aggregate Fair Market Value (determined as of the time the Stock Option is granted) of the Class A Common Stock with respect to which Incentive Stock Options are exercisable for the first time by a participant during any calendar year (under all option plans of the Company and of any parent corporation or subsidiary corporation (as defined in Sections 424(e) and (f) of the Code, respectively)) shall not exceed \$100,000 and any Stock Options exercisable in excess of the \$100,000 limit shall be treated as nonqualified Stock Options. For purposes of the preceding sentence, Incentive Stock Options will be taken into account in the order in which they are granted. The per-share exercise price of an Incentive Stock Option shall not be less than 100% of the Fair Market Value of the Class A Common Stock on the date of grant, and no Incentive Stock Option may be exercised later than ten years after the date it is granted; provided, however, that Incentive Stock Options may not be granted to any participant who, at the time of grant, owns stock possessing (after the

application of the attribution rules of Section 424(d) of the Code) more than 10% of the total combined voting power of all classes of stock of the Company or any parent or subsidiary corporation of the Company, unless the exercise price is fixed at not less than

110% of the Fair Market Value of the Class A Common Stock on the date of grant and the exercise of such option is prohibited by its terms after the expiration of five years from the date of grant of such option.

(e) **Post-Employment Exercises.** The exercise of any Stock Option after termination of employment shall be subject to satisfaction of the conditions precedent that the participant neither (i) competes with, or takes employment with or renders services to a competitor of, the Company, its subsidiaries or affiliates without the written consent of the Company, nor (ii) conducts himself or herself in a manner adversely affecting the Company

7. **Stock Appreciation Rights.**

(a) The Committee may, in its discretion, grant Stock Appreciation Rights to the holders of any Stock Options granted hereunder. In addition, Stock Appreciation Rights may be granted independently of, and without relation to, Stock Options. A Stock Appreciation Right is a right to receive a payment in cash, Class A Common Stock or a combination thereof, in an amount equal to the excess of (x) the Fair Market Value, or other specified valuation (which shall be no less than the Fair Market Value), of a specified number of shares of Class A Common Stock on the date the right is exercised over (y) the Fair Market Value, or other specified valuation (which, except in the case of Assumed Awards to the extent permitted by Section 409A of the Code, shall be no less than the Fair Market Value) of such shares of Class A Common Stock on the date the right is granted, all as determined by the Committee; provided, however, that if a Stock Appreciation Right is granted in tandem with or in substitution for a Stock Option, the Fair Market Value designated in the Benefit Agreement may be the Fair Market Value on the date such Stock Option was granted. Each Stock Appreciation Right shall be subject to such terms and conditions as the Committee shall impose from time to time.

(b) Stock Appreciation Rights granted under the Plan shall be exercisable at such time or times and subject to such terms and conditions as shall be determined by the Committee; provided, however, that no Stock Appreciation Right shall be exercisable later than ten years after the date it is granted except, for Stock Appreciation Rights granted before April 10, 2007, in the event of a participant's death, the exercise period of such participant's Stock Appreciation Rights may be extended beyond such period but no longer than one year after the participant's death. All Stock Appreciation Rights shall terminate at such earlier times and upon such conditions or circumstances as the Committee shall in its discretion set forth in such right.

(c) The exercise of any Stock Appreciation Right after termination of employment shall be subject to satisfaction of the conditions precedent that the participant neither (i) competes with, or takes other employment with or renders services to a competitor of, the Company, its subsidiaries or affiliates without the written consent of the Company, nor (ii) conducts himself or herself in a manner adversely affecting the Company.

8. **Stock Awards.** The Committee may, in its discretion, grant Stock Awards (which may include mandatory payment of bonus incentive compensation in stock) consisting of Class A Common Stock issued or transferred to participants with or without payments therefor. Stock Awards may be subject to such terms and conditions as the Committee determines to be appropriate, including, without limitation, restrictions on the sale or other disposition of such shares and the right of the Company to reacquire such shares for no consideration upon termination of the participant's employment within specified periods, and may constitute Performance-Based Awards, as described in Section 11 hereof. The Committee may require the participant to deliver a duly signed stock power, endorsed in blank, relating to the Class A Common Stock covered by a Stock Award. The Committee also may require that the stock certificates evidencing such shares be held in custody or bear restrictive legends until the restrictions thereon shall have lapsed. The Stock Award shall specify whether the participant shall have, with respect to the shares of Class A Common Stock subject to a Stock Award, all of the rights of a holder of shares of Class A Common Stock of the Company, including the right to receive dividends and to vote the shares.

9. **Performance Awards.**

(a) Performance Awards may be granted to participants at any time and from time to time, as shall be determined by the Committee. Performance Awards may constitute Performance-Based Awards, as described in Section 11 hereof. The Committee shall have complete discretion in determining the number, amount and timing of awards granted to each participant; provided, that for Performance Awards subject to Section 409A of the Code, these determinations must be made on or before the date of grant of the Performance Award. Performance Awards may be in the form of shares of Class A Common Stock or Stock Units. Performance Awards

may be awarded as short-term or long-term incentives. Performance targets may be based upon Company-wide, divisional and/or individual performance, or other factors as determined by the Committee.

(b) With respect to those Performance Awards that are not intended to constitute Performance-Based Awards, the Committee shall have the authority at any time to make adjustments to performance targets for any outstanding

Performance Awards which the Committee deems necessary or desirable unless at the time of establishment of such targets the Committee shall have precluded its authority to make such adjustments, provided that, for Performance Awards that are subject to Section 409A of the Code, the adjustments are compliant with Section 409A of the Code and the regulations thereunder.

(c) Payment of earned Performance Awards shall be made in accordance with terms and conditions prescribed or authorized by the Committee. The participant may elect to defer, or the Committee may require or permit the deferral of, the receipt of Performance Awards upon such terms as the Committee deems appropriate, provided that, for Performance Awards that vest on or after January 1, 2005, any election and deferral is compliant with the requirements of Section 409A of the Code and the regulations thereunder.

10. **Stock Units.**

(a) The Committee may, in its discretion, grant Stock Units to participants hereunder. A "Stock Unit" means a notional account representing one share of Class A Common Stock. Stock Units shall be evidenced by a Benefit Agreement, which shall conform to the requirements of the Plan and may contain such other provisions as the Committee shall deem advisable. Stock Units may constitute Performance-Based Awards, as described in Section 11 hereof. Each Benefit Agreement evidencing a Stock Unit grant shall specify the vesting requirements, the duration of any applicable deferral period, the performance or other conditions (including the termination of a participant's service due to death, disability or other reason) under which the Stock Unit may be forfeited and such other provisions as the Committee shall determine. A Stock Unit granted by the Committee shall provide for payment in either shares of Class A Common Stock or cash, as determined by the Committee. Shares of Class A Common Stock issued pursuant to this Section 10 may be issued with or without payments or other consideration therefor, as may be required by applicable law or as may be determined by the Committee. On or before the grant date, the Committee shall determine whether a participant granted a Stock Unit shall be entitled to a Dividend Equivalent Right. A "Dividend Equivalent Right" means the right to receive the amount of any dividend paid on the share of Class A Common Stock underlying a Stock Unit, which shall be payable in cash or in the form of additional Stock Units.

(b) For Stock Units that vest on or after January 1, 2005, any deferral feature must comply with the requirements of Section 409A of the Code and the regulations thereunder.

11. **Performance-Based Awards.** Certain Benefits granted under the Plan may be granted in a manner such that the Benefits qualify for the performance-based compensation exception to Section 162(m) of the Code ("Performance-Based Awards"). As determined by the Committee in its sole discretion, either the granting or vesting of such Performance-Based Awards shall be based on achievement of goals in one or more business criteria that apply to the individual participant, one or more business units or the Company as a whole. The business criteria shall be as follows, individually or in combination: (i) net earnings; (ii) earnings per share; (iii) net sales; (iv) market share; (v) net operating profit and/or margin; (vi) expense targets; (vii) working capital targets relating to inventory and/or accounts receivable; (viii) operating income and/or margin; (ix) return on equity; (x) return on assets; (xi) planning accuracy (as measured by comparing planned results to actual results); (xii) market price per share; (xiii) gross income and/or margin; (xiv) return on invested capital; (xv) total return to stockholders and (xvi) cash flows. In addition, Performance-Based Awards may include comparisons to the performance of other companies, such performance to be measured by one or more of the foregoing business criteria. Furthermore, the measurement of performance against goals may exclude or adjust for the impact of certain events or occurrences that were not budgeted or planned for in setting the goals, including, among other things, acquisitions, restructurings, discontinued operations, changes in foreign currency exchange rates, extraordinary items and other unusual or non-recurring items, and the cumulative effects of accounting changes. With respect to Performance-Based Awards, (i) the Committee shall establish in writing (x) the performance goals applicable to a given period specifying in terms of an objective formula or standard the method for computing the amount of compensation payable to the participant if such performance goals are achieved and (y) the individual employees or class of employees to which such performance goals apply no later than 90 days after the commencement of such period (but in no event after one-quarter of such period has elapsed) and (ii) no Performance-Based Awards shall be payable to or vest with respect to any participant for a given period until the Committee certifies in writing that the objective performance goals (and any other material terms) applicable to such period have been satisfied. With respect to any Benefits intended to qualify as Performance-Based Awards, after establishment

of a performance goal, the Committee shall not revise such performance goal or increase the amount of compensation payable thereunder (as determined in accordance with Section 162(m) of the Code) upon the attainment of such performance goal. Notwithstanding the preceding sentence, and unless restricted by the applicable Benefit Agreement, the Committee may reduce or eliminate the number of shares of Class A Common Stock or cash granted or the number of shares of Class A Common Stock vested upon the attainment of such performance goal.

12. **Foreign Laws.** The Committee may grant Benefits to individual participants who are subject to the tax laws of nations other than the United States, which Benefits may have terms and conditions which the Committee determines to be necessary to comply with applicable foreign laws. The Committee may take any action which it deems advisable to obtain approval of such Benefits by the appropriate foreign governmental entity; provided, however, that no Benefits may be granted pursuant to this Section 12 and no action may be taken which would result in a violation of the Exchange Act, the Code or any other applicable law.

13. **Adjustment Provisions; Change in Control.**

(a) If there is any change in the Class A Common Stock of the Company, through merger, consolidation, reorganization, recapitalization, stock dividend, stock split, reverse stock split, split up, spin-off, combination of shares, exchange of shares, dividend in kind or other like change in capital structure or distribution (other than normal cash dividends) to stockholders of the Company, the Committee will adjust, in a fair and equitable manner, the Plan and each outstanding Benefit under the Plan to prevent dilution or enlargement of participants' rights under the Plan. The Committee will make this adjustment each time one of the changes identified above occurs by (i) adjusting the number of shares of Class A Common Stock and/or kind of shares of common stock of the Company or other securities that may be issued under the Plan or that are subject to other share limitations under the Plan, the number of shares of Class A Common Stock and/or kind of shares of common stock of the Company or other securities that are subject to outstanding Benefits, and/or where applicable, the exercise price or purchase price applicable to outstanding Benefits, (ii) granting a right to receive one or more payments of securities, cash and/or property (which right may be evidenced as an additional Benefit under this Plan) in respect of any outstanding Benefit, or (iii) providing for the settlement of any outstanding Benefit (other than a Stock Option or Stock Appreciation Right) in such securities, cash and/or property as would have been received had the Benefit been settled in full immediately prior to the change. However, any adjustment or change or other action under this Section 13 shall comply with or otherwise ensure exemption from Section 409A of the Code, as applicable. Appropriate adjustments also may be made by the Committee to the terms of any Benefits under the Plan to reflect such changes or distributions (and any extraordinary dividend or distribution of cash or other assets) and to modify any other terms of outstanding Benefits on an equitable basis, including modifications of performance targets and changes in the length of performance periods (except that Benefits intended to constitute Performance-Based Awards shall only be adjusted to the extent permitted under Section 11 hereof, and all Benefits will only be adjusted to ensure compliance with, or exemption from, Section 409A of the Code). In addition, other than with respect to Stock Options, Stock Appreciation Rights, and other awards intended to constitute Performance-Based Awards, the Committee is authorized to make adjustments to the terms and conditions of, and the criteria included in, Benefits in recognition of unusual or nonrecurring events affecting the Company or the financial statements of the Company, or in response to changes in applicable laws, regulations, or accounting principles.

(b) Notwithstanding any other provision of this Plan, in the event of a Change in Control (as defined below), the Committee, in its discretion, may take such actions as it deems appropriate with respect to outstanding Benefits, including, without limitation, accelerating the exercisability or vesting of such Benefits on a Change in Control or, if such Benefits are assumed by an acquirer, on a termination of employment following a Change in Control, or such other actions provided in an agreement approved by the Board in connection with a Change in Control and such Benefits shall be subject to the terms of such agreement as the Committee, in its discretion, shall determine, provided that all such actions ensure Benefits are compliant with, or otherwise exempt from, Section 409A of the Code. The Committee, in its discretion, may determine that, upon the occurrence of a Change in Control, each Stock Option and Stock Appreciation Right outstanding hereunder shall terminate within a specified number of days after notice to the holder, and such holder shall receive, with respect to each share of Common Stock subject to such Stock Option or Stock Appreciation Right, an amount equal to the excess, if any, of the Fair Market Value of such shares of Common Stock immediately prior to the occurrence of such Change in Control over the exercise price or purchase price per share of such Stock Option or Stock Appreciation Right; such amount to be payable in cash, in one or more kinds of property (including the property, if any, payable in the transaction) or in a combination thereof, as the Committee, in its discretion, shall determine. For purposes of this Plan, a "Change in Control" of the Company shall be deemed to have occurred upon any of the following events:

(i) On or after the date there are no shares of Class B Common Stock, par value \$.01 per share, of the Company outstanding, any person as such term is used in Section 13(d) of the Exchange Act or person(s) acting together which would

constitute a “group” for purposes of Section 13(d) of the Exchange Act (other than the Company, any subsidiary, any employee benefit plan sponsored by the Company or any member of the Lauder family or any family-controlled entities) acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person(s)) and “beneficially owns” (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, at least 30% of the total voting power of all classes of capital stock of the Company entitled to vote generally in the election of the Board; or

(ii) During any period of twelve consecutive months, either (A) the individuals who at the beginning of such period constitute the Company’s Board of Directors or any individuals who would be “Continuing Directors” (as defined below) cease for any reason to constitute at least a majority thereof or (B) at any meeting of the stockholders of the Company called for the purpose of electing directors, a majority of the persons nominated by the Board for election as directors fail to be elected; or

(iii) Consummation of a sale or other disposition (in one transaction or a series of transactions) of all or substantially all of the assets of the Company; or

(iv) Consummation of a merger or consolidation of the Company (A) in which the Company is not the continuing or surviving corporation (other than a consolidation or merger with a wholly-owned subsidiary of the Company in which all shares of the Company’s common stock outstanding immediately before the effectiveness of that consolidation or merger are changed into or exchanged for common stock of the subsidiary) or (B) in which all shares of the Company’s common stock are converted into cash, securities or other property, except in either case, a consolidation or merger of the Company in which the holders of the shares of Common Stock immediately prior to the consolidation or merger have, directly or indirectly, at least a majority of the shares of Common Stock of the continuing or surviving corporation immediately after such consolidation or merger or in which the Board immediately prior to the merger or consolidation would, immediately after the merger or consolidation, constitute a majority of the board of directors of the continuing or surviving corporation.

Notwithstanding the foregoing, none of the following shall constitute a Change in Control: (A) changes in the relative beneficial ownership among members of the Lauder family and family-controlled entities, without other changes that would constitute a Change in Control; or (B) any spin-off of a division or subsidiary of the Company to its stockholders.

For purposes of this Section 13(b), “Continuing Directors” shall mean (x) the directors of the Company in office on the Effective Date (as defined below) and (y) any successor to any such director and any additional director who after the Effective Date whose appointment or election is endorsed by a majority of the Continuing Directors at the time of his or her nomination or election.

14. **Nontransferability.** Each Benefit granted under the Plan to a participant shall not be transferable otherwise than by will or the laws of descent and distribution, and shall be exercisable, during the participant’s lifetime, only by the participant. In the event of the death of a participant, each Stock Option or Stock Appreciation Right theretofore granted to him or her shall be exercisable during such period after his or her death as the Committee shall in its discretion set forth in such option or right at the date of grant and then only by the executor or administrator of the estate of the deceased participant or the person or persons to whom the deceased participant’s rights under the Stock Option or Stock Appreciation Right shall pass by will or the laws of descent and distribution. Notwithstanding the foregoing, at the discretion of the Committee, an award of a Benefit other than an Incentive Stock Option may permit the transferability of a Benefit by a participant solely to the participant’s spouse, siblings, parents, children and grandchildren or trusts for the benefit of such persons or partnerships, corporations, limited liability companies or other entities owned solely by such persons, including trusts for such persons, subject to any restriction included in the award of the Benefit.

15. **Other Provisions.** The award of any Benefit under the Plan also may be subject to such other provisions (whether or not applicable to a Benefit awarded to any other participant) as the Committee determines appropriate, including without limitation for the forfeiture of, or restrictions on resale or other disposition of, Class A Common Stock acquired under any form of Benefit, for the acceleration of exercisability or vesting of Benefits in the event of a change of control (whether or not a Change in Control) of the Company, for the payment of the value of Benefits that are exempt from Section 409A of the Code to participants in the event of a

change of control (whether or not a Change in Control) of the Company, or to comply with federal and state securities laws, or understandings or conditions as to the participant's employment in addition to those specifically provided for under the Plan. The award of any Benefit under the Plan shall be subject to the receipt of the Company of consideration required under applicable state law.

16. **Fair Market Value.** For purposes of this Plan and any Benefits awarded hereunder, Fair Market Value shall be the closing price of the Class A Common Stock on the date of calculation (or on the last preceding trading date if Class A Common Stock was not traded on such date) if the Class A Common Stock is readily tradeable on a national securities exchange or other market system. If the Class A Common Stock is not readily tradeable, Fair Market Value shall mean the amount determined in good faith by the Committee as the fair market value of the Class A Common Stock; provided that, for Stock Options and Stock Appreciation Rights that vested on and after January 1, 2005, Fair Market Value will be determined in accordance with the requirements of Section 409A of the Code and the regulations thereunder.

17. **Withholding Taxes.** All payments or distributions of Benefits made pursuant to the Plan shall be net of any amounts required to be withheld pursuant to applicable federal, state, local, foreign and other tax-related requirements arising in connection with the Benefits. Notwithstanding the foregoing, if the Company proposes or is required to distribute Class A Common Stock pursuant to the Plan, it may require the Participant to remit to it or to the corporation that employs such Participant an amount sufficient to satisfy such tax-withholding requirements prior to the delivery of Class A Common Stock. In lieu thereof, the Company or the employing corporation shall have the right, to the extent compliant with Section 409A of the Code, to withhold the amount of such taxes from any other sums due or to become due from such corporation to the Participant as the Committee shall prescribe. The Committee may, in its discretion and subject to such rules as it may adopt (including any as may be required to satisfy applicable tax and/or non-tax regulatory requirements), permit an optionee or award or right holder to pay all or a portion of the federal, state, local, foreign and other tax-related requirements arising in connection with any Benefit consisting of shares of Class A Common Stock by electing to have the Company withhold shares of Class A Common Stock having a fair market value, determined based on the average of the high and low trading prices of Class A Common Stock on the date of vesting (or if the date of vesting does not fall on a trading day, such average price on the next trading day after the date of vesting), equal to the amount of tax to be withheld on the Benefit.

18. **Tenure.** A participant's right, if any, to continued employment with the Company or any of its subsidiaries or affiliates as an officer, employee, or otherwise, shall not be enlarged or otherwise affected by his or her designation as a participant under the Plan. For purposes of this Plan, in respect of participants who are non-employee directors, the term "employment" shall mean service.

19. **Unfunded Plan.** Participants shall have no right, title, or interest whatsoever in or to any investments that the Company may make to aid it in meeting its obligations under the Plan. Nothing contained in the Plan, and no action taken pursuant to its provisions, shall create or be construed to create a trust of any kind, or a fiduciary relationship between the Company and any participant, beneficiary, legal representative or any other person. To the extent that any person acquires a right to receive payments from the Company under the Plan, such right shall be no greater than the right of an unsecured general creditor of the Company. All payments to be made hereunder shall be paid from the general funds of the Company and no special or separate fund shall be established and no segregation of assets shall be made to assure payment of such amounts except as expressly set forth in the Plan.

20. **No Fractional Shares.** No fractional shares of Class A Common Stock shall be issued or delivered pursuant to the Plan or any Benefit. On or before the date of grant of any Benefit under the Plan that is subject to Section 409A of the Code, the Committee shall determine whether cash, or Benefits, or other property shall be issued or paid in lieu of fractional shares or whether such fractional shares or any rights thereto shall be forfeited or otherwise eliminated with respect to that Benefit.

21. **Duration, Amendment and Termination.** No Benefit shall be granted more than ten years after the Effective Date. The Committee may amend the Plan from time to time or suspend or terminate the Plan at any time. No amendment of the Plan may be made without approval of the stockholders of the Company if the amendment will: (a) disqualify any Incentive Stock Options granted under the Plan; (b) increase the aggregate number of shares of Class A Common Stock that may be delivered through Stock Options under the Plan; (c) increase the maximum amount which can be paid to an individual participant under the Plan as set forth in the third sentence of Section 5(c) hereof; (d) change the types of business criteria on which Performance-Based Awards are to be based under the Plan; (e) modify the requirements as to eligibility for participation in the Plan, (f) allow for the repricing of Stock Options or Stock Appreciation Rights for which the stockholder approval is required by the stock exchange on which the Class A Common Stock is listed, or (g) allow for the repurchasing of Stock Options or Stock Appreciation Rights for cash or otherwise. Notwithstanding anything to the contrary contained herein, the Committee may amend the terms of any outstanding Benefit or any provision of the Plan as the Committee deems necessary to ensure compliance with Section 409A of the Code.

22. **Governing Law.** This Plan, Benefits granted hereunder and actions taken in connection herewith shall be governed and construed in accordance with the laws of the State of New York (regardless of the law that might otherwise govern under applicable New York principles of conflict of laws).

23. **Compliance with Section 409A of the Code and Section 457A of the Code**

(a) **General.** The Company intends that any Benefits be structured in compliance with, or to satisfy an exemption from, Section 409A of the Code, such that there are no adverse tax consequences, interest, or penalties pursuant to Section 409A of the Code as a result of the Benefits. Notwithstanding the Company's intention, in the event any Benefit is subject to Section 409A of the Code, the Committee may, in its sole discretion and without a

participant's prior consent, amend the Plan and/or outstanding Benefits, adopt policies and procedures, or take any other actions (including amendments, policies, procedures and actions with retroactive effect) as are necessary or appropriate to (i) exempt the Plan and/or any Benefit from the application of Section 409A of the Code, (ii) preserve the intended tax treatment of any such Benefit, or (iii) comply with the requirements of Section 409A of the Code, including without limitation any such regulations guidance, compliance programs and other interpretative authority that may be issued after the date of grant of a Benefit. This Plan shall be interpreted at all times in such a manner that the terms and provisions of the Plan and Benefits are exempt from or comply with Section 409A of the Code.

(b) **Payments to Specified Employees.** Notwithstanding any contrary provision in the Plan or Benefit Agreement, any payment(s) of "nonqualified deferred compensation" (within the meaning of Section 409A of the Code) that are otherwise required to be made under the Plan to a "specified employee" (as defined under Section 409A of the Code) as a result of his or her "separation from service" (as defined below) (other than a payment that is not subject to Section 409A of the Code) shall be delayed for the first six (6) months following such "separation from service" and shall instead be paid (in a manner set forth in the Benefit Agreement) on the payment date that immediately follows the end of such six-month period (or, if earlier, within 10 business days following the date of death of the specified employee) or as soon as administratively practicable within 90 days thereafter, but in no event later than the end of the applicable taxable year.

(c) **Separation from Service.** A termination of employment shall not be deemed to have occurred for purposes of any provision of the Plan or any Benefit Agreement providing for the payment of any amounts or benefits that are considered nonqualified deferred compensation under Section 409A of the Code upon or following a termination of employment, unless such termination is also a "separation from service" within the meaning of Section 409A of the Code and the payment thereof prior to a "separation from service" would violate Section 409A of the Code. For purposes of any such provision of the Plan or any Benefit Agreement relating to any such payments or benefits, references to a "termination," "termination of employment," "termination of continuous service" or like terms shall mean "separation from service."

(d) **Section 457A.** The Company intends that any Benefits be structured in compliance with, or to satisfy an exemption from, Section 457A of the Code and all regulations, guidance, compliance programs and other interpretative authority thereunder ("Section 457A"), such that there are no adverse tax consequences, interest, or penalties as a result of the Benefits and Section 457. Notwithstanding the Company's intention, in the event any Benefit is subject to Section 457A, the Committee may, in its sole discretion and without a Participant's prior consent, amend the Plan and/or Benefits, adopt policies and procedures, or take any other actions (including amendments, policies, procedures and actions with retroactive effect) as are necessary or appropriate to (i) exempt the Plan and/or any Benefit from the application of Section 457A, (ii) preserve the intended tax treatment of any such Benefit, or (iii) comply with the requirements of Section 457A, including without limitation any such regulations, guidance, compliance programs and other interpretative authority that may be issued after the date of the grant.

(e) **No Guarantee.** Nothing in this Plan shall be a guarantee of any particular tax treatment.

24. **Recoupment Policy.** Benefits awarded under the Plan shall be subject to any recoupment policy adopted by the Company as it exists from time to time.

25. **Effective Date.** The Plan shall be effective on the date it is approved by stockholders of the Company at an annual meeting or any special meeting of the stockholders of the Company (the "Effective Date").

**Stock Option Agreement
Under
The Estée Lauder Companies Inc.
Amended and Restated Fiscal 2002 Share Incentive Plan (the “Plan”)**

This **STOCK OPTION AGREEMENT** (the “Agreement”) provides for the granting of stock options by The Estée Lauder Companies Inc., a Delaware corporation (the “Company”), to the participant, an employee of the Company or one of its subsidiaries (the “Participant”), to purchase shares of the Company’s Class A Common Stock, par value \$0.01 (the “Shares”), subject to the terms below (the “Stock Options” or “Options”). The name of the “Participant,” “Grant Date” (or “Award Date”), the aggregate number of Shares that may be purchased pursuant to this Agreement, and the “Award Price” (which is the “Exercise Price”) per Share are stated in the “Notice of Grant” attached or posted electronically together with this Agreement and are incorporated by reference. The other terms of the Options are stated in this Agreement and in the Plan. Terms not defined in this Agreement are defined in the Plan, as amended. The Plan is referred to as the “Grant Plan” in the electronic Notice of Grant.

The Stock Options described in this Agreement are granted pursuant to the Plan, and are subject in all respects to the provisions of the Plan. The Stock Options granted under this Agreement are not Incentive Stock Options (as defined in Section 422(b) of the Internal Revenue Code of 1986, as amended (the “Code”)).

1. **Payment of Exercise Price.** The Company will provide and communicate to the Participant various methods of exercise. In all cases, upon exercise, the Participant must deliver or cause to be delivered to the Company (or its agent designated for the purpose) upon settlement of the exercise sufficient cash or sufficient number of Shares with value equal to or exceeding the Exercise Price per Share. The Participant also is required to deliver or cause to be delivered sufficient cash to cover the applicable tax withholding in accordance with Section 5 of this Agreement and fees in connection with the exercise. To facilitate exercise, the Company may enter into agreements for coordinated procedures with one or more brokerage firms or financial institutions.

2. **Exercise Period.**

a. **General.** Subject to other provisions contained in this Agreement and in the Plan, Stock Options granted under this Agreement will be exercisable in installments as specified under “Exercise Period” in the “Notice of Grant”.

Stock Options awarded under this Agreement are exercisable until the close of business on the tenth (10th) anniversary of the Award Date; after this date, the Stock Options expire.

b. **Death or Disability.** If the Participant dies or becomes totally and permanently disabled (as determined under the Company’s long term disability program, or an affiliate or a successor plan or program of similar purpose), each Stock Option awarded but not yet exercisable as of the date of determination of the Participant’s death or disability will become immediately exercisable. The period during which the Stock Option may be exercised will commence on the day after the date of determination of the Participant’s death or disability and end on the earlier of the close of business on the date of (i) the first (1st) anniversary of the determination of the Participant’s death or disability or (ii) the tenth (10th) anniversary of the Award Date.

c. **Retirement.** Subject to Section 3 of this Agreement, if the Participant formally retires under the terms of the Estée Lauder Inc. Retirement Growth Account Plan (or an affiliate or a successor plan or program of similar purpose), each Stock Option awarded but not yet exercisable as of the date of retirement will become immediately exercisable. Each Stock Option awarded may thereafter be exercised until the close of business on the date of the tenth (10th) anniversary of the Award Date. If the Participant dies during active employment after the attainment of age fifty-five (55) and the completion of ten (10) or more years of service, or after the attainment of age sixty-five (65) and the completion of five (5) or more years of service, without formally retiring under the terms of the

Estée Lauder Inc. Retirement Growth Account Plan (or an affiliate or a successor plan or program of similar purpose), the Participant will have deemed to be retired as of the date of death and this Section 2(c) will apply rather than Section 2(b). If the Participant dies or becomes disabled after retirement as contemplated by this Section 2(c), the provisions of this section shall apply. However, if the Award Date occurred within the six (6) months immediately preceding the last day of active employment (last day worked) due to retirement, except for termination due to death or disability, the Stock Options shall become null and void on the last date of active employment (last day worked).

d. Other Termination of Employment.

(1) Subject to Section 3 of this Agreement, if the Participant voluntarily terminates his or her employment (e.g., by voluntarily resigning), each Stock Option exercisable but unexercised as of the effective date of such termination

may be exercised until the close of business on the date first to occur of (i) ninety (90) days after the effective date of such termination and (ii) the tenth (10th) anniversary of the Award Date. Each Stock Option awarded but unexercisable as of the date of such termination will be forfeited.

(2) Subject to Section 3 of this Agreement, if the Participant's employment is terminated by the Company or relevant subsidiary without Cause (as defined below) on or following a Change in Control, each Stock Option awarded but unexercisable as of the date of termination will become immediately exercisable. Each Stock Option granted may be exercised until the close of business on the date first to occur of (i) ninety (90) days after the effective date of such termination and (ii) the tenth (10th) anniversary of the Award Date. For this purpose, "Cause" means any breach by the Participant of any of his or her material obligations under any Company policy or procedure, including, without limitation, the Code of Corporate Conduct and the Policy on Avoidance of Insider Trading. However, if the Award Date occurred within the six (6) months immediately preceding the last day of active employment (last day worked) the Stock Options shall become null and void on the last date of active employment (last day worked).

(3) Subject to Section 3 of this Agreement, if the Participant terminates for Good Reason (as defined below) on or following a Change in Control, each Stock Option awarded but unexercisable as of the date of termination will become immediately exercisable. Each Stock Option awarded may be exercised until the close of business on the date first to occur of (i) ninety (90) days after the effective date of such termination and (ii) the tenth (10th) anniversary of the Award Date. "Good Reason" means the occurrence of any of the following, without the express written consent of the Participant, within three (3) years after the occurrence of a Change in Control:

(a) the assignment to the Participant of any duties inconsistent in any material adverse respect with the Participant's position, authority or responsibilities immediately prior to the Change in Control, or any other material adverse change in such position, including title, authority or responsibilities;

(b) any failure by the Company to pay any amounts for compensation or benefits owed to the Participant or a material reduction of the overall amounts of compensation and benefits in effect prior to the Change in Control, other than an insubstantial or inadvertent failure remedied by the Company promptly after receipt of notice thereof given by the Participant;

(c) the Company's requiring the Participant to be based at any office or location more than fifty (50) miles (eighty (80) kilometers) from that location at which he or she performed his or her services for the Company or relevant subsidiary immediately prior to the Change in Control, except for travel reasonably required in the performance of the Participant's responsibilities; or

(d) any failure by the Company to obtain the assumption and agreement to perform this Agreement by a successor, unless such assumption occurs by operation of law.

(4) If the Participant's employment is terminated for Cause, all outstanding Stock Options held by the Participant will be forfeited.

3. **Post-Employment Exercises.** No Stock Option represented by this Agreement may be exercised after termination of the Participant's employment with the Company (or any of its subsidiaries) except as otherwise provided for in Section 2(b), 2(c) or 2(d) hereof. The exercise of any Stock Option after termination of the Participant's employment by reason of retirement in accordance with Section 2(c), or due to termination by the Participant or termination by the Company or relevant subsidiary without Cause in accordance with Section 2(d), is subject to satisfaction of the conditions precedent that the Participant neither (i) accepts an offer to work for, or otherwise agrees to actively participate in or render services to any business on behalf of any competitor of the Company, its subsidiaries, or affiliates (whether as an employee, consultant or otherwise); nor (ii) conducts himself or herself in a manner adversely affecting the Company. The term "competitor" means any business that is engaged in, or is preparing to become engaged in, the makeup, skin care, hair care, toiletries or fragrance business or other business in which the Company is engaged or preparing to become engaged, or that otherwise competes with, or is preparing to compete with, the Company. All unexercisable Stock Options held by the Participant after the Participant's employment is terminated will be forfeited.

4. **Change in Control.** Upon a Change in Control during the Exercise Period, each unexercisable Stock Option will vest and become exercisable by the Participant in accordance with the Plan and this Agreement, unless the unexercisable Stock Option is assumed by an acquirer in which case the provisions of Section 2 shall continue to apply. If an unexercisable Stock Option is not assumed by the acquirer and the Shares cease to be outstanding immediately after the Change in Control (e.g., due to a merger with and into another entity), then the consideration to be received per Share upon exercise of the Stock Option will equal the consideration paid to each shareholder per Share generally upon the Change in Control. If the Exercise Price of the Stock Option is equal to or

greater than the consideration paid to each Participant shareholder per Share generally upon the Change in Control and the Stock Option is not assumed, then the Stock Options shall expire upon the Change in Control.

5. **Withholding Taxes.** Regardless of any action the Company or the Participant's employer (the "Employer") takes with respect to any or all income tax, social security (or social insurance), payroll tax, fringe benefits tax, payment on account or other tax-related items related to the participation in the Plan and this Agreement and legally applicable to the Participant ("Tax-Related Items"), the Participant acknowledges that the ultimate liability for all Tax-Related Items legally due by the Participant is and remains his or her responsibility and may exceed the amount actually withheld by the Company or the Employer. Furthermore, the Participant acknowledges that the Company and/or the Employer (i) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Stock Options, including, but not limited to, the grant and the exercise of the Stock Options, the subsequent sale of Shares acquired under the Plan and the receipt of any dividends, and (ii) do not commit to and are under no obligation to structure the terms of the grant of the Stock Options or any aspect of the Participant's participation in the Plan to reduce or eliminate his or her liability for Tax-Related Items or achieve any particular tax result. If the Participant is or becomes subject to Tax-Related Items in more than one jurisdiction, the Participant acknowledges that the Company and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

Prior to any relevant taxable event, or tax withholding event, as applicable, the Participant agrees to pay or make adequate arrangements satisfactory to the Company and/or the Employer to satisfy all withholding obligations of the Company and/or the Employer. In this regard, the Participant authorizes the Company and/or the Employer, or his or her respective agents, at the Company's discretion, to satisfy any applicable withholding obligations with regard to all Tax-Related Items by one or a combination of the following: (i) withholding from the Participant's wages or other cash compensation paid by the Company and/or the Employer; (ii) withholding from proceeds of the sale of the Shares acquired upon settlement of the Stock Options either through a voluntary sale or through a mandatory sale arranged by the Company (on the Participant's behalf pursuant to this authorization); and/or (iii) withholding in whole Shares to be issued upon settlement of the Stock Options, provided the Company only withholds the amount of whole Shares

necessary to satisfy the statutory withholding requirements, not to exceed the maximum withholding tax rate in the Participant's applicable jurisdiction. If the Company satisfies the withholding obligation for the Tax-Related Item by withholding a number of Shares as described herein, the Participant will be deemed to have been issued the full number of Shares due to the Participant at exercise, notwithstanding that a number of the Shares is held back solely for purposes of such Tax-Related Items.

Finally, the Participant further agrees to pay to the Company or the Employer any amount of Tax-Related Items that the Company or the Employer may be required to withhold or account for as a result of his or her participation in the Plan that cannot be satisfied by the means previously described. The Company may refuse to issue or deliver the Shares or the proceeds of the sale of Shares, if the Participant fails to comply with his or her obligations in connection with the Tax-Related Items.

6. **Transferability.** Only those Stock Options granted under this Agreement to the Participants who are employed by the Company or for any of its subsidiaries at the time of Stock Option grant may be transferred under laws of descent and distribution or, during the Participant's lifetime, solely to such Participant's spouse, siblings, parents, children and grandchildren or trusts for the benefits of such persons, or partnerships, corporations, limited liability companies, or other entities owned solely by such persons, including trusts for such persons. Any such transfer of Stock Options will have no effect until written notice (providing sufficient details relating to the proposed transfer, as required by the Company at that time) is received and confirmed by the Company. Such Participant will remain liable for all obligations of the Participant and his or her transferee or transferees. Each transferee will also be subject to such Participant's obligations under this Agreement relating to the Stock Option transferred to him or her.

7. **Effect Upon Employment.** The Participant's right to continue to serve the Company or any of its subsidiaries as an officer, employee, or otherwise, is not enlarged or otherwise affected by an award under this Agreement. Nothing in this Agreement or the Plan gives the Participant any right to continue in the employ of the Company or any of its subsidiaries or interfere in any way with the right of the Company or any of its subsidiaries to terminate his or her employment at any time. Stock Options are not secured by a trust, insurance contract or other funding medium, and the Participant does not have any interest in any fund or specific asset of the Company by reason of this award or the account established on his or her behalf. A Stock Option award confers no rights as a shareholder of the Company until Shares are actually delivered to the Participant.

8. **Specific Restrictions Upon Option Shares.** The Participant and the Company agree to each of the following:

a. The Participant will acquire Shares hereunder for investment purposes only and not with a view to reselling or otherwise distributing the Shares to the public in violation of the United States Securities Act of 1933, as amended (the "1933 Act"), and will not dispose of any such Shares in transactions which, in the opinion of counsel to the Company, violate the 1933 Act or the rules and regulations thereunder, or any applicable state or national securities or "blue sky" laws.

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b. If any Shares are registered under the 1933 Act, no public offering (other than on a national securities exchange, as defined in the United States Securities Exchange Act of 1934, as amended) of any Shares acquired under this Agreement will be made by the Participant (or any other person) under circumstances where he or she (or such person) may be deemed an underwriter, as defined in the 1933 Act.

c. The Participant agrees that the Company has the authority to endorse upon the certificate or certificates representing the Shares acquired under this Agreement any legends referring to the restrictions described under this Section 8 and any other application restrictions, as the Company may deem appropriate.

9. **Electronic Notice, Delivery and Acceptance.** The Company may, in its sole discretion, decide to deliver any documents related to Stock Options awarded under the Plan or future Stock Options that may be awarded under the Plan by email or other electronic means. The Participant hereby consents to receive such documents by email or other electronic delivery and agrees to access information

concerning the Plan through an on-line or electronic system established and maintained by the Company or by another third party designated by the Company.

10. **Data Privacy.** As a condition of this Stock Option grant, the Participant hereby expressly consents to the collection, use, disclosure, transfer and other processing of his or her personal data as set out in this Section 10 and as otherwise required by applicable law.

The Company, any of its subsidiaries, affiliates or agents, the Employer, and the Company's stock plan service provider will process personal data of the Participant for the purposes of implementing, managing and administering the Participant's grant of Stock Options and the Plan. Such personal data, in electronic or other form, may include the Participant's name, home address, telephone number, email address, date of birth, social insurance number or other national identification number, beneficiary information (including beneficiary name, address, social insurance number or other national identification number, and date of birth), hire date, salary and deductions, banking details, tax certification information, any shares or directorships held in the Company, details of all equity grants or any other entitlement to Shares awarded, canceled, vested, unvested, exercised, or outstanding in the Participant's favor.

For the purposes set out above, personal data may be transferred to countries other than the country in which the Participant resides, including to the United States and Australia. As required by applicable law, when personal data is transferred to a country outside of the country in which the Participant resides, measures will be put in place to ensure that the personal data is protected as required by law. These measures may include European Union Standard Contractual Clauses.

The Participant's personal data will be retained for as long as necessary to implement, manage and administer the Participant's grant of Stock Options and participation in the Plan. The Participant may request to access, modify or delete his or her personal data, request additional information about the processing of his or her personal data, or refuse or withdraw consent to the processing of their personal data by contacting the local human resources representative in writing. Refusal or withdrawal of consent may affect the Participant's ability to participate in the Plan but will not affect the Participant's employment status or service and career with the Company.

11. **Discretionary Nature and Acceptance of Award.** The Participant agrees to be bound by the terms of this Agreement and acknowledges, understands and agrees that:

- a. The Plan is established voluntarily by the Company, it is discretionary in nature, and it may be modified, amended, suspended, or terminated by the Company at any time, unless otherwise provided in the Plan and this Agreement;
- b. The award is exceptional, voluntary and occasional, and does not create any contractual or other right to receive future grants, or benefits in lieu of Stock Options, even if Stock Options have been granted in the past;
- c. All decisions with respect to future Stock Option grants, if any, will be at the sole discretion of the Company;
- d. The Participant's participation in the Plan is voluntary;
- e. The Stock Options and any Shares acquired under the Plan, and the income and value of the same, are not intended to replace any pension rights or compensation;
- f. The Participant's participation in the Plan shall not create a right to further employment with the Employer and shall not interfere with the ability of the Company or the Employer to terminate Participant's employment at any time;

g. This award will be deemed accepted unless it is declined by way of written notice by the Participant within thirty (30) days of the Grant Date to the Equity Based Compensation Department of the Company located at 767 Fifth Avenue New York, NY 10153;

h. The Stock Option is an extraordinary item that does not constitute compensation of any kind for services of any kind rendered to the Company or any of its subsidiaries, and which is outside the scope of the Participant's employment or service contract, if any;

i. The Stock Option and any Shares acquired under the Plan, and the income value of the same, are not part of the Participant's normal or expected compensation or salary for any purposes, including, but not limited to, calculating any severance, resignation, termination, redundancy, dismissal end of service payments, bonuses, holiday pay, long-service awards, pension or retirement or welfare benefits or similar payments and in no event should be considered as compensation for, or relating in any way to, past services for the Employer, the Company or any of its subsidiaries;

j. In the event the Participant is not an employee of the Company, the Stock Option and the Participant's participation in the Plan will not be interpreted to form an employment or service contract or relationship with the Company or any subsidiary of the Company;

k. The future value of the Shares is unknown, indeterminable and cannot be predicted with certainty;

l. If the Shares decrease in value, the Stock Option will have no value;

m. If the Participant exercises the Stock Option and acquires Shares, the value of the Shares acquired upon exercise may increase or decrease, even below the Exercise Price;

n. In consideration of the award, no claim or entitlement to compensation or damages shall arise from forfeiture of the Stock Option or diminution in value of the Stock Option, or Shares purchased through exercise of the Stock Option, resulting from termination of the Participant's employment (for any reason whatsoever and whether or not later found to be invalid or in breach of employment laws in the jurisdiction where the Participant is employed, or the terms of the Participant's employment), and in consideration of the grant of the Stock Option, the Participant irrevocably releases the Employer, the Company and any of its subsidiaries from any such claim that may arise; if, notwithstanding the foregoing, any such claim is found by a court of competent jurisdiction to have arisen, then, by acknowledging and agreeing to or signing the Notice of Grant, the Participant shall be deemed to have irrevocably waived his or her right to pursue or seek remedy for any such claim or entitlement against the Employer, the Company or any of its subsidiaries;

o. For purposes of the Stock Options, the Participant's employment or service relationship will be considered terminated as of the date the Participant is no longer actively providing services to the Employer, the Company or any of its subsidiaries as determined by the Administrator in its sole discretion (regardless of the reason for such termination and whether or not later found to be invalid or in breach of employment laws in the jurisdiction where the Participant is employed or the terms of the Participant's employment agreements, if any);

p. The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding the Participant's participation in the Plan or Participant's acquisition or sale of the underlying Shares; and

q. The Participant is hereby advised to consult with the Participant's own personal tax, legal and financial advisors regarding the Participant's participation in the Plan before taking any action related to the Plan.

12. Failure to Enforce Not a Waiver. The Company's failure to enforce at any time any provision of this Agreement does not constitute a waiver of that provision or of any other provision of this Agreement.

13. **Governing Law.** This Agreement is governed by and is to be construed according to the laws of the State of New York that apply to agreements made and performed in that state, without regard to its choice of law provisions. For purposes of litigating any dispute that arises under this Stock Option or this Agreement, the parties hereby submit to and consent to the jurisdiction of the State of New York, and agree that such litigation will be conducted in the courts of New York County, New York, or the federal courts for the United States for the Southern District of New York, and no other courts, where this Stock Option is made and/or to be performed.

14. **Partial Invalidity.** The invalidity or illegality of any provision of this Agreement will be deemed not to affect the validity of any other provision. Furthermore, it is the parties' intent that any order striking any portion of this Agreement and/or the Plan should modify the stricken terms as narrowly as possible to give as much effect as possible to the intentions of the parties hereunder.

15. **Entire Agreement.** This Agreement and the Plan constitute the entire agreement between the Participant and the Company regarding the award and supersede all prior and contemporaneous agreements and understandings, oral or written, between the parties regarding the award. Except as expressly set forth herein, this Agreement (and any provision of this Agreement) may not be modified, changed, clarified, or interpreted by the parties, except in a writing specifying the modification, change, clarification, or interpretation, and signed by a duly authorized Company officer.

16. **Section 409A.** The Stock Options are intended to be exempt from Section 409A of the Code. The Company reserves the unilateral right to amend this Agreement upon written notice to the Participant to prevent taxation under Section 409A of the Code.

17. **Recoupment.** Notwithstanding any other provision of this Agreement to the contrary, the Participant acknowledges and agrees that the Stock Options, any Shares acquired pursuant thereto and/or any amount received with respect to any sale of such Shares are subject to potential cancellation, recoupment, rescission, payback or other action in accordance with the terms of the Company's recoupment policy as in effect on the Award Date and as such policy may be amended from time to time in order to comply with changes in laws, rules or regulations that are applicable to the Stock Options and Shares. The Participant agrees and consents to the Company's application, implementation and enforcement of (a) the recoupment policy, and (b) any provision of applicable law relating to cancellation, recoupment, rescission or payback of compensation and expressly agrees that the Company may take such actions as are necessary to effectuate the recoupment policy (as applicable to the Participant) or applicable law without further consent or action being required by the Participant. For purposes of the foregoing, the Participant expressly and explicitly authorizes the Company to issue instructions, on his or her behalf, to any brokerage firm and/or third party administrator engaged by the Company to hold his or her Shares and other amounts acquired under the Plan to re-convey, transfer or otherwise return such Shares and/or other amounts to the Company upon enforcement of the provisions contained in this Section 17. To the extent that the terms of this Agreement and the recoupment policy conflict, the terms of the recoupment policy shall prevail.

18. **Insider Trading/Market Abuse Laws.** By participating in the Plan, the Participant agrees to comply with the Company's Insider Trading Policy. Further, the Participant acknowledges that the Participant's country of employment (and country of residence, if different) may also have laws or regulations governing insider trading and that such laws or regulations may impose additional restrictions on the Participant's ability to participate in the Plan (e.g., acquiring or selling Shares) and that the Participant is solely responsible for complying with such laws or regulations.

19. **Private Placement.** The grant of Stock Options is not intended to be a public offering of securities in the Participant's country of employment (and country of residence, if different). The Company has not submitted any registration statement, prospectus or other filings with the local securities authorities (unless otherwise required under law), and this grant of Stock Options is not subject to the supervision of the local authorities.

20. **Exchange Control, Tax and/or Foreign Asset/Account Reporting.** The Participant acknowledges that there may be exchange control, tax, foreign asset, and/or account reporting requirements that may affect the Participant's ability to acquire or hold Shares acquired under the Plan or cash received from participating in the Plan (including from any paid with respect to the Stock Options or dividends paid on Shares acquired under the Plan) in a brokerage/bank account or legal entity outside the Participant's country of employment (and country of residence, if different). The Participant may be required to report such accounts, assets, the balances therein, the value thereof and/or the transactions related thereto to the tax or other authorities in the Participant's country of employment (and country of residence, if different). The Participant also may be required to repatriate sale proceeds or other funds received as a result of the Participant's participation in the Plan to the Participant's country of employment (and country of residence, if different) through a designated bank or broker within a certain time after receipt. The Participant acknowledges that it is the Participant's responsibility to be compliant with such regulations, and the Participant should consult his or her personal legal advisor for any details.

21. **Language.** If the Participant has received this Agreement or any other document related to the Plan translated into a language other than English and if the translated version is different than the English version, the English version will control, unless otherwise prescribed by local law.

22. **Imposition of Other Requirements.** The Company reserves the right to impose other requirements on the Participant's participation in the Plan, on the Stock Options and on any Shares acquired under the Plan, to the extent the Company determines it is

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necessary or advisable for legal or administrative reasons, and to require the Participant to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

23. **Addendum.** The award shall be subject to any terms and conditions for the Participant's country of employment (and country of residence, if different) set forth in an addendum attached hereto ("Addendum"). Moreover, if the Participant transfers residence and/or employment to another country reflected in an Addendum to this Agreement, the terms and conditions for such country will apply to the Participant to the extent the Company determines that the application of such terms and conditions is necessary or advisable in order to comply with local law, rules and regulations or to facilitate the operation and administration of the Stock Option and the Plan (or the Company may establish alternative terms and conditions as may be necessary or advisable to accommodate the Participant's transfer). Any applicable Addendum constitutes part of this Agreement.

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed by its duly authorized officer as of the Grant Date set forth in the Notice of Grant.

The Estée Lauder Companies Inc.

By: /s/ Michael O' Hare

Michael O' Hare
Executive Vice President,
Global Human Resources

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ADDENDUM
COUNTRY-SPECIFIC PROVISIONS FOR NON-U.S. PARTICIPANTS

In addition to the terms and conditions set forth in the Agreement, the Stock Option is subject to the following terms and conditions. If the Participant is employed in a country identified in this Addendum, the additional terms and conditions for such country will apply. If the Participant transfers to one of the countries identified in this Addendum, the special terms and conditions for such country will apply to the Participant, to the extent the Company determines, in its sole discretion, that the application of such terms and conditions is necessary and advisable to comply with local laws, rules and/or regulations or to facilitate the operation and administration of the Stock Option and the Plan (or the Company may establish alternative terms and conditions as may be necessary or advisable to accommodate the Participant's transfer).

All defined terms contained in this Addendum shall have the same meaning as set forth in the Plan and the Agreement.

ARGENTINA

Securities Law Notification. Neither the Stock Options nor the underlying Shares are publicly offered or listed on any stock exchange in Argentina. The Company's grant of Stock Options is private and is not subject to the supervision of any Argentine governmental authority.

Exchange Control Obligations. Argentine residents may be subject to certain restrictions with respect to the purchase and/or transfer of foreign currency under Argentine exchange control regulations. The Company reserves the right to restrict the methods of exercise if required or recommended under Argentine law.

AUSTRALIA

Breach of Law. Notwithstanding anything to the contrary in the Agreement or the Plan, the Participant will not be entitled to, and shall not claim any benefit (including without limitation a legal right) under the Plan if the provision of such benefit would give rise to a breach of Part 2D.2 of the Corporations Act 2001 (Cth), any other provision of that Act, or any other applicable statute, rule or regulation which limits or restricts the giving of such benefits.

Tax Deferral. Stock Options awarded under the Agreement are intended to be subject to tax deferral under Subdivision 83A-C of the Income Tax Assessment Act 1997 (Cth) (subject to the conditions in that act).

Australian Offer Document. In addition to the Agreement and the Plan, the Participant must review the Australian Offer Document for additional important information pertaining to the Stock Option. By accepting the Stock Option, the Participant acknowledges and confirms that the Participant has reviewed the documents.

BRAZIL

Compliance with Law. By accepting the Stock Option, the Participant acknowledges and agrees to comply with applicable Brazilian laws to pay any and all applicable taxes associated with the exercise of the Stock Options, the receipts of any dividends, and the sale of Shares acquired under the Plan.

Labor Law Acknowledgment. The Participant expressly acknowledges and agrees, for all legal purposes, (a) the benefits provided under the Agreement and the Plan are the result of commercial transactions unrelated to the Participant's employment; (b) the Agreement and the Plan are not a part of the terms and conditions of the Participant's employment; and (c) the income from the Stock Option, if any, is not part of the Participant's remuneration from employment.

CANADA

Exercise of the Stock Option. Notwithstanding anything to the contrary in the Agreement or the Plan, if the Participant is resident in Canada, the Participant may not tender Shares that the Participant owns to pay the Exercise Price or any Tax-Related Items in connection with the Stock Option.

English Language. The parties to the Agreement acknowledge that it is their express wish that the Agreement, as well as all documents, notices and legal proceedings entered into, given or instituted pursuant hereto or relating directly or indirectly hereto, be drawn up in English. *Les parties reconnaissent avoir exigé la rédaction en anglais de la présente convention, ainsi que de tous*

documents exécutés, avis donnés et procédures judiciaires intentées, directement ou indirectement, relativement à ou suite à la présente convention.

CHILE

Private Placement. The following provision shall supplement Section 19 (Private Placement) of the Agreement:

The grant of the Stock Option hereunder is not intended to be a public offering of securities in Chile but instead is intended to be a private placement.

- a) The starting date of the offer is the Award Date (as defined in the Agreement), and this offer conforms to General Ruling no. 336 of the Chilean Superintendence of Securities and Insurance;
 - b) The offer deals with securities not registered in the registry of securities or in the registry of foreign securities of the Chilean Superintendence of Securities and Insurance, and therefore such securities are not subject to its oversight;
 - c) The Company is not obligated to provide public information in Chile regarding the foreign securities, as such securities are not registered with the Chilean Superintendence of Securities and Insurance; and
 - d) The foreign securities shall not be subject to public offering as long as they are not registered with the corresponding registry of securities in Chile.
- a) *La fecha de inicio de la oferta será el de la fecha de otorgamiento (o "Award Date", según este término se define en el documento denominado "Agreement") y esta oferta se acoge a la norma de Carácter General n° 336 de la Superintendencia de Valores y Seguros Chilena;*
 - b) *La oferta versa sobre valores no inscritos en el registro de valores o en el registro de valores extranjeros que lleva la Superintendencia de Valores y Seguros Chilena, por lo que tales valores no están sujetos a la fiscalización de ésta;*
 - c) *Por tratar de valores no inscritos no existe la obligación por parte del emisor de entregar en Chile información pública respecto de esos valores; y*
 - d) *Esos valores no podrán ser objeto de oferta pública mientras no sean inscritos en el registro de valores correspondiente.*

CHINA

The following provisions shall govern the Participant' s participation in the Plan if the Participant is a national of the People' s Republic of China ("China") resident in mainland China, or if determined to be necessary or appropriate by the Company in its sole discretion:

Mandatory Full Cashless Exercise. Notwithstanding any provision in the Agreement to the contrary, the Stock Option may be exercised only by using the cashless method, except as otherwise determined by the Company. Only full cashless exercise (net proceeds remitted to the Participant in cash) will be permitted. Cash, cashless sell-to-cover, or stock swap methods of exercise are prohibited.

Foreign Exchange Control Laws. The Participant understands and agrees that, due to the exchange control laws in China, the Participant will be required to immediately repatriate the cash proceeds resulting from the cashless exercise of the Stock Option to China.

The Participant understands and agrees that the repatriation of sales proceeds may need to be effected through a special exchange control account established by the Company or its subsidiaries, and the Participant hereby consents and agrees that sales proceeds from the sale of Shares acquired under the Plan may be transferred to such account by the Company on the Participant' s behalf prior to being delivered to the Participant. The sales proceeds may be paid to the Participant in U.S. dollars or local currency at the Company' s discretion. If the sales proceeds are paid to the Participant in U.S. dollars, the Participant understands that the Participant will be required to set up a U.S. dollar bank account in China so that the proceeds may be deposited into this account. If the sales proceeds are paid to the Participant in local currency, the Participant acknowledges that the Company is under no obligation to secure any particular exchange conversion rate and that the Company may face delays in converting the proceeds to local currency due to exchange control restrictions. The Participant agrees to bear any currency fluctuation risk between the time the Shares are sold and the net proceeds are converted

into local currency and distributed to the Participant. The Participant further agrees to comply with any other requirements that may be imposed by the Company or its subsidiaries in China in the future in order to facilitate compliance with exchange control requirements in China. The Participant acknowledges and agrees that the processes and requirements set forth herein shall continue to apply following the Participant's termination of employment.

Notwithstanding anything to the contrary in the Plan or the Agreement, in the event of the Participant's termination of employment for any reason, the Participant shall be required to exercise the Option (to the extent outstanding, vested and otherwise permitted under the

Agreement) and/or sell all Shares issued pursuant to the Plan no later than ninety (90) days after the date of termination (or such shorter period as may be required by the State Administration of Foreign Exchange ("SAFE") or the Company), and repatriate the sales proceeds to China in the manner designated by the Company.

Neither the Company nor any of its subsidiaries shall be liable for any costs, fees, lost interest or dividends or other losses the Participant may incur or suffer resulting from the enforcement of the terms of this Addendum or otherwise from the Company's operation and enforcement of the Plan, the Agreement and the Option in accordance with Chinese law including, without limitation, any applicable SAFE rules, regulations and requirements.

DENMARK

Stock Option Act. Notwithstanding any provisions in the Agreement to the contrary, if the Participant is determined to be an "Employee," as defined in section 2 of the Danish Act on the Use of Rights to Purchase or Subscribe for Shares etc. in Employment Relationships (the "Stock Option Act"), the treatment of the Stock Option upon termination shall be governed by Sections 4 and 5 of the Stock Option Act. However, if the provisions in the Agreement or the Plan governing the treatment of the Stock Option upon a termination are more favorable, the provisions of the Agreement or the Plan will govern.

FRANCE

English Language. The Participant acknowledges and agrees that it is the Participant's wish that the Agreement, this Addendum, as well as all other documents, notices and legal proceedings entered into, given or instituted pursuant to the Stock Options, either directly or indirectly, be drawn up in English.

Langue anglaise. *Le bénéficiaire admet et convient que c'est l'intention exprès du bénéficiaire que l'Accord, le Plan et tous les autres documents, remarque et les poursuites judiciaires entrées, données ou instituées conformément au Stock Options, être établi dans l'anglais. Si le bénéficiaire a reçu l'Accord, le Plan ou autres documents rattachés au Stock Options traduit dans une langue autre que l'anglais et si le sens de la version traduite est différent que la version anglaise, la version anglaise contrôlera*

HONG KONG

Exercise of Option. If, for any reason, the Participant exercises the Stock Option within six (6) months of the Award Date, the Participant agrees that he or she will not sell or otherwise dispose of any such Shares prior to the six (6) month anniversary of the Award Date.

IMPORTANT NOTICE. WARNING: The contents of the Agreement, this Addendum, the Plan, and all other materials pertaining to the Option and/or the Plan have not been reviewed by any regulatory authority in Hong Kong. The Participant is hereby advised to exercise caution in relation to the offer thereunder. If the Participant has any doubts about any of the contents of the aforesaid materials pertaining to the Stock Option, the Participant should obtain independent professional advice.

Nature of the Plan. The Company specifically intends that the Plan will not be treated as an occupational retirement scheme for purposes of the Occupational Retirement Scheme Ordinance ("ORSO"). To the extent any court, tribunal or legal/regulatory body in Hong Kong determines that the Plan constitutes an occupational retirement scheme for the purpose of ORSO, the grant of Stock Options shall be null and void.

INDIA

Repatriation Requirements. The Participant understands that he or she must repatriate any cash dividends paid on Shares acquired under the Plan and any proceeds from the sale of such Shares to India within a certain period of time after receipt of the proceeds. It is the participant's sole responsibility to comply with applicable exchange control laws in India.

ISRAEL

Indemnification for Tax Liabilities. The Participant expressly consents and agrees to indemnify the Company and/or its subsidiaries and hold them harmless from any and all liability attributable to taxes, interest or penalties thereon, including without limitation, liabilities relating to the necessity to withhold any taxes from the exercise of the Stock Option or any other payments made to the Participant pursuant to the Stock Options.

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ITALY

Mandatory Full Cashless Exercise. Notwithstanding anything to the contrary in the Agreement or the Plan, the Stock Option may be exercised only by using the full cashless method, except as otherwise determined by the Company. Only full cashless exercise (net proceeds remitted to the Participant in cash) will be permitted. Cash, cashless sell-to-cover, or stock swap methods of exercise are prohibited.

Data Privacy. The following provision shall replace Section 10 (Data Privacy) of the Agreement in its entirety:

The Participant understands that the Employer and/or the Company hold certain personal information about the Participant, including but not limited to, the Participant's name, home address, email address and telephone number, date of birth, national insurance number or other identification number, salary, nationality, job title, any Shares or directorship held in the Company, details of all awards or other entitlement to Shares awarded, cancelled, vested, unvested, exercised, or outstanding in the Participant's favor ("Data"), for purpose of implementing, administering and managing the Plan. The Participant is aware that providing the Company with Data is necessary for the performance of the Agreement and that the Participant's refusal to provide such Data would make it impossible for the Company to perform its contractual obligations and may affect the Participant's ability to participate in the Plan.

The Controller of personal data processing is Estée Lauder Companies Inc., 767 Fifth Avenue, New York, New York 10153, U.S.A., its representative in Italy Estée Lauder S.r.l. with registered offices at Via Turati, 3, Milano, 20121 Italy. The Participant understands that Data may be transferred to third parties assisting in the implementation, administration and management of the Plan, including any transfer required to a broker or other third party with whom Shares acquired pursuant to this grant of Stock Options or cash from the sale of such Shares may be deposited. Furthermore, the recipients that may receive, possess, use, retain and transfer such Data for the above mentioned purposes may be located in the Participant's country, or elsewhere, including outside of the European Union and the recipient's country may have different data privacy laws and protections than the Participant's country. The processing activity, including the transfer of the Participant's personal data abroad, out of the European Union, as herein specified and pursuant to applicable laws and regulations, does not require the Participant's consent thereto as the processing is necessary for the performance of contractual obligations related to the implementation, administration and management of the Plan. The Participant understands that Data processing relating to the purposes above specified shall take place under automated or non-automated conditions, anonymously when possible, that comply with the purposes for which Data are collected and with confidentiality and security provisions as set forth by applicable laws and regulations, with specific reference to D.lgs. 196/2000

The Participant understands that Data will be held only as long as is required by law or as necessary to implement, administer and manage the Participant's participation in the Plan. The Participant understands that, pursuant to art 7 of D.lgs 196/2003, the Participant has the right, including but not limited to, to access, delete, update, request the rectification of the Data and cease, for legitimate reasons,

Data processing. Furthermore, the Participant is aware that Data will not be used for direct marketing purposes. In addition, the Data provided can be reviewed and questions or complaints can be addressed by contacting a local representative available at the following address, Via Turati, 3, Milano, 20121 Italy.

MALAYSIA

Data Privacy. The following provision shall replace Section 10 (Data Privacy) of the Agreement in its entirety:

<p><i>The Participant hereby explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of the Participant’s personal data, as described in this Addendum and any other grant materials by and among, as applicable, the Company and Subsidiaries for the exclusive purpose of implementing, administering and managing the Participant’s participation in the Plan.</i></p> <p><i>The Participant understands that the Company and subsidiaries may hold certain personal information about the Participant, including, but not limited to, the Participant’s name, home address and telephone number, date of birth, social insurance number or other identification number, e-mail address, salary, nationality, job title, any Shares or directorships held in the Company, details of all awards or any other entitlement to Shares awarded, canceled, exercised, vested, unvested, exercised, or outstanding in the Participant’s favor, for the exclusive</i></p>	<p><i>Peserta dengan ini secara eksplisit dan tanpa sebarang keraguan mengizinkan pengumpulan, penggunaan dan pemindahan, dalam bentuk elektronik atau lain-lain, data peribadi seperti yang diterangkan dalam Lampiran ini dan apa-apa bahan pemberian yang lain oleh dan di antara, seperti yang berkenaan, Syarikat dan Anak-anak Syarikat untuk tujuan eksklusif bagi melaksanakan, mentadbir dan menguruskan penyertaan Peserta di dalam Pelan. Peserta memahami bahawa Syarikat Anak-anak Syarikat mungkin memegang maklumat peribadi tertentu tentang Peserta, termasuk, tetapi tidak terhad kepada, nama Peserta, alamat rumah dan nombor telefon, tarikh lahir, nombor insurans sosial atau nombor pengenalan lain, e-mel, gaji, kewarganegaraan, jawatan, apa-apa Saham atau jawatan pengarah yang dipegang dalam Syarikat, butir-butir semua Anugerah, atau apa-apa hak lain atas Saham yang</i></p>
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<p>purpose of implementing, administering and managing the Plan (“Data”). The Data is supplied by the Company and also by the Participant through information collected in connection with the Agreement and the Plan. The Participant understands that Data will be transferred to the current stock plan service providers or a stock plan service provider as may be selected by the Company in the future, which is assisting the Company with the implementation, administration and management of the Plan. The Participant understands that the recipients of Data may be located in the United States or elsewhere, and that the recipients’ country (e.g., the United States) may have different data privacy laws and protections than the Participant’s country. The Participant understands that if the Participant resides outside the United States, the Participant may request a list with the names and addresses of any potential recipients of the Data by contacting the Participant’s local human resources representative at Estée Lauder Malaysia Sdn. Bhd, Suite 18.01, Level 18, Centrepoint South, The Boulevard, Mid Valley City, Lingkaran Syed</p>	<p>dianugerahkan, dibatalkan, dilaksanakan, terletak hak, tidak diletak hak ataupun yang belum dijelaskan bagi faedahanda, untuk tujuan eksklusif bagi melaksanakan, mentadbir dan menguruskan Pelan tersebut (“Data”). Data tersebut dibekalkan oleh Syarikat dan juga oleh Peserta berkenaan dengan Perjanjian dan Pelan. Peserta memahami bahawa Data ini akan dipindahkan kepada pembekal perkhidmatan pelan saham semasa atau pembekal perkhidmatan pelan saham yang mungkin dipilih oleh Syarikat pada masa depan, yang membantu Syarikat dengan pelaksanaan, pentadbiran dan pengurusan Pelan. Peserta memahami bahawa penerima-penerima Data mungkin berada di Amerika Syarikat atau mana-mana tempat lain, dan bahawa negara penerima-penerima (contohnya, Amerika Syarikat) mungkin mempunyai undang-undang privasi data dan perlindungan yang berbeza daripada negara Peserta. Peserta memahami bahawa sekiranya Peserta menetap di luar Amerika Syarikat, Peserta boleh meminta satu senarai yang mengandungi nama-nama dan alamat-alamat penerima-</p>
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Putra, Kuala Lumpur 59200, Malaysia. The Participant authorizes the Company, the stock plan service provider and any other possible recipients which may assist the Company (presently or in the future) with implementing, administering and managing the Plan to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing the Participant's participation in the Plan, including any transfer of such Data as may be required to a broker, escrow agent or other third party with whom the Shares received upon exercise of the awards may be deposited. The Participant understands that Data will be held only as long as is necessary to implement, administer and manage the Participant's participation in the Plan. The Participant understands that if the Participant resides outside the United States, the Participant may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data, limit the processing of Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing the Participant's local human resources representative. Further, the Participant understands that the Participant is providing the consent herein on a purely voluntary basis. If the Participant does not consent, or if the Participant later seeks to revoke the Participant's consent, the Participant's employment status or service and career with the Company will not be adversely affected; the only adverse consequence of refusing or withdrawing the Participant's consent is that the Company may not be able to grant the Participant equity awards or administer or maintain such awards. Therefore, the Participant understands that refusing or withdrawing the Participant's consent may affect the Participant's ability to participate in the Plan. For more information on the consequences of the Participant's refusal to consent or withdrawal of consent, the Participant understands that the Participant may contact the Participant's local human resources

penerima Data yang berpotensi dengan menghubungi wakil sumber manusia tempatan Peserta di Estée Lauder Malaysia Sdn. Bhd, Suite 18.01, Level 18, Centrepoint South, The Boulevard, Mid Valley City, Lingkaran Syed Putra, Kuala Lumpur 59200, Malaysia. Peserta memberi kuasa kepada Syarikat, pembekal perkhidmatan pelan saham dan mana-mana penerima-penerima kemungkinan lain yang mungkin akan membantu Syarikat (pada masa sekarang atau pada masa depan) dengan melaksanakan, mentadbir dan menguruskan Pelan untuk menerima, memiliki, menggunakan, mengekalkan dan memindahkan Data, dalam bentuk elektronik atau lain-lain, bagi tujuan melaksanakan, mentadbir dan menguruskan penyertaan Peserta di dalam Pelan, termasuk segala pemindahan Data tersebut sebagaimana yang dikehendaki kepada broker, agen eskrow atau pihak ketiga dengan siapa Saham diterima semasa peletakhakan Anugerah mungkin didepositkan. Peserta memahami bahawa Data hanya akan disimpan selagi ia adalah diperlukan untuk melaksanakan, mentadbir, dan menguruskan penyertaan Peserta dalam Pelan. Peserta memahami bahawa sekiranya Peserta menetap di luar Amerika Syarikat, Peserta boleh, pada bila-bila masa, melihat Data, meminta maklumat tambahan mengenai penyimpanan dan pemrosesan Data, meminta bahawa pindaan-pindaan dilaksanakan ke atas Data, menghadkan pemrosesan Data atau menolak atau menarik balik persetujuan dalam ini, dalam mana-mana kes, tanpa kos, dengan menghubungi secara bertulis tempatan wakil sumber manusia Peserta. Selanjutnya, Peserta memahami bahawa Peserta memberikan persetujuan di sini secara sukarela semata-mata. Sekiranya Peserta tidak bersetuju, atau sekiranya Peserta kemudian membatalkan persetujuan, status Peserta pekerjaan atau perkhidmatan dan kerjaya dengan Syarikat tidak akan terjejas; satu-satunya akibat buruk sekiranya Peserta tidak bersetuju atau menarik balik Peserta persetujuan adalah bahawa Syarikat tidak akan dapat

representative. Please take note that by electronically accepting the Agreement, the Participant has confirmed that the Participant explicitly, voluntarily and unambiguously consents to the collection, use and transfer of the Participant's personal data in accordance with the terms in this notification. However, if for any reason the Participant does not consent to the

memberikan Peserta anugerah ekuiti lain atau mentadbir atau mengekalkan anugerah-anugerah tersebut. Oleh itu, Peserta memahami bahawa keengganan atau penarikan balik persetujuan boleh menjejaskan keupayaan Peserta untuk mengambil bahagian dalam Pelan. Untuk maklumat lebih lanjut mengenai akibat-akibat keengganan Peserta untuk

processing of the Participant's personal data, the Participant has the right to reject such consent by contacting the Participant's local human resources representative at Estée Lauder Malaysia Sdn. Bhd, Suite 18.01, Level 18, Centrepoint South, The Boulevard, Mid Valley City, Lingkaran Syed Putra, Kuala Lumpur 59200, Malaysia.

memberikan keizinan atau penarikan balik keizinan, Peserta memahami bahawa Peserta boleh menghubungi wakil sumber manusia tempatan. Sila ambil perhatian bahawa dengan menerima Perjanjian ini secara elektronik, Peserta mengesahkan bahawa Peserta secara eksplisit, sukarela, dan tanpa sebarang keraguan bersetuju dengan pengumpulan, penggunaan, dan pemindahan data peribadi Peserta mengikut terma-terma dalam notis ini. Walaubagaimanapun, jika atas apa-apa sebab-sebab tertentu Peserta tidak bersetuju dengan pemprosesan data peribadi, Peserta mempunyai hak untuk menolak persetujuan Peserta dengan menghubungi wakil sumber manusia tempatan di masukkan Estée Lauder Malaysia Sdn. Bhd, Suite 18.01, Level 18, Centrepoint South, The Boulevard, Mid Valley City, Lingkaran Syed Putra, Kuala Lumpur 59200, Malaysia.

MEXICO

Commercial Relationship. The Participant expressly recognizes and acknowledges that the Participant's participation in the Plan and the Company's grant of the Stock Option does not constitute an employment relationship between the Participant and the Company. The Participant has been granted the Stock Option as a consequence of the commercial relationship between the Company and his or her Employer ECLA S.A. de C.V. or Lauder Cosmetics S.A. de C.V. ("Estée Lauder Mexico"), and Estée Lauder Mexico is the Participant's sole employer. Based on the foregoing: (a) the Participant expressly acknowledges that the Plan and the benefits derived from participation in the Plan do not establish any rights between the Participant and Estée Lauder Mexico; (b) the Plan and the benefits derived from participation in the Plan are not part of the employment conditions and/or benefits provided by Estée Lauder Mexico; and (c) any modifications or amendments of the Plan or benefits granted thereunder by the Company, or a termination of the Plan by the Company, shall not constitute a change or impairment of the terms and conditions of the Participant's employment with Estée Lauder Mexico.

Extraordinary Item of Compensation. The Participant expressly recognizes and acknowledges that the Participant's participation in the Plan is a result of the discretionary and unilateral decision of the Company, as well as the Participant's free and voluntary decision to participate in the Plan in accordance with the terms and conditions of the Plan, the Agreement and this Addendum. As such, the Participant acknowledges and agrees that the Company, in its sole discretion, may amend and/or discontinue the Participant's participation in the Plan at any time and without any liability. The value of the Option is an extraordinary item of compensation outside the scope of the Participant's employment contract, if any. The Stock Option is not part of the Participant's regular or expected compensation for purposes of calculating any severance, resignation, redundancy, end of service payments, bonuses, long-service awards, pension or retirement benefits, or any similar payments, which are the exclusive obligations of Estée Lauder Mexico.

NEW ZEALAND

Securities Law Notice.

Warning

This is an offer of Stock Options which, upon exercising and settlement in accordance with the terms of the Plan and the Agreement, will be converted into Shares. Shares give you a stake in the ownership of the Company. The Participant may receive a return on the Shares acquired under the Plan if dividends are paid.

If the Company runs into financial difficulties and is wound up, the Participant will be paid only after all creditors and holders of preference shares have been paid. The Participant may lose some or all of his or her investment.

New Zealand law normally requires people who offer financial products to give information to investors before they invest. This information is designed to help investors make an informed decision. The usual rules do not apply to this offer because it is made under an employee share purchase scheme. As a result, the Participant may not be given all the information usually required. The Participant also will have fewer other legal protections for this investment. On this basis, the Participant is advised to ask questions, read all documents carefully, and seek independent financial advice before committing.

The Shares are quoted on the New York Stock Exchange (“NYSE”). This means that if the Participant acquires Shares under the Plan, the Participant may be able to sell the Shares on the NYSE if there are interested buyers. The price will depend on the demand for the Shares.

For information on risk factors impacting the Company’s business that may affect the value of the Shares, the Participant should refer to the risk factors discussion on the Company’s Annual Report on Form 10-K and Quarterly Reports on Form 10-Q, which are filed with the U.S. Securities and Exchange Commission and are available online at www.sec.gov, as well as on the Company’s “Investor Relations” website at www.elcompanies.com/investors.

PANAMA

Securities Law Notice. The grant of the Stock Options and the issuance of Shares upon exercise are not subject to registration under Panamanian law as they are not intended for the public, but solely for the Participant’s benefit.

PERU

Labor Law Acknowledgement. In accepting the Stock Options, the Participant acknowledges that the Stock Options are granted *ex gratia* for the purpose of rewarding the Participant as set forth in the Plan.

Securities Law Notice. The grant of the Stock Options is considered a private offering in Peru; therefore, neither the grant of Stock Options, nor the issuance of Shares at exercise of the Stock Options, is subject to securities registration in Peru. For more information concerning the offer, the Participant should refer to the Plan, the Agreement and any other grant documents made available to the Participant by the Company. For more information regarding the Company, please refer to the Company’s most recent annual report on Form 10-K and quarterly report on Form 10-Q available at www.sec.gov, as well as on the Company’s “Investor Relations” website at www.elcompanies.com/investors.

PORTUGAL

Language Consent. The Participant hereby expressly declares that he or she has full knowledge of the English language and has read, understood and freely accepted and agreed with the terms and conditions established in the Plan and the Agreement.

Conhecimento da Língua. *Pela presente, o Participante declara expressamente que tem pleno conhecimento da língua inglesa e que leu, compreendeu e livremente aceitou e concordou com os termos e condições estabelecidas no Plano e no Acordo (Agreement em inglês).*

SINGAPORE

Qualifying Person Exemption. The grant of Stock Options under the Plan is being made pursuant to the “Qualifying Person” exemption under section 273(1)(f) of the Securities and Futures Act (Chapter 289, 2006 Ed.) (the “SFA”). The Plan has not been and will not be lodged or registered as a prospectus with the Monetary Authority of Singapore and is not regulated by any financial supervisory authority pursuant to any legislation in Singapore. Accordingly, statutory liability under the SFA in relation to the content of the prospectuses would not apply. The Participant should note that, as a result, the Stock Option is subject to section 257 of the SFA and the Participant will not be able to make: (a) any subsequent sale of the Shares in Singapore; or (b) any offer of such subsequent sale of the Shares subject to the Option in Singapore, unless such sale or offer is made pursuant to the exemptions under Part XIII Division 1 Subdivision (4) (other than section 280) of the SFA.

SOUTH AFRICA

Securities Law Notice. Neither the Stock Option nor the underlying Shares shall be publicly offered or listed on any stock exchange in South Africa. The offer is intended to be private pursuant to Section 96 of the Companies Act and is not subject to the supervision of any South African governmental authority.

Withholding Taxes. The following shall supplement Section 5 (Withholding Taxes) of the Agreement:

By accepting the Stock Option, the Participant agrees to notify his or her Employer of the amount of any income realized upon exercise of the Option. If the Participant fails to advise the Employer of the income realized upon exercise of the Stock Option, the Participant may be liable for a fine. The Participant will be responsible for paying any difference between the actual tax liability and the amount withheld.

Exchange Control Obligations. The Participant is solely responsible for complying with applicable exchange control regulations and rulings (the “Exchange Control Regulations”) in South Africa. As the Exchange Control Regulations change frequently and without notice, the Participant should consult the Participant’s legal advisor prior to the acquisition or sale of Shares under the Plan to ensure compliance with current Exchange Control Regulations. Neither the Company nor any of its subsidiaries shall be liable for any fines or penalties resulting from the Participant’s failure to comply with applicable laws, rules or regulations.

SPAIN

Securities Law Notice. No “offer of securities to the public,” within the meaning of Spanish law, has taken place or will take place in the Spanish territory in connection with the Stock Options. The Plan, the Agreement (including this Addendum) and any other document evidencing the grant of the Stock Options have not, nor will they be, registered with the Comisión Nacional del Mercado de Valores (the Spanish securities regulator) and none of those documents constitute a public offering prospectus.

Acknowledgement of Discretionary Nature of the Plan; No Vested Rights. By accepting the Stock Option grant, the Participant consents to participation in the Plan and acknowledges receipt of a copy of the Plan.

The Participant understands that the Company has unilaterally, gratuitously and in its sole discretion granted Stock Options under the Plan to individuals who may be employees of the Company or any of its subsidiaries throughout the world. The decision is a limited decision that is entered into upon the express assumption and condition that any grant will not economically or otherwise bind the Company or any of its subsidiaries on an ongoing basis. Consequently, the Participant understands that the Stock Option is granted on the assumption and condition that the Stock Option and the Shares acquired upon exercise of the Stock Option shall not become a part of any employment contract (either with the Company or any of its subsidiaries) and shall not be considered a mandatory benefit, salary for any purposes (including severance compensation) or any other right whatsoever. In addition, the Participant understands that this grant would not be made to the Participant but for the assumptions and conditions referenced above; thus, the Participant acknowledges and freely accepts that should any or all of the assumptions be mistaken or should any of the conditions not be met for any reason, the Stock Option grant shall be null and void.

The Participant understands and agrees that, as a condition of the Stock Option grant, unless otherwise provided in Section 2 (Exercise Period) of the Agreement, any unvested Stock Option as of the date the Participant ceases active employment, and any vested portion of the Stock Option not exercised within the post-termination exercise period set out in the Agreement, will be forfeited without entitlement to the underlying Shares or to any amount of indemnification in the event of termination of employment. The Participant acknowledges that the Participant has read and specifically accepts the conditions referred to in the Agreement regarding the impact of a termination of employment on the Stock Option.

Termination for Cause. Notwithstanding anything to the contrary in the Plan or the Agreement, “Cause” shall be defined as set forth in the Agreement, regardless of whether the termination of employment is considered a fair termination (i.e., “despido procedente”) under Spanish legislation.

SWITZERLAND

Securities Law Notification. The Stock Option grant and the issuance of any Shares is not intended to be a public offering in Switzerland. Neither this Addendum nor any other materials relating to the Stock Options constitute a prospectus as such term is understood pursuant to article 652a of the Swiss Code of Obligations. Neither this document nor any other offering or marketing materials related to the Stock Options have been or will be filed with, or approved or supervised by, any Swiss regulatory authority (in particular, the Swiss Financial Market Supervisory Authority (FINMA)).

TURKEY

Securities Law Notification. The sale of Shares acquired under the Plan is not permitted within Turkey. The Shares are currently traded on the New York Stock Exchange (“NYSE”), which is located outside of Turkey, under the symbol “EL” and the Shares may be sold through the NYSE.

UNITED ARAB EMIRATES

Securities Law Notification. The Agreement, the Plan and other incidental communication materials concerning the Stock Options are intended for distribution only to the employees of the Company or its subsidiaries. The Dubai Technology and Media Free Zone Authority, Emirates Securities and Commodities Authority and/or the Central Bank has no responsibility for reviewing or verifying any documents in connection with the Options. Neither the Ministry of Economy nor the Dubai Department of Economic Development have approved these communications nor taken steps to verify the information set out in them, and have no responsibility for them. Further, the Shares underlying the Stock Options may be illiquid and/or subject to restrictions on their resale. The Participant should conduct his or her own due diligence on the Stock Options and the Shares. If the Participant is in any doubt about any of the contents of the grant or other incidental documents, he or she should obtain independent professional advice.

UNITED KINGDOM

Payment (Or Withholding) of Taxes. The following provision shall supplement Section 5 (Withholding Taxes) of the Agreement:

If payment or withholding of the income tax due in connection with the Option is not made within ninety (90) days after the end of the U.K. tax year in which the event giving rise to the income tax liability occurred or such other period specified in Section 222(1)(c) of the U.K. Income Tax (Earnings and Pensions) Act 2003 (the “Due Date”), the amount of any uncollected income tax shall constitute a loan owed by the Participant to the Subsidiary in the United Kingdom that employs the Participant (the “Employer”), effective as of the Due Date. The Participant agrees that the loan will bear interest at the then-current official rate of Her Majesty’s Revenue & Customs (“HMRC”), it shall be immediately due and repayable, and the Company or the Employer may recover it at any time thereafter by any of the means referred to in Section 5 of the Agreement. Notwithstanding the foregoing, if the Participant is a director or executive officer of the Company (within the meaning of Section 13(k) of the U.S. Securities and Exchange Act of 1934, as amended), he or she shall not be eligible for a loan from the Company to cover the income tax liability. In the event that the Participant is a director or executive officer and the income tax is not collected from or paid by him or her by the Due Date, the amount of any uncollected income tax may constitute a benefit to the Participant on which additional income tax and national insurance contributions (“NICs”) will be payable. The Participant will be responsible for paying and reporting any income tax due on this additional benefit directly to HMRC under the self-assessment regime, and for reimbursing the Company or the Employer (as applicable) the value of any Participant NICs due on this additional benefit.

Exclusion of Claim. The Participant acknowledges and agrees that the Participant will have no entitlement to compensation or damages insofar as such entitlement arises or may arise from the Participant’s ceasing to have rights under or to be entitled to exercise the Stock

Option, whether or not as a result of termination of employment (whether the termination is in breach of contract or otherwise), or from the loss or diminution in value of the Stock Option. Upon the grant of the Stock Option, the Participant shall be deemed to have waived irrevocably any such entitlement.

VENEZUELA

Securities Law Notification. The Stock Options granted under the Plan are offered as a personal, private, exclusive transaction and are not subject to Venezuelan securities regulations. The offering does not qualify as a public offering under the laws of the Bolivarian Republic of Venezuela and, therefore, it is not required to request the previous authorization of the national Superintendent of Securities.

Mandatory Full Cashless Exercise. Notwithstanding anything to the contrary in the Plan or the Agreement, the Option may be exercised only by using the cashless method, except as otherwise determined by the Company. Only full cashless exercise (net proceeds remitted to the Participant in cash) will be permitted. Cash, cashless sell-to-cover, or stock swap methods of exercise are prohibited.

NOTICE OF GRANT UNDER THE ESTÉE LAUDER COMPANIES INC. AMENDED AND RESTATED FISCAL 2002 SHARE INCENTIVE PLAN (The “Plan”)

This is to confirm that, upon the recommendation of your management, you were awarded options to purchase shares of Class A Common Stock of The Estée Lauder Companies Inc. (the “Shares”) at the most recent meeting of the Stock Plan Subcommittee of the Compensation Committee of the Board of Directors. This award was made in recognition of the significant contributions you have made as a key employee of the Company, and to motivate you to achieve future successes by aligning your interests more closely with those of our stockholders. These options are granted under and governed by the terms and conditions of the Plan and the Stock Option Agreement (the “Agreement”) made part hereof. The Agreement and the Prospectus can be viewed via your online account. Please read these documents and keep them for future reference. The specific terms of your award are as follows:

Participant:	Name
Employee Number:	#
Grant Date:	XXX
Grant Plan:	The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan
Type of Award:	Non-Qualified Stock Options
Exercise Price per Share:	\$XX (Closing trading price on NYSE of the Class A Common Stock on the date of grant)

Aggregate number of Shares subject to your options: **#**

Exercise Period: **Your options shall become exercisable on the following dates (or upon death, disability, retirement, or involuntary termination of employment if these occurrences are earlier), but are subject to termination or forfeiture as per Paragraphs 2 and 3 of the Agreement:**

Number of Shares	Date Exercisable	Expiration Date
#	XXX	XXX
#	XXX	XXX
#	XXX	XXX

Questions regarding the stock option program can be directed to XXX.

If you wish to accept this grant, **please sign this Notice of Grant and return immediately to:**

Compensation Department
28 West 23rd Street, 8th Floor
New York, New York 10010

The undersigned hereby accepts, and agrees to, all terms and provisions of the Agreement, including those contained in this Notice of Grant.

By _____ Date _____

**Performance Share Unit Award Agreement Under
The Estée Lauder Companies Inc.
Amended and Restated Fiscal 2002 Share Incentive Plan (the “Plan”)**

This **PERFORMANCE SHARE UNIT AWARD AGREEMENT** (“Agreement”) provides for the granting of performance share unit awards by The Estée Lauder Companies Inc., a Delaware corporation (the “Company”), to the participant, an employee of the Company or one of its subsidiaries (the “Participant”), representing a notional account equal to a corresponding number of shares of the Company’s Class A Common Stock, par value \$0.01 (the “Shares”), subject to the terms below (the “Performance Share Units”). The name of the “Participant,” the “Award Date,” the aggregate number of Shares representing the Target Award, and the Plan Achievement (as defined below) goals are stated in the “Notice of Grant” attached or posted electronically together with this Agreement and are incorporated by reference. The other terms of this Performance Share Unit Award are stated in this Agreement and in the Plan. Terms not defined in this Agreement are defined in the Plan, as amended. The Plan is referred to as the “Grant Plan” in the electronic Notice of Grant.

1. Award Grant. The Company hereby awards to the Participant a target award of Performance Share Units in respect of the number of Shares set forth in the Notice of Grant (the “Target Award”), representing a Stock Unit and Performance-Based Award under the terms of the Plan.

2. Right to Payment of Performance Share Units. In the event that the Company achieves positive Net Earnings during the first year of the award period specified in the Notice of Grant (the “Section 162(m) Goal”), the Participant shall be eligible to earn 150 percent (150%) of the Target Award. The percentage of the Target Award actually earned and paid will be determined by the Committee through use of its negative discretion based on the plan achievement (the “Plan Achievement”) during the period specified in the Notice of Grant (the “Award Period”) and shall in no event be greater than the amount payable based solely on achievement of the Section 162(m) Goal. The Plan Achievement is comprised of, and is measured separately with respect to the components stated in the Notice of Grant. Actual payment of the Performance Share Units awarded will be determined for each component in accordance with the table attached hereto as Schedule “A.” For the avoidance of doubt, no amount shall be payable under this Section 2 if the Section 162(m) Goal is not met.

3. Payment of Awards.

- (a) Payments under this Agreement will be made in the number of Shares that is equivalent to the number of Performance Share Units earned and payable to the Participant pursuant to Section 2 above. Except as otherwise provided in Section 4 below, payments will be made as soon as practicable after the Award Period ends, but in no event later than 2 and 1/2 months following the last day of the calendar year in which the Award Period ends. The form of payout will be in Shares. In addition, each Performance Share Unit that becomes earned and payable pursuant to Section 2 above carries a Dividend Equivalent Right, payable in cash at the same time as the payment of Shares in accordance with this Section 3 and Section 4.
- (b) In the event of a Change in Control that constitutes a “change in control event” within the meaning of Section 409A of the Code, the Company may, in its sole discretion and in accordance with Treasury Regulation § 1.409A-3(j)(4)(ix)(B), vest and settle the Performance Share Units and terminate this Agreement. In such event, settlement of the Performance Share Units shall be made within two (2) weeks following the Change in Control. In the event that Performance Share Units are not settled

pursuant to the immediately preceding sentence, such Performance Share Units shall be assumed by an acquirer in which case, vesting will be subject to Sections 2 and 4. If the Shares cease to be outstanding immediately after the Change in Control (e.g., due to

a merger with and into another entity), then the consideration to be received per Share will equal the consideration paid to each stockholder per Share generally upon the Change in Control.

4. Termination of Employment. If the Participant's employment terminates during the Award Period, payouts will be as follows, subject to Section 3:

- (a) **Death.** If the Participant dies, the Performance Share Units will be paid as a pro rata Target Award for the number of full months paid salary during the Award Period (i.e., the proration of the Target Award equals a fraction, the numerator of which is the number of full calendar months of service completed during the Award Period through the Participant's death and the denominator of which is the number of full calendar months in the Award Period). Payment will occur on the seventy-fifth (75th) day following the Participant's death and in accordance with any applicable laws or Company procedures regarding the payments. Notwithstanding anything to the contrary contained in this section 4(a), if the Participant dies during active employment after the attainment of age fifty-five (55) and the completion of ten (10) or more years of service, or after the attainment of age sixty-five (65) and the completion of five (5) or more years of service, without formally retiring under the terms of the Estée Lauder Inc. Retirement Growth Account Plan (or an affiliate or a successor plan or program of similar purpose), unvested Performance Share Units will continue to vest and be paid in accordance with the Vesting Schedule to the Participant's estate/heirs/beneficiaries.
- (b) **Retirement.** If the Participant formally retires under the terms of The Estée Lauder Companies Retirement Growth Account Plan (or an affiliate or a successor plan or program of similar purpose), the Performance Share Unit Award will continue through the Award Period and the Participant will be paid, subject to the achievement of the Section 162(m) Goal and based on actual Plan Achievement, at the same time the awards are paid to active employees. Vesting and payment in respect of any Performance Share Units after retirement will be subject to satisfaction of the conditions precedent that the Participant neither (i) accepts an offer to work for, or otherwise agrees to actively participate in or render services to any business on behalf of any competitor of the Company, its subsidiaries, or affiliates (whether as an employee, consultant or otherwise); nor (ii) conducts himself or herself in a manner adversely affecting the Company. The term "competitor" means any business that is engaged in, or is preparing to become engaged in, the makeup, skin care, hair care, toiletries or fragrance business or other business in which the Company is engaged or preparing to become engaged, or that otherwise competes with, or is preparing to compete with, the Company. Notwithstanding anything to the contrary contained in this section 4(b), if the Participant terminates employment by reason of retirement within six (6) months of the Grant Date, the Performance Share Units shall not vest and shall become null and void on the last day of active employment (last day worked).
- (c) **Disability.** If the Participant becomes totally and permanently disabled (as determined under the Company's long-term disability program, or an affiliate or successor plan or program of similar purpose), the Performance Share Unit Award will continue through the Award Period and the Participant will be paid a pro rata amount for each full month which the Participant is paid salary during the Award Period (determined under the proration methodology in Section 4(a)), subject to

the achievement of the Section 162(m) Goal and based on actual Plan Achievement. Payment will occur at the same time the awards are paid to active employees. Notwithstanding anything to the contrary contained in this Section 4(c), if the Participant becomes totally and permanently disabled (as determined under the Company's long-term disability program, or an affiliate or successor plan or program of similar purpose) during active employment after the attainment of age fifty-five (55) and the completion of ten (10) or more years of service, or after the attainment of age sixty-five (65) and the completion of five (5) or more years of service, without formally

retiring under the terms of the Estée Lauder Inc. Retirement Growth Account Plan (or an affiliate or a successor plan or program of similar purpose), unvested Performance Share Units will continue to vest and be paid in accordance with the Vesting Schedule.

- (d) Termination of Employment Without Cause. If the Participant's employment is by the Company or relevant subsidiary without Cause (as defined below) on or prior to the end of the first year of the Award Period, the Performance Share Unit will be forfeited. If such termination occurs after the end of the first year of the Award Period, the Performance Share Unit Award will continue through the Award Period and the Participant will be paid a pro rata amount for the number of each full month in which the Participant is paid salary during the Award Period (determined under the proration methodology in Section 4(a)), subject to the achievement of the Section 162(m) Goal and based on actual Plan Achievement. Such prorated Performance Share Units will be paid in accordance with the Vesting Schedule and payment will be subject to satisfaction of the conditions precedent that the Participant neither (i) accepts an offer to work for, or otherwise agrees to actively participate in or render services to any business on behalf of any competitor of the Company, its subsidiaries, or affiliates (whether as an employee, consultant or otherwise); nor (ii) conducts himself or herself in a manner adversely affecting the Company. The term "competitor" means any business that is engaged in, or is preparing to become engaged in, the makeup, skin care, hair care, toiletries or fragrance business or other business in which the Company is engaged or preparing to become engaged, or that otherwise competes with, or is preparing to compete with, the Company. Notwithstanding anything to the contrary contained in this Section 4(d), if the Participant's employment is terminated without Cause within six (6) months of the Grant Date, the Performance Share Units shall not vest and shall become null and void on the last day of active employment (last day worked).
- (e) Resignation. If the Participant terminates his or her employment (*e.g.*, by voluntary resigning) other than by retirement, which is subject to Section 4(b) above, the Performance Share Unit Award will be forfeited.
- (f) Termination of Employment with Cause. If the Participant is terminated for Cause, the Performance Share Unit Award will be forfeited. For this purpose, "Cause" means any breach by the Participant of any of his or her material obligations under any Company policy or procedure, including, without limitation, the Code of Conduct. Notwithstanding the foregoing, in the case of a Participant who has an employment agreement that includes a definition of "Cause," "Cause" for purposes of this Section 4(f) shall have the same meaning as defined in such employment agreement in effect between the Participant and the Company or its U.S. subsidiary, including an employment agreement entered into after the Grant Date.

5. No Rights of Stock Ownership. This grant of Performance Share Units does not entitle the Participant to any interest in or to any voting or other rights normally attributable to Share ownership.

6. Withholding Taxes. Regardless of any action the Company or the Participant's employer (the "Employer") takes with respect to any or all income tax, social security (or social insurance), payroll tax, fringe benefits tax, payment on account or other tax-related items related to the participation in the Plan and this Agreement and legally applicable to the Participant ("Tax-Related Items"), the Participant acknowledges that the ultimate liability for all Tax-Related Items legally due by the Participant is and remains his or her responsibility and may exceed the amount actually withheld by the Company or the Employer. Furthermore, the Participant acknowledges that the Company and/or the Employer (i) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Performance Share Units, including, but not limited to, the grant of the Performance Share Units, the vesting of the Performance Share Units, the delivery of Shares, the subsequent sale of Shares acquired under the Plan and

the receipt of any dividends, and (ii) do not commit to and are under no obligation to structure the terms of the grant of the Performance Share Units or any aspect of the Participant's participation in the Plan to reduce or eliminate his or her liability for Tax-Related Items or achieve any particular tax result. If the Participant is or becomes subject to Tax-Related Items in more than one jurisdiction, the Participant acknowledges that the Company and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

Prior to any relevant taxable event, or tax withholding event, as applicable, the Participant agrees to pay or make adequate arrangements satisfactory to the Company and/or the Employer to satisfy all withholding obligations of the Company and/or the Employer. In this regard, the Participant authorizes the Company and/or the Employer, or his or her respective agents, at the Company's discretion, to satisfy any applicable withholding obligations with regard to all Tax-Related Items by one or a combination of the following: (i) withholding from the Participant's wages or other cash compensation paid by the Company and/or the Employer; (ii) withholding from proceeds of the sale of the Shares acquired upon settlement of the Performance Share Units either through a voluntary sale or through a mandatory sale arranged by the Company (on the Participant's behalf pursuant to this authorization); and/or (iii) withholding in whole Shares to be issued upon settlement of the Performance Share Units, provided that the Company only withholds the amount of whole Shares necessary to satisfy the statutory withholding requirements, not to exceed the maximum withholding tax rate in the Participant's applicable jurisdiction. If the Company satisfies the withholding obligation for the Tax-Related Item by withholding a number of Shares as described herein, the Participant will be deemed to have been issued the full number of Shares due to Participant at vesting, notwithstanding that a number of the Shares is held back solely for purposes of such Tax-Related Items.

Finally, the Participant further agrees to pay to the Company or the Employer any amount of Tax-Related Items that the Company or the Employer may be required to withhold or account for as a result of his or her participation in the Plan that cannot be satisfied by the means previously described. The Company may refuse to issue or deliver the Shares or the proceeds of the sales of Shares, if the Participant fails to comply with his or her obligations in connection with the Tax-Related Items.

7. Nonassignability. This award may not be assigned, pledged, or transferred except, if the Participant dies, to a designated beneficiary or by will or by the laws of descent and distribution. The foregoing restrictions do not apply to transfers under a court order, including, but not limited to, any domestic relations order.

8. Effect Upon Employment. The Participant's right to continue to serve the Company or any of its subsidiaries as an officer, employee, or otherwise, is not enlarged or otherwise affected by an award under this Agreement. Nothing in this Agreement or the Plan gives the Participant any right to continue in the employ of the Company or any of its subsidiaries or interfere in any way with any right the Company or any of its subsidiaries may have to terminate his or her employment at any time. Payment of Shares is not secured by a trust, insurance contract or other funding medium, and the Participant does not have any interest in any fund or specific asset of the Company by reason of this award or the account established on his or her behalf. A Performance Share Unit confers no rights as a shareholder of the Company until Shares are actually delivered to the Participant.

9. Electronic Notice, Delivery and Acceptance. The Company may, in its sole discretion, decide to deliver any documents related to Performance Share Units awarded under the Plan or future Performance Share Units that may be awarded under the Plan by email or other electronic means. The Participant hereby consents to receive such documents by email or other electronic delivery and agrees to access information concerning the Plan through an on-line or electronic system established and maintained by the Company or by another third party designated by the Company.

10. Data Privacy. As a condition of this Performance Share Unit grant, the Participant hereby expressly

consents to the collection, use, disclosure, transfer and other processing of his or her personal data as set out in this Section 10 and as otherwise required by applicable law.

The Company, its affiliates, subsidiaries or agents, the Employer, and the Company's stock plan service provider will process personal data of the Participant for the purposes of implementing, managing and administering the Participant's grant of Performance Share Units and the Plan. Such personal data, in electronic or other form, may include the Participant's name, home address, telephone number, email address, date of birth, social insurance number or other national identification number, beneficiary information (including beneficiary name, address social insurance number or other national identification number, and date of birth), hire date, salary and deductions, banking details, tax certification information, any shares or directorships held in the Company, details of all equity grants or any other entitlement to Shares awarded, canceled, vested, unvested, or outstanding in the Participant's favor.

For the purposes set out above, personal data may be transferred to countries other than the country in which the Participant resides, including to the United States and Australia. As required by applicable law, when personal data is transferred to a country outside of the country in which the Participant resides, measures will be put in place to ensure that the personal data is protected as required by law. These measures may include European Union Standard Contractual Clauses.

The Participant's personal data will be retained for as long as necessary to implement, manage and administer the Participant's grant of Performance Share Units and participation in the Plan. The Participant may request to access, modify or delete his or her personal data, request additional information about the processing of his or her personal data, or refuse or withdraw consent to the processing of their personal data by contacting the local human resources representative in writing. Refusal or withdrawal of consent may affect the Participant's ability to participate in the Plan but will not affect the Participant's employment status or service and career with the Company.

11. Discretionary Nature and Acceptance of Award. The Participant agrees to be bound by the terms of this Agreement and acknowledges, understands and agrees that:

- (a) The Plan is established voluntarily by the Company, it is discretionary in nature, and it may be modified, amended, suspended or terminated by the Company at any time, unless otherwise provided in the Plan and this Agreement;
- (b) The award is exceptional, voluntary and occasional, and does not create any contractual or other right to receive future awards, or benefits in lieu of Performance Share Units, even if Performance Share Units have been awarded in the past;
- (c) All decisions with respect to future Performance Share Units or other awards, if any, will be at the sole discretion of the Company;
- (d) The Participant' s participation in the Plan is voluntary;
- (e) The Performance Share Units and any Shares acquired under the Plan, and the income and value of the same, are not intended to replace any pension rights or compensation;
- (f) The Participant' s participation in the Plan shall not create a right to further employment with the Employer and shall not interfere with the ability of the Company or the Employer to terminate the Participant' s employment at any time;

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- (g) This award will be deemed accepted unless it is declined by way of written notice by the Participant within Thirty (30) days of the Grant Date to the Equity Based Compensation Department of the Company located at 767 Fifth Avenue, New York, NY 10153;
- (h) The Performance Share Units are an extraordinary item that does not constitute compensation of any kind for services of any kind rendered to the Company or any of its subsidiary, and which is outside the scope of the Participant' s employment or service contract, if any;
- (i) The Performance Share Units and any Shares acquired under the Plan, and the income and value of the same, are not part of the Participant' s normal or expected compensation or salary for any purposes, including, but not limited to, calculating any severance, resignation, termination, redundancy, dismissal end of service payments, bonuses, holiday pay, long-service awards, pension or retirement or welfare benefits or similar payments and in no event should be considered as compensation for, or relating in any way to, past services for the Employer, or the Company or any of its subsidiaries;
- (j) In the event the Participant is not an employee of the Company, the Performance Share Units and the Participant' s participation in the Plan will not be interpreted to form an employment or service contract or relationship with the Company or with any subsidiary of the Company;
- (k) The future value of the underlying Shares is unknown, indeterminable and cannot be predicted with certainty;

- (l) In consideration of the award, no claim or entitlement to compensation or damages shall arise from forfeiture of the Performance Share Units or diminution in value of the Performance Share Units, or Shares acquired upon vesting of the Performance Share Units, resulting from termination of Participant' s employment (for any reason whatsoever and whether or not later found to be invalid or in breach of employment laws in the jurisdiction where the Participant is employed, or the terms of the Participant' s employment), and in consideration of the award, Participant irrevocably releases the Employer, the Company and any of its subsidiaries from any such claim that may arise; if, notwithstanding the foregoing, any such claim is found by a court of competent jurisdiction to have arisen, then, by acknowledging and agreeing to or signing the Notice of Grant, the Participant shall be deemed irrevocably to have waived his or her right to pursue or seek remedy for any such claim or entitlement against the Employer, the Company or any of its subsidiary;
- (m) For Purposes of the Performance Share Units, the Participant' s employment or service relationship will be considered terminated as of the date the Participant is no longer actively providing services to the Employer, the Company or any of its subsidiaries as determined by the Administrator in its sole discretion (regardless of the reason for such termination and whether or not later found to be invalid or in breach of employment laws in the jurisdiction where the Participant is employed or the terms of the Participant' s employment agreement, if any);
- (n) The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding the Participant' s participation in the Plan or Participant' s acquisition or sale of the underlying Shares; and
- (o) The Participant is hereby advised to consult with Participant' s own personal tax, legal and financial advisors regarding the Participant' s participation in the Plan before taking any action related to the Plan.

12. Failure to Enforce Not a Waiver. The Company' s failure to enforce at any time any provision of this Agreement does not constitute a waiver of that provision or of any other provision of this Agreement.

13. Governing Law. The Performance Share Unit Award Agreement is governed by and is to be construed according to the laws of the State of New York, that apply to agreements made and performed in that state, without regard to its choice of law provisions. For purposes of litigating any dispute that arises under the Performance Share Units or this Agreement, the parties hereby submit to and consent to the jurisdiction of the State of New York, and agree that such litigation will be conducted in the courts of New York County, New York, or the federal courts for the United States for the Southern District of New York, and no other courts, where the Performance Share Units are made and/or to be performed.

14. Partial Invalidity. The invalidity or illegality of any provision of the Agreement will be deemed not to affect the validity of any other provision. Furthermore, it is the parties' intent that any order striking any portion of this Agreement and/or the Plan should modify the stricken terms as narrowly as possible to give as much effect as possible to the intentions of the parties hereunder.

15. Entire Agreement. This Agreement and the Plan constitute the entire agreement between the Participant and the Company regarding the award and supersede all prior and contemporaneous agreements and understandings, oral or written, between the parties regarding the award. Except as expressly set forth herein, this

Agreement (and any provision of this Agreement) may not be modified, changed, clarified, or interpreted by the parties, except in a writing specifying the modification, change, clarification, or interpretation, and signed by a duly authorized Company officer.

16. Section 409A Compliance. This Agreement is intended to comply with Section 409A of the Internal Revenue Code of 1986, as amended (the “Code”), and any regulations, rulings, or guidance provided thereunder. Each payment under this Agreement shall be treated as a separate payment for purposes of Section 409A of the Code. In no event may the Participant, directly or indirectly, designate the calendar year of any payment to be made under this Agreement. The Company reserves the unilateral right to amend this Agreement upon written notice to the Participant to prevent taxation under Section 409A of the Code.

17. Recoupment. Notwithstanding any other provision of this Agreement to the contrary, the Participant acknowledges and agrees that the Performance Share Units, any Shares acquired pursuant thereto and/or any amount received with respect to any sale of such Shares are subject to potential cancellation, recoupment, rescission, payback or other action in accordance with the terms of the Company’s recoupment policy as in effect on the Grant Date and as such policy may be amended from time to time in order to comply with changes in laws, rules or regulations that are applicable to the Performance Share Units and Shares. The Participant agrees and consents to the Company’s application, implementation and enforcement of (a) the recoupment policy, and (b) any provision of applicable law relating to cancellation, recoupment, rescission or payback of compensation and expressly agrees that the Company may take such actions as are necessary to effectuate the recoupment policy (as applicable to the Participant) or applicable law without further consent or action being required by the Participant. For purposes of the foregoing, the Participant expressly and explicitly authorizes the Company to issue instructions, on his or her behalf, to any brokerage firm and/or third party administrator engaged by the Company to hold his or her Shares and other amounts acquired under the Plan to re-convey, transfer or otherwise return such Shares and/or other amounts to the Company upon the enforcement of the provisions continued in this Section 17. To the extent that the terms of this Agreement and the recoupment policy conflict, the terms of the recoupment policy shall prevail.

18. Insider Trading/Market Abuse Laws. By Participating in the Plan, the Participant agrees to comply with the Company’s Insider Trading Policy. Further, the Participant acknowledges that the Participant’s country of employment (and country of residence, if different) may also have laws or regulations governing insider trading and that such laws or regulations may impose additional restrictions on the Participant’s ability

to participate in the Plan (e.g., acquiring or selling Shares) and that the Participant is solely responsible for complying with such laws or regulations.

19. Private Placement. The grant of the Performance Share Units is not intended to be a public offering of securities in the Participant’s country of employment (and country of residence, if different). The Company has not submitted any registration statement, prospectus or other filings with the local securities authorities (unless otherwise required under law), and this grant of Performance Share Units is not subject to the supervision of the local authorities.

20. Exchange Control, Tax and/or Foreign Asset/Account Reporting. The Participant acknowledges that there may be exchange control, tax, foreign asset and/or account reporting requirements that may affect the Participant’s ability to acquire or hold Shares acquired under the Plan or cash received from participating in the Plan (including from any Dividend Equivalents Rights paid with respect to the Performance Share Units

or dividends paid on Shares acquired under the Plan) in a brokerage/bank account or legal entity outside the Participant's country of employment (and country of residence, if different). The Participant may be required to report such accounts, assets, the balances therein, the value thereof and/or the transactions related thereto to the tax or other authorities in the Participant's country of employment (and country of residence, if different). The Participant also may be required to repatriate sale proceeds or other funds received as a result of the Participant's participation in the Plan to the Participant's country of employment (and country of residence, if different) through a designated bank or broker within a certain time after receipt. The Participant acknowledges that it is the Participant's responsibility to be compliant with such regulations, and the Participant should consult his or her personal legal advisor for any details.

21. Language. If the Participant has received this Agreement or any other document related to the Plan translated into a language other than English and if the translated version is different than the English version, the English version will control, unless otherwise prescribed by local law.

22. Imposition of Other Requirements. The Company reserves the right to impose other requirements on the Participant's participation in the Plan, on the Performance Share Units and on any Shares acquired under the Plan, to the extent the Company determines it is necessary or advisable for legal or administrative reasons, and to require the Participant to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

23. Addendum. The award shall be subject to any terms and conditions for the Participant's country of employment (and country of residence, if different) set forth in an addendum attached hereto ("Addendum"). Moreover, if the Participant transfers residence and/or employment to another country reflected in an Addendum to this Agreement, the terms and conditions for such country will apply to the Participant to the extent the Company determines that the application of such terms and conditions is necessary or advisable in order to comply with local law, rules and regulations or to facilitate the operation and administration of the Performance Share Unit and the Plan (or the Company may establish alternative terms and conditions as may be necessary or advisable to accommodate the Participant's transfer). Any applicable Addendum constitutes part of this Agreement.

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IN WITNESS WHEREOF, the Company has caused this Agreement to be executed by its duly authorized officer as of the Grant Date set forth in the Notice of Grant.

The Estée Lauder Companies Inc.

By: /s/ Michael O' Hare

Michael O' Hare
Executive Vice President,
Global Human Resources

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ADDENDUM
COUNTRY-SPECIFIC PROVISIONS FOR NON-U.S. PARTICIPANTS

In addition to the terms and conditions set forth in the Agreement, the Performance Share Units awarded are subject to the following terms and conditions. If the Participant is employed in a country identified in this Addendum, the additional terms and conditions for such country will apply. If the Participant transfers to one of the countries identified in this Addendum, the special terms and conditions for such country will apply to the Participant, to the extent the Company determines, in its sole discretion, that the application of such terms and conditions is necessary or advisable to comply with local laws, rules and/or regulations or to facilitate the operation and administration of the Performance Share Units awarded and the Plan (or the Company may establish alternative terms and conditions as may be necessary or advisable to accommodate the Participant's transfer).

All defined terms contained in this Addendum shall have the same meaning as set forth in the Plan and the Agreement.

FRANCE

English Language. The Participant acknowledges and agrees that it is the Participant's wish that the Agreement, this addendum, as well as all other documents, notices and legal proceedings entered into, given or instituted pursuant to the Performance Share Units, either directly or indirectly, be drawn up in English.

Langue anglaise. Le bénéficiaire admet et convient que c'est l'intention exprès du bénéficiaire que l'Accord, le Plan et tous les autres documents, remarque et les poursuites judiciaires entrées, données ou instituées conformément au Performance Share Units, être établi dans l'anglais. Si le bénéficiaire a reçu l'Accord, le Plan ou autres documents rattachés au Performance Share Units traduit dans une langue autre que l'anglais et si le sens de la version traduite est différent que la version anglaise, la version anglaise contrôlera.

HONG KONG

IMPORTANT NOTICE. WARNING: The contents of the Agreement, this Addendum, the Plan, and all other materials pertaining to the Performance Share Units and/or the Plan have not been reviewed by any regulatory authority in Hong Kong. The Participant is hereby advised to exercise caution in relation to the offer thereunder. If the Participant has any doubts about any of the contents of the aforesaid materials, the Participant should obtain independent professional advice.

Nature of the Plan. The Company specifically intends that the Plan will not be treated as an occupational retirement scheme for purposes of the Occupational Retirement Scheme Ordinance ("ORSO"). To the extent any court, tribunal or legal/regulatory body in Hong Kong determines that the Plan constitutes an occupational retirement scheme for the purpose of ORSO, the grant of Performance Share Units shall be null and void.

UNITED KINGDOM

Withholding Taxes. The following provision shall supplement Section 6 (Withholding Taxes) of the Agreement:

If payment or withholding of the income tax due in connection with the awarded Performance Share Units is not made within ninety (90) days after the end of the U.K. tax year in which the event giving rise to the income tax liability occurred or such other period specified in Section 222(1)(c) of the U.K. Income Tax (Earnings and Pensions) Act 2003 (the "Due Date"), the amount of any uncollected income tax shall constitute a loan owed by the Participant to his or her Employer, effective as of the Due Date. The Participant agrees that the loan will bear

interest at the then-current official rate of Her Majesty's Revenue & Customs ("HMRC"), it shall be immediately due and repayable, and the Company or the Employer may recover it at any time thereafter by any of the means referred to in Section 6 (Withholding Taxes) of the Agreement. Notwithstanding the foregoing, if the Participant is a director or executive officer of the Company (within the meaning of Section 13(k) of the U.S. Securities and Exchange Act of 1934, as amended), he or she shall not be eligible for a loan from the Company to cover the income tax liability. In the event that the Participant is a director or executive officer and the income tax is not collected from or paid by him or her by the Due Date, the amount of any uncollected income tax may constitute a benefit to the Participant on which additional income tax and national insurance contributions ("NICs") will be payable. The Participant will be responsible for paying and reporting any income tax due on this additional benefit directly to HMRC under the self-assessment regime, and for reimbursing the Company or the Employer (as applicable) the value of any Participant NICs due on this additional benefit.

Exclusion of Claim. The Participant acknowledges and agrees that the Participant will have no entitlement to compensation or damages insofar as such entitlement arises or may arise from the Participant's ceasing to have rights under or to be entitled to the Performance Share Units, whether or not as a result of termination of employment or service (whether the termination is in breach of contract or otherwise), or from the loss or diminution in value of the Performance Share Units. Upon the grant of the Performance Share Units, the Participant shall be deemed to have waived irrevocably any such entitlement.

Schedule "A"

For Net Sales Cumulative Annual Growth Rate:

	<u>Component Plan Achievement</u>	<u>Component Payout (Percentage of Target Award)</u>
Maximum	(110)%	(150)%
	(100)%	(100)%
Threshold	(90)%	(50)%

For Net Earnings Per Share Cumulative Annual Growth Rate:

	<u>Component Plan Achievement</u>	<u>Component Payout (Percentage of Target Award)</u>
Maximum	(115)%	(150)%
	(100)%	(100)%
Threshold	(85)%	(50)%

For ROIC Cumulative Annual Growth Rate:

	<u>Component Plan Achievement</u>	<u>Component Payout (Percentage of Target Award)</u>
Maximum	(115)%	(150)%

	(100)%	(100)%
Threshold	(85)%	(50)%

Payout amount for levels of Plan Achievement between the maximum and threshold achievement shall be interpolated on a straight line basis (rounded up to the nearest integer). In no event shall the Participant receive a payout in excess of (150)% of the Target Award for any component. No payout shall be made in the event of component Plan Achievement less than the threshold achievement.

For purposes of this Performance Share Unit Award Agreement, “Net Sales” has the meaning utilized by the Company in its consolidated financials in accordance with generally accepted accounting principles as in effect on the first day of the Award Period, excluding the impact of foreign currency fluctuations; “Earnings Per Share” means “diluted earnings per share” as utilized by the Company in its consolidated financials; and “ROIC” represents Return on Invested Capital with invested capital defined as assets less liabilities (excluding debt). Actual payment of the Performance Share Units awarded will be determined for each component in accordance with the table above.

Without limiting the generality of the foregoing, in measuring Plan Achievement, financial performance measures (e.g., “Earnings Per Share”, “Net Sales” and “ROIC”) will be calculated without regard to the following:

- ◆ Changes in accounting principles (i.e., cumulative effect of GAAP changes)
- ◆ Extraordinary items as defined in accordance with US GAAP or which are the result of a change in the law or the Company’s response thereto
- ◆ Income/loss from discontinued operations and income/loss on sale of discontinued operations or adjustments to previously disposed businesses
- ◆ Non-recurring operating and non-operating income/expenses (separately stated and disclosed in the financial statements and related notes thereto - e.g., restructuring charges, legal settlement charges)
- ◆ Impairment of intangibles and goodwill related to acquisitions
- ◆ The impact of an acquired business’ income statement not included in the Long-Range Plan (LRP) coincident with the performance period of the PSU, whether dilutive or accretive. For the sake of clarity, the LRP will be adjusted to include the expected performance of the acquired business(es) (i.e., the income statement acquisition Model used to support the purchase decision). The adjustment includes due diligence fees, investment banking fees, the operating performance of business and any transition and/or integration costs as reflected on the income statement of the acquired brand, as well as any fair value accounting charges or credits to the statement of earnings.

In calculating net sales during the Award Period, net sales in currencies other than U.S. dollars shall be translated into U.S. dollars at the Company’s budget exchange rate at the beginning of the Award Period.

Earnings Per Share will use the weighted average number of Shares outstanding as of the measurement date and will be adjusted to eliminate the effect of material changes in the number or type of outstanding Shares due to events such as:

- ◆ Stock splits
- ◆ Stock dividends

- ◆ Recapitalizations
- ◆ Acquisitions involving stock of the Company

ROIC will be adjusted to account for investments in businesses - e.g., purchase of business, including payments for “Earnouts”, investment in a joint venture or acquisition of a minority interest.

No adjustment will be made for the impact of stock repurchases under any plans approved by the Board except as noted above.

**NOTICE OF GRANT
UNDER
THE ESTÉE LAUDER COMPANIES INC.
AMENDED AND RESTATED FISCAL 2002 SHARE INCENTIVE PLAN
(The “Plan”)**

This is to confirm that you were awarded a grant of Performance Share Units at the most recent meeting of the Stock Plan Subcommittee of the Compensation Committee of the Board of Directors representing the right to receive shares of Class A Common Stock of The Estée Lauder Companies Inc. (the “Shares”), subject to the terms of the Plan and the Performance Share Unit Award Agreement. This award was made in recognition of the significant contributions you have made as a key employee of the Company, and to motivate you to achieve future successes by aligning your interests more closely with those of our stockholders. This Performance Share Unit Award is granted under and governed by the terms and conditions of the Plan and the Performance Share Unit Award Agreement (the “Agreement”) made part hereof. The Agreement and the Prospectus are being sent to you in a separate e-mail. Please read these documents and keep them for future reference. The specific terms of your award are as follows:

Participant:	Name
Employee Number:	#
Grant Date:	XXX
Award Period:	XXX to XXX
Grant Plan:	The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan
Type of Award:	Stock Unit and Performance-Based Award (referred to herein as a “Performance Share Unit”)
Target Award:	[#] shares of Class A Common Stock. See Schedule “A” to the Agreement for actual payouts depending upon level of performance.

(a) Except as otherwise provided in Section 3 or 4 of the Agreement:

No Performance Share Units shall be earned and no Shares shall be delivered (or any amount paid) unless and until the Subcommittee certifies in writing that the Company has achieved positive Net Earnings, as defined below, for the period from XXX through XXX (the “162(m) Goal”). If the 162(m) Goal is not achieved, the Performance Share Units shall be immediately forfeited, and the Participant shall have no further rights with respect thereto. Once the Subcommittee certifies that the 162(m) Goal has been

achieved, the Participant shall be eligible to earn 150 percent of the target number of Shares allocated to the Participant in the Subcommittee's resolution approving the establishment of the 162(m) Goal; however the Participant's entitlement to earn the Shares shall be determined by exercise of the Subcommittee's negative discretion in accordance with the terms of this Notice of Grant, including but not limited to the following section (b), and the Agreement of which this Notice of Grant is a part. In no event shall the Participant receive payment in respect of a Performance Share Units in an amount that exceeds 150 percent of the target number of Shares allocated to the Participant in the Subcommittee's resolution approving the establishment of the 162(m) Goal.

For purposes of this PSU Award Agreement, "Net Earnings" has the meaning utilized by the Company in its consolidated financial statements in accordance with generally accepted accounting principles as in effect on **xx/xx/xx**.

(b) Plan Achievement goal at 100% for Award Period determined in accordance with Schedule A of the Agreement:

Net Sales Cumulative Annual Growth Rate

XX%

Earnings Per Share Cumulative Annual Growth Rate

XX%

ROIC Cumulative Annual Growth Rate

XX%

Questions regarding the award can be directed to XXX.

If you wish to accept this grant, **please sign this Notice of Grant and return immediately to:**

Compensation Department
28 West 23rd Street, 8th Floor
New York, New York 10010

The undersigned hereby accepts, and agrees to, all terms and provisions of the Agreement, including those contained in this Notice of Grant.

By _____ Date _____

**Restricted Stock Unit Agreement Under
The Estée Lauder Companies Inc.
Amended and Restated Fiscal 2002 Share Incentive Plan (the “Plan”)**

This **RESTRICTED STOCK UNIT AGREEMENT** (“Agreement”) provides for the granting by The Estée Lauder Companies Inc., a Delaware corporation (the “Company”), to the participant, an employee of the Company or one of its subsidiaries (the “Participant”), of Stock Units under the Plan representing a notional account equal to a corresponding number of shares of the Company’s Class A Common Stock, par value \$0.01 (the “Shares”), subject to the terms below (the “Restricted Stock Units”). The name of the “Participant,” the “Grant Date” (or “Award Date”), the “Number of Restricted Stock Units,” the “Vesting Schedule,” and the “Vesting Period” are stated in the “Notice of Grant” attached or posted electronically together with this Agreement and are incorporated by reference. The other terms of this award are stated in this Agreement and in the Plan. Terms not defined in this Agreement are defined in the Plan, as amended. The Plan is referred to as the “Grant Plan” in the electronic Notice of Grant.

1. Award Grant. The Company hereby awards to the Participant an award of Restricted Stock Units in respect of the number of Shares set forth in the Notice of Grant.

2. Vesting. The Restricted Stock Units granted to the Participant will vest and become payable in accordance with the Vesting Schedule set forth in the Notice of Grant. This schedule indicates the vesting date upon which the Participant will be entitled to receive Shares. Except as otherwise provided in this Agreement, any Restricted Stock Units that are unvested when the Participant terminates employment with the Company or any of its subsidiaries will be forfeited.

3. Payment of Awards.

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- (a) Each Restricted Stock Unit represents the right to receive one (1) Share when the Restricted Stock Unit vests.
 - (b) In addition, each Restricted Stock Unit carries a Dividend Equivalent Right, payable in cash at the same time as payment of Restricted Stock Units in Shares in accordance with this Section 3 and Section 4. Dividend Equivalent Rights are deemed part of the related Restricted Stock Units under this Agreement.
 - (c) In the event of a Change in Control that constitutes a “change in control event” within the meaning of Section 409A of the Code, the Company may, in its sole discretion and in accordance with Treasury Regulation § 1.409A-3(j)(4)(ix)(B), vest and settle the Restricted Stock Units and terminate this Agreement. In such event, settlement of the Restricted Stock Units shall be made within two (2) weeks following the Change in Control. In the event that Restricted Stock Units are not settled pursuant to the immediately preceding sentence, such Restricted Stock Units shall be assumed by an acquirer in which case, vesting will be subject to Sections 2 and 4. If the Shares cease to be outstanding immediately after the Change in Control (e.g., due to a merger with and into another entity), then the consideration

to be received per Share will equal the consideration paid to each shareholder per Share generally upon the Change in Control.

- (d) Any dividends or other distributions on Shares received after vesting of the Restricted Stock Units, after applicable withholding, that are held in an account for the Participant at the agent engaged by the Company for the purposes of holding the Shares for the Participant upon Vesting (the “Agent”), will be automatically reinvested by default, in accordance with the Agent’s applicable procedures, in additional whole and/or fractional Shares. If the Participant does not wish to have dividends or other distributions reinvested or if the Participant would like to change a current election, the Participant must notify the Agent prior to the record date for such dividend or distribution (or such earlier date as may be required by the Agent).

4. Termination of Employment. If the Participant’s employment terminates during the Vesting Period, all unvested Restricted Stock Units will be forfeited except as follows, subject to Section 3:

- (a) Death. If the Participant dies, unvested Restricted Stock Units will vest on the date of death pro rata based on the number of full months the Participant was paid salary during the Vesting Period after the last vesting date (i.e., the proration equals a fraction, the numerator of which is the number of full calendar months of service completed during the Vesting Period after the last vesting date through the Participant’s death and the denominator of which is the number of full calendar months after the last vesting date that are remaining in the Vesting Period). For this purpose, “last vesting date” is the Grant Date if the first vesting date has not yet occurred. Payment of the vested Restricted Stock Units will occur on the seventy-fifth (75th) day following the Participant’s death and in accordance with any applicable laws or Company procedures regarding the payments. Notwithstanding anything to the contrary contained in this section 4(a), if the Participant dies during active employment after the attainment of age fifty-five (55) and the completion of ten (10) or more years of service, or after the attainment of age sixty-five (65) and the completion of five (5) or more years of service, without formally retiring under the terms of the Estée Lauder Inc. Retirement Growth Account Plan (or an affiliate or a successor plan or program of similar purpose), unvested Restricted Stock Units will continue to vest and be paid in accordance with the Vesting Schedule to the Participant’s estate/heirs/beneficiaries.

- (b) Disability. If the Participant becomes totally and permanently disabled (as determined under the Company’s long-term disability program, or an affiliate or a successor plan or program of similar purpose), the unvested Restricted Stock Units will vest pro rata for each full month in which the Participant is paid salary during the Vesting Period (determined under the proration methodology in Section 4(a)) on the next vesting date during the Vesting Period. The vested Restricted Stock Units will be paid on the next vesting date during the Vesting Period. Notwithstanding anything to the contrary contained in this Section 4(c), if the Participant becomes totally and permanently disabled (as determined under the Company’s long-term disability program) during active employment after the attainment of age fifty-five (55) and the completion of ten (10) or more years of service, or after the attainment of age sixty-five (65) and the completion of five (5) or more years of service, without formally retiring under the terms of the Estée Lauder Inc. Retirement Growth Account Plan (or an affiliate or a successor plan or program of similar purpose), unvested Restricted Stock Units will continue to vest and be paid in accordance with the Vesting Schedule.

- (c) Termination of Employment Without Cause. If the Participant's employment is terminated by the Company or relevant subsidiary without Cause (as defined below), any unvested Restricted Stock Units will vest pro rata for each full month in which the Participant is paid salary during the Vesting Period after the last vesting date (determined under the proration methodology in Section 4(a)) on the next vesting date during the Vesting Period. Restricted Stock Units will be paid in accordance with the Vesting Schedule and payment in respect of any unvested Restricted Stock Unit after last day of active employment (last day worked) will be subject to satisfaction of the conditions precedent that the Participant neither (i) accepts an offer to work for, or otherwise agrees to actively participate in or render services to any business on behalf of any competitor of the Company, any of its subsidiaries, or affiliates (whether as an employee, consultant or otherwise); nor (ii) conducts himself or herself in a manner adversely affecting the Company. The term "competitor" means any business that is engaged in, or is preparing to become engaged in, the makeup, skin care, hair care, toiletries or fragrance business or other business in which the Company is engaged or preparing to become engaged, or that otherwise competes with, or is preparing to compete with, the Company. Notwithstanding anything to the contrary contained in this Section 4(d), if the Participant's employment is terminated without Cause within six (6) months of the Grant Date, the Restricted Stock Units shall not vest and shall become null and void on the last day of active employment (last day worked).
- (d) Resignation. If the Participant voluntarily terminates his or her employment (e.g., by voluntarily resigning or retiring) other than due to disability, which is subject to Sections 4(b) above, all Restricted Stock Units that are not vested as of the effective date of resignation will be forfeited.
- (e) Termination of Employment with Cause. If the Participant is terminated for Cause, all Restricted Stock Units that are not vested as of the effective date of the termination will be forfeited. For this purpose, "Cause" means any breach by the Participant of any of his or her material obligations under any Company policy or procedure, including, without limitation, the Code of Conduct. Notwithstanding the foregoing, in the case of a Participant who has an employment agreement that includes a definition of "Cause," "Cause" for purposes of this Section 4(e) shall have the same meaning as defined in such employment agreement in effect between the Participant and the Company or its U.S. subsidiary, including an employment agreement entered into after the Grant Date.

- (f) Termination after a Change in Control. If, on or after a Change in Control, the Participant terminates for Good Reason (as defined below), dies, becomes disabled, formally retires, or is terminated at the instance of the Company or relevant subsidiary without Cause, in each case as described in this Section 4, the unvested Restricted Stock Units will immediately vest in full and, solely if such Change in Control constitutes a "change in control event" within the meaning of Section 409A of the Code and such termination occurs within two (2) years of such "change in control event," will be immediately paid. Otherwise, such Restricted Stock Units will immediately vest, but will only be paid at such times as they would otherwise be paid in accordance with this Agreement. For this purpose, "Good Reason" means the occurrence of any of the following, without the express written consent of the Participant:
- (i) the assignment to the Participant of any duties inconsistent in any material adverse respect with the Participant's position, authority or responsibilities immediately prior to the Change in Control, or any other material adverse change in such position, including title, authority or responsibilities;

- (ii) any failure by the Company to pay any amounts for compensation or benefits owed to the Participant or a material reduction of the overall amounts of compensation and benefits in effect prior to the Change in Control, other than an insubstantial or inadvertent failure remedied by the Company promptly after receipt of notice thereof given by the Participant;
- (iii) the Company's requiring the Participant to be based at any office or location more than fifty (50) miles (eighty (80) Kilometers) from that location at which he performed his or her services for the Company immediately prior to the Change in Control, except for travel reasonably required in the performance of the Participant's responsibilities; or
- (iv) any failure by the Company to obtain the assumption and agreement to perform this Agreement by a successor, unless such assumption occurs by operation of law.

5. No Rights of Stock Ownership. This grant of Restricted Stock Units does not entitle the Participant to any interest in or to any voting or other rights normally attributable to Share ownership other than the Dividend Equivalent Rights granted under paragraph 3 above.

6. Withholding Taxes. Regardless of any action the Company or the Participant's employer (the "Employer") takes with respect to any or all income tax, social security (or social insurance), payroll tax, fringe benefits tax, payment on account or other tax-related items related to the participation in the Plan and this Agreement and legally applicable to the Participant ("Tax-Related Items"), the Participant acknowledges that the ultimate liability for all Tax-Related Items legally due by the Participant is and remains his or her responsibility and may exceed the amount actually withheld by the Company or the Employer. Furthermore, the Participant acknowledges that the Company and/or the Employer (i) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Restricted Stock Units, including, but not limited to, the grant, vesting or settlement of the Restricted Stock Units, the subsequent sale of Shares acquired under the Plan and the receipt of any dividends and/or any Dividend Equivalent Rights, and (ii) do not commit to and are under no obligation structure the terms of the grant of the Restricted Stock Units or any aspect of the Participant's participation in the Plan to reduce or eliminate his or her liability for Tax-Related Items or achieve any particular tax result. If the Participant is or becomes subject to Tax-Related Items in more than one jurisdiction, the Participant acknowledges that the Company and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

Prior to any relevant taxable event, or tax withholding event, as applicable, the Participant agrees to pay or make adequate arrangements satisfactory to the Company and/or the Employer to satisfy all withholding obligations of the Company and/or the Employer. In this regard, the Participant authorizes the Company and/or the Employer, or his or her respective agents, at the Company's discretion, to satisfy any applicable withholding obligations with regard to all Tax-Related Items by one or a combination of the following: (i) withholding from the Participant's wages or other cash compensation paid by the Company and/or the Employer; (ii) withholding from proceeds of the sale of the Shares acquired upon settlement of the Restricted Stock Units either through a voluntary sale or through a mandatory sale arranged by the Company (on the Participant's behalf pursuant to this authorization); and/or (iii) withholding in whole Shares to be issued upon settlement of the Restricted Stock Units, provided that the Company only withholds the amount of whole Shares necessary to satisfy the withholding requirements, not to exceed the maximum withholding tax rate in the Participant's applicable jurisdiction. If the Company satisfies the withholding obligation for the Tax-Related Item by withholding a number of Shares as

described herein, the Participant will be deemed to have been issued the full number of Shares due to Participant at vesting, notwithstanding that a number of the Shares is held back solely for purposes of such Tax-Related Items.

Finally, the Participant further agrees to pay to the Company or the Employer any amount of Tax-Related Items that the Company or the Employer may be required to withhold or account for as a result of his or her participation in the Plan that cannot be satisfied by the means previously described. The Company may refuse to issue or deliver the Shares or the proceeds of the sale of Shares, if the Participant fails to comply with his or her obligations in connection with the Tax-Related Items.

7. Nonassignability. This award may not be assigned, pledged, or transferred, except, if the Participant dies, to a designated beneficiary or by will or by the laws of descent and distribution. The foregoing restrictions do not apply to transfers under a court order, including, but not limited to, any domestic relations order.

8. Effect Upon Employment. The Participant's right to continue to serve the Company or any of its subsidiaries as an officer, employee, or otherwise, is not enlarged or otherwise affected by an award hereunder. Nothing in this Agreement or the Plan gives the Participant any right to continue in the employ of the Company or any of its subsidiaries to interfere in any way with any right the Company or any of its subsidiaries may have to terminate his or her employment at any time. Payment of Shares is not secured by a trust, insurance contract or other funding medium, and the Participant does not have any interest in any fund or specific asset of the Company by reason of this Award or the account established on his or her behalf. A Restricted Stock Unit award confers no rights as a shareholder of the Company until Shares are actually delivered to the Participant.

9. Electronic Notice, Delivery Acceptance. The Company may, in its sole discretion, decide to deliver any documents related to Restricted Stock Units awarded under the Plan or future Restricted Stock Units that may be awarded under the Plan by email or other electronic means. The Participant hereby consents to receive such documents by email or other electronic delivery and agrees to access information concerning the Plan through an on-line or electronic system established and maintained by the Company or by another third party designated by the Company.

10. Data Privacy.

As a condition of this Restricted Stock Unit grant, the Participant hereby expressly consents to the collection, use, disclosure, transfer and other processing of his or her personal data as set out in this Section 10 and as otherwise required by applicable law.

The Company, any of its subsidiaries, affiliates, or agents, the Employer, and the Company's stock plan service provider will process personal data of the Participant for the purposes of implementing, managing and administering the Participant's grant of Restricted Stock Units and the Plan. Such personal data, in electronic or other form, may include the Participant's name, home address, telephone number, email address, date of birth, social insurance number or other national identification number, beneficiary information (including beneficiary name, address social insurance number or other national identification number, and date of birth), hire date, salary and deductions, banking details, tax certification information, any shares or directorships held in the Company, details of all equity grants or any other entitlement to Shares awarded, canceled, vested, unvested, or outstanding in the Participant's favor.

For the purposes set out above, personal data may be transferred to countries other than the country in which the Participant resides, including to the United States and Australia. As required by applicable law, when personal data is transferred to a country outside of the country in which the Participant resides, measures will be put in place to ensure that the personal data is protected as required by law. These measures may include European Union Standard Contractual Clauses.

The Participant's personal data will be retained for as long as necessary to implement, manage and administer the Participant's grant of Restricted Stock Units and participation in the Plan. The Participant may request to access, modify or delete his or her personal data, request additional information about the processing of his or her personal data, or refuse or withdraw consent to the processing of his or her personal data by contacting the local human resources representative in writing. Refusal or withdrawal of consent may affect the Participant's ability to participate in the Plan but will not affect the Participant's employment status or service and career with the Company.

11. Discretionary Nature and Acceptance of Award. The Participant agrees to be bound by the terms of this Agreement and acknowledges, understands and agrees that:

a. The Plan is established voluntarily by the Company, it is discretionary in nature, and it may be modified, amended, suspended or terminated by the Company at any time, unless otherwise provided in the Plan and this Agreement;

b. The award is exceptional, voluntary and occasional, and does not create any contractual or other right to receive future awards, or benefits in lieu of Restricted Stock Units, even if Restricted Stock Units have been awarded in the past;

c. All decisions with respect to future awards, if any, will be at the sole discretion of the Company;

d. The Participant's participation in the Plan is voluntary;

e. The Restricted Stock Units and any Shares acquired under the Plan, and the income and value of the same, are not intended to replace any pension rights or compensation;

f. The Participant's participation in the Plan shall not create a right to further employment with the Employer and shall not interfere with the ability of the Company or the Employer to terminate the Participant's employment at any time;

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g. This award will be deemed accepted unless it is declined by way of written notice by the Participant within thirty (30) days of the Grant Date to the Equity Based Compensation Department of the Company located at 767 Fifth Avenue, New York, NY 10153;

h. The Restricted Stock Units are an extraordinary item that does not constitute compensation of any kind for services of any kind rendered to the Company or any of its subsidiaries, and which is outside the scope of Participant's employment or service contract, if any;

i. The Restricted Stock Units and any Shares acquired under the Plan, and the income and value of the same, are not part of the Participant's normal or expected compensation or salary for any purposes, including, but not

limited to, calculating any severance, resignation, termination, redundancy, dismissal end of service payments, bonuses, holiday pay, long-service awards, pension or retirement or welfare benefits or similar payments and in no event should be considered as compensation for, or relating in any way to, past services for the Employer, the Company or any of its subsidiaries;

j. In the event the Participant is not an employee of the Company, the Restricted Stock Units and the Participant's participation in the Plan will not be interpreted to form an employment or service contract or relationship with the Company or any subsidiary of the Company;

k. The future value of the underlying Shares is unknown, indeterminable and cannot be predicted with certainty;

l. In consideration of the award, no claim or entitlement to compensation or damages shall arise from forfeiture of the Restricted Stock Units or diminution in value of the Restricted Stock Units, or Shares acquired upon vesting of the Restricted Stock Units, resulting from termination of the Participant's employment (for any reason whatsoever and whether or not later found to be invalid or in breach of employment laws in the jurisdiction where the Participant is employed, or the terms of the Participant's employment), and in consideration of the award, the Participant irrevocably releases the Employer, the Company and any of its subsidiaries from any such claim that may arise; if, notwithstanding the foregoing, any such claim is found by a court of competent jurisdiction to have arisen, then, by acknowledging and agreeing to or signing the Notice of Grant, the Participant shall be deemed irrevocably to have waived his or her right to pursue or seek remedy for any such claim or entitlement against the Employer, the Company or subsidiary;

m. For purposes of the Restricted Stock Units, the Participant's employment or service relationships will be considered terminated as of the date of the Participant is no longer actively providing services to the Employer, the Company or any of its subsidiaries as determined by the Administrator in its sole discretion (regardless of the reason for such termination and whether or not later found to be invalid or in breach of employment laws in the jurisdiction where the Participant is employed or the terms of the Participant's employment agreement, if any);

n. The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding the Participant's participation in the Plan or the Participant's acquisition or sale of the underlying Shares; and

o. The Participant is hereby advised to consult with Participant's own personal tax, legal and financial advisors regarding the Participant's participation in the Plan before taking any action related to the Plan.

12. Failure to Enforce Not a Waiver. The Company's failure to enforce at any time any provision of this Agreement does not constitute a waiver of that provision or of any other provision of this Agreement.

13. Governing Law. This Agreement is governed by and is to be construed according to the laws of the State of New York, that apply to agreements made and performed in that state, without regard to its choice of law provisions. For purposes of litigating any dispute that arises under the Restricted Stock Units or this Agreement, the parties hereby submit to and consent to the jurisdiction of the State of New York, and agree that such litigation will be conducted in the courts of New York County, New York, or the federal courts for the United States for the Southern District of New York, and no other courts, where the Restricted Stock Units are made and/or to be performed.

14. Partial Invalidity. The invalidity or illegality of any provision of this Agreement will be deemed not to affect the validity of any other provision. Furthermore, it is the parties' intent that any order striking any portion of this Agreement and/or the Plan should modify the stricken terms as narrowly as possible to give as much effect as possible to the intentions of the parties hereunder.

15. Entire Agreement. This Agreement and the Plan constitute the entire agreement between the Participant and the Company regarding the award and supersede all prior and contemporaneous agreements and understandings, oral or written, between the parties regarding the award. Except as expressly set forth herein, this Agreement (and any provision of this Agreement) may not be modified, changed, clarified, or interpreted by the parties, except in a writing specifying the modification, change, clarification, or interpretation, and signed by a duly authorized Company officer.

16. Section 409A Compliance. This Agreement is intended to comply with Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), and any regulations, rulings, or guidance provided thereunder. Each payment under this Agreement shall be treated as a separate payment for purposes of Section 409A of the Code. In no event may the Participant, directly or indirectly, designate the calendar year of any payment to be made under this Agreement. The Company reserves the unilateral right to amend this Agreement upon written notice to the Participant in order to prevent taxation under Section 409A of the Code.

17. Recoupment. Notwithstanding any other provision of this Agreement to the contrary, the Participant acknowledges and agrees that the Restricted Stock Units, any Shares acquired pursuant thereto and/or any amount received with respect to any sale of such Shares are subject to potential cancellation, recoupment, rescission, payback or other action in accordance with the terms of the Company's recoupment policy as in effect on the Grant Date and as such policy may be amended from time to time in order to comply with changes in laws, rules or regulations that are applicable to the Restricted Stock Units and Shares. The Participant agrees and consents to the Company's application, implementation and enforcement of (a) the recoupment policy, and (b) any provision of applicable law relating to cancellation, recoupment, rescission or payback of compensation and expressly agrees that the Company may take such actions as are necessary to effectuate the recoupment policy (as applicable to the Participant) or applicable law without further consent or action being required by the Participant. For purposes of the foregoing, the Participant expressly and explicitly authorizes the Company to issue instructions, on his or her behalf, to any brokerage firm and/or third party administrator engaged by the Company to hold his or her Shares and other amounts acquired under the Plan to re-convey, transfer or otherwise return such Shares and/or other amounts to the Company upon the enforcement of the provisions contained in this Section 17. To the extent that the terms of this Agreement and the recoupment policy conflict, the terms of the recoupment policy shall prevail.

18. Insider Trading/Market Abuse Laws. By participating in the Plan, the Participant agrees to comply with the Company's Insider Trading Policy. Further, the Participant acknowledges that the Participant's country of employment (and country of residence, if different) may also have laws or regulations governing insider trading and that such laws or regulations may impose additional restrictions on the Participant's ability to participate in the Plan (e.g., acquiring or selling Shares) and that the Participant is solely responsible for complying with such laws or regulations.

19. Private Placement. The grant of the Restricted Stock Units is not intended to be a public offering of securities in the Participant's country of employment (and country of residence, if different). The Company has not submitted any registration statement, prospectus or other filings with the local securities authorities (unless

otherwise required under law), and this grant of Restricted Stock Units is not subject to the supervision of the local authorities.

20. Exchange Control, Tax and/or Foreign Asset/Account Reporting. The Participant acknowledges that there may be exchange control, tax, foreign asset and/or account reporting requirements that may affect the Participant's ability to acquire or hold Shares acquired under the Plan or cash received from participating in the Plan (including from any Dividend Equivalents Rights paid with respect to the Restricted Stock Units or dividends paid on Shares acquired under the Plan) in a brokerage/bank account or legal entity outside the Participant's country of employment (and country of residence, if different). The Participant may be required to report such accounts, assets, the balances therein, the value thereof and/or the transactions related thereto to the tax or other authorities in the Participant's country of employment (and country of residence, if different). The Participant also may be required to repatriate sale proceeds or other funds received as a result of the Participant's participation in the Plan to the Participant's country of employment (and country of residence, if different) through a designated bank or broker within a certain time after receipt. The Participant acknowledges

that it is the Participant's responsibility to be compliant with such regulations, and the Participant should consult his or her personal legal advisor for any details.

21. Language. If the Participant has received this Agreement or any other document related to the Plan translated into a language other than English and if the translated version is different than the English version, the English version will control, unless otherwise prescribed by local law.

22. Imposition of Other Requirements. The Company reserves the right to impose other requirements on the Participant's participation in the Plan, on the Restricted Stock Units and on any Shares acquired under the Plan, to the extent the Company determines it is necessary or advisable for legal or administrative reasons, and to require the Participant to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

23. Addendum. The award shall be subject to any terms and conditions for the Participant's country of employment (and country of residence, if different) set forth an addendum attached hereto ("Addendum"). Moreover, if the Participant transfers residence and/or employment to another country reflected in an Addendum to this Agreement, the terms and conditions for such country will apply to the Participant to the extent the Company determines that the application of such terms and conditions is necessary or advisable in order to comply with local law, rules and regulations or to facilitate the operation and administration of the Restricted Stock Units and the Plan (or the Company may establish alternative terms and conditions as may be necessary or advisable to accommodate the Participant's transfer). Any applicable Addendum constitutes part of this Agreement.

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed by its duly authorized officer as of the Grant Date set forth in the Notice of Grant.

The Estée Lauder Companies Inc.

By: /s/ Michael O' Hare

Michael O' Hare
Executive Vice President,
Global Human Resources

ADDENDUM
COUNTRY-SPECIFIC PROVISIONS FOR NON-U.S. PARTICIPANTS

In addition to the terms and conditions set forth in the Agreement, the Restricted Stock Units awarded are subject to the following terms and conditions. If the Participant is employed in a country identified in this Addendum, the additional terms and conditions for such country will apply. If the Participant transfers to one of the countries identified in this Addendum, the special terms and conditions for such country will apply to the Participant, to the extent the Company determines, in its sole discretion, that the application of such terms and conditions is necessary or advisable to comply with local laws, rules and/or regulations or to facilitate the operation and administration of the Restricted Stock Units awarded and the Plan (or the Company may establish alternative terms and conditions as may be necessary or advisable to accommodate the Participant's transfer).

All defined terms contained in this Addendum shall have the same meaning as set forth in the Plan and the Agreement.

ARGENTINA

Securities Law Notification. Neither the Restricted Stock Units nor the underlying Shares are publicly offered or listed on any stock exchange in Argentina. The Company's grant of Restricted Stock Units is private and is not subject to the supervision of any Argentine governmental authority.

AUSTRALIA

Breach of Law. Notwithstanding anything to the contrary in the Agreement or the Plan, the Participant will not be entitled to, and shall not claim any benefit (including without limitation a legal right) under the Plan if the provision of such benefit would give rise to a breach of Part 2D.2 of the Corporations Act 2001 (Cth), any other provision of that Act, or any other applicable statute, rule or regulation which limits or restricts the giving of such benefits.

Tax Deferral. Restricted Stock Units awarded under the Agreement are intended to be subject to tax deferral under Subdivision 83A-C of the Income Tax Assessment Act 1997 (Cth) (subject to the conditions in that act).

Australian Offer Document. In addition to the Agreement and the Plan, the Participant must review the Australian Offer Document for additional important information pertaining to the Restricted Stock Units. By accepting the Restricted Stock Units, the Participant acknowledges and confirms that the Participant has reviewed these documents.

BRAZIL

Compliance with Law. By accepting the Restricted Stock Units, the Participant acknowledges and agrees to comply with applicable Brazilian laws to pay any and all applicable taxes associated with the vesting of the Restricted Stock Units, the receipt of any dividends or dividend equivalents, and the sale of Shares acquired under the Plan.

Labor Law Acknowledgment. The Participant expressly acknowledges and agrees, for all legal purposes, (a) the benefits provided under the Agreement and the Plan are the result of commercial transactions unrelated to the Participant's employment; (b) the Agreement and the Plan are not a part of the terms and conditions of the Participant's employment; and (c) the income from the Restricted Stock Units, if any, is not part of the Participant's remuneration from employment.

CANADA

Settlement in Shares Only. Notwithstanding anything to the contrary in the Agreement or the Plan, if the Participant is a resident of Canada, all Restricted Stock Units shall be settled only in Shares (and may not be settled in cash). English Language. The parties to the Agreement acknowledge that it is their express wish that the Agreement, as well as all documents, notices and legal proceedings entered into, given or instituted pursuant hereto or relating directly or indirectly hereto, be drawn up in English. ***Les parties reconnaissent avoir exigé la rédaction en anglais de la présente convention, ainsi que de tous documents exécutés, avis donnés et procédures judiciaires intentées, directement ou indirectement, relativement à ou suite à la présente convention.***

CHILE

Private Placement. The following provision shall supplement Section 19 (Private Placement) of the Agreement:

The grant of the Restricted Stock Units hereunder is not intended to be a public offering of securities in Chile but instead is intended to be a private placement.

- a) The starting date of the offer is the Grant Date (as defined in the Agreement), a) and this offer conforms to General Ruling no. 336 of the Chilean Superintendence of Securities and Insurance;
 - b) The offer deals with securities not registered in the registry of securities or in the registry of foreign securities of the Chilean Superintendence of Securities and Insurance, and therefore such securities are not subject to its oversight;
 - c) The Company is not obligated to provide public information in Chile regarding the foreign securities, as such securities are not registered with the Chilean Superintendence of Securities and Insurance; and
 - d) The foreign securities shall not be subject to public offering as long as they are not registered with the corresponding registry of securities in Chile.
- a) *La fecha de inicio de la oferta será el de la fecha de otorgamiento (o "Grant Date", según este término se define en el documento denominado "Agreement") y esta oferta se acoge a la norma de Carácter General n° 336 de la Superintendencia de Valores y Seguros Chilena;*
- b) *La oferta versa sobre valores no inscritos en el registro de valores o en el registro de valores extranjeros que lleva la Superintendencia de Valores y Seguros Chilena, por lo que tales valores no están sujetos a la fiscalización de ésta;*

c) *Por tratar de valores no inscritos no existe la obligación por parte del emisor de entregar en Chile información pública respecto de esos valores; y*

d) *Esos valores no podrán ser objeto de oferta pública mientras no sean inscritos en el registro de valores correspondiente.*

CHINA

Foreign Exchange Control Laws. The following provisions shall govern the Participant' s participation in the Plan if the Participant is a national of the People' s Republic of China ("China") resident in mainland China, or if determined to be necessary or appropriate by the Company in its sole discretion:

The Participant agrees to hold the Shares received upon settlement of the Restricted Stock Units with the Company' s designated broker. Upon a termination of employment or service for any reason, the Participant shall be required to sell all Shares issued pursuant to the Restricted Stock Units as soon as administratively possible (or such period as may be required by the State Administration of Foreign Exchange or the Company) of the termination date and repatriate the sales proceeds to China in the manner designated by the Company. For purposes of the foregoing, the Company shall establish procedures for effectuating the forced sale of the Shares (including procedures whereby the Company may issue sell instructions on behalf of the Participant), and the Participant hereby agrees to comply with such procedures and take any and all actions as the Company determines, in its sole discretion, are necessary or advisable for purposes of complying with local laws, rules and regulations in China.

The Participant understands and agrees that the repatriation of dividends and sales proceeds may need to be effected through a special exchange control account established by the Company or its subsidiaries, and the Participant hereby consents and agrees that dividends issued on Shares and sales proceeds from the sale of Shares acquired under the Plan may be transferred to such account by the Company on the Participant' s behalf prior to being delivered to the Participant. Dividends and/or sales proceeds may be paid to the Participant in U.S. dollars or local currency at the Company' s discretion. If dividends and/or sales proceeds are paid to the Participant in U.S. dollars, the Participant understands that the Participant will be required to set up a U.S. dollar bank account in China so that the dividends or proceeds may be deposited into this account. If dividends and/or sales proceeds are paid to the Participant in local currency, the Participant acknowledges that the Company is under no obligation to secure any particular exchange conversion rate and that the Company may face delays in converting the dividends and/or proceeds to local currency due to exchange control restrictions. The Participant agrees to bear any currency fluctuation risk between the time dividends are issued or Shares are sold and the net proceeds are converted into local currency and distributed to the Participant. The Participant further agrees to comply with any other requirements that may be imposed by the Company or its subsidiaries in China in the future in order to facilitate compliance with exchange control requirements in China. The Participant acknowledges and agrees that the processes and requirements set forth herein shall continue to apply following the Participant' s termination of employment.

Neither the Company nor any of its subsidiaries shall be liable for any costs, fees, lost interest or dividends or other losses the Participant may incur or suffer resulting from the enforcement of the terms of this Addendum or otherwise from the Company' s operation and enforcement of the Plan, the Agreement and the Restricted Stock Units in accordance with Chinese law including, without limitation, any applicable State Administration of Foreign Exchange rules, regulations and requirements.

COLOMBIA

Labor Law Acknowledgement. The Participant acknowledges that, pursuant to Article 128 of the Colombian Labor Code, the Plan and related benefits do not constitute a component of his or her “salary” for any legal purpose.

DENMARK

Stock Option Act. Notwithstanding any provisions in the Agreement to the contrary, if the Participant is determined to be an “Employee,” as defined in section 2 of the Danish Act on the Use of Rights to Purchase or

Subscribe for Shares etc. in Employment Relationships (the “Stock Option Act”), the treatment of the Restricted Stock Units upon Termination shall be governed by Sections 4 and 5 of the Stock Option Act. However, if the provisions in the Agreement or the Plan governing the treatment of the Restricted Stock Unit upon a Termination are more favorable, the provisions of the Agreement or the Plan will govern.

FRANCE

English Language. The Participant acknowledges and agrees that it is the Participant’s wish that the Agreement, this addendum, as well as all other documents, notices and legal proceedings entered into, given or instituted pursuant to the Restricted Stock Units, either directly or indirectly, be drawn up in English.

Langue anglaise. Le bénéficiaire admet et convient que c’est l’intention exprès du bénéficiaire que l’Accord, le Plan et tous les autres documents, remarque et les poursuites judiciaires entrées, données ou instituées conformément au Restricted Stock Units, être établi dans l’anglais. Si le bénéficiaire a reçu l’Accord, le Plan ou autres documents rattachés au Restricted Stock Units traduit dans une langue autre que l’anglais et si le sens de la version traduite est différent que la version anglaise, la version anglaise contrôlera

HONG KONG

IMPORTANT NOTICE. WARNING: The contents of the Agreement, this Addendum, the Plan, and all other materials pertaining to the Restricted Stock Units and/or the Plan have not been reviewed by any regulatory authority in Hong Kong. The Participant is hereby advised to exercise caution in relation to the offer thereunder. If the Participant has any doubts about any of the contents of the aforesaid materials, the Participant should obtain independent professional advice.

Settlement is Shares Only. Notwithstanding anything to the contrary in the Agreement or the Plan, if the Participant is a resident of Hong Kong, all Restricted Stock Units shall be settled only in Shares (and may not be settled in cash).

Nature of the Plan. The Company specifically intends that the Plan will not be treated as an occupational retirement scheme for purposes of the Occupational Retirement Scheme Ordinance (“ORSO”). To the extent any court, tribunal or legal/regulatory body in Hong Kong determines that the Plan constitutes an occupational retirement scheme for the purpose of ORSO, the grant of Restricted Stock Units shall be null and void.

INDIA

Repatriation Requirements. The Participant understand that he or she must repatriate any cash dividends paid on Shares acquired under the Plan and any proceeds from the sale of such Shares to India within a certain period of time after receipt of the proceeds. It is the Participant' s sole responsibility to comply with applicable exchange control laws in India.

ISRAEL

Indemnification for Tax Liabilities. The Participant expressly consents and agrees to indemnify the Company and/or its subsidiaries and hold them harmless from any and all liability attributable to taxes, interest or penalties thereon, including without limitation, liabilities relating to the necessity to withhold any taxes from the settlement of the Restricted Stock Units or any other payments made to the Participant pursuant to the Restricted Stock Units.

ITALY

Data Privacy. The following provision shall replace Section 10 (Data Privacy) of the Agreement in its entirety:

The Participant understands that the Employer and/or the Company hold certain personal information about the Participant, including but not limited to, the Participant' s name, home address, email address and telephone number; date of birth, national insurance number or other identification number; salary, nationality, job title, any Shares or directorship held in the Company, details of all awards or other entitlement to Shares awarded, cancelled, vested, unvested or outstanding in the Participant' s favor ("Data"), for purpose of implementing, administering and managing the Plan. The Participant is aware that providing the Company with Data is necessary for the performance of the Agreement and that the Participant' s refusal to provide such Data would make it impossible for the Company to perform its contractual obligations and may affect the Participant' s ability to participate in the Plan.

The Controller of personal data processing is Estée Lauder Companies Inc., 767 Fifth Avenue, New York, New York 10153, U.S.A., its representative in Italy Estée Lauder S.r.l. with registered offices at Via Turati, 3, Milano, 20121 Italy. The Participant understands that Data may be transferred to third parties assisting in the implementation, administration and management of the Plan, including any transfer required to a broker or other third party with whom Shares acquired pursuant to this grant of Restricted Stock Units or cash from the sale of such Shares may be deposited. Furthermore, the recipients that may receive, possess, use, retain and transfer such Data for the above mentioned purposes may be located in the Participant' s country, or elsewhere, including outside of the European Union and the recipient' s country may have different data privacy laws and protections than the Participant' s country. The processing activity, including the transfer of the Participant' s personal data abroad, out of the European Union, as herein specified and pursuant to applicable laws and regulations, does not require the Participant' s consent thereto as the processing is necessary for the performance of contractual obligations related to the implementation, administration and management of the Plan. The Participant understands that Data processing relating to the purposes above specified shall take place under automated or non-automated conditions, anonymously when possible, that comply with the purposes for which Data are collected and with confidentiality and security provisions as set forth by applicable laws and regulations, with specific reference to D.lgs. 196/200

The Participant understands that Data will be held only as long as is required by law or as necessary to implement, administer and manage the Participant's participation in the Plan. The Participant understands that, pursuant to art 7 of D.lgs 196/2003, the Participant has the right, including but not limited to, to access, delete, update, request the rectification of the Data and cease, for legitimate reasons, Data processing. Furthermore, the Participant is aware that Data will not be used for direct marketing purposes. In addition, the Data provided can be reviewed and questions or complaints can be addressed by contacting a local representative available at the following address, Via Turati, 3, Milano, 20121 Italy.

MALAYSIA

Data Privacy. The following provision shall replace Section 10 (Data Privacy) of the Agreement in its entirety:

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The Participant hereby explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of the Participant's personal data, as described in this addendum and any other grant materials by and among, as applicable, the Company and Subsidiaries for the exclusive purpose of implementing, administering and managing the Participant's participation in the Plan. The Participant understands that the Company and subsidiaries may hold certain personal information about the Participant, including, but not limited to, the Participant's name, home address and telephone number, date of birth, social insurance number or other identification number, e-mail address, salary, nationality, job title, any Shares or directorships held in the Company, details of all awards or any other entitlement to Shares awarded, canceled, exercised, vested, unvested or outstanding in the Participant's favor, for the exclusive purpose of implementing, administering and managing the Plan ("Data"). The Data is supplied by the Company and also by the Participant through information collected in connection with the Agreement and the Plan. The Participant understands that Data will be transferred to the current stock plan service providers or a stock plan service provider as may be selected by the Company in the future, which is assisting the Company with the implementation, administration and management of the Plan. The Participant understands that the recipients of Data may be located in the United States or elsewhere, and that the recipients' country (e.g., the United States) may have different data privacy laws and protections than the

Peserta dengan ini secara eksplisit dan tanpa sebarang keraguan mengizinkan pengumpulan, penggunaan dan pemindahan, dalam bentuk elektronik atau lain-lain, data peribadi seperti yang diterangkan dalam Lampiran ini dan apa-apa bahan pemberian yang lain oleh dan di antara, seperti yang berkenaan, Syarikat dan Anak-anak Syarikat untuk tujuan eksklusif bagi melaksanakan, mentadbir dan menguruskan penyertaan Peserta di dalam Pelan. Peserta memahami bahawa Syarikat Anak-anak Syarikat mungkin memegang maklumat peribadi tertentu tentang Peserta, termasuk, tetapi tidak terhad kepada, nama Peserta, alamat rumah dan nombor telefon, tarikh lahir, nombor insurans sosial atau nombor pengenalan lain, e-mel, gaji, kewarganegaraan, jawatan, apa-apa Saham atau jawatan pengarah yang dipegang dalam Syarikat, butir-butir semua Anugerah, atau apa-apa hak lain atas Saham yang dianugerahkan, dibatalkan, dilaksanakan, terletak hak, tidak diletak hak ataupun yang belum dijelaskan bagi faedahanda, untuk tujuan eksklusif bagi melaksanakan, mentadbir dan menguruskan Pelan tersebut ("Data"). Data tersebut dibekalkan oleh Syarikat dan juga oleh Peserta berkenaan dengan Perjanjian dan Pelan. Peserta memahami bahawa Data ini akan dipindahkan kepada pembekal perkhidmatan pelan saham semasa atau pembekal perkhidmatan pelan saham yang mungkin dipilih oleh Syarikat pada masa depan, yang membantu Syarikat dengan pelaksanaan, pentadbiran dan pengurusan Pelan.

Participant's country. The Participant understands that if the Participant resides outside the United States, the Participant may request a list with the names and addresses of any potential recipients of the Data by contacting the Participant's local human resources representative at Estée Lauder Malaysia Sdn. Bhd, Suite 18.01, Level 18, Centrepoint South,

Peserta memahami bahawa penerima-penerima Data mungkin berada di Amerika Syarikat atau mana-mana tempat lain, dan bahawa negara penerima-penerima (contohnya, Amerika Syarikat) mungkin mempunyai undang-undang privasi data dan perlindungan yang berbeza daripada negara Peserta. Peserta memahami bahawa sekiranya Peserta menetap di luar Amerika Syarikat, Peserta boleh meminta satu senarai yang mengandungi nama-nama dan alamat-alamat penerima-penerima Data yang

The Boulevard, Mid Valley City, Lingkaran Syed Putra, Kuala Lumpur 59200, Malaysia. The Participant authorizes the Company, the stock plan service provider and any other possible recipients which may assist the Company (presently or in the future) with implementing, administering and managing the Plan to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing the Participant's participation in the Plan, including any transfer of such Data as may be required to a broker, escrow agent or other third party with whom the Shares received upon vesting of the awards may be deposited. The Participant understands that Data will be held only as long as is necessary to implement, administer and manage the Participant's participation in the Plan. The Participant understands that if the Participant resides outside the United States, the Participant may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data, limit the processing of Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing the Participant's local human resources representative. Further, the Participant understands that the Participant is providing the consent herein on a purely voluntary basis. If the Participant does not consent, or if the Participant later seeks to revoke the Participant's consent, the Participant's employment status or service and career with the Company will

berpotensi dengan menghubungi wakil sumber manusia tempatan Peserta di Estée Lauder Malaysia Sdn. Bhd, Suite 18.01, Level 18, Centrepoint South, The Boulevard, Mid Valley City, Lingkaran Syed Putra, Kuala Lumpur 59200, Malaysia. Peserta memberi kuasa kepada Syarikat, pembekal perkhidmatan pelan saham dan mana-mana penerima-penerima kemungkinan lain yang mungkin akan membantu Syarikat (pada masa sekarang atau pada masa depan) dengan melaksanakan, mentadbir dan menguruskan Pelan untuk menerima, memiliki, menggunakan, mengekalkan dan memindahkan Data, dalam bentuk elektronik atau lain-lain, bagi tujuan melaksanakan, mentadbir dan menguruskan penyertaan Peserta di dalam Pelan, termasuk segala pemindahan Data tersebut sebagaimana yang dikehendaki kepada broker, agen eskrow atau pihak ketiga dengan siapa Saham diterima semasa peletakhakan Anugerah mungkin didepositkan. Peserta memahami bahawa Data hanya akan disimpan selagi ia adalah diperlukan untuk melaksanakan, mentadbir, dan menguruskan penyertaan Peserta dalam Pelan. Peserta memahami bahawa sekiranya Peserta menetap di luar Amerika Syarikat, Peserta boleh, pada bila-bila masa, melihat Data, meminta maklumat tambahan mengenai penyimpanan dan pemrosesan Data, meminta bahawa pindaan-pindaan dilaksanakan ke atas Data, menghadkan pemrosesan Data atau menolak atau menarik balik persetujuan dalam ini, dalam mana-mana kes, tanpa kos, dengan

not be adversely affected; the only adverse consequence of refusing or withdrawing the Participant's consent is that the Company may not be able to grant the Participant equity awards or administer or maintain such awards.

Therefore, the Participant understands that refusing or withdrawing the Participant's consent may affect the Participant's ability to participate in the Plan. For more information on the consequences of the Participant's refusal to consent or withdrawal of consent, the Participant

menghubungi secara bertulis tempatan wakil sumber manusia Peserta. Selanjutnya, Peserta memahami bahawa Peserta memberikan persetujuan di sini secara sukarela semata-mata. Sekiranya Peserta tidak bersetuju, atau sekiranya Peserta kemudian membatalkan persetujuan, status Peserta pekerjaan atau perkhidmatan dan kerjaya dengan Syarikat tidak akan terjejas; satu-satunya akibat buruk sekiranya Peserta tidak bersetuju atau menarik balik Peserta persetujuan adalah bahawa Syarikat tidak akan dapat memberikan Peserta anugerah

understands that the Participant may contact the Participant's local human resources representative. Please take note that by electronically accepting this Agreement, the Participant has confirmed that the Participant explicitly, voluntarily and unambiguously consents to the collection, use and transfer of the Participant's personal data in accordance with the terms in this notification. However, if for any reason the Participant does not consent to the processing of the Participant's personal data, the Participant has the right to reject such consent by contacting the Participant's local human resources representative at Estée Lauder Malaysia Sdn. Bhd, Suite 18.01, Level 18, Centrepoint South, The Boulevard, Mid Valley City, Lingkaran Syed Putra, Kuala Lumpur 59200, Malaysia.

ekuiti lain atau mentadbir atau mengekalkan anugerah-anugerah tersebut. Oleh itu, Peserta memahami bahawa keengganan atau penarikan balik persetujuan boleh menjejaskan keupayaan Peserta untuk mengambil bahagian dalam Pelan. Untuk maklumat lebih lanjut mengenai akibat-akibat keengganan Peserta untuk memberikan keizinan atau penarikan balik keizinan, Peserta memahami bahawa Peserta boleh menghubungi wakil sumber manusia tempatan. Sila ambil perhatian bahawa dengan menerima Perjanjian ini secara elektronik, Peserta mengesahkan bahawa Peserta secara eksplisit, sukarela, dan tanpa sebarang keraguan bersetuju dengan pengumpulan, penggunaan, dan pemindahan data peribadi Peserta mengikut terma-terma dalam notis ini. Walaubagaimanapun, jika atas apa-apa sebab-sebab tertentu Peserta tidak bersetuju dengan pemprosesan data peribadi, Peserta mempunyai hak untuk menolak persetujuan Peserta dengan menghubungi wakil sumber manusia tempatan di masukkan Estée Lauder Malaysia Sdn. Bhd, Suite 18.01, Level 18, Centrepoint South, The Boulevard, Mid Valley City, Lingkaran Syed Putra, Kuala Lumpur 59200, Malaysia.

Commercial Relationship. The Participant expressly recognizes acknowledges that the Participant' s participation in the Plan and the Company' s grant of Restricted Stock Units do not constitute an employment relationship between the Participant and the Company. The Participant has been granted the Restricted Stock Units as a consequence of the commercial relationship between the Company and his or her Employer ECLA S.A. de C.V. or Lauder Cosmetics S.A. de C.V. ("Estée Lauder Mexico"), and Estée Lauder Mexico is the Participant' s sole Employer. Based on the foregoing, (a) the Participant expressly recognizes that the Plan and the benefits the Participant may derive from the Participant' s participation in the Plan do not establish any rights between the Participant and Estée Lauder Mexico, (b) the Plan and the benefits the Participant may derive from the Participant' s participation in the Plan are not part of the employment conditions and/or benefits provided by Estée Lauder Mexico, and (c) any modifications or amendments of the Plan by the Company, or a termination of the Plan by the Company, shall not constitute a change or impairment of the terms and conditions of the Participant' s employment with Estée Lauder Mexico.

Extraordinary Item of Compensation. The Participant expressly recognizes and acknowledges that the Participant' s participation in the Plan is a result of the discretionary and unilateral decision of the Company, as well as the Participant' s free and voluntary decision to participate in the Plan in accordance with the terms and conditions of the Plan, the Agreement and this Addendum. As such, the Participant acknowledges and agrees that the Company, in its sole discretion, may amend and/or discontinue the Participant' s participation in the Plan at any time and without any liability. The value of the Restricted Stock Units is an extraordinary item of compensation outside the scope of the Participant' s employment contract, if any. The Restricted Stock Units are not part of the Participant' s regular or expected compensation for purposes of calculating any severance, resignation, redundancy, end of service payments, bonuses, long-service awards, pension or retirement benefits, or any similar payments, which are the exclusive obligations of the Company' s subsidiary in Mexico that employs the Participant.

NETHERLANDS

Waiver of Termination Rights. The Participant waives any and all rights to compensation or damages as a result of a termination of employment or service, insofar as those rights result or may result from: (a) the loss or diminution in value of such rights or entitlements under the Plan; or (b) the Participant ceasing to have rights, or ceasing to be entitled to any Restricted Stock Unit awards under the Plan as a result of such termination.

NEW ZEALAND

Securities Law Notice.

Warning

This is an offer of Restricted Stock Units which, upon vesting and settlement in accordance with the terms of the Plan and the Agreement, will be converted into Shares. Shares give the Participant a stake in the ownership of the Company. The Participant may receive a return on the Shares acquired under the Plan if dividends are paid.

If the Company runs into financial difficulties and is wound up, the Participant will be paid only after all creditors and holders of preference shares have been paid. The Participant may lose some or all of his or her investment, if any.

New Zealand law normally requires people who offer financial products to give information to investors before they invest. This information is designed to help investors to make an informed decision. The usual rules do not apply to this offer because it is made under an employee share purchase scheme. As a result, the Participant may not be given all the information usually required. The Participant also will have fewer other legal protections for this investment. On this basis, the Participant is advised to ask questions, read all documents carefully, and seek independent financial advice before committing.

The Shares are quoted on the New York Stock Exchange (“NYSE”). This means that if the Participant acquires Shares under the Plan, the Participant may be able to sell the Shares on the NYSE if there are interested buyers. The price will depend on the demand for the Shares.

For information on risk factors impacting the Company’s business that may affect the value of the Shares, the Participant should refer to the risk factors discussion on the Company’s Annual Report on Form 10-K and Quarterly Reports on Form 10-Q, which are filed with the U.S. Securities and Exchange Commission and are

available online at www.sec.gov, as well as on the Company’s “Investor Relations” website at www.elcompanies.com/investors.

PANAMA

Securities Law Notice. The grant of the Restricted Stock Units and the issuance of Shares at vesting are not subject to registration under Panamanian law as they are not intended for the public, but solely for the Participant’s benefit.

PERU

Labor Law Acknowledgement. In accepting the Restricted Stock Units, the Participant acknowledges that the Restricted Stock Units are granted *ex gratia* for the purpose of rewarding the Participant as set forth in the Plan.

Securities Law Notice. The grant of the Restricted Stock Units is considered a private offering in Peru; therefore, neither the grant of Restricted Stock Units, nor the issuance of Shares at vesting of the Restricted Stock Units, is subject to securities registration in Peru. For more information concerning the offer, the Participant should refer to the Plan, this Agreement and any other grant documents made available to the Participant by the Company. For more information regarding the Company, the Participant should refer to the Company’s most recent annual report on Form 10-K and quarterly report on Form 10-Q available at www.sec.gov, as well as on the Company’s “Investor Relations” website at www.elcompanies.com/investors.

PORTUGAL

Language Consent. The Participant hereby expressly declares that he or she has full knowledge of the English language and has read, understood and freely accepted and agreed with the terms and conditions established in the Plan and this Agreement.

Conhecimento da Língua. Pela presente, o Participante declara expressamente que tem pleno conhecimento da língua inglesa e que leu, compreendeu e livremente aceitou e concordou com os termos e condições estabelecidas no Plano e no Acordo (Agreement em inglês).

ROMANIA

Termination. The following provision shall supplement Section 4 (Termination of Employment) of the Agreement:

Termination of employment shall include the situation where the Participant's employment contract is terminated by operation of law on the date the Participant reaches the standard retirement age and has completed the minimum contribution record for receipt of state retirement pension or the relevant authorities award the Participant an early-retirement pension of any type.

English Language. The Participant hereby expressly agrees that this Agreement, the Plan as well as all documents, notices and proceedings entered into, relating directly or indirectly hereto, be drawn up or communicated only in the English language. *Angajatul consimte în mod expres prin prezentul ca acest Contract, Planul precum și orice alte documente, notificări, înștiințări legate direct sau indirect de acest Contract să fie redactate sau efectuate doar în limba engleză.*

RUSSIA

Securities Law Notification. The Agreement, the Plan and all other materials that the Participant may receive regarding participation in the Plan do not constitute advertising or an offering of securities in Russia. Absent any requirement under local law, the issuance of securities pursuant to the Plan has not and will not be registered in Russia; hence, the securities described in any Plan-related documents may not be used for offering or public circulation in Russia.

Repatriation Requirements. The Participant expressly agrees to promptly repatriate proceeds resulting from the sale of Shares acquired under the Plan to a foreign currency account at an authorized bank in Russia if legally required at the time the Shares are sold and to comply with all applicable local foreign exchange rules and regulations. Neither the Company nor any of its subsidiaries shall be liable for any fines or penalties resulting from the Participant's failure to comply with applicable law. Russian residents are advised to contact their personal advisor regarding their obligation resulting from their participation in the Plan as significant penalties may apply in the case of non-compliance with exchange control requirements and because such exchange control requirements may change.

Data Privacy. This provision shall supplement Section 10 (Data Privacy) of the Agreement:

The Participant hereby acknowledges that the Participant has read and understood the terms regarding collection, processing and transfer of Data contained in Section 10 (Data Privacy) of the Agreement and, by participating in the Plan, the Participant agrees to provide an executed data privacy consent to the Employer or the Company (or any other agreements or consent that may be required by the Employer or the Company) that the Company and/or the Employer may deem necessary to obtain under the data privacy laws in Russia, either now or in the future. The Participant understand that the Participant may not be able to participate in the Plan if the Participant fails to execute any such consent or agreement.

SINGAPORE

Qualifying Person Exemption. The grant of the Restricted Stock Units under the Plan is being made pursuant to the “Qualifying Person” exemption under section 273(1)(f) of the Securities and Futures Act (Chapter 289, 2006 Ed.) (the “SFA”). The Plan has not been and will not be lodged or registered as a prospectus with the Monetary Authority of Singapore and is not regulated by any financial supervisory authority pursuant to any legislation in Singapore. Accordingly, statutory liability under the SFA in relation to the content of prospectuses would not apply. The Participant should note that, as a result, the Restricted Stock Units are subject to section 257 of the SFA and the Participant will not be able to make: (a) any subsequent sale of the Shares underlying the Restricted Stock Units in Singapore; or (b) any offer of such subsequent sale of the Shares subject to the Restricted Stock Units in Singapore, unless such sale or offer is made pursuant to the exemptions under Part XIII Division 1 Subdivision (4) (other than section 280) of the SFA.

SOUTH AFRICA

Securities Law Notice. Neither the Restricted Stock Units nor the underlying Shares shall be publicly offered or listed on any stock exchange in South Africa. The offer is intended to be private pursuant to Section 96 of the Companies Act and is not subject to the supervision of any South African governmental authority.

Withholding Taxes. The following provision supplements Section 6 (Withholding Taxes) of the Agreement:

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By accepting the Restricted Stock Units, the Participant agrees to notify his or her Employer of the amount of any gain realized upon vesting of the Restricted Stock Units. If the Participant fails to advise the Employer of the gain realized upon vesting of the Restricted Stock Units, the Participant may be liable for a fine. The Participant will be responsible for paying any difference between the actual tax liability and the amount withheld.

Exchange Control Obligations. The Participant is solely responsible for complying with applicable exchange control regulations and rulings (the “Exchange Control Regulations”) in South Africa. As the Exchange Control Regulations change frequently and without notice, the Participant should consult the Participant’s legal advisor prior to the acquisition or sale of Shares under the Plan to ensure compliance with current Exchange Control Regulations. Neither the Company nor any of its subsidiaries shall be liable for any fines or penalties resulting from the Participant’s failure to comply with applicable laws, rules or regulations.

SPAIN

Securities Law Notice. No “offer of securities to the public,” within the meaning of Spanish law, has taken place or will take place in the Spanish territory in connection with the Restricted Stock Unit. The Plan, the Agreement (including this Addendum) and any other documents evidencing the grant of the Restricted stock Units have not, nor will they be, registered with the *Comisión Nacional del Mercado de 25 Valores* (the Spanish securities regulator) and none of those documents constitute a public offering prospectus.

Acknowledgement of Discretionary Nature of the Plan; No Vested Rights. By accepting the Restricted Stock Units, the Participant consents to participation in the Plan and acknowledges receipt of a copy of the Plan.

The Participant understands that the Company has unilaterally, gratuitously and in its sole discretion granted Restricted Stock Units under the Plan to individuals who may be Participants of the Company or its subsidiaries throughout the world. The decision is a limited decision that is entered into upon the express assumption and condition that any grant will not economically or otherwise bind the Company or any of its subsidiaries on an

ongoing basis. Consequently, the Participant understands that the Restricted Stock Units are granted on the assumption and condition that the Restricted Stock Units and the Shares acquired upon settlement of the Restricted Stock Units shall not become a part of any employment contract (either with the Company or any of its subsidiaries) and shall not be considered a mandatory benefit, salary for any purposes (including severance compensation) or any other right whatsoever. In addition, the Participant understands that this grant would not be made to the Participant but for the assumptions and conditions referenced above; thus, the Participant acknowledges and freely accepts that should any or all of the assumptions be mistaken or should any of the conditions not be met for any reason the Restricted Stock Units shall be null and void.

The Participant understands and agrees that, as a condition of the Restricted Stock Units, unless otherwise provided in Section 4 (Termination of Employment) of the Agreement, any unvested Restricted Stock Units as of the date the Participant ceases active employment will be forfeited without entitlement to the underlying Shares or to any amount of indemnification in the event of termination of employment or service. The Participant acknowledges that the Participant has read and specifically accepts the conditions referred to in the Agreement regarding the impact of a termination on the Restricted Stock Units.

Termination for Cause. Notwithstanding anything to the contrary in the Plan or the Agreement, “Cause” shall be as defined as set forth in the Agreement, regardless of whether the termination is considered a fair termination (i.e., “despido procedente”) under Spanish legislation.

SWITZERLAND

Securities Law Notification. The grant of the Restricted Stock Units and the issuance of any Shares is not intended to be a public offering in Switzerland. Neither this Addendum nor any other materials relating to the Restricted Stock Units constitute a prospectus as such term is understood pursuant to article 652a of the Swiss Code of Obligations. Neither this document nor any other offering or marketing materials relating to the Restricted Stock Units have been or will be filed with, or approved or supervised by, any Swiss regulatory authority (in particular, the Swiss Financial Market Supervisory Authority (FINMA)).

TURKEY

Securities Law Notification. The sale of Shares acquired under the Plan is not permitted within Turkey. The Shares are currently traded on the New York Stock Exchange (“NYSE”), which is located outside of Turkey, under the symbol “EL” and the Shares may be sold through the NYSE.

UNITED ARAB EMIRATES

Securities Law Notification. The Agreement, the Plan and other incidental communication materials concerning the Restricted Stock Units are intended for distribution only to Participants of the Company or its subsidiaries. The Dubai Technology and Media Free Zone Authority, Emirates Securities and Commodities Authority and/or the Central Bank has no responsibility for reviewing or verifying any documents in connection with the Restricted Stock Units. Neither the Ministry of Economy nor the Dubai Department of Economic Development have approved these communications nor taken steps to verify the information set out in them, and have no responsibility for them. Further, the Shares underlying the Restricted Stock Units may be illiquid and/or subject to restrictions on their resale. Participant should conduct his or her own due diligence on the Restricted Stock

Units and the Shares. If Participant is in any doubt about any of the contents of the grant or other incidental documents, he or she should obtain independent professional advice.

UNITED KINGDOM

Withholding Taxes. The following provision shall supplement Section 6 (Withholding Taxes) of the Agreement:

If payment or withholding of the income tax due in connection with the awarded Restricted Stock Units is not made within ninety (90) days after the end of the U.K. tax year in which the event giving rise to the income tax liability occurred or such other period specified in Section 222(1)(c) of the U.K. Income Tax (Earnings and Pensions) Act 2003 (the “Due Date”), the amount of any uncollected income tax shall constitute a loan owed by the Participant to his or her Employer, effective as of the Due Date. The Participant agrees that the loan will bear interest at the then-current official rate of Her Majesty’s Revenue & Customs (“HMRC”), it shall be immediately due and repayable, and the Company or the Employer may recover it at any time thereafter by any of the means referred to in Section 6 (Withholding Taxes) of the Agreement. Notwithstanding the foregoing, if the Participant is a director or executive officer of the Company (within the meaning of Section 13(k) of the U.S. Securities and Exchange Act of 1934, as amended), he or she shall not be eligible for a loan from the Company to cover the income tax liability. In the event that the Participant is a director or executive officer and the income tax is not collected from or paid by him or her by the Due Date, the amount of any uncollected income tax may constitute a benefit to the Participant on which additional income tax and national insurance contributions (“NICs”) will be payable. The Participant will be responsible for paying and reporting any income tax due on this additional benefit directly to HMRC under the self-assessment regime, and for

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reimbursing the Company or the Employer (as applicable) the value of any Participant NICs due on this additional benefit.

Exclusion of Claim. The Participant acknowledges and agrees that the Participant will have no entitlement to compensation or damages insofar as such entitlement arises or may arise from the Participant’s ceasing to have rights under or to be entitled to the Restricted Stock Units, whether or not as a result of termination of employment or service (whether the termination is in breach of contract or otherwise), or from the loss or diminution in value of the Restricted Stock Units. Upon the grant of the Restricted Stock Units, the Participant shall be deemed to have waived irrevocably any such entitlement.

VENEZUELA

Securities Law Notification. The Restricted Stock Units granted under the Plan and the Shares issued under the Plan are offered as a personal, private, exclusive transaction and are not subject to Venezuelan securities regulations. This offering does not qualify as a public offering under the laws of the Bolivarian Republic of Venezuela and, therefore, it is not required to request the previous authorization of the National Superintendent of Securities.

Investment Representation. As a condition of the Restricted Stock Units, the Participant acknowledges and agrees that any Shares the Participant may acquire upon the vesting of the Restricted Stock Units are acquired as and intended to be an investment rather than the resale of the Shares and conversion of Shares into foreign currency.

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**NOTICE OF GRANT
UNDER
THE ESTÉE LAUDER COMPANIES INC.
AMENDED AND RESTATED FISCAL 2002 SHARE INCENTIVE PLAN
(The “Plan”)**

This is to confirm that you were awarded a grant of Restricted Stock Units at the most recent meeting of the Stock Plan Subcommittee of the Compensation Committee of the Board of Directors representing the right upon vesting of such units to receive shares of Class A Common Stock of The Estée Lauder Companies Inc. (the “Shares”), subject to the terms of the Plan and the Restricted Stock Unit Agreement. This award was made in recognition of the significant contributions you have made as a key employee of the Company, and to motivate you to achieve future successes by aligning your interests more closely with those of our stockholders. This Restricted Stock Unit award is granted under and governed by the terms and conditions of the Plan and the Restricted Stock Unit Agreement (the “Agreement”) made part hereof. The Agreement and the Prospectus can be viewed via your online account. Please read these documents and keep them for future reference. The specific terms of your award are as follows:

Participant: **Name**

Employee Number: **#**

Number of Restricted Stock Units: **#**

Grant Date: **XXX**

Vesting Commencement Date: **XXX**

Grant Plan: The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan

Vesting Schedule: Subject to Participant’s continuous employment, this Restricted Stock Unit grant shall vest as to the number of Shares set forth below:

<u>Shares</u>	<u>Vesting Date</u>
#	XXX
#	XXX
#	XXX

Vesting Period: The Vesting Commencement Date through and including the applicable date set forth in the Vesting Schedule

Questions regarding the award can be directed to **XXX**.

If you wish to accept this grant, **please sign this Notice of Grant and return immediately to:**

Compensation Department
28 West 23rd Street, 8th Floor
New York, New York 10010

The undersigned hereby accepts, and agrees to, all terms and provisions of the Agreement, including those contained in this Notice of Grant.

By _____ Date _____

**Restricted Stock Unit Agreement for Executive Officers Under
The Estée Lauder Companies Inc.
Amended and Restated Fiscal 2002 Share Incentive Plan (the “Plan”)**

This **RESTRICTED STOCK UNIT AGREEMENT** (“Agreement”) provides for the granting by The Estée Lauder Companies Inc., a Delaware corporation (the “Company”), to the participant, an employee of the Company or one of its subsidiaries (the “Participant”), of Stock Units under the Plan representing a notional account equal to a corresponding number of shares of the Company’s Class A Common Stock, par value \$0.01 (the “Shares”), subject to the terms below (the “Restricted Stock Units”). The name of the “Participant,” the “Grant Date” (or “Award Date”), the “Number of Restricted Stock Units,” the “Vesting Schedule,” and the “Vesting Period” are stated in the “Notice of Grant” attached or posted electronically together with this Agreement and are incorporated by reference. The other terms of this award are stated in this Agreement and in the Plan. Terms not defined in this Agreement are defined in the Plan, as amended. The Plan is referred to as the “Grant Plan” in the electronic Notice of Grant.

1. Award Grant. The Company hereby awards to the Participant an award of Restricted Stock Units in respect of the number of Shares set forth in the Notice of Grant.

2. Vesting. The Restricted Stock Units granted to the Participant will vest and become payable in accordance with the Vesting Schedule set forth in the Notice of Grant. This schedule indicates the vesting date upon which the Participant will be entitled to receive Shares. Except as otherwise provided in this Agreement, any Restricted Stock Units that are unvested when the Participant terminates employment with the Company or any of its subsidiaries will be forfeited.

3. Payment of Awards.

- (a) Each Restricted Stock Unit represents the right to receive one (1) Share when the Restricted Stock Unit vests.
- (b) In addition, each Restricted Stock Unit carries a Dividend Equivalent Right, payable in cash at the same time as payment of Restricted Stock Units in Shares in accordance with this Section 3 and Section 4. Dividend Equivalent Rights are deemed part of the related Restricted Stock Units under this Agreement.
- (c) In the event of a Change in Control that constitutes a “change in control event” within the meaning of Section 409A of the Code, the Company may, in its sole discretion and in accordance with Treasury Regulation § 1.409A-3(j)(4)(ix)(B), vest and settle the Restricted Stock Units and terminate this Agreement. In such event, settlement of the Restricted Stock Units shall be made within two (2) weeks following the Change in Control. In the event that Restricted Stock Units are not settled pursuant to the immediately preceding sentence, such Restricted Stock Units shall be assumed by an acquirer in which case, vesting will be subject to Sections 2 and 4. If the Shares cease to be outstanding immediately after the Change in Control (e.g., due to a merger with and into another entity), then the consideration

to be received per Share will equal the consideration paid to each shareholder per Share generally upon the Change in Control.

4. Termination of Employment. If the Participant's employment terminates during the Vesting Period, all Restricted Stock Units will be forfeited except as follows, subject to Section 3:

- (a) Death. If the Participant dies, the Restricted Stock Units will vest pro rata for the number of full months the Participant was paid salary during the Vesting Period (i.e., the proration equals a fraction, the numerator of which is the number of full calendar months of service completed during the Vesting Period through the Participant's death and the denominator of which is the number of full calendar months in the Vesting Period). Payment of the Restricted Stock Units will occur on the seventy-fifth (75th) day following the Participant's death and in accordance with any applicable laws or Company procedures regarding the payments. Notwithstanding anything to the contrary contained in this section 4(a), if the Participant dies during active employment after the attainment of age fifty-five (55) and the completion of ten (10) or more years of service, or after the attainment of age sixty-five (65) and the completion of five (5) or more years of service, without formally retiring under the terms of the Estée Lauder Inc. Retirement Growth Account Plan (or an affiliate or a successor plan or program of similar purpose), unvested Restricted Stock Units will continue to vest and be paid in accordance with the Vesting Schedule to the Participant's estate/heirs/beneficiaries.
- (b) Retirement. If the Participant formally retires under the terms of The Estée Lauder Companies Retirement Growth Account Plan (or an affiliate or a successor plan or program of similar purpose), the unvested Restricted Stock Units will continue to vest and be paid in accordance with the Vesting Schedule. Vesting and payment in respect of any unvested Restricted Stock Unit after retirement will be subject to satisfaction of the conditions precedent that the Participant neither (i) accepts an offer to work for, or otherwise agrees to actively participate in or render services to any business on behalf of any competitor of the Company, any of its subsidiaries, or affiliates (whether as an employee, consultant or otherwise); nor (ii) conducts himself or herself in a manner adversely affecting the Company. The term "competitor" means any business that is engaged in, or is preparing to become engaged in, the makeup, skin care, hair care, toiletries or fragrance business

or other business in which the Company is engaged or preparing to become engaged, or that otherwise competes with, or is preparing to compete with, the Company. Notwithstanding anything to the contrary contained in this section 4(b), if the Participant terminates employment by reason of retirement within six (6) months of the Grant Date, the Restricted Stock Units shall not vest and shall become null and void on the last day of active employment (last day worked).

- (c) Disability. If the Participant becomes totally and permanently disabled (as determined under the Company's long-term disability program, or an affiliate or a successor plan or program of similar purpose), the Restricted Stock Units will vest pro rata for each full month in which the Participant is paid salary during the Vesting Period (determined under the proration methodology in Section 4(a)). The Restricted Stock Units will be paid on the next vesting date during the Vesting Period. Notwithstanding anything to the contrary contained in this section 4(c), if the Participant becomes totally and permanently disabled (as determined under the Company's long-term disability program) during active employment after the attainment of age fifty-five (55) and the completion of ten (10) or more years of service, or after the attainment of age sixty-five (65) and the completion of five (5) or more years of

service, without formally retiring under the terms of the Estée Lauder Inc. Retirement Growth Account Plan (or an affiliate or a successor plan or program of similar purpose), unvested Restricted Stock Units will continue to vest and be paid in accordance with the Vesting Schedule.

- (d) Termination of Employment Without Cause. If the Participant's employment is terminated by the Company or relevant subsidiary without Cause (as defined below), any unvested Restricted Stock Units will vest pro rata for each full month in which the Participant is paid salary during the Vesting Period after the last vesting date (determined under the proration methodology in Section 4(a)) on the next vesting date during the Vesting Period. Restricted Stock Units will be paid in accordance with the Vesting Schedule. Such prorated Restricted Stock Units will be paid in accordance with the Vesting Schedule and payment will be subject to satisfaction of the conditions precedent that the Participant neither (i) accepts an offer to work for, or otherwise agrees to actively participate in or render services to any business on behalf of any competitor of the Company, any of its subsidiaries, or affiliates (whether as an employee, consultant or otherwise); nor (ii) conducts himself or herself in a manner adversely affecting the Company. The term "competitor" means any business that is engaged in, or is preparing to become engaged in, the makeup, skin care, hair care, toiletries or fragrance business or other business in which the Company is engaged or preparing to become engaged, or that otherwise competes with, or is preparing to compete with, the Company. Notwithstanding anything to the contrary contained in this section 4(d), if the Participant's employment is terminated without Cause within six (6) months of the Grant Date, the Restricted Stock Units shall not vest and shall become null and void on the last day of active employment (last day worked).
- (e) Resignation. If the Participant voluntarily terminates his or her employment (e.g., by voluntary resigning) other than by retirement or disability, which is subject to Section 4(b) and 4(c) above, all Restricted Stock Units that are not vested as of the effective date of resignation will be forfeited.
- (f) Termination of Employment with Cause. If the Participant is terminated for Cause, all Restricted Stock Units that are not vested as of the effective date of the termination will be forfeited. For this purpose, "Cause" means any breach by the Participant of any of his or her material obligations under any Company policy or procedure, including, without limitation, the Code of Conduct.

Notwithstanding the foregoing, in the case of a Participant who has an employment agreement that includes a definition of "Cause," "Cause" for purposes of this Section 4(f) shall have the same meaning as defined in such employment agreement in effect between the Participant and the Company or its U.S. subsidiary, including an employment agreement entered into after the Grant Date.

- (g) Termination after a Change in Control. If, on or after a Change in Control, the Participant terminates for Good Reason (as defined below), dies, becomes disabled, formally retires, or is terminated at the instance of the Company or relevant subsidiary without Cause, in each case as described in this Section 4, the unvested Restricted Stock Units will immediately vest in full and, solely if such Change in Control constitutes a "change in control event" within the meaning of Section 409A of the Code and such termination occurs within two (2) years of such "change in control event," will be immediately paid. Otherwise, such Restricted Stock Units will immediately vest, but will only be paid at such times as they would otherwise be paid in accordance with this Agreement. For this purpose, "Good Reason" means the occurrence of any of the following, without the express written consent of the Participant:

- (i) the assignment to the Participant of any duties inconsistent in any material adverse respect with the Participant's position, authority or responsibilities immediately prior to the Change in Control, or any other material adverse change in such position, including title, authority or responsibilities;
- (ii) any failure by the Company to pay any amounts for compensation or benefits owed to the Participant or a material reduction of the overall amounts of compensation and benefits in effect prior to the Change in Control, other than an insubstantial or inadvertent failure remedied by the Company promptly after receipt of notice thereof given by the Participant;
- (iii) the Company's requiring the Participant to be based at any office or location more than fifty (50) miles (eighty (80) Kilometers) from that location at which he performed his or her services for the Company immediately prior to the Change in Control, except for travel reasonably required in the performance of the Participant's responsibilities; or
- (iv) any failure by the Company to obtain the assumption and agreement to perform this Agreement by a successor, unless such assumption occurs by operation of law.

5. No Rights of Stock Ownership. This grant of Restricted Stock Units does not entitle the Participant to any interest in or to any voting or other rights normally attributable to Share ownership other than the Dividend Equivalent Rights granted under paragraph 3 above.

6. Withholding Taxes. Regardless of any action the Company or the Participant's employer (the "Employer") takes with respect to any or all income tax, social security (or social insurance), payroll tax, fringe benefits tax, payment on account or other tax-related items related to the participation in the Plan and this Agreement and legally applicable to the Participant ("Tax-Related Items"), the Participant acknowledges that the ultimate liability for all Tax-Related Items legally due by the Participant is and remains his or her responsibility and may exceed the amount actually withheld by the Company or the Employer. Furthermore, the Participant acknowledges that the Company and/or the Employer (i) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Restricted Stock Units, including, but

not limited to, the grant, vesting or settlement of the Restricted Stock Units, the subsequent sale of Shares acquired under the Plan and the receipt of any dividends and/or any Dividend Equivalent Rights, and (ii) do not commit to and are under no obligation to structure the terms of the grant of the Restricted Stock Units or any aspect of the Participant's participation in the Plan to reduce or eliminate his or her liability for Tax-Related Items or achieve any particular tax result. If the Participant is or becomes subject to Tax-Related Items in more than one jurisdiction, the Participant acknowledges that the Company and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

Prior to any relevant taxable event, or tax withholding event, as applicable, the Participant agrees to pay or make adequate arrangements satisfactory to the Company and/or the Employer to satisfy all withholding obligations of the Company and/or the Employer. In this regard, the Participant authorizes the Company and/or the Employer, or his or her respective agents, at the Company's discretion, to satisfy any applicable withholding obligations with regard to all Tax-Related Items by one or a combination of the following: (i) withholding from the Participant's wages or other cash compensation paid by the Company and/or the Employer; (ii) withholding

from proceeds of the sale of the Shares acquired upon settlement of the Restricted Stock Units either through a voluntary sale or through a mandatory sale arranged by the Company (on the Participant's behalf pursuant to this authorization); and/or (iii) withholding in whole Shares to be issued upon settlement of the Restricted Stock Units, provided that the Company only withholds the amount of whole Shares necessary to satisfy the withholding requirements, not to exceed the maximum withholding tax rate in the Participants applicable jurisdiction. If the Company satisfies the withholding obligation for the Tax-Related Item by withholding a number of Shares as described herein, the Participant will be deemed to have been issued the full number of Shares due to Participant at vesting, notwithstanding that a number of the Shares is held back solely for purposes of such Tax-Related Items.

Finally, the Participant further agrees to pay to the Company or the Employer any amount of Tax-Related Items that the Company or the Employer may be required to withhold or account for as a result of his or her participation in the Plan that cannot be satisfied by the means previously described. The Company may refuse to issue or deliver the Shares or the proceeds of the sale of Shares, if the Participant fails to comply with his or her obligations in connection with the Tax-Related Items.

7. Nonassignability. This award may not be assigned, pledged, or transferred, except, if the Participant dies, to a designated beneficiary or by will or by the laws of descent and distribution. The foregoing restrictions do not apply to transfers under a court order, including, but not limited to, any domestic relations order.

8. Effect Upon Employment. The Participant's right to continue to serve the Company or any of its subsidiaries as an officer, employee, or otherwise, is not enlarged or otherwise affected by an award under this Agreement. Nothing in this Agreement or the Plan gives the Participant any right to continue in the employ of the Company or any of its subsidiaries to interfere in any way with any right the Company or any of its subsidiaries may have to terminate his or her employment at any time. Payment of Shares is not secured by a trust, insurance contract or other funding medium, and the Participant does not have any interest in any fund or specific asset of the Company by reason of this award or the account established on his or her behalf. A Restricted Stock Unit award confers no rights as a shareholder of the Company until Shares are actually delivered to the Participant.

9. Electronic Notice, Delivery and Acceptance. The Company may, in its sole discretion, decide to deliver any documents related to Restricted Stock Units awarded under the Plan or future Restricted Stock Units that

may be awarded under the Plan by email or other electronic means. The Participant hereby consents to receive such documents by email or other electronic delivery and agrees to access information concerning the Plan through an on-line or electronic system established and maintained by the Company or by another third party designated by the Company.

10. Data Privacy.

As a condition of this Restricted Stock Unit grant, the Participant hereby expressly consents to the collection, use, disclosure, transfer and other processing of his or her personal data as set out in this Section 10 and as otherwise required by applicable law.

The Company, any of its subsidiaries, affiliates, or agents, the Employer, and the Company's stock plan service provider will process personal data of the Participant for the purposes of implementing, managing and administering the Participant's grant of Restricted Stock Units and the Plan. Such personal data, in electronic or other form, may include the Participant's name, home address, telephone number, email address, date of birth,

social insurance number or other national identification number, beneficiary information (including beneficiary name, address social insurance number or other national identification number, and date of birth), hire date, salary and deductions, banking details, tax certification information, any shares or directorships held in the Company, details of all equity grants or any other entitlement to Shares awarded, canceled, vested, unvested, or outstanding in the Participant' s favor.

For the purposes set out above, personal data may be transferred to countries other than the country in which the Participant resides, including to the United States and Australia. As required by applicable law, when personal data is transferred to a country outside of the country in which the Participant resides, measures will be put in place to ensure that the personal data is protected as required by law. These measures may include European Union Standard Contractual Clauses.

The Participant' s personal data will be retained for as long as necessary to implement, manage and administer the Participant' s grant of Restricted Stock Units and participation in the Plan. The Participants may request to access, modify or delete his or her personal data, request additional information about the processing of his or her personal data, or refuse or withdraw consent to the processing of his or her personal data by contacting the local human resources representative in writing. Refusal or withdrawal of consent may affect the Participant' s ability to participate in the Plan but will not affect the Participant' s employment status or service and career with the Company.

11. Discretionary Nature and Acceptance of Award. The Participant agrees to be bound by the terms of this Agreement and acknowledges, understands and agrees that:

a. The Plan is established voluntarily by the Company, it is discretionary in nature, and it may be modified, amended, suspended or terminated by the Company at any time, unless otherwise provided in the Plan and this Agreement;

b. The award is exceptional, voluntary and occasional, and does not create any contractual or other right to receive future awards, or benefits in lieu of Restricted Stock Units, even if Restricted Stock Units have been awarded in the past;

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c. All decisions with respect to future Restricted Stock Units or other awards, if any, will be at the sole discretion of the Company;

d. The Participant' s participation in the Plan is voluntary;

e. The Restricted Stock Units and any Shares acquired under the Plan, and the income and value of the same, are not intended to replace any pension rights or compensation;

f. The Participant' s participation in the Plan shall not create a right to further employment with the Employer and shall not interfere with the ability of the Company or the Employer to terminate the Participant' s employment at any time;

g. This award will be deemed accepted unless it is declined by way of written notice by the Participant within thirty (30) days of the Grant Date to the Equity Based Compensation Department of the Company located at 767 Fifth Avenue, New York, NY 10153;

h. The Restricted Stock Units are an extraordinary item that does not constitute compensation of any kind for services of any kind rendered to the Company or any of its subsidiaries, and which is outside the scope of the Participant's employment or service contract, if any;

i. The Restricted Stock Units and any Shares acquired under the Plan, and the income and value of the same, are not part of the Participant's normal or expected compensation or salary for any purposes, including, but not limited to, calculating any severance, resignation, termination, redundancy, dismissal end of service payments, bonuses, holiday pay, long-service awards, pension or retirement or welfare benefits or similar payments and in no event should be considered as compensation for, or relating in any way to, past services for the Employer, the Company or any of its subsidiaries;

j. In the event the Participant is not an employee of the Company, the Restricted Stock Units and the Participant's participation in the Plan will not be interpreted to form an employment or service contract or relationship with the Company or any subsidiary of the Company;

k. The future value of the underlying Shares is unknown, indeterminable and cannot be predicted with certainty;

l. In consideration of the award, no claim or entitlement to compensation or damages shall arise from forfeiture of the Restricted Stock Units or diminution in value of the Restricted Stock Units, or Shares acquired upon vesting of the Restricted Stock Units, resulting from termination of the Participant's employment (for any reason whatsoever and whether or not later found to be invalid or in breach of employment laws in the jurisdiction where the Participant is employed, or the terms of the Participant's employment), and in consideration of the award, the Participant irrevocably releases the Employer, the Company and any of its subsidiaries from any such claim that may arise; if, notwithstanding the foregoing, any such claim is found by a court of competent jurisdiction to have arisen, then, by acknowledging and agreeing to or signing the Notice of Grant, the Participant shall be deemed irrevocably to have waived his or her right to pursue or seek remedy for any such claim or entitlement against the Employer, the Company or subsidiary;

m. For purposes of the Restricted Stock Units, the Participant's employment or service relationship will be considered terminated as of the date the Participant is no longer actively providing services to the Employer, the

Company or any of its subsidiaries as determined by the Administrator in its sole discretion (regardless of the reason for such termination and whether or not later found to be invalid or in breach of employment laws in the jurisdiction where the Participant is employed or the terms of the Participant's employment agreement, if any);

n. The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding the Participant's participation in the Plan or the Participant's acquisition or sale of the underlying Shares; and

o. The Participant is hereby advised to consult with Participant's own personal tax, legal and financial advisors regarding the Participant's participation in the Plan before taking any action related to the Plan

12. Failure to Enforce Not a Waiver. The Company's failure to enforce at any time any provision of this Agreement does not constitute a waiver of that provision or of any other provision of this Agreement.

13. Governing Law. This Agreement is governed by and is to be construed according to the laws of the State of New York that apply to agreements made and performed in that state, without regard to its choice of law provisions. For purposes of litigating any dispute that arises under the Restricted Stock Units or this Agreement, the parties hereby submit to and consent to the jurisdiction of the State of New York, and agree that such litigation will be conducted in the courts of New York County, New York, or the federal courts for the United States for the Southern District of New York, and no other courts, where the Restricted Stock Units are made and/or to be performed.

14. Partial Invalidity. The invalidity or illegality of any provision of this Agreement will be deemed not to affect the validity of any other provision. Furthermore, it is the parties' intent that any order striking any portion of this Agreement and/or the Plan should modify the stricken terms as narrowly as possible to give as much effect as possible to the intentions of the parties hereunder.

15. Entire Agreement. This Agreement and the Plan constitute the entire agreement between the Participant and the Company regarding the award and supersede all prior and contemporaneous agreements and understandings, oral or written, between the parties regarding the award. Except as expressly set forth herein, this Agreement (and any provision of this Agreement) may not be modified, changed, clarified, or interpreted by the parties, except in a writing specifying the modification, change, clarification or interpretation, and signed by a duly authorized Company officer.

16. Section 409A Compliance. This Agreement is intended to comply with Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), and any regulations, rulings, or guidance provided thereunder. Each payment under this Agreement shall be treated as a separate payment for purposes of Section 409A of the Code. In no event may the Participant, directly or indirectly, designate the calendar year of any payment to be made under this Agreement. The Company reserves the unilateral right to amend this Agreement upon written notice to the Participant to prevent taxation under Section 409A of the Code.

17. Recoupment. Notwithstanding any other provision of this Agreement to the contrary, the Participant acknowledges and agrees that the Restricted Stock Units, any Shares acquired pursuant thereto and/or any amount received with respect to any sale of such Shares are subject to potential cancellation, recoupment, rescission, payback or other action in accordance with the terms of the Company's recoupment policy as in effect on the Grant Date and as such policy may be amended from time to time in order to comply with changes in laws, rules or regulations that are applicable to the Restricted Stock Units and Shares. The Participant agrees

and consents to the Company's application, implementation and enforcement of (a) the recoupment policy, and (b) any provision of applicable law relating to cancellation, recoupment, rescission or payback of compensation and expressly agrees that the Company may take such actions as are necessary to effectuate the recoupment policy (as applicable to the Participant) or applicable law without further consent or action being required by the Participant. For purposes of the foregoing, the Participant expressly and explicitly authorizes the Company to issue instructions, on his or her behalf, to any brokerage firm and/or third party administrator engaged by the Company to hold his or her Shares and other amounts acquired under the Plan to re-convey, transfer or otherwise return such Shares and/or other amounts to the Company upon the enforcement of the provision contained in this Section 17. To the extent that the terms of this Agreement and the recoupment policy conflict, the terms of the recoupment policy shall prevail.

18. Insider Trading/Market Abuse Laws. By the participating in the Plan, the Participant agrees to comply with the Company's Insider Trading Policy. Further, the Participant acknowledges that the Participant's country of employment (and country of residence, if different) may also have laws or regulations governing insider trading and that such laws or regulations may impose additional restrictions on the Participant's ability to participate in the Plan (e.g., acquiring or selling Shares) and that the Participant is solely responsible for complying with such laws or regulations.

19. Private Placement. The grant of the Restricted Stock Units is not intended to be a public offering of securities in the Participant's country of employment (and country of residence, if different). The Company has not submitted any registration statement, prospectus or other filings with the local securities authorities (unless otherwise required under law), and this grant of Restricted Stock Units is not subject to the supervision of the local authorities.

20. Exchange Control, Tax and/or Foreign Asset/Account Reporting. The Participant acknowledges that there may be exchange control, tax, foreign asset and/or account reporting requirements that may affect the Participant's ability to acquire or hold Shares acquired under the Plan or cash received from participating in the Plan (including from any Dividend Equivalents Rights paid with respect to the Restricted Stock Units or dividends paid on Shares acquired under the Plan) in a brokerage/bank account or legal entity outside the Participant's country of employment (and country of residence, if different). The Participant may be required to report such accounts, assets, the balances therein, the value thereof and/or the transactions related thereto to the tax or other authorities in the Participant's country of employment (and country of residence, if different). The Participant also may be required to repatriate sale proceeds or other funds received as a result of the Participant's participation in the Plan to the Participant's country of employment (and country of residence, if different) through a designated bank or broker within a certain time after receipt. The Participant acknowledges that it is the Participant's responsibility to be compliant with such regulations, and the Participant should consult his or her personal legal advisor for any details.

21. Language. If the Participant has received this Agreement or any other document related to the Plan translated into a language other than English and if the translated version is different than the English version, the English version will control, unless otherwise prescribed by local law.

22. Imposition of Other Requirements. The Company reserves the right to impose other requirements on the Participant's participation in the Plan, on the Restricted Stock Units and on any Shares acquired under the Plan, to the extent the Company determines it is necessary or advisable for legal or administrative reasons, and to require the Participant to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

23. Addendum. The award shall be subject to any terms and conditions for the Participant's country of employment (and country of residence, if different) set forth an addendum attached hereto ("Addendum"). Moreover, if the Participant transfers residence and/or employment to another country reflected in an Addendum to this Agreement, the terms and conditions for such country will apply to the Participant to the extent the Company determines that the application of such terms and conditions is necessary or advisable in order to comply with local law, rules and regulations or to facilitate the operation and administration of the Restricted Stock Unit and the Plan (or the Company may establish alternative terms and conditions as may be necessary or advisable to accommodate the Participant's transfer). Any applicable Addendum constitutes part of this Agreement.

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed by its duly authorized officer as of the Grant Date set forth in the Notice of Grant

The Estée Lauder Companies Inc.

By: /s/ Michael O' Hare
Michael O' Hare
Executive Vice President,
Global Human Resources

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ADDENDUM COUNTRY-SPECIFIC PROVISIONS FOR NON-U.S. PARTICIPANTS

In addition to the terms and conditions set forth in the Agreement, the Restricted Stock Units awarded are subject to the following terms and conditions. If the Participant is employed in a country identified in this Addendum, the additional terms and conditions for such country will apply. If the Participant transfers to one of the countries identified in this Addendum, the special terms and conditions for such country will apply to the Participant, to the extent the Company determines, in its sole discretion, that the application of such terms and conditions is necessary or advisable to comply with local laws, rules and/or regulations or to facilitate the operation and administration of the Restricted Stock Units awarded and the Plan (or the Company may establish alternative terms and conditions as may be necessary or advisable to accommodate the Participant' s transfer).

All defined terms contained in this Addendum shall have the same meaning as set forth in the Plan and the Agreement.

ARGENTINA

Securities Law Notification. Neither the Restricted Stock Units nor the underlying Shares are publicly offered or listed on any stock exchange in Argentina. The Company' s grant of Restricted Stock Units is private and is not subject to the supervision of any Argentine governmental authority.

AUSTRALIA

Breach of Law. Notwithstanding anything to the contrary in the Agreement or the Plan, the Participant will not be entitled to, and shall not claim any benefit (including without limitation a legal right) under the Plan if the provision of such benefit would give rise to a breach of Part 2D.2 of the Corporations Act 2001 (Cth), any other provision of that Act, or any other applicable statute, rule or regulation which limits or restricts the giving of such benefits.

Tax Deferral. Restricted Stock Units awarded under the Agreement are intended to be subject to tax deferral under Subdivision 83A-C of the Income Tax Assessment Act 1997 (Cth) (subject to the conditions in that act).

Australian Offer Document. In addition to the Agreement and the Plan, the Participant must review the Australian Offer Document for additional important information pertaining to the Restricted Stock Units. By

accepting the Restricted Stock Units, the Participant acknowledges and confirms that the Participant has reviewed these documents.

BRAZIL

Compliance with Law. By accepting the Restricted Stock Units, the Participant acknowledges and agrees to comply with applicable Brazilian laws to pay any and all applicable taxes associated with the vesting of the Restricted Stock Units, the receipt of any dividends or dividend equivalents, and the sale of Shares acquired under the Plan.

Labor Law Acknowledgment. The Participant expressly acknowledges and agrees, for all legal purposes, (a) the benefits provided under the Agreement and the Plan are the result of commercial transactions unrelated to the Participant's employment; (b) the Agreement and the Plan are not a part of the terms and conditions of the Participant's employment; and (c) the income from the Restricted Stock Units, if any, is not part of the Participant's remuneration from employment.

CANADA

Settlement in Shares Only. Notwithstanding anything to the contrary in the Agreement or the Plan, if the Participant is a resident of Canada, all Restricted Stock Units shall be settled only in Shares (and may not be settled in cash). English Language. The parties to the Agreement acknowledge that it is their express wish that the Agreement, as well as all documents, notices and legal proceedings entered into, given or instituted pursuant hereto or relating directly or indirectly hereto, be drawn up in English. *Les parties reconnaissent avoir exigé la rédaction en anglais de la présente convention, ainsi que de tous documents exécutés, avis donnés et procédures judiciaires intentées, directement ou indirectement, relativement à ou suite à la présente convention.*

CHILE

Private Placement. The following provision shall supplement Section 19 (Private Placement) of the Agreement:

The grant of the Restricted Stock Units hereunder is not intended to be a public offering of securities in Chile but instead is intended to be a private placement.

- a) The starting date of the offer is the Grant Date (as defined in the Agreement), a) and this offer conforms to General Ruling no. 336 of the Chilean Superintendence of Securities and Insurance;
- b) The offer deals with securities not registered in the registry of securities or in the registry of foreign securities of the Chilean Superintendence of Securities and Insurance, and therefore such securities are not subject to its oversight;

- c) The Company is not obligated to provide public information in Chile regarding the foreign securities, as such securities are not registered with the Chilean Superintendence of Securities and Insurance; and
- d) The foreign securities shall not be subject to public offering as long as they are not registered with the corresponding registry of securities in Chile.

- a) *La fecha de inicio de la oferta será el de la fecha de otorgamiento (o “Grant Date”, según este término se define en el documento denominado “Agreement”) y esta oferta se acoge a la norma de Carácter General n° 336 de la Superintendencia de Valores y Seguros Chilena;*
- b) *La oferta versa sobre valores no inscritos en el registro de valores o en el registro de valores extranjeros que lleva la Superintendencia de Valores y Seguros Chilena, por lo que tales valores no están sujetos a la fiscalización de ésta;*
- c) *Por tratar de valores no inscritos no existe la obligación por parte del emisor de entregar en Chile información pública respecto de esos valores; y*
- d) *Esos valores no podrán ser objeto de oferta pública mientras no sean inscritos en el registro de valores correspondiente.*

CHINA

Foreign Exchange Control Laws. The following provisions shall govern the Participant’ s participation in the Plan if the Participant is a national of the People’ s Republic of China (“China”) resident in mainland China, or if determined to be necessary or appropriate by the Company in its sole discretion:

The Participant agrees to hold the Shares received upon settlement of the Restricted Stock Units with the Company’ s designated broker. Upon a termination of employment or service for any reason, the Participant shall be required to sell all Shares issued pursuant to the Restricted Stock Units as soon as administratively possible (or such period as may be required by the State Administration of Foreign Exchange or the Company) of the termination date and repatriate the sales proceeds to China in the manner designated by the Company. For purposes of the foregoing, the Company shall establish procedures for effectuating the forced sale of the Shares (including procedures whereby the Company may issue sell instructions on behalf of the Participant), and the Participant hereby agrees to comply with such procedures and take any and all actions as the Company determines, in its sole discretion, are necessary or advisable for purposes of complying with local laws, rules and regulations in China.

The Participant understands and agrees that the repatriation of dividends and sales proceeds may need to be effected through a special exchange control account established by the Company or its subsidiaries, and the Participant hereby consents and agrees that dividends issued on Shares and sales proceeds from the sale of Shares acquired under the Plan may be transferred to such account by the Company on the Participant’ s behalf prior to being delivered to the Participant. Dividends and/or sales proceeds may be paid to the Participant in U.S. dollars or local currency at the Company’ s discretion. If dividends and/or sales proceeds are paid to the Participant in U.S. dollars, the Participant understands that the Participant will be required to set up a U.S. dollar bank account in China so that the dividends or proceeds may be deposited into this account. If dividends and/or sales proceeds are paid to the Participant in local currency, the Participant acknowledges that the Company is under no

obligation to secure any particular exchange conversion rate and that the Company may face delays in converting the dividends and/or proceeds to local currency due to exchange control restrictions. The Participant agrees to bear any currency fluctuation risk between the time dividends are issued or Shares are sold and the net proceeds are converted into local currency and distributed to the Participant. The Participant further agrees to comply with any other requirements that may be imposed by the Company or its subsidiaries in China in the future in order to facilitate compliance with exchange control requirements in China. The

Participant acknowledges and agrees that the processes and requirements set forth herein shall continue to apply following the Participant's termination of employment.

Neither the Company nor any of its subsidiaries shall be liable for any costs, fees, lost interest or dividends or other losses the Participant may incur or suffer resulting from the enforcement of the terms of this Addendum or otherwise from the Company's operation and enforcement of the Plan, the Agreement and the Restricted Stock Units in accordance with Chinese law including, without limitation, any applicable State Administration of Foreign Exchange rules, regulations and requirements.

COLOMBIA

Labor Law Acknowledgement. The Participant acknowledges that, pursuant to Article 128 of the Colombian Labor Code, the Plan and related benefits do not constitute a component of his or her "salary" for any legal purpose.

DENMARK

Stock Option Act. Notwithstanding any provisions in the Agreement to the contrary, if the Participant is determined to be an "Employee," as defined in section 2 of the Danish Act on the Use of Rights to Purchase or Subscribe for Shares etc. in Employment Relationships (the "Stock Option Act"), the treatment of the Restricted Stock Units upon Termination shall be governed by Sections 4 and 5 of the Stock Option Act. However, if the provisions in the Agreement or the Plan governing the treatment of the Restricted Stock Unit upon a Termination are more favorable, the provisions of the Agreement or the Plan will govern.

FRANCE

English Language. The Participant acknowledges and agrees that it is the Participant's wish that the Agreement, this addendum, as well as all other documents, notices and legal proceedings entered into, given or instituted pursuant to the Restricted Stock Units, either directly or indirectly, be drawn up in English.

Langue anglaise. Le bénéficiaire admet et convient que c'est l'intention exprès du bénéficiaire que l'Accord, le Plan et tous les autres documents, remarque et les poursuites judiciaires entrées, données ou instituées conformément au Restricted Stock Units, être établi dans l'anglais. Si le bénéficiaire a reçu l'Accord, le Plan ou autres documents rattachés au Restricted Stock Units traduit dans une langue autre que l'anglais et si le sens de la version traduite est différent que la version anglaise, la version anglaise contrôlera

HONG KONG

IMPORTANT NOTICE. WARNING: The contents of the Agreement, this Addendum, the Plan, and all other materials pertaining to the Restricted Stock Units and/or the Plan have not been reviewed by any regulatory authority in Hong Kong. The Participant is hereby advised to exercise caution in relation to the offer thereunder. If the Participant has any doubts about any of the contents of the aforesaid materials, the Participant should obtain independent professional advice.

Settlement is Shares Only. Notwithstanding anything to the contrary in the Agreement or the Plan, if the Participant is a resident of Hong Kong, all Restricted Stock Units shall be settled only in Shares (and may not be settled in cash).

Nature of the Plan. The Company specifically intends that the Plan will not be treated as an occupational retirement scheme for purposes of the Occupational Retirement Scheme Ordinance (“ORSO”). To the extent any court, tribunal or legal/regulatory body in Hong Kong determines that the Plan constitutes an occupational retirement scheme for the purpose of ORSO, the grant of Restricted Stock Units shall be null and void.

INDIA

Repatriation Requirements. The Participant understand that he or she must repatriate any cash dividends paid on Shares acquired under the Plan and any proceeds from the sale of such Shares to India within a certain period of time after receipt of the proceeds. It is the Participant’s sole responsibility to comply with applicable exchange control laws in India.

ISRAEL

Indemnification for Tax Liabilities. The Participant expressly consents and agrees to indemnify the Company and/or its subsidiaries and hold them harmless from any and all liability attributable to taxes, interest or penalties thereon, including without limitation, liabilities relating to the necessity to withhold any taxes from the settlement of the Restricted Stock Units or any other payments made to the Participant pursuant to the Restricted Stock Units.

ITALY

Data Privacy. The following provision shall replace Section 10 (Data Privacy) of the Agreement in its entirety:

The Participant understands that the Employer and/or the Company hold certain personal information about the Participant, including but not limited to, the Participant’s name, home address, email address and telephone number, date of birth, national insurance number or other identification number, salary, nationality, job title, any Shares or directorship held in the Company, details of all awards or other entitlement to Shares awarded, cancelled, vested, unvested or outstanding in the Participant’s favor (“Data”), for purpose of implementing, administering and managing the Plan. The Participant is aware that providing the Company with Data is necessary for the performance of the Agreement and that the Participant’s refusal to provide such Data would make it impossible for the Company to perform its contractual obligations and may affect the Participant’s ability to participate in the Plan.

The Controller of personal data processing is Estée Lauder Companies Inc., 767 Fifth Avenue, New York, New York 10153, U.S.A., its representative in Italy Estée Lauder S.r.l. with registered offices at Via Turati, 3, Milano,

20121 Italy. The Participant understands that Data may be transferred to third parties assisting in the implementation, administration and management of the Plan, including any transfer required to a broker or other third party with whom Shares acquired pursuant to this grant of Restricted Stock Units or cash from the sale of such Shares may be deposited. Furthermore, the recipients that may receive, possess, use, retain and transfer such Data for the above mentioned purposes may be located in the Participant's country, or elsewhere, including outside of the European Union and the recipient's country may have different data privacy laws and protections than the Participant's country. The processing activity, including the transfer of the Participant's personal data abroad, out of the European Union, as herein specified and pursuant to applicable laws and regulations, does not require the Participant's consent thereto as the processing is necessary for the performance of contractual obligations related to the implementation, administration and management of the Plan. The Participant understands that Data processing relating to the purposes above specified shall take

place under automated or non-automated conditions, anonymously when possible, that comply with the purposes for which Data are collected and with confidentiality and security provisions as set forth by applicable laws and regulations, with specific reference to D.lgs. 196/200

The Participant understands that Data will be held only as long as is required by law or as necessary to implement, administer and manage the Participant's participation in the Plan. The Participant understands that, pursuant to art 7 of D.lgs 196/2003, the Participant has the right, including but not limited to, to access, delete, update, request the rectification of the Data and cease, for legitimate reasons, Data processing. Furthermore, the Participant is aware that Data will not be used for direct marketing purposes. In addition, the Data provided can be reviewed and questions or complaints can be addressed by contacting a local representative available at the following address, Via Turati, 3, Milano, 20121 Italy.

MALAYSIA

Data Privacy. The following provision shall replace Section 10 (Data Privacy) of the Agreement in its entirety:

The Participant hereby explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of the Participant's personal data, as described in this addendum and any other grant materials by and among, as applicable, the Company and Subsidiaries for the exclusive purpose of implementing, administering and managing the Participant's participation in the Plan. The Participant understands that the Company and subsidiaries may hold certain personal information about the Participant, including, but not limited to, the Participant's name, home address and telephone number, date of birth, social insurance number or other identification number, e-mail address, salary, nationality, job title, any Shares or directorships held in the Company, details of all

Peserta dengan ini secara eksplisit dan tanpa sebarang keraguan mengizinkan pengumpulan, penggunaan dan pemindahan, dalam bentuk elektronik atau lain-lain, data peribadi seperti yang diterangkan dalam Lampiran ini dan apa-apa bahan pemberian yang lain oleh dan di antara, seperti yang berkenaan, Syarikat dan Anak-anak Syarikat untuk tujuan eksklusif bagi melaksanakan, mentadbir dan menguruskan penyertaan Peserta di dalam Pelan. Peserta memahami bahawa Syarikat Anak-anak Syarikat mungkin memegang maklumat peribadi tertentu tentang Peserta, termasuk, tetapi tidak terhad kepada, nama Peserta, alamat rumah dan nombor telefon, tarikh lahir, nombor insurans sosial atau nombor pengenalan lain, e-mel, gaji, kewarganegaraan, jawatan, apa-apa Saham atau

awards or any other entitlement to Shares awarded, canceled, exercised, vested, unvested or outstanding in the Participant's favor, for the exclusive purpose of implementing, administering and managing the Plan ("Data"). The Data is supplied by the Company and also by the Participant through information collected in connection with the Agreement and the Plan.

The Participant understands that Data will be transferred to the current stock plan service

jawatan pengarah yang dipegang dalam Syarikat, butir-butir semua Anugerah, atau apa-apa hak lain atas Saham yang dianugerahkan, dibatalkan, dilaksanakan, terletak hak, tidak diletak hak ataupun yang belum dijelaskan bagi faedahanda, untuk tujuan eksklusif bagi melaksanakan, mentadbir dan menguruskan Pelan tersebut ("Data"). Data tersebut dibekalkan oleh Syarikat dan juga oleh Peserta berkenaan dengan Perjanjian dan Pelan.

providers or a stock plan service provider as may be selected by the Company in the future, which is assisting the Company with the implementation, administration and management of the Plan. The Participant understands that the recipients of Data may be located in the United States or elsewhere, and that the recipients' country (e.g., the United States) may have different data privacy laws and protections than the Participant's country. The Participant understands that if the Participant resides outside the United States, the Participant may request a list with the names and addresses of any potential recipients of the Data by contacting the Participant's local human resources representative at Estée Lauder Malaysia Sdn. Bhd, Suite 18.01, Level 18, Centrepoint South, The Boulevard, Mid Valley City, Lingkaran Syed Putra, Kuala Lumpur 59200, Malaysia. The Participant authorizes the Company, the stock plan service provider and any other possible recipients which may assist the Company (presently or in the future) with implementing, administering and managing the Plan to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing the Participant's participation in the Plan, including any transfer of such Data as may be required to a broker, escrow agent or other third party with whom the Shares received upon vesting of the awards may be deposited. The Participant understands that Data will be held only as long as is necessary to implement, administer and manage the Participant's participation in the Plan. The

Peserta memahami bahawa Data ini akan dipindahkan kepada pembekal perkhidmatan pelan saham semasa atau pembekal perkhidmatan pelan saham yang mungkin dipilih oleh Syarikat pada masa depan, yang membantu Syarikat dengan pelaksanaan, pentadbiran dan pengurusan Pelan. Peserta memahami bahawa penerima-penerima Data mungkin berada di Amerika Syarikat atau mana-mana tempat lain, dan bahawa negara penerima-penerima (contohnya, Amerika Syarikat) mungkin mempunyai undang-undang privasi data dan perlindungan yang berbeza daripada negara Peserta. Peserta memahami bahawa sekiranya Peserta menetap di luar Amerika Syarikat, Peserta boleh meminta satu senarai yang mengandungi nama-nama dan alamat-alamat penerima-penerima Data yang berpotensi dengan menghubungi wakil sumber manusia tempatan Peserta di Estée Lauder Malaysia Sdn. Bhd, Suite 18.01, Level 18, Centrepoint South, The Boulevard, Mid Valley City, Lingkaran Syed Putra, Kuala Lumpur 59200, Malaysia. Peserta memberi kuasa kepada Syarikat, pembekal perkhidmatan pelan saham dan mana-mana penerima-penerima kemungkinan lain yang mungkin akan membantu Syarikat (pada masa sekarang atau pada masa depan) dengan melaksanakan, mentadbir dan menguruskan Pelan untuk menerima, memiliki, menggunakan, mengekalkan dan memindahkan Data, dalam bentuk elektronik atau lain-lain, bagi tujuan melaksanakan, mentadbir dan menguruskan penyertaan Peserta di dalam Pelan, termasuk segala pemindahan Data tersebut sebagaimana

Participant understands that if the Participant resides outside the United States, the Participant may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data, limit the processing of Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing the Participant's local

yang dikehendaki kepada broker, agen eskrow atau pihak ketiga dengan siapa Saham diterima semasa peletakhakan Anugerah mungkin didepositkan. Peserta memahami bahawa Data hanya akan disimpan selagi ia adalah diperlukan untuk melaksanakan, mentadbir, dan menguruskan penyertaan Peserta dalam Pelan. Peserta memahami bahawa sekiranya Peserta menetap di luar Amerika Syarikat, Peserta boleh, pada

human resources representative. Further, the Participant understands that the Participant is providing the consent herein on a purely voluntary basis. If the Participant does not consent, or if the Participant later seeks to revoke the Participant's consent, the Participant's employment status or service and career with the Company will not be adversely affected; the only adverse consequence of refusing or withdrawing the Participant's consent is that the Company may not be able to grant the Participant equity awards or administer or maintain such awards. Therefore, the Participant understands that refusing or withdrawing the Participant's consent may affect the Participant's ability to participate in the Plan. For more information on the consequences of the Participant's refusal to consent or withdrawal of consent, the Participant understands that the Participant may contact the Participant's local human resources representative. Please take note that by electronically accepting this Agreement, the Participant has confirmed that the Participant explicitly, voluntarily and unambiguously consents to the collection, use and transfer of the Participant's personal data in accordance with the terms in this notification. However, if for any reason the Participant does not consent to the processing of the Participant's personal data, the Participant has the right to reject such consent by contacting the Participant's local human resources representative at Estée Lauder Malaysia Sdn. Bhd, Suite 18.01, Level 18, Centrepoint South, The Boulevard, Mid Valley City, Lingkaran Syed Putra, Kuala Lumpur 59200, Malaysia.

bila-bila masa, melihat Data, meminta maklumat tambahan mengenai penyimpanan dan pemprosesan Data, meminta bahawa pindaan-pindaan dilaksanakan ke atas Data, mengehendakan pemprosesan Data atau menolak atau menarik balik persetujuan dalam ini, dalam mana-mana kes, tanpa kos, dengan menghubungi secara bertulis tempatan wakil sumber manusia Peserta. Selanjutnya, Peserta memahami bahawa Peserta memberikan persetujuan di sini secara sukarela semata-mata. Sekiranya Peserta tidak bersetuju, atau sekiranya Peserta kemudian membatalkan persetujuan, status Peserta pekerjaan atau perkhidmatan dan kerjaya dengan Syarikat tidak akan terjejas; satu-satunya akibat buruk sekiranya Peserta tidak bersetuju atau menarik balik Peserta persetujuan adalah bahawa Syarikat tidak akan dapat memberikan Peserta anugerah ekuiti lain atau mentadbir atau mengekalkan anugerah-anugerah tersebut. Oleh itu, Peserta memahami bahawa keengganan atau penarikan balik persetujuan boleh menjejaskan keupayaan Peserta untuk mengambil bahagian dalam Pelan. Untuk maklumat lebih lanjut mengenai akibat-akibat keengganan Peserta untuk memberikan keizinan atau penarikan balik keizinan, Peserta memahami bahawa Peserta boleh menghubungi wakil sumber manusia tempatan. Sila ambil perhatian bahawa dengan menerima Perjanjian ini secara elektronik, Peserta mengesahkan bahawa Peserta secara eksplisit, sukarela, dan tanpa sebarang keraguan bersetuju dengan pengumpulan, penggunaan, dan pemindahan data peribadi Peserta mengikut terma-

terma dalam notis ini. Walaubagaimanapun, jika atas apa-apa sebab-sebab tertentu Peserta tidak bersetuju dengan pemprosesan data peribadi, Peserta mempunyai hak untuk menolak persetujuan Peserta dengan menghubungi wakil sumber manusia tempatan di masukkan Estée Lauder Malaysia Sdn. Bhd, Suite 18.01, Level 18, Centrepoint South, The Boulevard, Mid Valley

City, Lingkaran Syed Putra, Kuala Lumpur 59200, Malaysia.

MEXICO

Commercial Relationship. The Participant expressly recognizes acknowledges that the Participant' s participation in the Plan and the Company' s grant of Restricted Stock Units do not constitute an employment relationship between the Participant and the Company. The Participant has been granted the Restricted Stock Units as a consequence of the commercial relationship between the Company and his or her Employer ECLA S.A. de C.V. or Lauder Cosmetics S.A. de C.V. (“Estée Lauder Mexico”), and Estée Lauder Mexico is the Participant' s sole Employer. Based on the foregoing, (a) the Participant expressly recognizes that the Plan and the benefits the Participant may derive from the Participant' s participation in the Plan do not establish any rights between the Participant and Estée Lauder Mexico, (b) the Plan and the benefits the Participant may derive from the Participant' s participation in the Plan are not part of the employment conditions and/or benefits provided by Estée Lauder Mexico, and (c) any modifications or amendments of the Plan by the Company, or a termination

of the Plan by the Company, shall not constitute a change or impairment of the terms and conditions of the Participant' s employment with Estée Lauder Mexico.

Extraordinary Item of Compensation. The Participant expressly recognizes and acknowledges that the Participant' s participation in the Plan is a result of the discretionary and unilateral decision of the Company, as well as the Participant' s free and voluntary decision to participate in the Plan in accordance with the terms and conditions of the Plan, the Agreement and this Addendum. As such, the Participant acknowledges and agrees that the Company, in its sole discretion, may amend and/or discontinue the Participant' s participation in the Plan at any time and without any liability. The value of the Restricted Stock Units is an extraordinary item of compensation outside the scope of the Participant' s employment contract, if any. The Restricted Stock Units are not part of the Participant' s regular or expected compensation for purposes of calculating any severance, resignation, redundancy, end of service payments, bonuses, long-service awards, pension or retirement benefits, or any similar payments, which are the exclusive obligations of the Company' s subsidiary in Mexico that employs the Participant.

NETHERLANDS

Waiver of Termination Rights. The Participant waives any and all rights to compensation or damages as a result of a termination of employment or service, insofar as those rights result or may result from: (a) the loss or diminution in value of such rights or entitlements under the Plan; or (b) the Participant ceasing to have rights, or ceasing to be entitled to any Restricted Stock Unit awards under the Plan as a result of such termination.

NEW ZEALAND

Securities Law Notice.

Warning

This is an offer of Restricted Stock Units which, upon vesting and settlement in accordance with the terms of the Plan and the Agreement, will be converted into Shares. Shares give the Participant a stake in the ownership of the Company. The Participant may receive a return on the Shares acquired under the Plan if dividends are paid.

If the Company runs into financial difficulties and is wound up, the Participant will be paid only after all creditors and holders of preference shares have been paid. The Participant may lose some or all of his or her investment, if any.

New Zealand law normally requires people who offer financial products to give information to investors before they invest. This information is designed to help investors to make an informed decision. The usual rules do not apply to this offer because it is made under an employee share purchase scheme. As a result, the Participant may not be given all the information usually required. The Participant also will have fewer other legal protections for this investment. On this basis, the Participant is advised to ask questions, read all documents carefully, and seek independent financial advice before committing.

The Shares are quoted on the New York Stock Exchange (“NYSE”). This means that if the Participant acquires Shares under the Plan, the Participant may be able to sell the Shares on the NYSE if there are interested buyers. The price will depend on the demand for the Shares.

For information on risk factors impacting the Company’s business that may affect the value of the Shares, the Participant should refer to the risk factors discussion on the Company’s Annual Report on Form 10-K and Quarterly Reports on Form 10-Q, which are filed with the U.S. Securities and Exchange Commission and are available online at www.sec.gov, as well as on the Company’s “Investor Relations” website at www.elcompanies.com/investors.

PANAMA

Securities Law Notice. The grant of the Restricted Stock Units and the issuance of Shares at vesting are not subject to registration under Panamanian law as they are not intended for the public, but solely for the Participant’s benefit.

PERU

Labor Law Acknowledgement. In accepting the Restricted Stock Units, the Participant acknowledges that the Restricted Stock Units are granted *ex gratia* for the purpose of rewarding the Participant as set forth in the Plan.

Securities Law Notice. The grant of the Restricted Stock Units is considered a private offering in Peru; therefore, neither the grant of Restricted Stock Units, nor the issuance of Shares at vesting of the Restricted Stock Units, is subject to securities registration in Peru. For more information concerning the offer, the Participant should refer to the Plan, this Agreement and any other grant documents made available to the Participant by the Company. For more information regarding the Company, the Participant should refer to the Company’s most recent annual report on Form 10-K and quarterly report on Form 10-Q available at www.sec.gov, as well as on the Company’s “Investor Relations” website at www.elcompanies.com/investors.

PORTUGAL

Language Consent. The Participant hereby expressly declares that he or she has full knowledge of the English language and has read, understood and freely accepted and agreed with the terms and conditions established in the Plan and this Agreement.

Conhecimento da Língua. Pela presente, o Participante declara expressamente que tem pleno conhecimento da língua inglesa e que leu, compreendeu e livremente aceitou e concordou com os termos e condições estabelecidas no Plano e no Acordo (Agreement em inglês).

ROMANIA

Termination. The following provision shall supplement Section 4 (Termination of Employment) of the Agreement:

Termination of employment shall include the situation where the Participant' s employment contract is terminated by operation of law on the date the Participant reaches the standard retirement age and has completed the minimum contribution record for receipt of state retirement pension or the relevant authorities award the Participant an early-retirement pension of any type.

English Language. The Participant hereby expressly agrees that this Agreement, the Plan as well as all documents, notices and proceedings entered into, relating directly or indirectly hereto, be drawn up or

communicated only in the English language. *Angajatul consimte în mod expres prin prezentul ca acest Contract, Planul precum și orice alte documente, notificări, înștiințări legate direct sau indirect de acest Contract să fie redactate sau efectuate doar în limba engleză.*

RUSSIA

Securities Law Notification. The Agreement, the Plan and all other materials that the Participant may receive regarding participation in the Plan do not constitute advertising or an offering of securities in Russia. Absent any requirement under local law, the issuance of securities pursuant to the Plan has not and will not be registered in Russia; hence, the securities described in any Plan-related documents may not be used for offering or public circulation in Russia.

Repatriation Requirements. The Participant expressly agrees to promptly repatriate proceeds resulting from the sale of Shares acquired under the Plan to a foreign currency account at an authorized bank in Russia if legally required at the time the Shares are sold and to comply with all applicable local foreign exchange rules and regulations. Neither the Company nor any of its subsidiaries shall be liable for any fines or penalties resulting from the Participant' s failure to comply with applicable law. Russian residents are advised to contact their personal advisor regarding their obligation resulting from their participation in the Plan as significant penalties may apply in the case of non-compliance with exchange control requirements and because such exchange control requirements may change.

Data Privacy. This provision shall supplement Section 10 (Data Privacy) of the Agreement:

The Participant hereby acknowledges that the Participant has read and understood the terms regarding collection, processing and transfer of Data contained in Section 10 (Data Privacy) of the Agreement and, by participating in the Plan, the Participant agrees to provide an executed data privacy consent to the Employer or the Company (or any other agreements or consent that may be required by the Employer or the Company) that the Company and/or the Employer may deem necessary to obtain under the data privacy laws in Russia, either now or in the future. The Participant understand that the Participant may not be able to participate in the Plan if the Participant fails to execute any such consent or agreement.

SINGAPORE

Qualifying Person Exemption. The grant of the Restricted Stock Units under the Plan is being made pursuant to the “Qualifying Person” exemption under section 273(1)(f) of the Securities and Futures Act (Chapter 289, 2006 Ed.) (the “SFA”). The Plan has not been and will not be lodged or registered as a prospectus with the Monetary Authority of Singapore and is not regulated by any financial supervisory authority pursuant to any legislation in Singapore. Accordingly, statutory liability under the SFA in relation to the content of prospectuses would not apply. The Participant should note that, as a result, the Restricted Stock Units are subject to section 257 of the SFA and the Participant will not be able to make: (a) any subsequent sale of the Shares underlying the Restricted Stock Units in Singapore; or (b) any offer of such subsequent sale of the Shares subject to the Restricted Stock Units in Singapore, unless such sale or offer is made pursuant to the exemptions under Part XIII Division 1 Subdivision (4) (other than section 280) of the SFA.

SOUTH AFRICA

Securities Law Notice. Neither the Restricted Stock Units nor the underlying Shares shall be publicly offered or listed on any stock exchange in South Africa. The offer is intended to be private pursuant to Section 96 of the Companies Act and is not subject to the supervision of any South African governmental authority.

Withholding Taxes. The following provision supplements Section 6 (Withholding Taxes) of the Agreement:

By accepting the Restricted Stock Units, the Participant agrees to notify his or her Employer of the amount of any gain realized upon vesting of the Restricted Stock Units. If the Participant fails to advise the Employer of the gain realized upon vesting of the Restricted Stock Units, the Participant may be liable for a fine. The Participant will be responsible for paying any difference between the actual tax liability and the amount withheld.

Exchange Control Obligations. The Participant is solely responsible for complying with applicable exchange control regulations and rulings (the “Exchange Control Regulations”) in South Africa. As the Exchange Control Regulations change frequently and without notice, the Participant should consult the Participant’s legal advisor prior to the acquisition or sale of Shares under the Plan to ensure compliance with current Exchange Control Regulations. Neither the Company nor any of its subsidiaries shall be liable for any fines or penalties resulting from the Participant’s failure to comply with applicable laws, rules or regulations.

SPAIN

Securities Law Notice. No “offer of securities to the public,” within the meaning of Spanish law, has taken place or will take place in the Spanish territory in connection with the Restricted Stock Unit. The Plan, the Agreement (including this Addendum) and any other documents evidencing the grant of the Restricted stock Units have not, nor will they be, registered with the *Comisión Nacional del Mercado de 25 Valores* (the Spanish securities regulator) and none of those documents constitute a public offering prospectus.

Acknowledgement of Discretionary Nature of the Plan; No Vested Rights. By accepting the Restricted Stock Units, the Participant consents to participation in the Plan and acknowledges receipt of a copy of the Plan.

The Participant understands that the Company has unilaterally, gratuitously and in its sole discretion granted Restricted Stock Units under the Plan to individuals who may be Participants of the Company or its subsidiaries throughout the world. The decision is a limited decision that is entered into upon the express assumption and condition that any grant will not economically or otherwise bind the Company or any of its subsidiaries on an

ongoing basis. Consequently, the Participant understands that the Restricted Stock Units are granted on the assumption and condition that the Restricted Stock Units and the Shares acquired upon settlement of the Restricted Stock Units shall not become a part of any employment contract (either with the Company or any of its subsidiaries) and shall not be considered a mandatory benefit, salary for any purposes (including severance compensation) or any other right whatsoever. In addition, the Participant understands that this grant would not be made to the Participant but for the assumptions and conditions referenced above; thus, the Participant acknowledges and freely accepts that should any or all of the assumptions be mistaken or should any of the conditions not be met for any reason the Restricted Stock Units shall be null and void.

The Participant understands and agrees that, as a condition of the Restricted Stock Units, unless otherwise provided in Section 4 (Termination of Employment) of the Agreement, any unvested Restricted Stock Units as of the date the Participant ceases active employment will be forfeited without entitlement to the underlying Shares or to any amount of indemnification in the event of termination of employment or service. The

Participant acknowledges that the Participant has read and specifically accepts the conditions referred to in the Agreement regarding the impact of a termination on the Restricted Stock Units.

Termination for Cause. Notwithstanding anything to the contrary in the Plan or the Agreement, “Cause” shall be as defined as set forth in the Agreement, regardless of whether the termination is considered a fair termination (i.e., “despido procedente”) under Spanish legislation.

SWITZERLAND

Securities Law Notification. The grant of the Restricted Stock Units and the issuance of any Shares is not intended to be a public offering in Switzerland. Neither this Addendum nor any other materials relating to the Restricted Stock Units constitute a prospectus as such term is understood pursuant to article 652a of the Swiss Code of Obligations. Neither this document nor any other offering or marketing materials relating to the Restricted Stock Units have been or will be filed with, or approved or supervised by, any Swiss regulatory authority (in particular, the Swiss Financial Market Supervisory Authority (FINMA)).

TURKEY

Securities Law Notification. The sale of Shares acquired under the Plan is not permitted within Turkey. The Shares are currently traded on the New York Stock Exchange (“NYSE”), which is located outside of Turkey, under the symbol “EL” and the Shares may be sold through the NYSE.

UNITED ARAB EMIRATES

Securities Law Notification. The Agreement, the Plan and other incidental communication materials concerning the Restricted Stock Units are intended for distribution only to Participants of the Company or its subsidiaries. The Dubai Technology and Media Free Zone Authority, Emirates Securities and Commodities Authority and/or the Central Bank has no responsibility for reviewing or verifying any documents in connection with the Restricted Stock Units. Neither the Ministry of Economy nor the Dubai Department of Economic Development have approved these communications nor taken steps to verify the information set out in them, and have no responsibility for them. Further, the Shares underlying the Restricted Stock Units may be illiquid and/or subject to restrictions on their resale. Participant should conduct his or her own due diligence on the Restricted Stock

Units and the Shares. If Participant is in any doubt about any of the contents of the grant or other incidental documents, he or she should obtain independent professional advice.

UNITED KINGDOM

Withholding Taxes. The following provision shall supplement Section 6 (Withholding Taxes) of the Agreement:

If payment or withholding of the income tax due in connection with the awarded Restricted Stock Units is not made within ninety (90) days after the end of the U.K. tax year in which the event giving rise to the income tax liability occurred or such other period specified in Section 222(1)(c) of the U.K. Income Tax (Earnings and Pensions) Act 2003 (the “Due Date”), the amount of any uncollected income tax shall constitute a loan owed by the Participant to his or her Employer, effective as of the Due Date. The Participant agrees that the loan will bear interest at the then-current official rate of Her Majesty’s Revenue & Customs (“HMRC”), it shall be immediately due and repayable, and the Company or the Employer may recover it at any time thereafter by any

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of the means referred to in Section 6 (Withholding Taxes) of the Agreement. Notwithstanding the foregoing, if the Participant is a director or executive officer of the Company (within the meaning of Section 13(k) of the U.S. Securities and Exchange Act of 1934, as amended), he or she shall not be eligible for a loan from the Company to cover the income tax liability. In the event that the Participant is a director or executive officer and the income tax is not collected from or paid by him or her by the Due Date, the amount of any uncollected income tax may constitute a benefit to the Participant on which additional income tax and national insurance contributions (“NICs”) will be payable. The Participant will be responsible for paying and reporting any income tax due on this additional benefit directly to HMRC under the self-assessment regime, and for reimbursing the Company or the Employer (as applicable) the value of any Participant NICs due on this additional benefit.

Exclusion of Claim. The Participant acknowledges and agrees that the Participant will have no entitlement to compensation or damages insofar as such entitlement arises or may arise from the Participant’s ceasing to have rights under or to be entitled to the Restricted Stock Units, whether or not as a result of termination of employment or service (whether the termination is in breach of contract or otherwise), or from the loss or diminution in value of the Restricted Stock Units. Upon the grant of the Restricted Stock Units, the Participant shall be deemed to have waived irrevocably any such entitlement.

VENEZUELA

Securities Law Notification. The Restricted Stock Units granted under the Plan and the Shares issued under the Plan are offered as a personal, private, exclusive transaction and are not subject to Venezuelan securities regulations. This offering does not qualify as a public offering under the laws of the Bolivarian Republic of Venezuela and, therefore, it is not required to request the previous authorization of the National Superintendent of Securities.

Investment Representation. As a condition of the Restricted Stock Units, the Participant acknowledges and agrees that any Shares the Participant may acquire upon the vesting of the Restricted Stock Units are acquired as and intended to be an investment rather than the resale of the Shares and conversion of Shares into foreign currency.

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**NOTICE OF GRANT
UNDER
THE ESTÉE LAUDER COMPANIES INC.
AMENDED AND RESTATED FISCAL 2002 SHARE INCENTIVE PLAN
(The “Plan”)**

This is to confirm that you were awarded a grant of Restricted Stock Units at the most recent meeting of the Stock Plan Subcommittee of the Compensation Committee of the Board of Directors representing the right upon vesting of such units to receive shares of Class A Common Stock of The Estée Lauder Companies Inc. (the “Shares”), subject to the terms of the Plan and the Restricted Stock Unit Agreement. This award was made in recognition of the significant contributions you have made as a key employee of the Company, and to motivate you to achieve future successes by aligning your interests more closely with those of our stockholders. This Restricted Stock Unit award is granted under and governed by the terms and conditions of the Plan and the Restricted Stock Unit Agreement (the “Agreement”) made part hereof. The Agreement and the Prospectus can be viewed via your online account. Please read these documents and keep them for future reference. The specific terms of your award are as follows:

Participant: **Name**

Employee Number: **#**

Number of Restricted Stock Units: **#**

Grant Date: **XXX**

Vesting Commencement Date: **XXX**

Grant Plan: The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan

Vesting Schedule: Subject to Participant’s continuous employment, this Restricted Stock Unit grant shall vest as to the number of Shares set forth below:

<u>Shares</u>	<u>Vesting Date</u>
#	XXX
#	XXX
#	XXX

Vesting Period: The Vesting Commencement Date through and including the applicable date set forth in the Vesting Schedule

Questions regarding the award can be directed to **XXX**.

If you wish to accept this grant, **please sign this Notice of Grant and return immediately to:**

Compensation Department
28 West 23rd Street, 8th Floor
New York, New York 10010

The undersigned hereby accepts, and agrees to, all terms and provisions of the Agreement, including those contained in this Notice of Grant.

By _____ Date _____

**Restricted Stock Unit Agreement
for Employees other than Executive Officers Under
The Estée Lauder Companies Inc.
Amended and Restated Fiscal 2002 Share Incentive Plan (the “Plan”)**

This **RESTRICTED STOCK UNIT AGREEMENT** (“Agreement”) provides for the granting by The Estée Lauder Companies Inc., a Delaware corporation (the “Company”), to the participant, an employee of the Company or one of its subsidiaries (the “Participant”), of Stock Units under the Plan representing a notional account equal to a corresponding number of shares of the Company’s Class A Common Stock, par value \$0.01 (the “Shares”), subject to the terms below (the “Restricted Stock Units”). The name of the “Participant,” the “Grant Date” (or “Award Date”), the “Number of Restricted Stock Units,” the “Vesting Schedule,” and the “Vesting Period” are stated in the “Notice of Grant” attached or posted electronically together with this Agreement and are incorporated by reference. The other terms of this award are stated in this Agreement and in the Plan. Terms not defined in this Agreement are defined in the Plan, as amended. The Plan is referred to as the “Grant Plan” in the electronic Notice of Grant.

1. Award Grant. The Company hereby awards to the Participant an award of Restricted Stock Units in respect of the number of Shares set forth in the Notice of Grant.

2. Vesting. The Restricted Stock Units granted to the Participant will vest and become payable in accordance with the Vesting Schedule set forth in the Notice of Grant. This schedule indicates the vesting date upon which the Participant will be entitled to receive Shares. Except as otherwise provided in this Agreement, any Restricted Stock Units that are unvested when the Participant terminates employment with the Company or any of its subsidiaries will be forfeited.

3. Payment of Awards.

- (a) Each Restricted Stock Unit represents the right to receive one (1) Share when the Restricted Stock Unit vests.
- (b) In addition, each Restricted Stock Unit carries a Dividend Equivalent Right, payable in Shares, the amount of which is based on the number of Shares that could be purchased with the dividend amount. The Dividend Equivalent Rights shall be payable at the same time as payment of Restricted Stock Units in accordance with this Section 3 and Section 4. Notwithstanding anything to the contrary herein, if, prior to the vesting in full of this Restricted Stock Unit award, the Participant becomes required to file reports under Section 16 of the U.S. Securities Exchange Act of 1934 in connection with Company securities, then any Dividend Equivalent Rights earned after such date shall accrue and be payable in cash at the same time as payment of Restricted Stock Units in Shares in accordance with this Section 3 and Section 4. Dividend Equivalent Rights are deemed part of the related Restricted Stock Units under this Agreement.

- (c) In the event of a Change in Control that constitutes a “change in control event” within the meaning of Section 409A of the Code, the Company may, in its sole discretion and in accordance with Treasury Regulation § 1.409A-3(j)(4)(ix)(B), vest and settle the Restricted Stock Units and terminate this Agreement. In such event, settlement of the Restricted Stock Units shall be made within two (2) weeks following the Change in Control. In the event that Restricted Stock Units are not settled pursuant to the immediately preceding sentence, such Restricted Stock Units shall be assumed by an acquirer in which case, vesting will be subject to Sections 2 and 4. If the Shares cease to be outstanding immediately after the Change in Control (e.g., due to a merger with and into another entity), then the consideration to be received per Share will equal the consideration paid to each shareholder per Share generally upon the Change in Control.
- (d) Any dividends or other distributions on Shares received after vesting of the Restricted Stock Units, after applicable withholding, that are held in an account for the Participant at the agent engaged by the Company for the purposes of holding the Shares for the Participant upon Vesting (the “Agent”), will be automatically reinvested by default, in accordance with the Agent’s applicable procedures, in additional whole and/or fractional Shares. If the Participant does not wish to have dividends or other distributions reinvested or if the Participant would like to change a current election, the Participant must notify the Agent prior to the record date for such dividend or distribution (or such earlier date as may be required by the Agent).

4. Termination of Employment. If the Participant’s employment terminates during the Vesting Period, all unvested Restricted Stock Units will be forfeited except as follows, subject to Section 3:

- (a) Death. If the Participant dies, unvested Restricted Stock Units will vest on the date of death pro rata based on the number of full months the Participant was paid salary during the Vesting Period after the last vesting date (i.e., the proration equals a fraction, the numerator of which is the number of full calendar months of service completed during the Vesting Period after the last vesting date through the Participant’s death and the denominator of which is the number of full calendar months after the last vesting date that are remaining in the Vesting Period). For this purpose, “last vesting date” is the Grant Date if the first vesting date has not yet occurred. Payment of the vested Restricted Stock Units will occur

on the seventy-fifth (75th) day following the Participant’s death and in accordance with any applicable laws or Company procedures regarding the payments. Notwithstanding anything to the contrary contained in this section 4(a), if the Participant dies during active employment after the attainment of age fifty-five (55) and the completion of ten (10) or more years of service, or after the attainment of age sixty-five (65) and the completion of five (5) or more years of service, without formally retiring under the terms of the Estée Lauder Inc. Retirement Growth Account Plan (or an affiliate or a successor plan or program of similar purpose), unvested Restricted Stock Units will continue to vest and be paid in accordance with the Vesting Schedule to the Participant’s beneficiaries.

- (b) Retirement. If the Participant formally retires under the terms of The Estée Lauder Companies Retirement Growth Account Plan (or an affiliate or a successor plan or program of similar purpose), the unvested Restricted Stock Units will continue to vest and be paid in accordance with the Vesting Schedule. Vesting and payment in respect of any unvested Restricted Stock Unit after retirement will be subject to satisfaction of the conditions precedent that the Participant neither (i) accepts an offer

to work for, or otherwise agrees to actively participate in or render services to any business on behalf of any competitor of the Company, any of its subsidiaries, or affiliates (whether as an employee, consultant or otherwise); nor (ii) conducts himself or herself in a manner adversely affecting the Company. The term “competitor” means any business that is engaged in, or is preparing to become engaged in, the makeup, skin care, hair care, toiletries or fragrance business or other business in which the Company is engaged or preparing to become engaged, or that otherwise competes with, or is preparing to compete with, the Company. Notwithstanding anything to the contrary contained in this section 4(b), if the Participant terminates employment by reason of retirement within six (6) months of the Grant Date, the Restricted Stock Units shall not vest and shall become null and void on the last day of active employment (last day worked).

- (c) Disability. If the Participant becomes totally and permanently disabled (as determined under the Company’s long-term disability program, or an affiliate or a successor plan or program of similar purpose), the unvested Restricted Stock Units will vest pro rata for each full month in which the Participant is paid salary during the Vesting Period (determined under the proration methodology in Section 4(a)) on the next vesting date during the Vesting Period. The vested Restricted Stock Units will be paid on the next vesting date during the Vesting Period. Notwithstanding anything to the contrary contained in this Section 4(c), if the Participant becomes totally and permanently disabled (as determined under the Company’s long-term disability program) during active employment after the attainment of age fifty-five (55) and the completion of ten (10) or more years of service, or after the attainment of age sixty-five (65) and the completion of five (5) or more years of service, without formally retiring under the terms of the Estée Lauder Inc. Retirement Growth Account Plan (or an affiliate or a successor plan or program of similar purpose), unvested Restricted Stock Units will continue to vest and be paid in accordance with the Vesting Schedule.
- (d) Termination of Employment Without Cause. If the Participant’s employment is terminated by the Company or relevant subsidiary without Cause (as defined below), any unvested Restricted Stock Units will vest pro rata for each full month in which the Participant is paid salary during the Vesting Period after the last vesting date (determined under the proration

methodology in Section 4(a)) on the next vesting date during the Vesting Period. Such prorated Restricted Stock Units will be paid in accordance with the Vesting Schedule and payment will be subject to satisfaction of the conditions precedent that the Participant neither (i) accepts an offer to work for, or otherwise agrees to actively participate in or render services to any business on behalf of any competitor of the Company, any of its subsidiaries, or affiliates (whether as an employee, consultant or otherwise); nor (ii) conducts himself or herself in a manner adversely affecting the Company. The term “competitor” means any business that is engaged in, or is preparing to become engaged in, the makeup, skin care, hair care, toiletries or fragrance business or other business in which the Company is engaged or preparing to become engaged, or that otherwise competes with, or is preparing to compete with, the Company. Notwithstanding anything to the contrary contained in this Section 4(d), if the Participant’s employment is terminated without Cause within six (6) months of the Grant Date, the Restricted Stock Units shall not vest and shall become null and void on the last day of active employment (last day worked).

- (e) Resignation. If the Participant voluntarily terminates his or her employment (e.g., by voluntarily resigning) other than due to retirement or disability, which are subject to Sections 4(b) and 4(c) above,

respectively, all Restricted Stock Units that are not vested as of the effective date of resignation will be forfeited.

- (f) Termination of Employment with Cause. If the Participant is terminated for Cause, all Restricted Stock Units that are not vested as of the effective date of the termination will be forfeited. For this purpose, “Cause” means any breach by the Participant of any of his or her material obligations under any Company policy or procedure, including, without limitation, the Code of Conduct. Notwithstanding the foregoing, in the case of a Participant who has an employment agreement that includes a definition of “Cause,” “Cause” for purposes of this Section 4(f) shall have the same meaning as defined in such employment agreement in effect between the Participant and the Company or its U.S. subsidiary, including an employment agreement entered into after the Grant Date.
- (g) Termination after a Change in Control. If, on or after a Change in Control, the Participant terminates for Good Reason (as defined below), dies, becomes disabled, formally retires, or is terminated at the instance of the Company or relevant subsidiary without Cause, in each case as described in this Section 4, the unvested Restricted Stock Units will immediately vest in full and, solely if such Change in Control constitutes a “change in control event” within the meaning of Section 409A of the Code and such termination occurs within two (2) years of such “change in control event,” will be immediately paid. Otherwise, such Restricted Stock Units will immediately vest, but will only be paid at such times as they would otherwise be paid in accordance with this Agreement. For this purpose, “Good Reason” means the occurrence of any of the following, without the express written consent of the Participant:
- (i) the assignment to the Participant of any duties inconsistent in any material adverse respect with the Participant’s position, authority or responsibilities immediately prior to the Change in Control, or any other material adverse change in such position, including title, authority or responsibilities;
 - (ii) any failure by the Company to pay any amounts for compensation or benefits owed to the Participant or a material reduction of the overall amounts of compensation and benefits in effect prior to the Change in Control, other than an insubstantial or inadvertent failure remedied by the Company promptly after receipt of notice thereof given by the Participant;
 - (iii) the Company’s requiring the Participant to be based at any office or location more than fifty (50) miles (eighty (80) Kilometers) from that location at which he performed his or her services for the Company immediately prior to the Change in Control, except for travel reasonably required in the performance of the Participant’s responsibilities; or
 - (iv) any failure by the Company to obtain the assumption and agreement to perform this Agreement by a successor, unless such assumption occurs by operation of law.

5. No Rights of Stock Ownership. This grant of Restricted Stock Units does not entitle the Participant to any interest in or to any voting or other rights normally attributable to Share ownership.

6. Withholding Taxes. Regardless of any action the Company or the Participant’s employer (the “Employer”) takes with respect to any or all income tax, social security (or social insurance), payroll tax, fringe benefits tax,

payment on account or other tax-related items related to the participation in the Plan and this Agreement and legally applicable to the Participant (“Tax-Related Items”), the Participant acknowledges that the ultimate liability for all Tax-Related Items legally due by the Participant is and remains his or her responsibility and may exceed the amount actually withheld by the Company or the Employer. Furthermore, the Participant acknowledges that the Company and/or the Employer (i) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Restricted Stock Units, including, but not limited to, the grant, vesting or settlement of the Restricted Stock Units, the subsequent sale of Shares acquired under the Plan and the receipt of any dividends and/or any Dividend Equivalent Rights, and (ii) do not commit to and are under no obligation to structure the terms of the grant of the Restricted Stock Units or any aspect of the Participant’s participation in the Plan to reduce or eliminate his or her liability for Tax-Related Items or achieve any particular tax result. If the Participant is or becomes subject to Tax-Related Items in more than one jurisdiction, the Participant acknowledges that the Company and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

Prior to any relevant taxable event, or tax withholding event, as applicable, the Participant agrees to pay or make adequate arrangements satisfactory to the Company and/or the Employer to satisfy all withholding obligations of the Company and/or the Employer. In this regard, the Participant authorizes the Company and/or the Employer, or his or her respective agents, at the Company’s discretion, to satisfy any applicable withholding obligations with regard to all Tax-Related Items by one or a combination of the following: (i) withholding from the Participant’s wages or other cash compensation paid by the Company and/or the Employer; (ii) withholding from proceeds of the sale of the Shares acquired upon settlement of the Restricted Stock Units either through a voluntary sale or through a mandatory sale arranged by the Company (on the Participant’s behalf pursuant to this authorization); and/or (iii) withholding in whole Shares to be issued upon settlement of the Restricted Stock Units, provided that the Company only withholds the amount of whole Shares necessary to satisfy the statutory withholding requirements, not to exceed the maximum withholding tax rate in the Participant’s

applicable jurisdiction. If the Company satisfies the withholding obligation for the Tax-Related Item by withholding a number of Shares as described herein, the Participant will be deemed to have been issued the full number of Shares due to Participant at vesting, notwithstanding that a number of Shares is held back solely for purpose of paying the Tax-Related Items.

Finally, the Participant further agrees to pay to the Company or the Employer any amount of Tax-Related Items that the Company or the Employer may be required to withhold or account for as a result of his or her participation in the Plan that cannot be satisfied by the means previously described. The Company may refuse to issue or deliver the Shares or the proceeds of the sale of Shares, if the Participant fails to comply with his or her obligations in connection with the Tax-Related Items.

7. Nonassignability. This award may not be assigned, pledged, or transferred, except, if the Participant dies, to a designated beneficiary or by will or by the laws of descent and distribution. The foregoing restrictions do not apply to transfers under a court order, including, but not limited to, any domestic relations order.

8. Effect Upon Employment. The Participant’s right to continue to serve the Company or any of its subsidiaries as an officer, employee, or otherwise, is not enlarged or otherwise affected by an award hereunder. Nothing in this Agreement or the Plan gives the Participant any right to continue in the employ of the Company or any of its subsidiaries to interfere in any way with any right the Company or any of its subsidiaries may have to terminate his or her employment at any time. Payment of Shares is not secured by a trust, insurance contract or other funding

medium, and the Participant does not have any interest in any fund or specific asset of the Company by reason of this award or the account established on his or her behalf. A Restricted Stock Unit award confers no rights as a shareholder of the Company until Shares are actually delivered to the Participant.

9. Electronic Notice, Delivery and Acceptance. The Company may, in its sole discretion, decide to deliver any documents related to Restricted Stock Units awarded under the Plan or future Restricted Stock Units that may be awarded under the Plan by email or other electronic means. The Participant hereby consents to receive such documents by email or other electronic delivery and agrees to access information concerning the Plan through an on-line or electronic system established and maintained by the Company or by another third party designated by the Company.

10. Data Privacy. As a condition of this Restricted Stock Unit grant, the Participant hereby expressly consents to the collection, use, disclosure, transfer and other processing of his or her personal data as set out in this Section 10 and as otherwise required by applicable law.

The Company, any of its subsidiaries, affiliates, or agents, the Employer, and the Company's stock plan service provider will process personal data of the Participant for the purposes of implementing, managing and administering the Participant's grant of Restricted Stock Units and the Plan. Such personal data, in electronic or other form, may include the Participant's name, home address, telephone number, email address, date of birth, social insurance number or other national identification number, beneficiary information (including beneficiary name, address social insurance number or other national identification number, and date of birth), hire date, salary and deductions, banking details, tax certification information, any shares or directorships held in the Company, details of all equity grants or any other entitlement to Shares awarded, canceled, vested, unvested, or outstanding in the Participant's favor.

For the purposes set out above, personal data may be transferred to countries other than the country in which the Participant resides, including to the United States and Australia. As required by applicable law, when personal data is transferred to a country outside of the country in which the Participant resides, measures will be put in place to ensure that the personal data is protected as required by law. These measures may include European Union Standard Contractual Clauses.

The Participant's personal data will be retained for as long as necessary to implement, manage and administer the Participant's grant of Restricted Stock Units and participation in the Plan. The Participant may request to access, modify or delete his or her personal data, request additional information about the processing of his or her personal data, or refuse or withdraw consent to the processing of his or her personal data by contacting the local human resources representative in writing. Refusal or withdrawal of consent may affect the Participant's ability to participate in the Plan but will not affect the Participant's employment status or service and career with the Company.

11. Discretionary Nature and Acceptance of Award. The Participant agrees to be bound by the terms of this Agreement and acknowledges, understands and agrees that:

a. The Plan is established voluntarily by the Company, it is discretionary in nature, and it may be modified, amended, suspended or terminated by the Company at any time, unless otherwise provided in the Plan and this Agreement;

b. The award is exceptional, voluntary and occasional, and does not create any contractual or other right to receive future awards, or benefits in lieu of Restricted Stock Units, even if Restricted Stock Units have been awarded in the past;

c. All decisions with respect to future Restricted Stock Units or other awards, if any, will be at the sole discretion of the Company;

d. The Participant' s participation in the Plan is voluntary;

e. The Restricted Stock Units and any Shares acquired under the Plan, and the income and value of the same, are not intended to replace any pension rights or compensation;

f. The Participant' s participation in the Plan shall not create a right to further employment with the Employer and shall not interfere with the ability of the Company or the Employer to terminate the Participant' s employment at any time;

g. This award will be deemed accepted unless it is declined by way of written notice by the Participant within thirty (30) days of the Grant Date to the Equity Based Compensation Department of the Company located at 767 Fifth Avenue, New York, NY 10153;

h. The Restricted Stock Units are an extraordinary item that does not constitute compensation of any kind for services of any kind rendered to the Company or any of its subsidiaries, and which is outside the scope of the Participant' s employment or service contract, if any;

i. The Restricted Stock Units and any Shares acquired under the Plan, and the income and value of the same, are not part of the Participant' s normal or expected compensation or salary for any purposes,

including, but not limited to, calculating any severance, resignation, termination, redundancy, dismissal end of service payments, bonuses, holiday pay, long-service awards, pension or retirement or welfare benefits or similar payments and in no event should be considered as compensation for, or relating in any way to, past services for the Employer, the Company or any of its subsidiaries;

j. In the event the Participant is not an employee of the Company, the Restricted Stock Units and the Participant' s participation in the Plan will not be interpreted to form an employment or service contract or relationship with the Company or any subsidiary of the Company;

k. The future value of the underlying Shares is unknown, indeterminable and cannot be predicted with certainty;

l. In consideration of the award, no claim or entitlement to compensation or damages shall arise from forfeiture of the Restricted Stock Units or diminution in value of the Restricted Stock Units, or Shares acquired upon vesting of the Restricted Stock Units, resulting from termination of the Participant' s employment (for any reason whatsoever and whether or not later found to be invalid or in breach of employment laws in the jurisdiction where the Participant is employed, or the terms of the Participant' s employment), and in consideration of the award, the Participant irrevocably releases the Employer, the Company and any of its subsidiaries from any such claim that may arise; if, notwithstanding the foregoing, any such claim is found by a court of competent jurisdiction

to have arisen, then, by acknowledging and agreeing to or signing the Notice of Grant, the Participant shall be deemed irrevocably to have waived his or her right to pursue or seek remedy for any such claim or entitlement against the Employer, the Company or subsidiary;

m. For purposes of the Restricted Stock Units, the Participant's employment or service relationship will be considered terminated as of the date the Participant is no longer actively providing services to the Employer, the Company or any of its subsidiaries as determined by the Administrator in its sole discretion (regardless of the reason for such termination and whether or not later found to be invalid or in breach of employment laws in the jurisdiction where the Participant is employed or the terms of the Participant's employment agreement, if any);

n. The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding the Participant's participation in the Plan or the Participant's acquisition or sale of the underlying Shares; and

o. The Participant is hereby advised to consult with Participant's own personal tax, legal and financial advisors regarding the Participant's participation in the Plan before taking any action related to the Plan.

12. Failure to Enforce Not a Waiver. The Company's failure to enforce at any time any provision of this Agreement does not constitute a waiver of that provision or of any other provision of this Agreement.

13. Governing Law. This Agreement is governed by and is to be construed according to the laws of the State of New York, that apply to agreements made and performed in that state, without regard to its choice of law provisions. For purposes of litigating any dispute that arises under the Restricted Stock Units or this Agreement, the parties hereby submit to and consent to the jurisdiction of the State of New York, and agree that such litigation will be conducted in the courts of New York County, New York, or

the federal courts for the United States for the Southern District of New York, and no other courts, where the Restricted Stock Units are made and/or to be performed.

14. Partial Invalidity. The invalidity or illegality of any provision of this Agreement will be deemed not to affect the validity of any other provision. Furthermore, it is the parties' intent that any order striking any portion of this Agreement and/or the Plan should modify the stricken terms as narrowly as possible to give as much effect as possible to the intentions of the parties hereunder.

15. Entire Agreement. This Agreement and the Plan constitute the entire agreement between the Participant and the Company regarding the award and supersede all prior and contemporaneous agreements and understandings, oral or written, between the parties regarding the award. Except as expressly set forth herein, this Agreement (and any provision of this Agreement) may not be modified, changed, clarified, or interpreted by the parties, except in a writing specifying the modification, change, clarification, or interpretation, and signed by a duly authorized Company officer.

16. Section 409A Compliance. This Agreement is intended to comply with Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), and any regulations, rulings, or guidance provided thereunder. Each

payment under this Agreement shall be treated as a separate payment for purposes of Section 409A of the Code. In no event may the Participant, directly or indirectly, designate the calendar year of any payment to be made under this Agreement. The Company reserves the unilateral right to amend this Agreement upon written notice to the Participant in order to prevent taxation under Section 409A of the Code.

17. Recoupment. Notwithstanding any other provision of this Agreement to the contrary, the Participant acknowledges and agrees that the Restricted Stock Units, any Shares acquired pursuant thereto and/or any amount received with respect to any sale of such Shares are subject to potential cancellation, recoupment, rescission, payback or other action in accordance with the terms of the Company's recoupment policy as in effect on the Grant Date and as such policy may be amended from time to time in order to comply with changes in laws, rules or regulations that are applicable to the Restricted Stock Units and Shares. The Participant agrees and consents to the Company's application, implementation and enforcement of (a) the recoupment policy, and (b) any provision of applicable law relating to cancellation, recoupment, rescission or payback of compensation and expressly agrees that the Company may take such actions as are necessary to effectuate the recoupment policy (as applicable to the Participant) or applicable law without further consent or action being required by the Participant. For purposes of the foregoing, the Participant expressly and explicitly authorizes the Company to issue instructions, on his or her behalf, to any brokerage firm and/or third party administrator engaged by the Company to hold his or her Shares and other amounts acquired under the Plan to re-convey, transfer or otherwise return such Shares and/or other amounts to the Company upon the enforcement of the provisions contained in this Section 17. To the extent that the terms of this Agreement and the recoupment policy conflict, the terms of the recoupment policy shall prevail.

18. Insider Trading/Market Abuse Laws. By participating in the Plan, the Participant agrees to comply with the Company's Insider Trading Policy. Further, the Participant acknowledges that the Participant's country of employment (and country of residence, if different) may also have laws or regulations governing insider trading and that such laws or regulations may impose additional restrictions on the Participant's ability to participate in the Plan (e.g., acquiring or selling Shares) and that the Participant is solely responsible for complying with such laws or regulations.

19. Private Placement. The grant of the Restricted Stock Units is not intended to be a public offering of securities in the Participant's country of employment (and country of residence, if different). The Company has not submitted any registration statement, prospectus or other filings with the local securities authorities (unless otherwise required under law), and this grant of Restricted Stock Units is not subject to the supervision of the local authorities.

20. Exchange Control, Tax and/or Foreign Asset/Account Reporting. The Participant acknowledges that there may be exchange control, tax, foreign asset and/or account reporting requirements that may affect the Participant's ability to acquire or hold Shares acquired under the Plan or cash received from participating in the Plan (including from any Dividend Equivalents Rights paid with respect to the Restricted Stock Units or dividends paid on Shares acquired under the Plan) in a brokerage/bank account or legal entity outside the Participant's country of employment (and country of residence, if different). The Participant may be required to report such accounts, assets, the balances therein, the value thereof and/or the transactions related thereto to the tax or other authorities in the Participant's

country of employment (and country of residence, if different). The Participant also may be required to repatriate sale proceeds or other funds received as a result of the Participant's participation in the Plan to the Participant's country of employment (and country of residence, if different) through a designated bank or broker within a certain

time after receipt. The Participant acknowledges that it is the Participant' s responsibility to be compliant with such regulations, and the Participant should consult his or her personal legal advisor for any details.

21. Language. If the Participant has received this Agreement or any other document related to the Plan translated into a language other than English and if the translated version is different than the English version, the English version will control, unless otherwise prescribed by local law.

22. Imposition of Other Requirements. The Company reserves the right to impose other requirements on the Participant' s participation in the Plan, on the Restricted Stock Units and on any Shares acquired under the Plan, to the extent the Company determines it is necessary or advisable for legal or administrative reasons, and to require the Participant to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

23. Addendum. The award shall be subject to any terms and conditions for the Participant' s country of employment (and country of residence, if different) set forth in an addendum attached hereto ("Addendum"). Moreover, if the Participant transfers residence and/or employment to another country reflected in an Addendum to this Agreement, the terms and conditions for such country will apply to the Participant to the extent the Company determines that the application of such terms and conditions is necessary or advisable in order to comply with local law, rules and regulations or to facilitate the operation and administration of the Restricted Stock Unit and the Plan (or the Company may establish alternative terms and conditions as may be necessary or advisable to accommodate the Participant' s transfer). Any applicable Addendum constitutes part of this Agreement.

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed by its duly authorized officer as of the Grant Date set forth in the Notice of Grant.

The Estée Lauder Companies Inc.

By: /s/ Michael O' Hare

Michael O' Hare
Executive Vice President,
Global Human Resources

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ADDENDUM COUNTRY-SPECIFIC PROVISIONS FOR NON-U.S. PARTICIPANTS

In addition to the terms and conditions set forth in the Agreement, the Restricted Stock Units awarded are subject to the following terms and conditions. If the Participant is employed in a country identified in this Addendum, the additional terms and conditions for such country will apply. If the Participant transfers to one of the countries identified in this Addendum, the special terms and conditions for such country will apply to the Participant, to the extent the Company determines, in its sole discretion, that the application of such terms and conditions is necessary or advisable to comply with local laws, rules and/or regulations or to facilitate the operation and administration of the Restricted Stock Units awarded and the Plan (or the Company may establish alternative terms and conditions as may be necessary or advisable to accommodate the Participant' s transfer).

All defined terms contained in this Addendum shall have the same meaning as set forth in the Plan and the Agreement.

ARGENTINA

Securities Law Notification. Neither the Restricted Stock Units nor the underlying Shares are publicly offered or listed on any stock exchange in Argentina. The Company's grant of Restricted Stock Units is private and is not subject to the supervision of any Argentine governmental authority.

AUSTRALIA

Breach of Law. Notwithstanding anything to the contrary in the Agreement or the Plan, the Participant will not be entitled to, and shall not claim any benefit (including without limitation a legal right) under the Plan if the provision of such benefit would give rise to a breach of Part 2D.2 of the Corporations Act 2001 (Cth), any other provision of that Act, or any other applicable statute, rule or regulation which limits or restricts the giving of such benefits.

Tax Deferral. Restricted Stock Units awarded under the Agreement are intended to be subject to tax deferral under Subdivision 83A-C of the Income Tax Assessment Act 1997 (Cth) (subject to the conditions in that act).

Australian Offer Document. In addition to the Agreement and the Plan, the Participant must review the Australian Offer Document for additional important information pertaining to the Restricted Stock Units. By accepting the Restricted Stock Units, the Participant acknowledges and confirms that the Participant has reviewed these documents.

BRAZIL

Compliance with Law. By accepting the Restricted Stock Units, the Participant acknowledges and agrees to comply with applicable Brazilian laws to pay any and all applicable taxes associated with the vesting of the Restricted Stock Units, the receipt of any dividends or dividend equivalents, and the sale of Shares acquired under the Plan.

Labor Law Acknowledgment. The Participant expressly acknowledges and agrees, for all legal purposes, (a) the benefits provided under the Agreement and the Plan are the result of commercial

transactions unrelated to the Participant's employment; (b) the Agreement and the Plan are not a part of the terms and conditions of the Participant's employment; and (c) the income from the Restricted Stock Units, if any, is not part of the Participant's remuneration from employment.

CANADA

Settlement in Shares Only. Notwithstanding anything to the contrary in the Agreement or the Plan, if the Participant is a resident of Canada, all Restricted Stock Units shall be settled only in Shares (and may not be settled in cash).

English Language. The parties to the Agreement acknowledge that it is their express wish that the Agreement, as well as all documents, notices and legal proceedings entered into, given or instituted pursuant hereto or relating directly or indirectly hereto, be drawn up in English. *Les parties reconnaissent avoir exigé la rédaction en anglais*

de la présente convention, ainsi que de tous documents exécutés, avis donnés et procédures judiciaires intentées, directement ou indirectement, relativement à ou suite à la présente convention.

CHILE

Private Placement. The following provision shall supplement Section 19 (Private Placement) of the Agreement:

The grant of the Restricted Stock Units hereunder is not intended to be a public offering of securities in Chile but instead is intended to be a private placement.

- a) The starting date of the offer is the Grant Date (as defined in the Agreement), a) and this offer conforms to General Ruling no. 336 of the Chilean Superintendence of Securities and Insurance;
- b) The offer deals with securities not registered in the registry of securities or in the registry of foreign securities of the Chilean Superintendence of Securities and Insurance, and therefore such securities are not subject to its oversight;
- c) The Company is not obligated to provide public information in Chile regarding the foreign securities, as such securities are not registered with the Chilean Superintendence of Securities and Insurance; and
- d) The foreign securities shall not be subject to public offering as long as they are not registered with the corresponding registry of securities in Chile.

a) La fecha de inicio de la oferta será el de la fecha de otorgamiento (o “Grant Date”, según este término se define en el documento denominado “Agreement”) y esta oferta se acoge a la norma de Carácter General n° 336 de la Superintendencia de Valores y Seguros Chilena; La oferta versa sobre valores no inscritos en el registro de valores o en el

b) registro de valores extranjeros que lleva la Superintendencia de Valores y Seguros Chilena, por lo que tales valores no están sujetos a la fiscalización de ésta;

c) Por tratar de valores no inscritos no existe la obligación por parte del emisor de entregar en Chile información pública respecto de esos valores; y

d) Esos valores no podrán ser objeto de oferta pública mientras no sean inscritos en el registro de valores correspondiente.

CHINA

Foreign Exchange Control Laws. The following provisions shall govern the Participant' s participation in the Plan if the Participant is a national of the People' s Republic of China (“China”) resident in mainland China, or if determined to be necessary or appropriate by the Company in its sole discretion:

The Participant agrees to hold the Shares received upon settlement of the Restricted Stock Units with the Company' s designated broker. Upon a termination of employment or service for any reason, the Participant shall be required to sell all Shares issued pursuant to the Restricted Stock Units as soon as administratively possible

(or such period as may be required by the State Administration of Foreign Exchange or the Company) of the termination date and repatriate the sales proceeds to China in the manner designated by the Company. For purposes of the foregoing, the Company shall establish procedures for effectuating the forced sale of the Shares (including procedures whereby the Company may issue sell instructions on behalf of the Participant), and the Participant hereby agrees to comply with such procedures and take any and all actions as the Company determines, in its sole discretion, are necessary or advisable for purposes of complying with local laws, rules and regulations in China.

The Participant understands and agrees that the repatriation of dividends and sales proceeds may need to be effected through a special exchange control account established by the Company or its subsidiaries, and the Participant hereby consents and agrees that dividends issued on Shares and sales proceeds from the sale of Shares acquired under the Plan may be transferred to such account by the Company on the Participant's behalf prior to being delivered to the Participant. Dividends and/or sales proceeds may be paid to the Participant in U.S. dollars or local currency at the Company's discretion. If dividends and/or sales proceeds are paid to the Participant in U.S. dollars, the Participant understands that the Participant will be required to set up a U.S. dollar bank account in China so that the dividends or proceeds may be deposited into this account. If dividends and/or sales proceeds are paid to the Participant in local currency, the Participant acknowledges that the Company is under no obligation to secure any particular exchange conversion rate and that the Company may face delays in converting the dividends and/or proceeds to local currency due to exchange control restrictions. The Participant agrees to bear any currency fluctuation risk between the time dividends are issued or Shares are sold and the net proceeds are converted into local currency and distributed to the Participant. The Participant further agrees to comply with any other requirements that may be imposed by the Company or its subsidiaries in China in the future in order to facilitate compliance with exchange control requirements in China. The Participant acknowledges and agrees that the processes and requirements set forth herein shall continue to apply following the Participant's termination of employment.

Neither the Company nor any of its subsidiaries shall be liable for any costs, fees, lost interest or dividends or other losses the Participant may incur or suffer resulting from the enforcement of the terms of this Addendum or otherwise from the Company's operation and enforcement of the Plan, the Agreement and the Restricted Stock Units in accordance with Chinese law including, without limitation, any applicable State Administration of Foreign Exchange rules, regulations and requirements.

COLOMBIA

Labor Law Acknowledgment. The Participant acknowledges that, pursuant to Article 128 of the Colombian Labor Code, the Plan and related benefits do not constitute a component of his or her "salary" for any legal purpose.

DENMARK

Stock Option Act. Notwithstanding any provisions in the Agreement to the contrary, if the Participant is determined to be an "Employee," as defined in section 2 of the Danish Act on the Use of Rights to Purchase or Subscribe for Shares etc. in Employment Relationships (the "Stock Option Act"), the treatment of the Restricted Stock Units upon Termination shall be governed by Sections 4 and 5 of the Stock Option Act. However, if the provisions in the Agreement or the Plan governing the treatment of the Restricted Stock Unit upon a Termination are more favorable, the provisions of the Agreement or the Plan will govern.

FRANCE

English Language. The Participant acknowledges and agrees that it is the Participant's wish that the Agreement, this addendum, as well as all other documents, notices and legal proceedings entered into, given or instituted pursuant to the Restricted Stock Units, either directly or indirectly, be drawn up in English.

Langue anglaise. Le bénéficiaire admet et convient que c'est l'intention exprimée du bénéficiaire que l'Accord, le Plan et tous les autres documents, remarque et les poursuites judiciaires entrées, données ou instituées conformément au Restricted Stock Units, être établi dans l'anglais. Si le bénéficiaire a reçu l'Accord, le Plan ou autres documents rattachés au Restricted Stock Units traduit dans une langue autre que l'anglais et si le sens de la version traduite est différent que la version anglaise, la version anglaise contrôlera

HONG KONG

IMPORTANT NOTICE. WARNING: The contents of the Agreement, this Addendum, the Plan, and all other materials pertaining to the Restricted Stock Units and/or the Plan have not been reviewed by any regulatory authority in Hong Kong. The Participant is hereby advised to exercise caution in relation to the offer thereunder. If the Participant has any doubts about any of the contents of the aforesaid materials, the Participant should obtain independent professional advice.

Settlement in Shares Only. Notwithstanding anything to the contrary in the Agreement or the Plan, if the Participant is a resident of Hong Kong, all Restricted Stock Units shall be settled only in Shares (and may not be settled in cash).

Nature of the Plan. The Company specifically intends that the Plan will not be treated as an occupational retirement scheme for purposes of the Occupational Retirement Scheme Ordinance ("ORSO"). To the extent any court, tribunal or legal/regulatory body in Hong Kong determines that the Plan constitutes an occupational retirement scheme for the purpose of ORSO, the grant of Restricted Stock Units shall be null and void.

INDIA

Repatriation Requirements. The Participant understands that he or she must repatriate any cash dividends paid on Shares acquired under the Plan and any proceeds from the sale of such Shares to India within a certain period of time after receipt of the proceeds. It is the Participant's sole responsibility to comply with applicable exchange control laws in India.

ISRAEL

Indemnification for Tax Liabilities. The Participant expressly consents and agrees to indemnify the Company and/or its subsidiaries and hold them harmless from any and all liability attributable to taxes, interest or penalties thereon, including without limitation, liabilities relating to the necessity to withhold any taxes from the settlement of the Restricted Stock Units or any other payments made to the Participant pursuant to the Restricted Stock Units.

ITALY

Data Privacy. The following provision shall replace Section 10 (Data Privacy) of the Agreement in its entirety:

The Participant understands that the Employer and/or the Company hold certain personal information about the Participant, including but not limited to, the Participant's name, home address, email address and telephone number, date of birth, national insurance number or other identification number, salary, nationality, job title, any Shares or directorship held in the Company, details of all awards or other entitlement to Shares awarded, cancelled, vested, unvested or outstanding in the Participant's favor ("Data"), for purpose of implementing, administering and managing the Plan. The Participant is aware that providing the Company with Data is necessary for the performance of the Agreement and that the Participant's refusal to provide such Data would make it impossible for the Company to perform its contractual obligations and may affect the Participant's ability to participate in the Plan.

The Controller of personal data processing is Estée Lauder Companies Inc., 767 Fifth Avenue, New York, New York 10153, U.S.A., its representative in Italy Estée Lauder S.r.l. with registered offices at Via Turati, 3, Milano, 20121 Italy. The Participant understands that Data may be transferred to third parties assisting in the implementation, administration and management of the Plan, including any transfer required to a broker or other third party with whom Shares acquired pursuant to this grant of Restricted Stock Units or cash from the sale of such Shares may be deposited. Furthermore, the recipients that may receive, possess, use, retain and transfer such Data for the above mentioned purposes may be located in the Participant's country, or elsewhere, including outside of the European Union and the recipient's country may have different data privacy laws and protections than the Participant's country. The processing activity, including the transfer of the Participant's personal data abroad, out of the European Union, as herein specified and pursuant to applicable laws and regulations, does not require the Participant's consent thereto as the processing is necessary for the performance of contractual obligations related to the implementation, administration and management of the Plan. The Participant understands that Data processing relating to the purposes above specified shall take place under automated or non-automated conditions, anonymously when possible, that comply with the purposes for which Data are collected and with confidentiality and security provisions as set forth by applicable laws and regulations, with specific reference to D.lgs. 196/200

The Participant understands that Data will be held only as long as is required by law or as necessary to implement, administer and manage the Participant's participation in the Plan. The Participant understands that, pursuant to art 7 of D.lgs 196/2003, the Participant has the right, including but not limited to, to access, delete, update, request the rectification of the Data and cease, for legitimate reasons, Data processing. Furthermore, the Participant is aware that Data will not be used for direct marketing purposes. In addition, the Data provided can be reviewed and questions or complaints can be addressed by contacting a local representative available at the following address, Via Turati, 3, Milano, 20121 Italy.

MALAYSIA

Data Privacy. The following provision shall replace Section 10 (Data Privacy) of the Agreement in its entirety:

The Participant hereby explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of the Participant's personal data, as described in this addendum and any other grant materials by and among, as applicable, the Company and Subsidiaries for the exclusive

Peserta dengan ini secara eksplisit dan tanpa sebarang keraguan mengizinkan pengumpulan, penggunaan dan pemindahan, dalam bentuk elektronik atau lain-lain, data peribadi seperti yang diterangkan dalam Lampiran ini dan apa-apa bahan pemberian yang lain oleh dan di antara,

purpose of implementing, administering and managing the Participant's participation in the Plan. The Participant understands that the Company and subsidiaries may hold certain personal information about the Participant, including, but not limited to, the Participant's name, home address and telephone number, date of birth, social insurance number or other identification number, e-mail address, salary, nationality, job title, any Shares or directorships held in the Company, details of all awards or any other entitlement to Shares awarded, canceled, exercised, vested, unvested or outstanding in the Participant's favor, for the exclusive purpose of implementing, administering and managing the Plan ("Data"). The Data is supplied by the Company and also by the Participant through information collected in connection with the Agreement and the Plan. The Participant understands that Data will be transferred to the current stock plan service providers or a stock plan service provider as may be selected by the Company in the future, which is assisting the Company with the

seperti yang berkenaan, Syarikat dan Anak-anak Syarikat untuk tujuan eksklusif bagi melaksanakan, mentadbir dan menguruskan penyertaan Peserta di dalam Pelan.

Peserta memahami bahawa Syarikat Anak-anak Syarikat mungkin memegang maklumat peribadi tertentu tentang Peserta, termasuk, tetapi tidak terhad kepada, nama Peserta, alamat rumah dan nombor telefon, tarikh lahir, nombor insurans sosial atau nombor pengenalan lain, e-mel, gaji, kewarganegaraan, jawatan, apa-apa Saham atau jawatan pengarah yang dipegang dalam Syarikat, butir-butir semua Anugerah, atau apa-apa hak lain atas Saham yang dianugerahkan, dibatalkan, dilaksanakan, terletak hak, tidak diletak hak ataupun yang belum dijelaskan bagi faedahanda, untuk tujuan eksklusif bagi melaksanakan, mentadbir dan menguruskan Pelan tersebut ("Data"). Data tersebut dibekalkan oleh Syarikat dan juga oleh Peserta berkenaan dengan Perjanjian dan Pelan.

Peserta memahami bahawa Data ini akan dipindahkan kepada pembekal perkhidmatan pelan saham semasa atau pembekal

implementation, administration and management of the Plan. The Participant understands that the recipients of Data may be located in the United States or elsewhere, and that the recipients' country (e.g., the United States) may have different data privacy laws and protections than the Participant's country. The Participant understands that if the Participant resides outside the United States, the Participant may request a list with the names and addresses of any potential recipients of the Data by contacting the Participant's local human resources representative at Estée Lauder Malaysia Sdn. Bhd, Suite 18.01, Level 18, Centrepoint South, The Boulevard, Mid Valley City, Lingkaran Syed Putra, Kuala Lumpur 59200, Malaysia. The Participant authorizes the Company, the stock plan service provider and any other possible recipients which may assist the Company (presently or in the future) with implementing, administering

perkhidmatan pelan saham yang mungkin dipilih oleh Syarikat pada masa depan, yang membantu Syarikat dengan pelaksanaan, pentadbiran dan pengurusan Pelan. Peserta memahami bahawa penerima-penerima Data mungkin berada di Amerika Syarikat atau mana-mana tempat lain, dan bahawa negara penerima-penerima (contohnya, Amerika Syarikat) mungkin mempunyai undang-undang privasi data dan perlindungan yang berbeza daripada negara Peserta. Peserta memahami bahawa sekiranya Peserta menetap di luar Amerika Syarikat, Peserta boleh meminta satu senarai yang mengandungi nama-nama dan alamat-alamat penerima-penerima Data yang berpotensi dengan menghubungi wakil sumber manusia tempatan Peserta di Estée Lauder Malaysia Sdn. Bhd, Suite 18.01, Level 18, Centrepoint South, The Boulevard, Mid Valley City, Lingkaran Syed Putra, Kuala Lumpur 59200, Malaysia. Peserta memberi

and managing the Plan to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing the Participant's participation in the Plan, including any transfer of such Data as may be required to a broker, escrow agent or other third party with whom the Shares received upon vesting of the awards may be deposited. The Participant understands that Data will be held only as long as is necessary to implement, administer and manage the Participant's participation in the Plan. The Participant understands that if the Participant resides outside the United States, the Participant may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data, limit the processing of Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing the Participant's local human resources representative. Further, the Participant understands that the Participant is providing the consent herein on a purely voluntary basis. If the Participant does not

kuasa kepada Syarikat, pembekal perkhidmatan pelan saham dan mana-mana penerima-penerima kemungkinan lain yang mungkin akan membantu Syarikat (pada masa sekarang atau pada masa depan) dengan melaksanakan, mentadbir dan menguruskan Pelan untuk menerima, memiliki, menggunakan, mengekalkan dan memindahkan Data, dalam bentuk elektronik atau lain-lain, bagi tujuan melaksanakan, mentadbir dan menguruskan penyertaan Peserta di dalam Pelan, termasuk segala pemindahan Data tersebut sebagaimana yang dikehendaki kepada broker, agen eskrow atau pihak ketiga dengan siapa Saham diterima semasa peletakhakan Anugerah mungkin didepositkan. Peserta memahami bahawa Data hanya akan disimpan selagi ia adalah diperlukan untuk melaksanakan, mentadbir, dan menguruskan penyertaan Peserta dalam Pelan. Peserta memahami bahawa sekiranya Peserta menetap di luar Amerika Syarikat, Peserta boleh, pada bila-bila masa, melihat Data, meminta maklumat tambahan mengenai penyimpanan dan pemprosesan Data, meminta bahawa pindaan-pindaan dilaksanakan ke atas Data,

consent, or if the Participant later seeks to revoke the Participant's consent, the Participant's employment status or service and career with the Company will not be adversely affected; the only adverse consequence of refusing or withdrawing the Participant's consent is that the Company may not be able to grant the Participant equity awards or administer or maintain such awards. Therefore, the Participant understands that refusing or withdrawing the Participant's consent may affect the Participant's ability to participate in the Plan. For more information on the consequences of the Participant's refusal to consent or withdrawal of consent, the Participant understands that the Participant may contact the Participant's local human resources representative. Please take note that by electronically accepting this Agreement, the Participant has confirmed that the Participant explicitly, voluntarily and

mengehadkan pemprosesan Data atau menolak atau menarik balik persetujuan dalam ini, dalam mana-mana kes, tanpa kos, dengan menghubungi secara bertulis tempatan wakil sumber manusia Peserta. Selanjutnya, Peserta memahami bahawa Peserta memberikan persetujuan di sini secara sukarela semata-mata. Sekiranya Peserta tidak bersetuju, atau sekiranya Peserta kemudian membatalkan persetujuan, status Peserta pekerjaan atau perkhidmatan dan kerjaya dengan Syarikat tidak akan terjejas; satu-satunya akibat buruk sekiranya Peserta tidak bersetuju atau menarik balik Peserta persetujuan adalah bahawa Syarikat tidak akan dapat memberikan Peserta anugerah ekuiti lain atau mentadbir atau mengekalkan anugerah-anugerah tersebut. Oleh itu, Peserta memahami bahawa keengganan atau penarikan balik persetujuan boleh menjejaskan keupayaan Peserta untuk mengambil bahagian dalam Pelan. Untuk

unambiguously consents to the collection, use and transfer of the Participant's personal data in accordance with the terms in this notification. However, if for any reason the Participant does not consent to the processing of the Participant's personal data, the Participant has the right to reject such consent by contacting the Participant's local human resources representative at Estée Lauder Malaysia Sdn. Bhd, Suite 18.01, Level 18, Centrepoint South, The Boulevard, Mid Valley City, Lingkaran Syed Putra, Kuala Lumpur 59200, Malaysia.

maklumat lebih lanjut mengenai akibat-akibat keengganan Peserta untuk memberikan keizinan atau penarikan balik keizinan, Peserta memahami bahawa Peserta boleh menghubungi wakil sumber manusia tempatan. Sila ambil perhatian bahawa dengan menerima Perjanjian ini secara elektronik, Peserta mengesahkan bahawa Peserta secara eksplisit, sukarela, dan tanpa sebarang keraguan bersetuju dengan pengumpulan, penggunaan, dan pemindahan data peribadi Peserta mengikut terma-terma dalam notis ini. Walaubagaimanapun, jika atas apa-apa sebab-sebab tertentu Peserta tidak bersetuju dengan pemprosesan data peribadi, Peserta mempunyai hak untuk menolak persetujuan Peserta dengan menghubungi wakil sumber manusia tempatan di masukkan Estée Lauder Malaysia Sdn. Bhd, Suite 18.01, Level 18, Centrepoint South, The Boulevard, Mid Valley City, Lingkaran Syed Putra, Kuala Lumpur 59200, Malaysia.

MEXICO

Commercial Relationship. The Participant expressly recognizes and acknowledges that the Participant's participation in the Plan and the Company's grant of Restricted Stock Units do not constitute an employment relationship between the Participant and the Company. The Participant has been granted the Restricted Stock Units as a consequence of the commercial relationship between the Company and his or her Employer ECLA S.A. de C.V. or Lauder Cosmetics S.A. de C.V. ("Estée Lauder Mexico"), and Estée Lauder Mexico is the Participant's sole Employer. Based on the foregoing, (a) the Participant expressly recognizes that the Plan and the benefits the Participant may derive from the Participant's participation in the Plan do not establish any rights between the Participant and Estée Lauder Mexico, (b) the Plan and the benefits the Participant may derive from the Participant's participation in the Plan are not part of the employment conditions and/or benefits provided by Estée Lauder Mexico, and (c) any modifications or amendments of the Plan by the Company, or a termination of the Plan by the Company, shall not constitute a change or impairment of the terms and conditions of the Participant's employment with Estée Lauder Mexico.

Extraordinary Item of Compensation. The Participant expressly recognizes and acknowledges that the Participant's participation in the Plan is a result of the discretionary and unilateral decision of the Company, as well as the Participant's free and voluntary decision to participate in the Plan in accordance with the terms and conditions of the Plan, the Agreement and this Addendum. As such, the Participant acknowledges and agrees that the Company, in its sole discretion, may amend and/or discontinue the Participant's participation in the Plan at any time and without any liability. The value of the Restricted Stock Units is an extraordinary item of compensation outside the scope of the Participant's employment contract, if any. The Restricted Stock Units are not part of the Participant's regular or expected compensation for purposes of calculating any severance,

resignation, redundancy, end of service payments, bonuses, long-service awards, pension or retirement benefits, or any similar payments, which are the exclusive obligations of the Company's subsidiary in Mexico that employs the Participant.

NETHERLANDS

Waiver of Termination Rights. The Participant waives any and all rights to compensation or damages as a result of a termination of employment or service, insofar as those rights result or may result from: (a) the loss or diminution in value of such rights or entitlements under the Plan; or (b) the Participant ceasing to have rights, or ceasing to be entitled to any Restricted Stock Unit awards under the Plan as a result of such termination.

NEW ZEALAND

Securities Law Notice.

Warning

This is an offer of Restricted Stock Units which, upon vesting and settlement in accordance with the terms of the Plan and the Agreement, will be converted into Shares. Shares give the Participant a stake in the ownership of the Company. The Participant may receive a return on the Shares acquired under the Plan if dividends are paid.

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If the Company runs into financial difficulties and is wound up, the Participant will be paid only after all creditors and holders of preference shares have been paid. The Participant may lose some or all of his or her investment, if any.

New Zealand law normally requires people who offer financial products to give information to investors before they invest. This information is designed to help investors make an informed decision. The usual rules do not apply to this offer because it is made under an employee share purchase scheme. As a result, the Participant may not be given all the information usually required. The Participant also will have fewer other legal protections for this investment. On this basis, the Participant is advised to ask questions, read all documents carefully, and seek independent financial advice before committing.

The Shares are quoted on the New York Stock Exchange ("NYSE"). This means that if the Participant acquires Shares under the Plan, the Participant may be able to sell the Shares on the NYSE if there are interested buyers. The price will depend on the demand for the Shares.

For information on risk factors impacting the Company's business that may affect the value of the Shares, the Participant should refer to the risk factors discussion on the Company's Annual Report on Form 10-K and Quarterly Reports on Form 10-Q, which are filed with the U.S. Securities and Exchange Commission and are available online at www.sec.gov, as well as on the Company's "Investor Relations" website at www.elcompanies.com/investors.

PANAMA

Securities Law Notice. The grant of the Restricted Stock Units and the issuance of Shares at vesting are not subject to registration under Panamanian law as they are not intended for the public, but solely for the Participant's benefit.

PERU

Labor Law Acknowledgement. In accepting the Restricted Stock Units, the Participant acknowledges that the Restricted Stock Units are granted *ex gratia* for the purpose of rewarding the Participant as set forth in the Plan.

Securities Law Notice. The grant of the Restricted Stock Units is considered a private offering in Peru; therefore, neither the grant of Restricted Stock Units, nor the issuance of Shares at vesting of the Restricted Stock Units, is subject to securities registration in Peru. For more information concerning the offer, the Participant should refer to the Plan, this Agreement and any other grant documents made available to the Participant by the Company. For more information regarding the Company, the Participant should refer to the Company's most recent annual report on Form 10-K and quarterly report on Form 10-Q available at www.sec.gov, as well as on the Company's "Investor Relations" website at www.elcompanies.com/investors.

PORTUGAL

Language Consent. The Participant hereby expressly declares that he or she has full knowledge of the English language and has read, understood and freely accepted and agreed with the terms and conditions established in the Plan and this Agreement.

Conhecimento da Língua. Pela presente, o Participante declara expressamente que tem pleno conhecimento da língua inglesa e que leu, compreendeu e livremente aceitou e concordou com os termos e condições estabelecidas no Plano e no Acordo (Agreement em inglês).

ROMANIA

Termination. The following provision shall supplement Section 4 (Termination of Employment of the Agreement):

Termination of employment shall include the situation where the Participant's employment contract is terminated by operation of law on the date the Participant reaches the standard retirement age and has completed the minimum contribution record for receipt of state retirement pension or the relevant authorities award the Participant an early-retirement pension of any type.

English Language. The Participant hereby expressly agrees that this Agreement, the Plan as well as all documents, notices and proceedings entered into, relating directly or indirectly hereto, be drawn up or communicated only in the English language. *Angajatul consimte în mod expres prin prezentul ca acest Contract, Planul precum și orice alte documente, notificări, înștiințări legate direct sau indirect de acest Contract să fie redactate sau efectuate doar în limba engleză.*

RUSSIA

Securities Law Notification. The Agreement, the Plan and all other materials that the Participant may receive regarding participation in the Plan do not constitute advertising or an offering of securities in Russia. Absent any

requirement under local law, the issuance of securities pursuant to the Plan has not and will not be registered in Russia; hence, the securities described in any Plan related documents may not be used for offering or public circulation in Russia.

Repatriation Requirements. The Participant expressly agrees to promptly repatriate proceeds resulting from the sale of Shares acquired under the Plan to a foreign currency account at an authorized bank in Russia if legally required at the time the Shares are sold and to comply with all applicable local foreign exchange rules and regulations. Neither the Company nor any of its subsidiaries shall be liable for any fines or penalties resulting from the Participant's failure to comply with applicable law. Russian residents are advised to contact their personal advisor regarding their obligation resulting from their participation in the Plan as significant penalties may apply in the case of non-compliance with exchange control requirements and because such exchange control requirements may change.

Data Privacy. This provision shall supplement Section 10 (Data Privacy) of the Agreement:

The Participant hereby acknowledges that the Participant has read and understood the terms regarding collection, processing and transfer of Data contained in Section 10 (Data Privacy) of the Agreement and, by participating in the Plan, the Participant agrees to provide an executed data privacy consent to the Employer or the Company (or any other agreements or consent that may be required by the Employer or the Company) that the Company and/or the Employer may deem necessary to obtain under the data privacy laws in Russia, either now or in the future. The Participant understand that the Participant may not be able to participate in the Plan if the Participant fails to execute any such consent or agreement.

SINGAPORE

Qualifying Person Exemption. The grant of the Restricted Stock Units under the Plan is being made pursuant to the "Qualifying Person" exemption under section 273(1)(f) of the Securities and Futures Act (Chapter 289, 2006 Ed.) (the "SFA"). The Plan has not been and will not be lodged or registered as a prospectus with the Monetary Authority of Singapore and is not regulated by any financial supervisory authority pursuant to any legislation in Singapore. Accordingly, statutory liability under the SFA in relation to the content of prospectuses would not apply. The Participant should note that, as a result, the Restricted Stock Units are subject to section 257 of the SFA and the Participant will not be able to make: (a) any subsequent sale of the Shares underlying the Restricted Stock Units in Singapore; or (b) any offer of such subsequent sale of the Shares subject to the Restricted Stock Units in Singapore, unless such sale or offer is made pursuant to the exemptions under Part XIII Division 1 Subdivision (4) (other than section 280) of the SFA.

SOUTH AFRICA

Securities Law Notice. Neither the Restricted Stock Units nor the underlying Shares shall be publicly offered or listed on any stock exchange in South Africa. The offer is intended to be private pursuant to Section 96 of the Companies Act and is not subject to the supervision of any South African governmental authority.

Withholding Taxes. The following provision shall supplement Section 6 (Withholding Taxes) of the Agreement:

By accepting the Restricted Stock Units, the Participant agrees to notify his or her Employer of the amount of any gain realized upon vesting of the Restricted Stock Units. If the Participant fails to advise the Employer of the gain

realized upon vesting of the Restricted Stock Units, the Participant may be liable for a fine. The Participant will be responsible for paying any difference between the actual tax liability and the amount withheld.

Exchange Control Obligations. The Participant is solely responsible for complying with applicable exchange control regulations and rulings (the “Exchange Control Regulations”) in South Africa. As the Exchange Control Regulations change frequently and without notice, the Participant should consult the Participant’s legal advisor prior to the acquisition or sale of Shares under the Plan to ensure compliance with current Exchange Control Regulations. Neither the Company nor any of its subsidiaries shall be liable for any fines or penalties resulting from the Participant’s failure to comply with applicable laws, rules or regulations.

SPAIN

Securities Law Notice. No “offer of securities to the public,” within the meaning of Spanish law, has taken place or will take place in the Spanish territory in connection with the Restricted Stock Unit. The Plan, the Agreement (including this Addendum) and any other documents evidencing the grant of the Restricted stock Units have not, nor will they be, registered with the *Comisión Nacional del Mercado de Valores* (the Spanish securities regulator) and none of those documents constitute a public offering prospectus.

Acknowledgement of Discretionary Nature of the Plan; No Vested Rights. By accepting the Restricted Stock Units, the Participant consents to participation in the Plan and acknowledges receipt of a copy of the Plan.

The Participant understands that the Company has unilaterally, gratuitously and in its sole discretion granted Restricted Stock Units under the Plan to individuals who may be Participants of the Company or its subsidiaries throughout the world. The decision is a limited decision that is entered into upon the express assumption and condition that any grant will not economically or otherwise bind the Company or any of its subsidiaries on an ongoing basis. Consequently, the Participant understands that the Restricted Stock Units are granted on the assumption and condition that the Restricted Stock Units and the Shares acquired upon settlement of the Restricted Stock Units shall not become a part of any employment contract (either with the Company or any of its subsidiaries) and shall not be considered a mandatory benefit, salary for any purposes (including severance compensation) or any other right whatsoever. In addition, the Participant understands that this grant would not be made to the Participant but for the assumptions and conditions referenced above; thus, the Participant acknowledges and freely accepts that should any or all of the assumptions be mistaken or should any of the conditions not be met for any reason the Restricted Stock Units shall be null and void.

The Participant understands and agrees that, as a condition of the Restricted Stock Units, unless otherwise provided in Section 4 (Termination of Employment) of the Agreement, any unvested Restricted Stock Units as of the date the Participant ceases active employment will be forfeited without entitlement to the underlying Shares or to any amount of indemnification in the event of termination of employment or service. The Participant acknowledges that the Participant has read and specifically accepts the conditions referred to in the Agreement regarding the impact of a termination on the Restricted Stock Units.

Termination for Cause. Notwithstanding anything to the contrary in the Plan or the Agreement, “Cause” shall be as defined as set forth in the Agreement, regardless of whether the termination is considered a fair termination (i.e., “despido procedente”) under Spanish legislation.

SWITZERLAND

Securities Law Notification. The grant of the Restricted Stock Units and the issuance of any Shares is not intended to be a public offering in Switzerland. Neither this Addendum nor any other materials relating to the Restricted Stock Units constitute a prospectus as such term is understood pursuant to article 652a of the Swiss Code of Obligations. Neither this document nor any other offering or marketing materials relating to the Restricted Stock Units have been or will be filed with, or approved or supervised by, any Swiss regulatory authority (in particular, the Swiss Financial Market Supervisory Authority (FINMA)).

TURKEY

Securities Law Notification. The sale of Shares acquired under the Plan is not permitted within Turkey. The Shares are currently traded on the New York Stock Exchange (“NYSE”), which is located outside of Turkey, under the symbol “EL” and the Shares may be sold through the NYSE.

UNITED ARAB EMIRATES

Securities Law Notification. The Agreement, the Plan and other incidental communication materials concerning the Restricted Stock Units are intended for distribution only to Participants of the Company or its subsidiaries. The Dubai Technology and Media Free Zone Authority, Emirates Securities and Commodities Authority and/or the Central Bank has no responsibility for reviewing or verifying any documents in connection with the Restricted Stock Units. Neither the Ministry of Economy nor the Dubai Department of Economic Development have approved these communications nor taken steps to verify the information set out in them, and have no responsibility for them. Further, the Shares underlying the Restricted Stock Units may be illiquid and/or subject to restrictions on their resale. Participant should conduct his or her own due diligence on the Restricted Stock Units and the Shares. If Participant is in any doubt about any of the contents of the grant or other incidental documents, he or she should obtain independent professional advice.

UNITED KINGDOM

Withholding Taxes. The following provision shall supplement Section 6 (Withholding Taxes) of the Agreement:

If payment or withholding of the income tax due in connection with the awarded Restricted Stock Units is not made within ninety (90) days after the end of the U.K. tax year in which the event giving rise to the income tax liability occurred or such other period specified in Section 222(1)(c) of the U.K. Income Tax (Earnings and Pensions) Act 2003 (the “Due Date”), the amount of any uncollected income tax shall constitute a loan owed by the Participant to his or her Employer, effective as of the Due Date. The Participant agrees that the loan will bear interest at the then-current official rate of Her Majesty’s Revenue & Customs (“HMRC”), it shall be immediately due and repayable, and the Company or the Employer may recover it at any time thereafter by any of the means referred to in Section 6 (Withholding Taxes) of the Agreement. Notwithstanding the foregoing, if the Participant is a director or executive officer of the Company (within the meaning of Section 13(k) of the U.S. Securities and Exchange Act of 1934, as amended), he or she shall not be eligible for a loan from the Company to cover the income tax liability. In the event that the Participant is a director or executive officer and the income tax is not collected from or paid by him or her by the Due Date, the amount of any uncollected income tax may constitute a benefit to the Participant on which additional income tax and national insurance contributions (“NICs”) will be payable. The Participant will be responsible for paying and reporting any income tax due on this additional benefit directly to

HMRC under the self-assessment regime, and for reimbursing the Company or the Employer (as applicable) the value of any Participant NICs due on this additional benefit.

Exclusion of Claim. The Participant acknowledges and agrees that the Participant will have no entitlement to compensation or damages insofar as such entitlement arises or may arise from the Participant's ceasing to have rights under or to be entitled to the Restricted Stock Units, whether or not as a result of termination of employment or service (whether the termination is in breach of contract or otherwise), or from the loss or diminution in value of the Restricted Stock Units. Upon the grant of the Restricted Stock Units, the Participant shall be deemed to have waived irrevocably any such entitlement.

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VENEZUELA

Securities Law Notification. The Restricted Stock Units granted under the Plan and the Shares issued under the Plan are offered as a personal, private, exclusive transaction and are not subject to Venezuelan securities regulations. This offering does not qualify as a public offering under the laws of the Bolivarian Republic of Venezuela and, therefore, it is not required to request the previous authorization of the National Superintendent of Securities.

Investment Representation. As a condition of the Restricted Stock Units, the Participant acknowledges and agrees that any Shares the Participant may acquire upon the vesting of the Restricted Stock Units are acquired as and intended to be an investment rather than the resale of the Shares and conversion of Shares into foreign currency.

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NOTICE OF GRANT UNDER THE ESTÉE LAUDER COMPANIES INC. AMENDED AND RESTATED FISCAL 2002 SHARE INCENTIVE PLAN (The "Plan")

This is to confirm that you were awarded a grant of Restricted Stock Units at the most recent meeting of the Stock Plan Subcommittee of the Compensation Committee of the Board of Directors representing the right upon vesting of such units to receive shares of Class A Common Stock of The Estée Lauder Companies Inc. (the "Shares"), subject to the terms of the Plan and the Restricted Stock Unit Agreement. This award was made in recognition of the significant contributions you have made as a key employee of the Company, and to motivate you to achieve future successes by aligning your interests more closely with those of our stockholders. This Restricted Stock Unit award is granted under and governed by the terms and conditions of the Plan and the Restricted Stock Unit Agreement (the "Agreement") made part hereof. The Agreement and the Prospectus can be viewed via your online account. Please read these documents and keep them for future reference. The specific terms of your award are as follows:

Participant: **Name**

Employee Number: **#**

Number of Restricted Stock Units: #

Grant Date: XXX

Vesting Commencement Date: XXX

Grant Plan: The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan

Vesting Schedule: Subject to Participant's continuous employment, this Restricted Stock Unit grant shall vest as to the number of Shares set forth below:

<u>Shares</u>	<u>Vesting Date</u>
#	XXX
#	XXX
#	XXX

Vesting Period: The Vesting Commencement Date through and including the applicable date set forth in the Vesting Schedule

Questions regarding the award can be directed to XXX.

If you wish to accept this grant, **please sign this Notice of Grant and return immediately to:**

Compensation Department
28 West 23rd Street, 8th Floor
New York, New York 10010

The undersigned hereby accepts, and agrees to, all terms and provisions of the Agreement, including those contained in this Notice of Grant.

By _____

Date _____

THE ESTÉE LAUDER COMPANIES INC.

SIGNIFICANT SUBSIDIARIES

All significant subsidiaries are wholly-owned by The Estée Lauder Companies Inc. and/or one or more of its wholly-owned subsidiaries.

Name	Jurisdiction in which Organized
ELCA Cosmetics GmbH	Switzerland
ELC Management LLC	Delaware
Estee Lauder Coordination Center BVBA	Belgium
Estee Lauder Cosmetics Limited	United Kingdom
Estee Lauder Europe, Inc.	Delaware
Estee Lauder Inc.	Delaware
Estee Lauder International, Inc.	Delaware
Estee Lauder Luxembourg S.a.R.L.	Luxembourg
Estee Lauder NV	Belgium
Estee Lauder (Shanghai) Commercial Company Ltd.	China
Estee Lauder AG Lachen	Switzerland
NEDP Holding S.a.R.L.	Luxembourg
Too Faced Cosmetics, LLC	Delaware

Consent of Independent Registered Public Accounting Firm

The Board of Directors
The Estée Lauder Companies Inc.

We consent to the incorporation by reference in Registration Statement Numbers 333-99554, 333-49606, 333-72684, 333-126820, 333-131527, 333-147262, 333-161452, 333-170534, and 333-208133 on Form S-8 and Number 333-204381 on Form S-3 of The Estée Lauder Companies Inc. and subsidiaries of our reports dated August 25, 2017 relating to the consolidated balance sheets of The Estée Lauder Companies Inc. and subsidiaries as of June 30, 2017 and 2016, and the related consolidated statements of earnings, comprehensive income (loss), equity, and cash flows for each of the years in the three-year period ended June 30, 2017, and the related financial statement schedule and the effectiveness of internal control over financial reporting as of June 30, 2017, which reports appear in the annual report on Form 10-K for the fiscal year ended June 30, 2017 of The Estée Lauder Companies Inc. and subsidiaries.

/s/ KPMG LLP

New York, New York
August 25, 2017

POWER-OF-ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints William P. Lauder, Fabrizio Freda and Tracey T. Travis, and each of them, such person's true and lawful attorneys-in-fact and agents, with full power of substitution and revocation, for such person and in such person's name, place and stead, in any and all capacities to sign the Annual Report on Form 10-K for the fiscal year ended June 30, 2017 of The Estée Lauder Companies Inc. and any and all amendments thereto, and to file the same with all exhibits thereto, and the other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as such person might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

This power of attorney may only be revoked by a written document executed by the undersigned that expressly revokes this power by referring to the date and subject hereof.

Signature	Title (s)	Date
<u>/s/ FABRIZIO FREDA</u> Fabrizio Freda	President, Chief Executive Officer and a Director (Principal Executive Officer)	August 25, 2017
<u>/s/ WILLIAM P. LAUDER</u> William P. Lauder	Executive Chairman and a Director	August 25, 2017
<u>/s/ LEONARD A. LAUDER</u> Leonard A. Lauder	Director	August 25, 2017
<u>/s/ CHARLENE BARSHEFSKY</u> Charlene Barshefsky	Director	August 25, 2017
<u>/s/ ROSE MARIE BRAVO</u> Rose Marie Bravo	Director	August 25, 2017
<u>/s/ WEI SUN CHRISTIANSON</u> Wei Sun Christianson	Director	August 25, 2017
<u>/s/ PAUL J. FRIBOURG</u> Paul J. Fribourg	Director	August 25, 2017
<u>/s/ MELLODY HOBSON</u> Mellody Hobson	Director	August 25, 2017
<u>/s/ IRVINE O. HOCKADAY, JR.</u> Irvine O. Hockaday, Jr.	Director	August 25, 2017

<u>/s/ JANE LAUDER</u> Jane Lauder	Director	August 25, 2017
<u>/s/ RONALD S. LAUDER</u> Ronald S. Lauder	Director	August 25, 2017
<u>/s/ RICHARD D. PARSONS</u> Richard D. Parsons	Director	August 25, 2017
<u>/s/ LYNN FORESTER DE ROTHSCHILD</u> Lynn Forester de Rothschild	Director	August 25, 2017
<u>/s/ BARRY S. STERNLICHT</u> Barry S. Sternlicht	Director	August 25, 2017
<u>/s/ RICHARD F. ZANNINO</u> Richard F. Zannino	Director	August 25, 2017
<u>/s/ TRACEY T. TRAVIS</u> Tracey T. Travis	Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	August 25, 2017

Certification

I, Fabrizio Freda certify that:

1. I have reviewed this annual report on Form 10-K of The Estée Lauder Companies 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: August 25, 2017

/s/ Fabrizio Freda

Fabrizio Freda

Certification

I, Tracey T. Travis certify that:

1. I have reviewed this annual report on Form 10-K of The Estée Lauder Companies 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: August 25, 2017

/s/ Tracey T. Travis

Tracey T. Travis

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 The Estée Lauder Companies Inc., a Delaware corporation (the “Company”), does hereby certify, to such officer’s knowledge, that:

The Annual Report on Form 10-K for the year ended June 30, 2017 (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.

Dated: August 25, 2017

/s/ Fabrizio Freda

Fabrizio Freda

President and 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 The Estée Lauder Companies Inc., a Delaware corporation (the “Company”), does hereby certify, to such officer’s knowledge, that:

The Annual Report on Form 10-K for the year ended June 30, 2017 (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.

Dated: August 25, 2017

/s/ Tracey T. Travis

Tracey T. Travis

Executive Vice President and 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.

**Document and Entity
Information - USD (\$)
\$ in Billions**

12 Months Ended

Jun. 30, 2017

Aug. 18, 2017 Dec. 31, 2016

Entity Registrant Name	ESTEE LAUDER COMPANIES INC	
Entity Central Index Key	0001001250	
Document Type	10-K	
Document Period End Date	Jun. 30, 2017	
Amendment Flag	false	
Current Fiscal Year End Date	--06-30	
Entity Well-known Seasoned Issuer	Yes	
Entity Voluntary Filers	No	
Entity Current Reporting Status	Yes	
Entity Filer Category	Large Accelerated Filer	
Entity Public Float		\$ 17
Document Fiscal Year Focus	2017	
Document Fiscal Period Focus	FY	
Common Class A		
Entity Common Stock, Shares Outstanding		224,193,862
Common Class B		
Entity Common Stock, Shares Outstanding		143,762,288

**CONSOLIDATED
STATEMENTS OF
EARNINGS - USD (\$)
shares in Millions, \$ in
Millions**

12 Months Ended

**Jun. 30, Jun. 30, Jun. 30,
2017 2016 2015**

CONSOLIDATED STATEMENTS OF EARNINGS

<u>Net Sales</u>	\$ 11,824	\$ 11,262	\$ 10,780
<u>Cost of Sales</u>	2,437	2,181	2,100
<u>Gross Profit</u>	9,387	9,081	8,680
<u>Operating Expenses</u>			
<u>Selling, general and administrative</u>	7,469	7,338	7,074
<u>Restructuring and other charges</u>	195	133	
<u>Goodwill impairment</u>	28		
<u>Impairment of other intangible assets</u>	3		
<u>Total operating expenses</u>	7,695	7,471	7,074
<u>Operating Income</u>	1,692	1,610	1,606
<u>Interest expense</u>	103	71	60
<u>Interest income and investment income, net</u>	28	16	15
<u>Earnings before Income Taxes</u>	1,617	1,555	1,561
<u>Provision for income taxes</u>	361	434	467
<u>Net Earnings</u>	1,256	1,121	1,094
<u>Net earnings attributable to noncontrolling interests</u>	(7)	(6)	(5)
<u>Net earnings attributable to The Estee Lauder Companies Inc.</u>	\$ 1,249	\$ 1,115	\$ 1,089
<u>Net earnings attributable to The Estee Lauder Companies Inc. per common share</u>			
<u>Basic (in dollars per share)</u>	\$ 3.40	\$ 3.01	\$ 2.87
<u>Diluted (in dollars per share)</u>	\$ 3.35	\$ 2.96	\$ 2.82
<u>Weighted-average common shares outstanding</u>			
<u>Basic (in shares)</u>	367.1	370.0	379.3
<u>Diluted (in shares)</u>	373.0	376.6	385.7
<u>Cash dividends declared per common share (in dollars per share)</u>	\$ 1.32	\$ 1.14	\$ 0.92

**CONSOLIDATED
STATEMENTS OF
COMPREHENSIVE
INCOME (LOSS) - USD (\$)
\$ in Millions**

12 Months Ended

**Jun. 30, Jun. 30, Jun. 30,
2017 2016 2015**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(LOSS)**

<u>Net earnings</u>	\$ 1,256	\$ 1,121	\$ 1,094
<u>Other comprehensive income (loss):</u>			
<u>Net unrealized investment gain (loss)</u>	(8)	7	(1)
<u>Net derivative instrument gain (loss)</u>	(54)	(18)	70
<u>Amounts included in net periodic benefit cost</u>	102	(88)	(24)
<u>Translation adjustments</u>	32	(101)	(306)
<u>Benefit (provision) for deferred income taxes on components of other comprehensive income</u>	(11)	36	(22)
<u>Total other comprehensive income (loss)</u>	61	(164)	(283)
<u>Comprehensive income</u>	1,317	957	811
<u>Comprehensive (income) loss attributable to noncontrolling interests:</u>			
<u>Net earnings</u>	(7)	(6)	(5)
<u>Translation adjustments</u>			2
<u>Total comprehensive (income) loss attributable to noncontrolling interests</u>	(7)	(6)	(3)
<u>Comprehensive income attributable to The Estee Lauder Companies Inc.</u>	\$ 1,310	\$ 951	\$ 808

**CONSOLIDATED
BALANCE SHEETS - USD**
(**\$**)
\$ in Millions

	Jun. 30, 2017	Jun. 30, 2016
<u>Current Assets</u>		
<u>Cash and cash equivalents</u>	\$ 1,136	\$ 914
<u>Short-term investments</u>	605	469
<u>Accounts receivable, net</u>	1,395	1,258
<u>Inventory and promotional merchandise, net</u>	1,479	1,264
<u>Prepaid expenses and other current assets</u>	349	320
<u>Total current assets</u>	4,964	4,225
<u>Property, Plant and Equipment, net</u>	1,671	1,583
<u>Other Assets</u>		
<u>Long-term investments</u>	1,026	1,108
<u>Goodwill</u>	1,916	1,228
<u>Other intangible assets, net</u>	1,327	344
<u>Other assets</u>	664	735
<u>Total other assets</u>	4,933	3,415
<u>Total assets</u>	11,568	9,223
<u>Current Liabilities</u>		
<u>Current debt</u>	189	332
<u>Accounts payable</u>	835	717
<u>Other accrued liabilities</u>	1,799	1,632
<u>Total current liabilities</u>	2,823	2,681
<u>Noncurrent Liabilities</u>		
<u>Long-term debt</u>	3,383	1,910
<u>Other noncurrent liabilities</u>	960	1,045
<u>Total noncurrent liabilities</u>	4,343	2,955
<u>Commitments and Contingencies</u>		
<u>Equity</u>		
<u>Common stock, \$.01 par value; Class A shares authorized: 1,300,000,000 at June 30, 2017 and June 30, 2016; shares issued: 429,968,260 at June 30, 2017 and 424,109,008 at June 30, 2016; Class B shares authorized: 304,000,000 at June 30, 2017 and June 30, 2016; shares issued and outstanding: 143,762,288 at June 30, 2017 and 144,770,237 at June 30, 2016</u>	6	6
<u>Paid-in capital</u>	3,559	3,161
<u>Retained earnings</u>	8,452	7,693
<u>Accumulated other comprehensive loss</u>	(484)	(545)
<u>Stockholders' equity before treasury stock</u>	11,533	10,315
<u>Less: Treasury stock, at cost; 205,627,082 Class A shares at June 30, 2017 and 201,119,435 Class A shares at June 30, 2016</u>	(7,149)	(6,743)
<u>Total stockholders' equity - The Estee Lauder Companies Inc.</u>	4,384	3,572
<u>Noncontrolling interests</u>	18	15
<u>Total equity</u>	4,402	3,587

Total liabilities and equity

\$ \$
11,568 9,223

**CONSOLIDATED
BALANCE SHEETS
(Parenthetical) - \$ / shares**

Jun. 30, 2017 Jun. 30, 2016

Common Class A

<u>Common stock, par value (in dollars per share)</u>	\$ 0.01	\$ 0.01
<u>Common stock, shares authorized</u>	1,300,000,000	1,300,000,000
<u>Common stock, shares issued</u>	429,968,260	424,109,008
<u>Common stock, shares outstanding</u>	224,341,200	222,989,600
<u>Treasury stock, shares</u>	205,627,082	201,119,435

Common Class B

<u>Common stock, par value (in dollars per share)</u>	\$ 0.01	\$ 0.01
<u>Common stock, shares authorized</u>	304,000,000	304,000,000
<u>Common stock, shares issued</u>	143,762,288	144,770,237
<u>Common stock, shares outstanding</u>	143,762,288	144,770,237

CONSOLIDATED STATEMENTS OF EQUITY - USD (\$) \$ in Millions	Total stockholders' equity - The Estee Lauder Companies Inc.	Common Stock	Paid-in Capital	Retained Earnings	Accumulated other comprehensive loss	Treasury Stock	Non- controlling Interests	Total
<u>Beginning of year at Jun. 30, 2014</u>	\$ 6	\$ 2,563	\$ 6,266	\$ (100)	\$ (4,879)	\$ 14		
<u>Increase (Decrease) in Stockholders' Equity</u>								
<u>Common stock dividends</u>			(351)					
<u>Net earnings attributable to The Estee Lauder Companies Inc. (in dollars)</u>			1,089					\$ 1,089
<u>Acquisition of treasury stock</u>					(928)			
<u>Stock-based compensation</u>		309			(50)			
<u>Net earnings attributable to noncontrolling interests</u>						5		(5)
<u>Distributions to noncontrolling interest holders</u>						(6)		
<u>Other comprehensive income (loss)</u>				(281)		(2)		(283)
<u>End of year at Jun. 30, 2015</u>	\$ 3,644	6	2,872	7,004	(381)	(5,857)	11	3,655
<u>Increase (Decrease) in Stockholders' Equity</u>								
<u>Common stock dividends</u>				(426)				
<u>Net earnings attributable to The Estee Lauder Companies Inc. (in dollars)</u>				1,115				1,115
<u>Acquisition of treasury stock</u>					(835)			
<u>Stock-based compensation</u>		289			(51)			
<u>Net earnings attributable to noncontrolling interests</u>						6		(6)
<u>Distributions to noncontrolling interest holders</u>						(5)		
<u>Acquisition of noncontrolling interest</u>						3		
<u>Other comprehensive income (loss)</u>				(164)				(164)
<u>End of year at Jun. 30, 2016</u>	3,572	6	3,161	7,693	(545)	(6,743)	15	3,587
<u>Increase (Decrease) in Stockholders' Equity</u>								
<u>Common stock dividends</u>				(490)				
<u>Net earnings attributable to The Estee Lauder Companies Inc. (in dollars)</u>				1,249				1,249

<u>Acquisition of treasury stock</u>						(355)		
<u>Stock-based compensation</u>			398			(51)		
<u>Net earnings attributable to noncontrolling interests</u>							7	(7)
<u>Distributions to noncontrolling interest holders</u>							(4)	
<u>Other comprehensive income (loss)</u>					61			61
<u>End of year at Jun. 30, 2017</u>	\$ 4,384	\$ 6	\$ 3,559	\$ 8,452	\$ (484)	\$ (7,149)	\$ 18	\$ 4,402

**CONSOLIDATED
STATEMENTS OF CASH
FLOWS - USD (\$)
\$ in Millions**

12 Months Ended

**Jun. 30, Jun. 30, Jun. 30,
2017 2016 2015**

Cash Flows from Operating Activities

Net earnings \$ 1,256 \$ 1,121 \$ 1,094

Adjustments to reconcile net earnings to net cash flows from operating activities:

Depreciation and amortization 464 415 409

Deferred income taxes (118) (94) (53)

Non-cash stock-based compensation 219 184 165

Excess tax benefits from stock-based compensation arrangements (45) (23) (48)

Loss on disposal of property, plant and equipment 5 17 15

Goodwill and other intangible asset impairments 31

Noncash restructuring and other charges 3 19

Pension and post-retirement benefit expense 80 71 64

Pension and post-retirement benefit contributions (38) (67) (59)

Changes in fair value of contingent consideration (57) 8 7

Other non-cash items (21) (7)

Changes in operating assets and liabilities:

Decrease (increase) in accounts receivable, net (92) (101) 103

Increase in inventory and promotional merchandise, net (85) (69) (26)

Decrease (increase) in other assets, net (80) (72) 8

Increase in accounts payable 54 101 147

Increase in other accrued and noncurrent liabilities 224 286 117

Net cash flows provided by operating activities 1,800 1,789 1,943

Cash Flows from Investing Activities

Capital expenditures (504) (525) (473)

Payments for acquired businesses, net of cash acquired (1,681) (101) (241)

Proceeds from disposition of investments 1,226 1,373 305

Purchases of investments (1,267) (2,016) (1,207)

Proceeds from sale of property, plant and equipment 12

Net cash flows used for investing activities (2,214) (1,269) (1,616)

Cash Flows from Financing Activities

Proceeds of current debt, net 165 13

Proceeds from issuance of long-term debt, net 1,498 616 294

Debt issuance costs (11) (4) (4)

Repayments and redemptions of long-term debt (306) (8) (8)

Net proceeds from stock-based compensation transactions 141 85 101

Excess tax benefits from stock-based compensation arrangements 45 23 48

Payments to acquire treasury stock (413) (890) (983)

Dividends paid to stockholders (486) (423) (350)

Payments to noncontrolling interest holders for dividends (3) (4) (6)

Net cash flows provided by (used for) financing activities 630 (605) (895)

<u>Effect of Exchange Rate Changes on Cash and Cash Equivalents</u>	6	(22)	(40)
<u>Net Increase (Decrease) in Cash and Cash Equivalents</u>	222	(107)	(608)
<u>Cash and Cash Equivalents at Beginning of Year</u>	914	1,021	1,629
<u>Cash and Cash Equivalents at End of Year</u>	\$ 1,136	\$ 914	\$ 1,021

**DESCRIPTION OF
BUSINESS**

**12 Months Ended
Jun. 30, 2017**

**DESCRIPTION OF
BUSINESS**

**DESCRIPTION OF
BUSINESS**

NOTE 1 – DESCRIPTION OF BUSINESS

The Estée Lauder Companies Inc. manufactures, markets and sells skin care, makeup, fragrance and hair care products around the world. Products are marketed under brand names, including: Estée Lauder, Aramis, Clinique, Prescriptives, Lab Series, Origins, M A C, Bobbi Brown, La Mer, Aveda, Jo Malone London, Bumble and bumble, Darphin, Ojon, Smashbox, RODIN olio lusso, Le Labo, Editions de Parfums Frédéric Malle, GLAMGLOW, By Kilian, BECCA and Too Faced. Certain subsidiaries of The Estée Lauder Companies Inc. are also the global licensee of the Tommy Hilfiger, Kiton, Donna Karan New York, DKNY, Michael Kors, Tom Ford, Ermenegildo Zegna, Tory Burch and AERIN brand names for fragrances and/or cosmetics.

**SUMMARY OF
SIGNIFICANT
ACCOUNTING POLICIES**

12 Months Ended

Jun. 30, 2017

**SUMMARY OF
SIGNIFICANT
ACCOUNTING POLICIES**

**SUMMARY OF
SIGNIFICANT
ACCOUNTING POLICIES**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

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

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

Management Estimates

The preparation of financial statements and related disclosures in conformity with U.S. generally accepted accounting principles (“U.S. GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses reported in those financial statements. Certain significant accounting policies that contain subjective management estimates and assumptions include those related to revenue recognition, inventory, pension and other post-retirement benefit costs, goodwill, other intangible assets and long-lived assets, 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 consolidated financial statements in future periods.

Currency Translation and Transactions

All assets and liabilities of foreign subsidiaries and affiliates are translated at year-end rates of exchange, while revenue and expenses are translated at weighted-average rates of exchange for the period. Unrealized translation gains (losses) reported as cumulative translation adjustments through other comprehensive income (loss) (“OCI”) attributable to The Estée Lauder Companies Inc. amounted to \$32 million, \$(109) million and \$(322) million, net of tax, in fiscal 2017, 2016 and 2015, respectively. For the Company’s Venezuelan and Ukrainian subsidiaries operating in highly inflationary economies, the U.S. dollar is the functional currency. Remeasurement adjustments in financial statements in a highly inflationary economy and other transactional gains and losses are reflected in earnings. These subsidiaries are not material to the Company’s consolidated financial statements or liquidity in fiscal 2017, 2016 and 2015.

The Company enters into foreign currency forward contracts and may enter into option contracts to hedge foreign currency transactions for periods consistent with its identified exposures. Accordingly, the Company categorizes these instruments as entered into for purposes other than trading.

The accompanying consolidated statements of earnings include net exchange gains on foreign currency transactions of \$15 million, \$16 million and \$4 million in fiscal 2017, 2016 and 2015, respectively.

Cash and Cash Equivalents

Cash and cash equivalents include \$434 million and \$205 million of short-term time deposits at June 30, 2017 and 2016, respectively. The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Investments

The Company's investment objectives include capital preservation, maintaining adequate liquidity, asset diversification, and achieving appropriate returns within the guidelines set forth in the Company's investment policy. These investments are classified as available-for-sale, with any temporary difference between the cost and fair value of an investment presented as a separate component of accumulated other comprehensive income (loss) ("AOCI"). See *Note 13 – Fair Value Measurements* for further information about how the fair values of investments are determined.

Investments in the common stock of privately-held companies in which the Company has significant influence, but less than a controlling financial interest, are accounted for under the equity method of accounting. The Company accounts for all other investments using the cost-method of accounting. These investments were not material to the Company's consolidated financial statements as of June 30, 2017 and 2016 and are included in Long-term investments in the accompanying consolidated balance sheets.

The Company evaluates investments held in unrealized loss positions for other-than-temporary impairment on a quarterly basis. Such evaluation involves a variety of considerations, including assessments of the risks and uncertainties associated with general economic conditions and distinct conditions affecting specific issuers. Factors considered by the Company include, but are not limited to (i) the length of time and extent the security has been in a material loss position; (ii) the financial condition and creditworthiness of the issuer; (iii) future economic conditions and market forecasts related to the issuer's industry, sector, or geography; (iv) the Company's intent and ability to retain its investment until maturity or for a period of time sufficient to allow for recovery of market value; and (v) an assessment of whether it is more likely than not that the Company will be required to sell its investment before recovery of market value.

Accounts Receivable

Accounts receivable is stated net of the allowance for doubtful accounts and customer deductions totaling \$30 million and \$24 million as of June 30, 2017 and 2016, respectively. This reserve is based upon the evaluation of accounts receivable aging, specific exposures and historical trends.

Inventory and Promotional Merchandise

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

Derivative Financial Instruments

The Company's derivative financial instruments are recorded as either assets or liabilities on the balance sheet and measured at fair value. All derivatives are (i) designated as a hedge of the fair value of a recognized asset or liability or of an unrecognized firm commitment ("fair-value" hedge), (ii) designated as a hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability ("cash-flow" hedge), or (iii) not designated as a hedging instrument. Changes in the fair value of a derivative that is designated and qualifies as a fair-value hedge that is highly effective are recorded in current-period earnings, along with the loss or gain on the hedged asset or liability that is attributable to the hedged risk (including losses or gains on unrecognized firm commitments). Changes in the fair value of a derivative that is designated and qualifies as a cash-flow hedge of a forecasted transaction that is highly effective are recorded in OCI. Gains and losses deferred in OCI are then recognized in current-period earnings when earnings are affected by the variability of cash flows of the hedged forecasted transaction (e.g., when periodic settlements on a variable-rate asset or liability are recorded in earnings). Changes in the fair value of derivative instruments not designated as hedging instruments are reported in current-period earnings.

Property, Plant and Equipment

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

Goodwill and Other Indefinite-lived Intangible Assets

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

The Company assesses goodwill and other indefinite-lived intangible assets at least annually for impairment as of the beginning of the fiscal fourth quarter or more frequently if certain events or circumstances exist. The Company tests goodwill for impairment at the reporting unit level, which is one level below the Company's operating segments. The Company identifies its reporting units by assessing whether the components of its operating segments constitute businesses for which discrete financial information is available and management of each operating segment regularly reviews the operating results of those components. The Company makes certain judgments and assumptions in allocating assets and liabilities to determine carrying values for its reporting units. When testing goodwill for impairment, the Company has the option of first performing a qualitative assessment to determine whether it is more-likely-than-not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform a quantitative goodwill impairment test. If necessary, the quantitative impairment test is performed in two steps: (i) the Company determines if an indication of impairment exists by comparing the fair value of a reporting unit with its carrying value, and (ii) if there is an impairment, the Company measures the amount of impairment loss by comparing the implied fair value of goodwill with the carrying amount of that goodwill. When testing other indefinite-lived intangible assets for impairment, the Company also has the option of first performing a qualitative assessment to determine whether it is more-likely-than-not that the indefinite-lived intangible asset is impaired as a basis for determining whether it is necessary to perform a quantitative test. The quantitative impairment test for indefinite-lived intangible assets encompasses calculating the fair value of an indefinite-lived intangible asset and comparing the fair value to its carrying value. If the carrying value exceeds the fair value, an impairment charge is recorded.

For fiscal 2017 and 2016, the Company elected to perform the qualitative assessment for certain of its reporting units and indefinite-lived intangible assets. This qualitative assessment included the review of certain macroeconomic factors and entity-specific qualitative factors to determine if it was more-likely-than-not that the fair values of its reporting units were below carrying value. The Company considered macroeconomic factors including the global economic growth, general macroeconomic trends for the markets in which the reporting units operate and the intangible assets are employed, and the growth of the global prestige beauty industry. In addition to these macroeconomic factors, among other things, the Company considered the reporting units' current results and forecasts, any changes in the nature of the business, any significant legal, regulatory, contractual, political or other business climate factors, changes in the industry/competitive environment, changes in the composition or carrying amount of net assets and its intention to sell or dispose of a reporting unit or cease the use of a trademark.

For the Company's other reporting units and other indefinite-lived intangible assets, including those acquired during and subsequent to fiscal 2015, a quantitative assessment was performed. The Company engaged third-party valuation specialists and used industry accepted valuation models and criteria that were reviewed and approved by various levels of management. To determine the fair value of the reporting units, the Company used an equal weighting of the income and market approaches. Under the income approach, we determined fair value using a discounted cash flow method, projecting future cash flows of each reporting unit, as well as a terminal value, and discounting such cash flows at a rate of return that reflected the relative risk of the cash flows. Under the market approach, we utilized market multiples from publicly traded companies with similar operating and investment characteristics as the reporting unit. The key estimates and factors used in these two approaches include revenue growth rates and profit margins based on internal forecasts, terminal value, the weighted-average cost of capital used to discount future cash flows and comparable market multiples. To determine the fair value of other indefinite-lived intangible assets, we use an income approach, the relief-from-royalty method. This method assumes that, in lieu of ownership, a third party would be willing to pay a royalty in order to obtain the rights to use the comparable asset.

Long-Lived Assets

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. When such events or changes in circumstances occur, a recoverability test is performed comparing projected undiscounted cash flows from the use and eventual disposition of an asset or asset group to its carrying value. If the projected undiscounted cash flows are less than the carrying value, then an impairment charge would be recorded for the excess of the carrying value over the fair value, which is determined by discounting estimated future cash flows.

Concentration of Credit Risk

The Company is a worldwide manufacturer, marketer and distributor of skin care, makeup, fragrance and hair care products. The Company's sales that are subject to credit risk are made primarily to department stores, perfumeries, specialty multi-brand retailers and retailers in its travel retail business. The Company grants credit to all qualified customers and does not believe it is exposed significantly to any undue concentration of credit risk.

The Company's largest customer sells products primarily within the United States and accounted for \$922 million, or 8%, \$1,065 million, or 9%, and \$1,060 million, or 10%, of the Company's consolidated net sales in fiscal 2017, 2016 and 2015, respectively. This customer accounted for \$112 million, or 8%, and \$164 million, or 13%, of the Company's accounts receivable at June 30, 2017 and 2016, respectively.

Revenue Recognition

Revenues from product sales are recognized upon transfer of ownership, including passage of title to the customer and transfer of the risk of loss related to those goods. In the Americas region, sales are generally recognized at the time the product is shipped to the customer and in the

Europe, the Middle East & Africa and Asia/Pacific regions, sales are generally recognized based upon the customer's receipt. In certain circumstances, transfer of title takes place at the point of sale, for example, at the Company's retail stores. The Company records revenues generated from purchase with purchase promotions in Net Sales and costs of its purchase with purchase and gift with purchase promotions in Cost of Sales.

Revenues are reported on a net sales basis, which is computed by deducting from gross sales the amount of actual product returns received, discounts, incentive arrangements with retailers and an amount established for anticipated product returns. The Company's practice is to accept product returns from retailers only if properly requested and approved. In accepting returns, the Company typically provides a credit to the retailer against accounts receivable from that retailer. As a percentage of gross sales, returns were 3.5% in fiscal 2017, 3.1% in fiscal 2016 and 3.4% in fiscal 2015.

Payments to Customers

Certain incentive arrangements require the payment of a fee to customers based on their attainment of pre-established sales levels. These fees have been accrued and recorded as a reduction of Net Sales in the accompanying consolidated statements of earnings and were not material to the results of operations in any period presented.

The Company enters into transactions related to demonstration, advertising and counter construction, some of which involve cooperative relationships with customers. These activities may be arranged either with unrelated third parties or in conjunction with the customer. To the extent the Company receives an identifiable benefit in exchange for consideration and the fair-value of the benefit can be reasonably estimated, the Company's share of the counter depreciation and the other costs of these transactions (regardless of to whom they were paid) are reflected in Selling, general and administrative expenses in the accompanying consolidated statements of earnings and were approximately \$1,405 million, \$1,387 million and \$1,378 million in fiscal 2017, 2016 and 2015, respectively.

Advertising and Promotion

Global net expenses for advertising, merchandising, sampling, promotion and product development were \$2,908 million, \$2,821 million and \$2,772 million in fiscal 2017, 2016 and 2015, respectively, and are expensed as incurred. Excluding the impact of purchase with purchase and gift with purchase promotions, which are included in Net Sales and Cost of Sales, costs for advertising, merchandising, sampling, promotion and product development included in Selling, general and administrative expenses in the accompanying consolidated statements of earnings were \$2,689 million, \$2,607 million and \$2,559 million in fiscal 2017, 2016 and 2015, respectively.

Research and Development

Research and development costs of \$179 million, \$191 million and \$178 million in fiscal 2017, 2016 and 2015, respectively, are recorded in Selling, general and administrative expenses in the accompanying consolidated statements of earnings and are expensed as incurred.

Shipping and Handling

Shipping and handling expenses of \$400 million, \$363 million and \$364 million in fiscal 2017, 2016 and 2015, respectively, are recorded in Selling, general and administrative expenses in the accompanying consolidated statements of earnings and include distribution center costs, third-party logistics costs and outbound freight.

Operating Leases

The Company recognizes rent expense from operating leases with periods of free and scheduled rent increases on a straight-line basis over the applicable lease term. The Company considers

lease renewals when such renewals are reasonably assured. From time to time, the Company may receive capital improvement funding from its lessors. These amounts are recorded as deferred liabilities and amortized over the remaining lease term as a reduction of rent expense.

License Arrangements

The Company's license agreements provide the Company with worldwide rights to manufacture, market and sell beauty and beauty-related products (or particular categories thereof) using the licensors' trademarks. Our current licenses have an initial term of approximately 5 years to 10 years, and are renewable subject to the Company's compliance with the license agreement provisions. Most of our license agreements have renewal terms in 5 year increments, with potential renewal periods ranging from approximately 5 years to 25 years. Under each license, the Company is required to pay royalties to the licensor, at least annually, based on net sales to third parties.

Most of the Company's licenses were entered into to create new business. In some cases, the Company acquired, or entered into, a license where the licensor or another licensee was operating a pre-existing beauty products business. In those cases, other intangible assets are capitalized and amortized over their useful lives.

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

Stock-Based Compensation

The Company records stock-based compensation, measured at the fair value of the awards that are ultimately expected to vest, as an expense in the consolidated financial statements. Upon the exercise of stock options or the vesting of restricted stock units, performance share units, performance share units based on total stockholder return and long-term performance share units, the resulting excess tax benefits, if any, are credited to additional paid-in capital. Any resulting tax deficiencies will first be offset against those cumulative credits to additional paid-in capital. If the cumulative credits to additional paid-in capital are exhausted, tax deficiencies will be recorded to the provision for income taxes.

Income Taxes

The Company accounts for income taxes using an asset and liability approach that requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in its consolidated financial statements or tax returns. The net deferred tax assets assume sufficient future earnings for their realization, as well as the continued application of currently anticipated tax rates. Included in net deferred tax assets is a valuation allowance for deferred tax assets, where management believes it is more-likely-than-not that the deferred tax assets will be realized in the relevant jurisdiction. If the Company's assessment of realizability of a deferred tax asset changes, an increase to a valuation allowance will result in a reduction of net earnings at that time while the reduction of a valuation allowance will result in an increase of net earnings at that time.

The Company provides tax reserves for U.S. federal, state, local and foreign exposures relating to periods subject to audit. The development of reserves for these exposures requires judgments about tax issues, potential outcomes and timing, and is a subjective critical estimate. The Company assesses its tax positions and records tax benefits for all years subject to examination based upon management's evaluation of the facts, circumstances, and information available at the reporting dates. For those tax positions where it is more-likely-than-not that a tax benefit will be sustained, the Company has recorded the largest amount of tax benefit with a greater than 50% likelihood of being realized upon settlement with a tax authority that has full knowledge of all relevant information. For those tax positions where it is more-likely-than-not that a tax benefit will not be sustained, no tax benefit has been recognized in the consolidated financial statements.

The Company classifies applicable interest and penalties as a component of the provision for income taxes. Although the outcome relating to these exposures is uncertain, in management's opinion adequate provisions for income taxes have been made for estimable potential liabilities emanating from these exposures. If actual outcomes differ materially from these estimates, they could have a material impact on the Company's consolidated results of operations.

Recently Issued Accounting Standards

Pension-related Costs

In March 2017, the Financial Accounting Standards Board ("FASB") issued authoritative guidance that amends how companies present net periodic benefit cost in the income statement and balance sheet relating to defined benefit pension and/or other postretirement benefit plans. Within the income statement, the new guidance requires companies to report the service cost component within operating expenses and report the other components of net periodic benefit cost below operating income (if one is reported). In addition, within the balance sheet, the guidance changes the components of the pension cost eligible for capitalization to the service cost component only (e.g., as a cost of internally manufactured inventory or a self-constructed asset).

Effective for the Company – Fiscal 2019 first quarter, with early adoption permitted as of the first interim period in fiscal 2018. The guidance must be applied (a) retrospectively as it pertains to the income statement classification of the components of net periodic benefit cost and (b) prospectively as it pertains to future capitalization of service costs.

Impact on consolidated financial statements – The Company will adopt this guidance when it becomes effective and although certain components of pension expense will be reclassified out of operating income, the Company does not believe this will have a material impact on reported operating income.

Goodwill

In January 2017, FASB issued authoritative guidance which simplifies the subsequent measurement of goodwill by eliminating the second step from the quantitative goodwill impairment test. The single quantitative step test requires companies to compare the fair value of a reporting unit with its carrying amount and record an impairment charge for the amount that the carrying amount exceeds the fair value, up to the total amount of goodwill allocated to that reporting unit. The Company will continue to have the option of first performing a qualitative assessment to determine whether it is necessary to perform the quantitative goodwill impairment test.

Effective for the Company – Fiscal 2021 first quarter, with early adoption permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017.

Impact on consolidated financial statements – The Company did not elect to apply this guidance to its fiscal 2017 impairment testing and will continue to assess the impact of adopting it on future interim and annual impairment tests.

Income Taxes

In October 2016, the FASB issued authoritative guidance that changes the way companies account for income taxes relating to intra-entity transfers of assets other than inventory. This new guidance requires that an entity recognize the income tax consequences of an intra-entity transfer of an asset other than inventory in the period in which the transfer takes place. Under current guidance, recognition of current and deferred income taxes of an intra-entity asset transfer is deferred. This new guidance may affect consolidated earnings where the intra-entity transfer of an asset other than inventory occurs between entities in jurisdictions with different tax rates. This guidance must be adopted using a modified retrospective approach with a cumulative-effect adjustment to retained earnings as of the beginning of the period of adoption.

Effective for the Company – Fiscal 2019 first quarter, with early adoption permitted.

Impact on consolidated financial statements – The adoption of this guidance is not expected to have a material impact on the Company's consolidated financial statements.

Measurement of Credit Losses on Financial Instruments

In June 2016, the FASB issued authoritative guidance that requires companies to utilize an impairment model for most financial assets measured at amortized cost and certain other financial instruments, which include trade and other receivables, loans and held-to-maturity debt securities, to record an allowance for credit risk based on expected losses rather than incurred losses. In addition, this new guidance changes the recognition method for credit losses on available-for-sale debt securities, which can occur as a result of market and credit risk, as well as additional disclosures. In general, this guidance will require modified retrospective adoption for all outstanding instruments that fall under this guidance.

Effective for the Company – Fiscal 2021 first quarter.

Impact on consolidated financial statements – The Company is currently evaluating the impact of applying this guidance on its financial instruments, such as accounts receivable and short- and long-term investments.

Compensation - Stock Compensation

In March 2016, the FASB issued authoritative guidance that changes the way companies account for certain aspects of share-based payments to employees. This new guidance requires that all excess tax benefits and tax deficiencies related to share-based compensation awards be recorded as income tax expense or benefit in the income statement. In addition, companies are required to treat the tax effects of exercised or vested awards as discrete items in the period that they occur. This guidance also permits an employer to withhold up to the maximum statutory withholding rates in a jurisdiction without triggering liability classification, allows companies to elect to account for forfeitures as they occur, and provides requirements for the cash flow classification of cash paid by an employer when directly withholding shares for tax-withholding purposes and for the classification of excess tax benefits. The new guidance prescribes different transition methods for the various provisions.

Effective for the Company – Fiscal 2018 first quarter, with early adoption permitted.

Impact on consolidated financial statements – The Company will adopt this guidance in its fiscal 2018 first quarter. For the fiscal years ended June 30, 2017 and 2016, the Company recognized \$42 million and \$22 million of excess tax benefits, respectively, directly in its consolidated statements of equity. These amounts may or may not be representative of future amounts to be recognized in the income statement upon the adoption of this new standard, as the impact of the adoption will be primarily dependent on the timing and intrinsic value of stock-based compensation awards, employee exercise behavior and applicable tax rates.

Leases

In February 2016, the FASB issued authoritative guidance that requires lessees to account for most leases on their balance sheets with the liability being equal to the present value of the lease payments. The right-of-use asset will be based on the lease liability adjusted for certain costs such as direct costs. Lease expense will be recognized similar to current accounting guidance with operating leases resulting in a straight-line expense, and financing leases resulting in a front-loaded expense similar to the current accounting for capital leases. This guidance must be adopted using a modified retrospective transition approach for leases that exist or are entered into after the beginning of the earliest comparative period in the financial statements, and provides for certain practical expedients.

Effective for the Company – Fiscal 2020 first quarter, with early adoption permitted.

Impact on consolidated financial statements – The Company currently has an implementation team in place that is performing a comprehensive evaluation of the impact of the adoption of this guidance. While the Company has not completed its evaluation, it believes the adoption of this standard will have a significant impact on its consolidated balance sheets. As disclosed in *Note 15 – Commitments and Contingencies*, the Company has \$2,427 million in future minimum lease commitments as of June 30, 2017. Upon adoption, the Company’s lease liability will generally be based on the present value of such payments and the related right-of-use asset will generally be based on the lease liability, adjusted for initial direct costs.

Revenue from Contracts with Customers

In May 2014, the FASB issued authoritative guidance that defines how companies should report revenues from contracts with customers. The standard requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. It provides companies with a single comprehensive five-step principles-based model to use in accounting for revenue and supersedes current revenue recognition requirements, including most industry-specific and transaction-specific revenue guidance.

In March 2016, the FASB issued authoritative guidance that amended the principal versus agent guidance in its new revenue recognition standard. These amendments do not change the key aspects of the principal versus agent guidance, including the definition that an entity is a principal if it controls the good or service prior to it being transferred to a customer, but the amendments clarify the implementation guidance related to the considerations that must be made during the contract evaluation process.

In April 2016, the FASB issued authoritative guidance that amended the new standard to clarify the guidance on identifying performance obligations and accounting for licenses of intellectual property.

In May 2016, the FASB issued authoritative guidance that clarified certain terms, guidance and disclosure requirements during the transition period related to completed contracts and contract modifications. In addition, the FASB provided clarification on the concept of collectability, the calculation of the fair value of noncash consideration and the presentation of sales and other similar taxes.

In May 2016, the FASB issued authoritative guidance to reflect the Securities and Exchange Commission Staff’s rescission of their prior comments that covered, among other things, accounting for shipping and handling costs and accounting for consideration given by a vendor to a customer.

In December 2016, the FASB issued authoritative guidance that amends various aspects of the new standard to clarify certain terms, guidance and disclosure requirements. In particular, the guidance addresses disclosure requirements for remaining performance obligations, impairment testing for contract costs and accrual of advertising costs, as well as clarifies several examples.

Effective for the Company – Fiscal 2019, with early adoption permitted. An entity is permitted to apply the foregoing guidance retrospectively to all prior periods presented, with certain practical expedients, or apply the requirements in the year of adoption, through a cumulative adjustment.

Impact on consolidated financial statements – The Company will apply all of this new guidance when they become effective in fiscal 2019 and has not yet selected a transition method. Although the Company has not yet completed its evaluation, it has preliminarily determined that certain promotional goods, such as samples and testers, may be reclassified from Selling, general and administrative expenses to Cost of Sales in the consolidated financial statements upon adoption. Additionally, the Company’s customer loyalty programs, which have historically been accounted for under the incremental cost approach, will be accounted for as a reduction of revenue based on

the fair value of estimated future redemptions when the obligation is created (i.e. upon sale of the product to the consumer).

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

INVESTMENTS

12 Months Ended
Jun. 30, 2017

INVESTMENTS INVESTMENTS

NOTE 3 – INVESTMENTS

Gains and losses recorded in AOCI related to the Company's available-for-sale investments as of June 30, 2017 were as follows:

<u>(In millions)</u>	<u>Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
U.S. government and agency securities	\$ 464	\$ 2	\$ (2)	\$ 464
Foreign government and agency securities	103	—	(1)	102
Corporate notes and bonds	506	—	(1)	505
Time deposits	410	—	—	410
Other securities	16	1	—	17
Total	<u>\$ 1,499</u>	<u>\$ 3</u>	<u>\$ (4)</u>	<u>\$ 1,498</u>

Gains and losses recorded in AOCI related to the Company's available-for-sale investments as of June 30, 2016 were as follows:

<u>(In millions)</u>	<u>Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
U.S. government and agency securities	\$ 560	\$ 3	\$ —	\$ 563
Foreign government and agency securities	61	—	—	61
Corporate notes and bonds	454	3	—	457
Time deposits	390	—	—	390
Other securities	32	1	—	33
Total	<u>\$ 1,497</u>	<u>\$ 7</u>	<u>\$ —</u>	<u>\$ 1,504</u>

The following table presents the Company's available-for-sale securities by contractual maturity as of June 30, 2017:

<u>(In millions)</u>	<u>Cost</u>	<u>Fair Value</u>
Due within one year	\$ 604	\$ 605
Due after one through five years	895	893
	<u>\$ 1,499</u>	<u>\$ 1,498</u>

The following table presents the fair market value of the Company's investments with gross unrealized losses that are not deemed to be other-than-temporarily impaired as of June 30, 2017:

<u>(In millions)</u>	<u>In a Loss Position for Less Than 12 Months</u>		<u>In a Loss Position for More Than 12 Months</u>	
	<u>Fair Value</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>	<u>Gross Unrealized Losses</u>
Available-for-sale securities	\$ 739	\$ (4)	\$ 9	\$ —

Gross gains and losses realized on sales of investments included in the consolidated statements of earnings were as follows:

<u>(In millions)</u>	<u>Year Ended June 30</u>	
	<u>2017</u>	<u>2016</u>
Gross realized gains	\$ 1	\$ 1
Gross realized losses	(1)	(1)
Total	<u>\$ —</u>	<u>\$ —</u>

The Company utilizes the first-in, first-out method to determine the cost of the security sold. Sale proceeds from investments classified as available-for-sale were \$687 million and \$794 million in fiscal 2017 and 2016, respectively.

**INVENTORY AND
PROMOTIONAL
MERCHANDISE**

12 Months Ended

Jun. 30, 2017

**INVENTORY AND PROMOTIONAL
MERCHANDISE**

**INVENTORY AND PROMOTIONAL
MERCHANDISE**

**NOTE 4 – INVENTORY AND PROMOTIONAL
MERCHANDISE**

(In millions)	June 30	
	2017	2016
Inventory and promotional merchandise, net consists of:		
Raw materials	\$ 334	\$ 306
Work in process	194	177
Finished goods	762	622
Promotional merchandise	189	159
	<u>\$ 1,479</u>	<u>\$ 1,264</u>

**PROPERTY, PLANT AND
EQUIPMENT**

**12 Months Ended
Jun. 30, 2017**

**PROPERTY, PLANT AND
EQUIPMENT**

**PROPERTY, PLANT AND
EQUIPMENT**

NOTE 5 – PROPERTY, PLANT AND EQUIPMENT

(In millions)	June 30	
	2017	2016
Assets (Useful Life)		
Land	\$ 30	\$ 15
Buildings and improvements (10 to 40 years)	192	187
Machinery and equipment (3 to 10 years)	668	680
Computer hardware and software (4 to 15 years)	1,115	1,041
Furniture and fixtures (5 to 10 years)	96	84
Leasehold improvements	1,918	1,789
	<u>4,019</u>	<u>3,796</u>
Less accumulated depreciation and amortization	(2,348)	(2,213)
	<u>\$ 1,671</u>	<u>\$ 1,583</u>

The cost of assets related to projects in progress of \$183 million and \$186 million as of June 30, 2017 and 2016, respectively, is included in their respective asset categories above. Depreciation and amortization of property, plant and equipment was \$428 million, \$401 million and \$400 million in fiscal 2017, 2016 and 2015, respectively. Depreciation and amortization related to the Company's manufacturing process is included in Cost of Sales and all other depreciation and amortization is included in Selling, general and administrative expenses in the accompanying consolidated statements of earnings.

ACQUISITION OF
BUSINESSES

12 Months Ended
Jun. 30, 2017

ACQUISITION OF
BUSINESSES

ACQUISITION OF
BUSINESSES

NOTE 6 – ACQUISITION OF BUSINESSES

On December 19, 2016, the Company acquired 100% of Too Faced, a makeup brand, for approximately \$1.5 billion. This acquisition is expected to complement the Company's distribution in the specialty-multi channel. The amount paid at closing was funded by cash on hand including the proceeds from the issuance of commercial paper. In February 2017, the Company issued long-term debt to refinance a portion of the outstanding commercial paper, see *Note 11 – Debt*. A working capital adjustment of approximately \$8 million was received by the Company in the fourth quarter of fiscal 2017. The results of operations of Too Faced are included in the Company's consolidated financial statements commencing on the acquisition date.

The Company has recorded an allocation of the purchase price to the Company's tangible and identifiable intangible assets acquired and liabilities assumed based on their fair value at the acquisition date. The excess of the purchase price over the fair value of the net tangible and intangible assets was recorded as goodwill, which includes value associated with assembled workforce. The calculation of purchase price and purchase price allocation, which is pending finalization of tax-related items and completion of the related final valuation, is as follows:

(In millions)	
Cash	\$ 28
Accounts receivable ⁽¹⁾	42
Inventory	102
Other current assets	4
Property, plant and equipment	8
Intangible assets	860
Goodwill	607
Total assets acquired	<u>1,651</u>
Accounts payable	60
Other accrued liabilities	15
Deferred income taxes	100
Total liabilities assumed	<u>175</u>
Total purchase price	<u>\$ 1,476</u>

(1) Represents the gross amount of trade receivables of \$42 million, net of estimated customer deductions which were de minimis.

For the year ended June 30, 2017, the Company's statements of earnings included approximately \$165 million of net sales and \$22 million, net of tax, of net loss, inclusive of acquisition-related costs, related to Too Faced. Acquisition-related costs, which primarily include financial advisory, accounting and legal fees, in the amount of \$11 million for the year ended June 30, 2017, are included in Selling, general and administrative expenses in the accompanying consolidated statements of earnings. Measurement period adjustments were not material to the consolidated financial statements.

On November 14, 2016, the Company also acquired 100% of BECCA, a makeup brand. Pro forma results of operations reflecting the Too Faced and BECCA acquisitions have not been presented, as the impact on the Company's consolidated financial results would not have been material.

**GOODWILL AND OTHER
INTANGIBLE ASSETS**

**12 Months Ended
Jun. 30, 2017**

**GOODWILL AND OTHER
INTANGIBLE ASSETS**

**GOODWILL AND OTHER
INTANGIBLE ASSETS**

NOTE 7 – GOODWILL AND OTHER INTANGIBLE ASSETS

As previously discussed in *Note 6 – Acquisition of Businesses*, during the year ended June 30, 2017, the Company acquired Too Faced and BECCA, which included the addition of goodwill of \$705 million, amortizable intangible assets of \$397 million (with a weighted-average amortization period of approximately 10 years) and non-amortizable intangible assets of \$623 million. Goodwill associated with the acquisitions is primarily attributable to the future revenue growth opportunities associated with additional share in the makeup category. As such, the goodwill has been allocated to the Company’s makeup product category. Approximately \$316 million of goodwill recorded in connection with certain of these acquisitions is expected to be deductible for tax purposes. These amounts are provisional pending finalization of tax-related items and completion of the related final valuations. During the year ended June 30, 2017, the Company recognized \$11 million of goodwill associated with the continuing earn-out obligations related to the acquisition of the Bobbi Brown brand.

The intangible assets acquired in connection with the acquisitions of Too Faced and BECCA are classified as Level 3 in the fair value hierarchy. The estimate of the fair values of acquired amortizable intangible assets was determined using a multi-period excess earnings income approach. Fair value was determined under this approach by estimating future cash flows over multiple periods, as well as a terminal value, and discounting such cash flows at a rate of return that reflects the relative risk of the cash flows. The estimate of the fair values of acquired intangible assets not subject to amortization was determined using an income approach, specifically the relief-from-royalty method.

Goodwill

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

<u>(In millions)</u>	<u>Skin Care</u>	<u>Makeup</u>	<u>Fragrance</u>	<u>Hair Care</u>	<u>Total</u>
<u>Balance as of June 30, 2015</u>					
Goodwill	\$ 184	\$ 450	\$ 181	\$ 395	\$ 1,210
Accumulated impairments	(29)	—	—	(36)	(65)
	<u>155</u>	<u>450</u>	<u>181</u>	<u>359</u>	<u>1,145</u>
Goodwill acquired during the year	—	10	78	—	88
Translation and other adjustments	—	—	(4)	(1)	(5)
	<u>—</u>	<u>10</u>	<u>74</u>	<u>(1)</u>	<u>83</u>
<u>Balance as of June 30, 2016</u>					
Goodwill	184	460	255	393	1,292
Accumulated impairments	(29)	—	—	(35)	(64)
	<u>155</u>	<u>460</u>	<u>255</u>	<u>358</u>	<u>1,228</u>
Goodwill acquired during the year	—	716	—	—	716
Impairment charges	(6)	—	(22)	—	(28)
	<u>(6)</u>	<u>—</u>	<u>(22)</u>	<u>—</u>	<u>(28)</u>

	(6)	716	(22)		688
Balance as of June 30, 2017					
Goodwill	184	1,176	255	393	2,008
Accumulated impairments	(35)	—	(22)	(35)	(92)
	<u>\$ 149</u>	<u>\$ 1,176</u>	<u>\$ 233</u>	<u>\$ 358</u>	<u>\$ 1,916</u>

Other Intangible Assets

Other intangible assets include trademarks and patents, as well as license agreements and other intangible assets resulting from or related to businesses and assets purchased by the Company. Indefinite-lived intangible assets (e.g., trademarks) are not subject to amortization and are assessed at least annually for impairment during the fiscal fourth quarter or more frequently if certain events or circumstances exist. Other intangible assets (e.g., non-compete agreements, customer lists) are amortized on a straight-line basis over their expected period of benefit, approximately 2 years to 20 years. Intangible assets related to license agreements were amortized on a straight-line basis over their useful lives based on the terms of the respective agreements. The costs incurred and expensed by the Company to extend or renew the term of acquired intangible assets during fiscal 2017 and 2016 were not significant to the Company's results of operations.

Other intangible assets consist of the following:

(In millions)	June 30, 2017			June 30, 2016		
	Gross Carrying Value	Accumulated Amortization	Total Net Book Value	Gross Carrying Value	Accumulated Amortization	Total Net Book Value
<u>Amortizable intangible assets:</u>						
Customer lists and other	\$ 696	\$ 279	\$ 417	\$ 299	\$ 245	\$ 54
License agreements	43	43	—	43	43	—
	<u>\$ 739</u>	<u>\$ 322</u>	417	<u>\$ 342</u>	<u>\$ 288</u>	54
<u>Non-amortizable intangible assets:</u>						
Trademarks and other			910			290
Total intangible assets			<u>\$ 1,327</u>			<u>\$ 344</u>

The aggregate amortization expense related to amortizable intangible assets for fiscal 2017, 2016 and 2015 was \$35 million, \$16 million and \$14 million, respectively. The estimated aggregate amortization expense for each of the next five fiscal years is as follows:

(In millions)	Fiscal				
	2018	2019	2020	2021	2022
Estimated aggregate amortization expense	\$ 52	\$ 51	\$ 44	\$ 43	\$ 42

Fiscal 2017 Annual Impairment Testing

The Company assesses goodwill and other indefinite-lived intangible assets at least annually for impairment or more frequently if certain events or circumstances exist. Based on the Company's annual goodwill and other intangible asset impairment testing as of April 1, 2017, the Company determined that the carrying values of the RODIN olio lusso and Editions de Parfums Frédéric Malle reporting units exceeded their fair values. This determination was made based on updated long-term plans, finalized and approved in June 2017, that reflected lower sales growth projections due to a softer than expected retail environment for those brands. As a result, a Step 2 impairment assessment was performed and the Company recorded an impairment charge of the goodwill related to these reporting units of \$28 million. The fair values of the reporting units were based upon the average of the income approach, which utilizes estimated cash flows and a

terminal value, discounted at a rate of return that reflects the relative risk of cash flows, and the market approach, which utilizes performance multiples based on market peers.

The Company also determined that the carrying values of the RODIN olio lusso and Editions de Parfums Frédéric Malle trademarks, as well as the RODIN olio lusso persona and customer relationship intangible assets exceeded their estimated fair values. The fair values of the trademarks were determined utilizing a royalty rate to determine discounted projected future cash flows. As a result, the Company recognized impairment charges of \$3 million for the remaining carrying values of the RODIN olio lusso trademark, customer relationship and persona intangible assets. The Company also recognized an impairment charge for the Editions de Parfums Frédéric Malle trademark, which was de minimis.

The combined goodwill and other intangible asset impairment charges of \$9 million and \$22 million are reflected in the skin care and fragrance product categories, respectively, and \$17 million and \$14 million are reflected in the Americas and Europe, the Middle East & Africa regions, respectively.

**CHARGES ASSOCIATED
WITH RESTRUCTURING
AND OTHER ACTIVITIES**

12 Months Ended

Jun. 30, 2017

**CHARGES ASSOCIATED
WITH RESTRUCTURING
ACTIVITIES**

**CHARGES ASSOCIATED
WITH RESTRUCTURING
ACTIVITIES**

**NOTE 8 – CHARGES ASSOCIATED WITH RESTRUCTURING AND OTHER
ACTIVITIES**

During fiscal 2017 and 2016, the Company incurred charges associated with restructuring and other activities in connection with its Leading Beauty Forward and Global Technology Infrastructure initiatives as follows:

(In millions)	Sales Returns (included in Net Sales)	Cost of Sales	Operating Expenses		Total
			Restructuring Charges	Other Charges	
<u>Fiscal 2017</u>					
Leading Beauty Forward	\$ 2	\$ 15	\$ 122	\$ 73	\$ 212
<u>Fiscal 2016</u>					
Leading Beauty Forward	\$ 1	\$ —	\$ 75	\$ 5	\$ 81
Global Technology Infrastructure	—	—	46	7	53
Total	\$ 1	\$ —	\$ 121	\$ 12	\$ 134

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

Leading Beauty Forward

Background

In May 2016, the Company announced a multi-year initiative (“Leading Beauty Forward,” “LBF” or the “Program”) to build on its strengths and better leverage its cost structure to free resources for investment to continue its growth momentum. LBF is designed to enhance the Company’s go-to-market capabilities, reinforce its leadership in global prestige beauty and continue creating sustainable value.

The Company plans to approve specific initiatives under LBF through fiscal 2019 related to the optimization of select corporate functions, supply chain activities, and corporate and regional market support structures, as well as the exit of underperforming businesses, and expects to complete those initiatives through fiscal 2021. Inclusive of charges recorded from inception through June 30, 2017, the Company expects that LBF will result in related restructuring and other charges totaling between \$600 million and \$700 million before taxes.

Restructuring actions to be taken over the duration of LBF involve the redesigning, resizing and reorganization of select corporate functions and go-to-market structures to improve effectiveness and create cost efficiencies in support of increased investment in growth drivers. As the Company continues to grow, it is important to more efficiently support its diverse portfolio of brands, channels and geographies in the rapidly evolving prestige beauty environment. The initiatives being evaluated include the creation of a shared-services structure in existing or lower-cost locations, either using Company resources or through external service providers. The

Company also believes that decision-making in key areas of innovation, marketing and digital communications should be moved closer to the consumer to increase speed and local relevance.

In connection with LBF, at this time, the Company estimates a net reduction over the duration of LBF in the range of approximately 900 to 1,200 positions globally, which is about 2.5% of its current workforce. This reduction takes into account the elimination of some positions, retraining and redeployment of certain employees and investment in new positions in key areas.

Program-to-Date Approvals

Of the \$600 million to \$700 million restructuring and other charges expected to be incurred, total cumulative charges approved by the Company through June 30, 2017, some of which were recorded during fiscal 2017 and 2016, were:

(In millions)	Sales Returns (included in Net Sales)	Cost of Sales	Operating Expenses		Total
			Restructuring Charges	Other Charges	
Approval Period					
Fiscal 2016	\$ 4	\$ 28	\$ 87	\$ 71	\$ 190
Fiscal 2017	11	10	132	118	271
Cumulative through June 30, 2017	<u>\$ 15</u>	<u>\$ 38</u>	<u>\$ 219</u>	<u>\$ 189</u>	<u>\$ 461</u>

The major cost types related to the cumulative restructuring initiatives set forth above were:

(In millions)	Employee- Related Costs	Asset- Related Costs	Contract Terminations	Other Exit Costs	Total
Approval Period					
Fiscal 2016	\$ 75	\$ 3	\$ 5	\$ 4	\$ 87
Fiscal 2017	126	1	—	5	132
Cumulative through June 30, 2017	<u>\$ 201</u>	<u>\$ 4</u>	<u>\$ 5</u>	<u>\$ 9</u>	<u>\$ 219</u>

Specific actions taken since the Program inception include:

- Optimize Select Corporate Functions – The Company approved initiatives to realign and optimize its organization to better leverage scale, improve productivity, reduce complexity and achieve cost savings across various functions, including finance, research and development, human resources, global information systems and legal. Such approvals included consulting, other professional services, temporary labor backfill and, to a lesser extent, costs for training and recruiting related to new capabilities, which are necessary for the design of the future structures, processes and technologies of these functions, as well as similar expenses for certain other corporate functions. These actions will result in a net reduction of the workforce, which includes position eliminations, the re-leveling of certain positions and an investment in new capabilities. The Company also approved other charges to support the LBF Project Management Office (“PMO”), primarily consisting of internal costs for employees dedicated solely to project management activities, with a focus on project integration and change management.

The future design of certain corporate functions includes the creation of a shared-services structure, either using Company resources or through external service providers. As part of the future service delivery model, the Company approved the organizational design of the management and governance platform of a shared-services structure using Company resources, as well as the transition of select transactional activities to an external service

provider, which is expected to result in other charges for implementation, project and consulting costs.

- Optimize Supply Chain – An initiative to centralize the Company’s supply chain management was approved. This includes the relocation of certain operations and positions, with some employees being separated and positions replaced in a new location. Other charges approved are primarily related to consulting fees for design and implementation, temporary labor backfill during the transition and project management costs.

In addition, the Company approved certain activities related to initiatives to enable distribution capabilities and generate efficiencies through an external service provider and to optimize certain supply chain activities through organizational design in certain key areas. Collectively, these actions will result in a net reduction of the workforce, which includes position eliminations, the re-leveling of certain positions and an investment in new capabilities. Initiatives to redesign certain supply chain planning and transportation management activities and to improve the organizational design of manufacturing and engineering processes related to certain product lines were also approved, primarily resulting in consulting fees and, to a lesser extent, project management costs.

- Optimize Corporate and Region Market Support Structures – The Company approved initiatives to enhance its go-to-market support structures and achieve synergies across certain geographic regions, brands and channels. These initiatives are primarily intended to shift certain areas of focus from traditional to social and digital marketing strategies to provide enhanced consumer experience, as well as to support expanded omnichannel opportunities. These actions will result in a net reduction of the workforce, which includes position eliminations, the re-leveling of certain positions and an investment in new capabilities. The Company also approved consulting and other professional services related to the design of future structures, processes and technologies and, to a lesser extent, other costs for recruitment and training related to new capabilities. In addition, the Company approved initiatives to enhance consumer engagement strategies across certain channels in Europe, which is expected to result in product returns.
- Exit Underperforming Businesses – To further improve profitability in certain areas of the Company’s brands and regions, the Company approved initiatives to exit certain businesses in select markets and channels of distribution. The Company has also decided to close a number of underperforming freestanding retail stores and exit mid-tier department stores for certain brands in the United States to redirect resources to other retail locations and channels with potential for greater profitability. These activities will result in product returns, inventory write-offs, reduction of workforce, accelerated depreciation and termination of contracts.

Program-to-Date Restructuring and Other Charges

Restructuring charges are comprised of the following:

Employee-Related Costs – Employee-related costs are primarily comprised of severance and other post-employment benefit costs, calculated based on salary levels, prior service and other statutory minimum benefits, if applicable. Employee-related costs are expensed when specific employees have been identified and when payment is probable and estimable, which generally occurs upon approval of the related initiative by management with authority delegated from the Company’s Board of Directors.

Asset-Related Costs – Asset-related costs primarily consist of asset write-offs or accelerated depreciation related to long-lived assets that will be taken out of service prior to their existing useful life as a direct result of a restructuring initiative. The accelerated portion of depreciation expense will be expensed on a straight-line basis and be classified as

restructuring charges, while the portion relating to the previous existing useful life will continue to be reported in Selling, general and administrative expenses.

Contract Terminations – Costs related to contract terminations include continuing payments to a third party after the Company has ceased benefiting from the rights conveyed in the contract, or a payment made to terminate a contract prior to its expiration. These may include continuing operating lease payments (less estimated sublease payments) to a landlord after exiting a location prior to the lease-end date as a direct result of an approved restructuring initiative. Contract terminations also include minimum payments or fees related to the early termination of license or other personal service contracts. Costs related to contract terminations are expensed upon the cease-use date of a leased property or upon the notification date to the third party in the event of a license or personal service contract termination.

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

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

Sales Returns and Cost of Sales – Product returns (offset by the related cost of sales) and inventory write-offs or write-downs as a direct result of an approved restructuring initiative to exit certain businesses or locations will be recorded as a component of Net Sales and/or Cost of Sales when estimable and reasonably assured. Consulting and other professional services, primarily related to the design of supply chain planning activities, are expensed in Cost of Sales as incurred.

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

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

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

(In millions)	Sales Returns (included in Net Sales)		Operating Expenses		Total
	Cost of Sales	Restructuring Charges	Other Charges		
Fiscal 2016	\$ 1	\$ —	\$ 75	\$ 5	\$ 81
Fiscal 2017	2	15	122	73	212
Cumulative through June 30, 2017	<u>\$ 3</u>	<u>\$ 15</u>	<u>\$ 197</u>	<u>\$ 78</u>	<u>\$ 293</u>

The major cost types related to the cumulative restructuring charges set forth above were:

(In millions)	Employee- Related Costs	Asset- Related Costs	Contract Terminations	Other Exit Costs	Total
Fiscal 2016	\$ 74	\$ 1	\$ —	\$ —	\$ 75
Fiscal 2017	116	2	2	2	122
Charges recorded through June 30, 2017	<u>\$ 190</u>	<u>\$ 3</u>	<u>\$ 2</u>	<u>\$ 2</u>	<u>\$ 197</u>

Accrued restructuring charges from Program inception through June 30, 2017 were:

(In millions)	Employee- Related Costs	Asset- Related Costs	Contract Terminations	Other Exit Costs	Total
Charges	\$ 74	\$ 1	\$ —	\$ —	\$ 75
Noncash asset write-offs	—	(1)	—	—	(1)
Translation adjustments	(1)	—	—	—	(1)
Balance at June 30, 2016	<u>73</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>73</u>
Charges	116	2	2	2	122
Cash payments	(39)	—	(2)	(2)	(43)
Noncash asset write-offs	—	(2)	—	—	(2)
Balance at June 30, 2017	<u>\$ 150</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 150</u>

Restructuring charges for employee-related costs in fiscal 2017 are net of adjustments to the accrual estimate for certain employees who either resigned or transferred to other existing positions within the Company. Accrued restructuring charges at June 30, 2017 are expected to result in cash expenditures funded from cash provided by operations of approximately \$97 million, \$47 million and \$6 million in fiscal 2018, 2019 and 2020, respectively.

Global Technology Infrastructure

In October 2015, the Company approved plans to transform and modernize its global technology infrastructure (“GTI”) to fundamentally change the way the Company delivers information technology services internally (such initiative, the “GTI Restructuring”). As part of the GTI Restructuring, the Company transitioned its GTI from Company-owned assets to a primarily vendor-owned, cloud-based model where the Company pays for services as they are used. The Company incurred restructuring charges of \$46 million for the year ended June 30, 2016, reflecting contract terminations of \$24 million, asset write-offs of \$18 million and employee-related costs of \$4 million. Other charges in connection with the implementation of this initiative were \$7 million for the year ended June 30, 2016, primarily related to consulting services. These charges are included in Restructuring and other charges in the accompanying consolidated statements of earnings. The implementation of the GTI Restructuring was substantially completed during fiscal 2016.

INCOME TAXES

**12 Months Ended
Jun. 30, 2017**

INCOME TAXES INCOME TAXES

NOTE 9 – INCOME TAXES

The provision for income taxes is comprised of the following:

(In millions)	Year Ended June 30		
	2017	2016	2015
Current:			
Federal	\$ 218	\$ 224	\$ 237
Foreign	253	293	251
State and local	8	11	32
	<u>479</u>	<u>528</u>	<u>520</u>
Deferred:			
Federal	(58)	(73)	(56)
Foreign	(61)	(22)	2
State and local	1	1	1
	<u>(118)</u>	<u>(94)</u>	<u>(53)</u>
	<u>\$ 361</u>	<u>\$ 434</u>	<u>\$ 467</u>

Earnings before income taxes include amounts contributed by the Company's foreign operations of approximately \$1,676 million, \$1,448 million and \$1,420 million for fiscal 2017, 2016 and 2015, respectively. A portion of these earnings is taxed in the United States.

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

	Year Ended June 30		
	2017	2016	2015
Provision for income taxes at statutory rate	35.0%	35.0%	35.0%
Increase (decrease) due to:			
State and local income taxes, net of federal tax benefit	0.7	0.9	1.1
Taxation of foreign operations	(7.5)	(8.0)	(6.8)
China deferred tax asset valuation allowance reversal	(4.6)	—	—
Income tax reserve adjustments	(1.2)	(0.3)	0.5
Other, net	(0.1)	0.3	0.1
Effective tax rate	<u>22.3%</u>	<u>27.9%</u>	<u>29.9%</u>

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

In the fourth quarter of fiscal 2017, a favorable change to the tax law in China was enacted that expanded the corporate income tax deduction allowance for advertising and promotional expenses to include all companies that distribute and sell cosmetics in the country. As a result of the new law, in the fourth quarter of fiscal 2017, the Company released into income its previously established China deferred tax asset valuation allowance of approximately \$75 million related to its accumulated carryforward of excess advertising and promotional expenses.

Federal income and foreign withholding taxes have not been provided on approximately \$4,136 million of undistributed earnings of foreign subsidiaries at June 30, 2017. The Company intends to reinvest these earnings in its foreign operations indefinitely, except where it is able to repatriate these earnings to the United States without material incremental tax provision. The determination and estimation of the future income tax consequences in all relevant taxing jurisdictions involves the application of highly complex tax laws in the countries involved, particularly in the United States, and is based on the tax profile of the Company in the year of earnings repatriation. Accordingly, it is not practicable to determine the amount of tax associated with such undistributed earnings.

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

(In millions)	June 30	
	2017	2016
Deferred tax assets:		
Compensation related expenses	\$ 256	\$ 240
Inventory obsolescence and other inventory related reserves	97	86
Retirement benefit obligations	124	129
Various accruals not currently deductible	189	197
Net operating loss, credit and other carryforwards	65	111
Unrecognized state tax benefits and accrued interest	24	25
Other differences between tax and financial statement values	91	88
	<u>846</u>	<u>876</u>
Valuation allowance for deferred tax assets	(42)	(118)
Total deferred tax assets	<u>804</u>	<u>758</u>
Deferred tax liabilities:		
Depreciation and amortization	(465)	(293)
Other differences between tax and financial statement values	(17)	(43)
Total deferred tax liabilities	<u>(482)</u>	<u>(336)</u>
Total net deferred tax assets	<u>\$ 322</u>	<u>\$ 422</u>

As of June 30, 2017 and 2016, the Company had net deferred tax assets of \$322 million and \$422 million, respectively, substantially all of which are included in Other assets in the accompanying consolidated balance sheets.

As of June 30, 2017 and 2016, certain subsidiaries had net operating loss and other carryforwards for tax purposes of approximately \$230 million and \$410 million, respectively. With the exception of approximately \$218 million of net operating loss and other carryforwards with an indefinite carryforward period as of June 30, 2017, these carryforwards expire at various dates through fiscal 2024. Deferred tax assets, net of valuation allowances, in the amount of \$34 million and \$4 million as of June 30, 2017 and 2016, respectively, have been recorded to reflect the tax benefits of the carryforwards not utilized to date.

A full valuation allowance has been provided for those deferred tax assets for which, in the opinion of management, it is more-likely-than-not that the deferred tax assets will not be realized.

As of June 30, 2017 and 2016, the Company had gross unrecognized tax benefits of \$68 million and \$82 million, respectively. The total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate was \$42 million.

The Company classifies applicable interest and penalties related to unrecognized tax benefits as a component of the provision for income taxes. During fiscal 2017, the Company recognized a gross interest and penalty benefit of \$5 million in the accompanying consolidated statement of earnings. The total gross accrued interest and penalty expense during fiscal 2016 in the accompanying consolidated statement of earnings was de minimis. The total gross accrued interest and penalties in the accompanying consolidated balance sheets at June 30, 2017 and 2016

were \$13 million and \$18 million, respectively. A reconciliation of the beginning and ending amount of gross unrecognized tax benefits is as follows:

(In millions)	June 30	
	2017	2016
Beginning of the year balance of gross unrecognized tax benefits	\$ 82	\$ 78
Gross amounts of increases as a result of tax positions taken during a prior period	6	16
Gross amounts of decreases as a result of tax positions taken during a prior period	(23)	(14)
Gross amounts of increases as a result of tax positions taken during the current period	10	12
Amounts of decreases in unrecognized tax benefits relating to settlements with taxing authorities	(5)	(8)
Reductions to unrecognized tax benefits as a result of a lapse of the applicable statutes of limitations	(2)	(2)
End of year balance of gross unrecognized tax benefits	<u>\$ 68</u>	<u>\$ 82</u>

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

During the fourth quarter of fiscal 2017, the Company formally concluded the compliance process with respect to fiscal 2016 under the IRS CAP. The conclusion of this process did not impact the Company's consolidated financial statements. As of June 30, 2017, the compliance process was ongoing with respect to fiscal 2017.

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

During fiscal 2017, the Company concluded various state, local and foreign income tax audits and examinations while several other matters, including those noted above, were initiated or remained pending. On the basis of the information available in this regard as of June 30, 2017, the Company does not expect any significant changes to the total amount of unrecognized tax benefits within the next 12 months.

The tax years subject to examination vary depending on the tax jurisdiction. As of June 30, 2017, the following tax years remain subject to examination by the major tax jurisdictions indicated:

Major Jurisdiction	Open Fiscal Years
Belgium	2013 – 2017
Canada	2015 – 2017
China	2013 – 2017
France	2013 – 2017
Germany	2013 – 2017
Hong Kong	2011 – 2017
Italy	2014 – 2017
Japan	2016 – 2017
Korea	2014 – 2017
Russia	2015 – 2017
Spain	2013 – 2017
Switzerland	2014 – 2017
United Kingdom	2016 – 2017
United States	2017
State of California	2013 – 2017

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

**OTHER ACCRUED
LIABILITIES**

**12 Months Ended
Jun. 30, 2017**

OTHER ACCRUED LIABILITIES

OTHER ACCRUED LIABILITIES

NOTE 10 – OTHER ACCRUED LIABILITIES

Other accrued liabilities consist of the following:

(In millions)	June 30	
	2017	2016
Advertising, merchandising and sampling	\$ 319	\$ 283
Employee compensation	522	504
Payroll and other taxes	190	163
Other	768	682
	<u>\$ 1,799</u>	<u>\$ 1,632</u>

DEBT

12 Months Ended
Jun. 30, 2017

DEBT
DEBT

NOTE 11 – DEBT

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

(In millions)	Debt at June 30		Available financing at June 30, 2017	
	2017	2016	Committed	Uncommitted
4.15% Senior Notes, due March 15, 2047 (“2047 Senior Notes”)	\$ 493	\$ —	\$ —	\$ —
4.375% Senior Notes, due June 15, 2045 (“2045 Senior Notes”)	455	455	—	—
3.70% Senior Notes, due August 15, 2042 (“2042 Senior Notes”)	247	247	—	—
6.00% Senior Notes, due May 15, 2037 (“2037 Senior Notes”)	294	293	—	—
5.75% Senior Notes, due October 15, 2033 (“2033 Senior Notes”)	197	197	—	—
3.15% Senior Notes, due March 15, 2027 (“2027 Senior Notes”)	497	—	—	—
2.35% Senior Notes, due August 15, 2022 (“2022 Senior Notes”)	252	267	—	—
1.70% Senior Notes, due May 10, 2021 (“2021 Senior Notes”)	445	448	—	—
1.80% Senior Notes, due February 7, 2020 (“2020 Senior Notes”)	498	—	—	—
5.55% Senior Notes, due May 15, 2017 (“2017 Senior Notes”)	—	307	—	—
Commercial paper that matured through July 2017 (1.07% interest rate)	170	—	—	1,330
Other long-term borrowings	5	3	—	—
Other current borrowings	19	25	—	140
Revolving credit facility	—	—	1,500	—
	<u>3,572</u>	<u>2,242</u>	<u>\$ 1,500</u>	<u>\$ 1,470</u>
Less current debt including current maturities	(189)	(332)		
	<u>\$ 3,383</u>	<u>\$ 1,910</u>		

As of June 30, 2017, the Company’s long-term debt consisted of the following:

Notes (\$ in millions)	Issue Date	Price	Yield	Principal	Unamortized Debt (Discount) Premium	Interest rate swap adjustments	Debt Issuance Costs	Semi-annual interest payments
2047 Senior Notes (1)	February 2017	99.739%	4.165%	\$ 500	\$ (2)	\$ —	\$ (5)	March 15/ September 15
2045 Senior Notes (2)	June 2015	97.999	4.497	300	(6)	—	(3)	June 15/ December 15
2045 Senior Notes (2)	May 2016	110.847	3.753	150	16	—	(2)	June 15/ December 15
2042 Senior Notes	August 2012	99.567	3.724	250	(1)	—	(2)	February 15/ August 15
2037 Senior Notes (3)	May 2007	98.722	6.093	300	(3)	—	(3)	May 15/ November 15
2033 Senior Notes (4)	September 2003	98.645	5.846	200	(2)	—	(1)	April 15/ October 15
2027 Senior Notes (5)	February 2017	99.963	3.154	500	—	—	(3)	March 15/ September 15
2022 Senior Notes (6)	August 2012	99.911	2.360	250	—	3	(1)	February 15/ August 15
2021 Senior Notes (6),(7)	May 2016	99.976	1.705	450	—	(3)	(2)	May 10/ November 10

2020 Senior Notes ⁽⁶⁾	February 2017	99.986	1.805	500	—	—	February 7/ (2) August 7
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(1) In November 2016, in anticipation of the issuance of the 2047 Senior Notes, the Company entered into a series of treasury lock agreements on a notional amount totaling \$350 million at a weighted-average all-in rate of 3.01%. The treasury lock agreements were settled upon the issuance of the new debt, and the Company recognized a gain in OCI of \$3 million that is being amortized against interest expense over the life of the 2047 Senior Notes. As a result of the treasury lock agreements, the debt discount and debt issuance costs, the effective interest rate on the 2047 Senior Notes will be 4.17% over the life of the debt.

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

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

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

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

(6) The Company entered into interest rate swap agreements with a notional amount totaling \$250 million, \$450 million and \$250 million to effectively convert the fixed rate interest on its outstanding 2020 Senior Notes, 2021 Senior Notes and 2022 Senior Notes, respectively, to variable interest rates based on three-month LIBOR plus a margin.

(7) In April 2016, in anticipation of the issuance of the 2021 Senior Notes, the Company entered into a series of treasury lock agreements on a notional amount totaling \$400 million at a weighted-average all-in rate of 1.27%. The treasury lock agreements were settled upon the issuance of the new debt and the Company made a payment of \$1 million that is being amortized to interest expense over the life of the 2021 Senior Notes. As a result of the treasury lock agreements, the debt discount and debt issuance costs, the effective interest rate on the 2021 Senior Notes will be 1.844% over the life of the debt.

In October 2016, the Company replaced its undrawn \$1.0 billion unsecured revolving credit facility that was set to expire on July 15, 2020 (the “Prior Facility”) with a new \$1.5 billion senior unsecured revolving credit facility that expires on October 3, 2021, unless extended for up to two additional years in accordance with the terms set forth in the agreement (the “New Facility”). The New Facility may be used for general corporate purposes. Up to the equivalent of \$500 million of the New Facility is available for multi-currency loans. Interest rates on borrowings under the New Facility will be based on prevailing market interest rates in accordance with the agreement. The Company incurred costs of approximately \$1 million to establish the New Facility, which will be amortized over the term of the facility. The New Facility has an annual fee of approximately \$1 million, payable quarterly, based on the Company’s current credit ratings. The New Facility contains a cross-default provision whereby a failure to pay other material financial obligations in excess of \$175 million (after grace periods and absent a waiver from the lenders) would result in an event of default and the acceleration of the maturity of any outstanding debt under this facility. At June 30, 2017, no borrowings were outstanding under the New Facility.

In November 2016, the Company increased the size of its commercial paper program, under which it may issue commercial paper in the United States, to \$3 billion (from \$1.5 billion) to finance the Company’s second quarter acquisitions. In November 2016, the Company also entered into a senior unsecured credit agreement that provided for a 364 day revolving credit facility (the “364 Day Facility”) in the amount of \$1.5 billion for credit support for the Company’s commercial paper program and for general corporate purposes.

In February 2017, the Company completed a public offering of \$500 million aggregate principal amount of its 2020 Senior Notes, \$500 million aggregate principal amount of its 2027 Senior Notes and \$500 million aggregate principal amount of its 2047 Senior Notes. The Company used proceeds from this offering for general corporate purposes, including to repay outstanding

commercial paper as it matured and to refinance its \$300 million aggregate principal amount of the 2017 Senior Notes when it became due in May 2017.

In February 2017, the Company decreased the size of its commercial paper program, under which it may issue commercial paper in the United States, to \$1.5 billion and terminated the undrawn \$1.5 billion 364 Day Facility.

As of June 30, 2017, the Company had \$170 million of commercial paper outstanding that matured through July 2017, which the Company refinanced as it matured. At August 18, 2017, the Company had \$431 million of commercial paper outstanding, which may be refinanced on a periodic basis as it matures at the then-prevailing market interest rates.

The Company maintains uncommitted credit facilities in various regions throughout the world. Interest rate terms for these facilities vary by region and reflect prevailing market rates for companies with strong credit ratings. During fiscal 2017 and 2016, the monthly average amount outstanding was approximately \$17 million and \$31 million, respectively, and the annualized monthly weighted-average interest rate incurred was approximately 11.2% and 12.5%, respectively.

Refer to *Note 15 – Commitments and Contingencies* for the Company's projected debt service payments, as of June 30, 2017, over the next five fiscal years.

**DERIVATIVE FINANCIAL
INSTRUMENTS**

**12 Months Ended
Jun. 30, 2017**

**DERIVATIVE FINANCIAL
INSTRUMENTS**

**DERIVATIVE FINANCIAL
INSTRUMENTS**

NOTE 12 – DERIVATIVE FINANCIAL INSTRUMENTS

The Company addresses certain financial exposures through a controlled program of risk management that includes the use of derivative financial instruments. The Company enters into foreign currency forward contracts and may enter into option contracts to reduce the effects of fluctuating foreign currency exchange rates. In addition, the Company enters into interest rate derivatives to manage the effects of interest rate movements on the Company's aggregate liability portfolio, including potential future debt issuances. The Company also enters into foreign currency forward contracts and may use option contracts, not designated as hedging instruments, to mitigate the change in fair value of specific assets and liabilities on the balance sheet. The Company does not utilize derivative financial instruments for trading or speculative purposes. Costs associated with entering into derivative financial instruments have not been material to the Company's consolidated financial results.

For each derivative contract entered into where the Company looks to obtain hedge accounting treatment, the Company formally and contemporaneously documents all relationships between hedging instruments and hedged items, as well as its risk-management objective and strategy for undertaking the hedge transaction, the nature of the risk being hedged, how the hedging instruments' effectiveness in offsetting the hedged risk will be assessed prospectively and retrospectively, and a description of the method of measuring ineffectiveness. This process includes linking all derivatives to specific assets and liabilities on the balance sheet or to specific firm commitments or forecasted transactions. The Company also formally assesses, both at the inception of the hedges and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. If it is determined that a derivative is not highly effective, or that it has ceased to be a highly effective hedge, the Company will be required to discontinue hedge accounting with respect to that derivative prospectively.

The fair values of the Company's derivative financial instruments included in the consolidated balance sheets are presented as follows:

(In millions)	Asset Derivatives		Liability Derivatives			
	Balance Sheet Location	Fair Value (1)		Balance Sheet Location	Fair Value (1)	
		June 30			June 30	
		2017	2016		2017	2016
Derivatives Designated as Hedging Instruments:						
Foreign currency forward contracts	Prepaid expenses and other current assets	\$ 7	\$ 37	Other accrued liabilities	\$ 44	\$ 18
Interest rate swap contracts	Prepaid expenses and other current assets	3	18	Other accrued liabilities	3	—

Total Derivatives Designated as Hedging Instruments		10	55		47	18
Derivatives Not Designated as Hedging Instruments:						
	Prepaid expenses and other current assets	3	11	Other accrued liabilities	2	8
	Foreign currency forward contracts					
Total Derivatives		\$ 13	\$ 66		\$ 49	\$ 26

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

The amounts of the gains and losses related to the Company's derivative financial instruments designated as hedging instruments are presented as follows:

(In millions)	Amount of Gain or (Loss) Recognized in OCI on Derivatives (Effective Portion)		Location of Gain or (Loss) Reclassified from AOCI into Earnings (Effective Portion)	Amount of Gain or (Loss) Reclassified from AOCI into Earnings (Effective Portion) (1)	
	June 30			June 30	
	2017	2016		2017	2016
Derivatives in Cash Flow Hedging Relationships:					
Foreign currency forward contracts	\$ (18)	\$ 48	Cost of sales Selling, general and administrative	\$ 10	\$ 17
Interest rate-related derivatives	5	—	Interest expense	1	1
Total derivatives	\$ (13)	\$ 48		\$ 41	\$ 66

(1) The amount of gain (loss) recognized in earnings related to the amount excluded from effectiveness testing was \$3 million and \$(1) million for fiscal 2017 and 2016, respectively. The gain (loss) recognized in earnings related to the ineffective portion of the hedging relationships was de minimis for fiscal 2017. There was no gain (loss) recognized in earnings related to the ineffective portion of hedging relationships for fiscal 2016.

(In millions)	Location of Gain or (Loss) Recognized in Earnings on Derivatives	Amount of Gain or (Loss) Recognized in Earnings on Derivatives (1)	
		June 30	
		2017	2016
Derivatives in Fair Value Hedging Relationships:			
Interest rate swap contracts	Interest expense	\$ (18)	\$ 18

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

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

<u>(In millions)</u>	<u>Location of Gain or (Loss) Recognized in Earnings on Derivatives</u>	<u>Amount of Gain or (Loss) Recognized in Earnings on Derivatives</u>	
		<u>June 30</u>	
		<u>2017</u>	<u>2016</u>
Derivatives Not Designated as Hedging Instruments:			
Foreign currency forward contracts	Selling, general and administrative	\$ (2)	\$ 5

Cash-Flow Hedges

The Company enters into foreign currency forward contracts to hedge anticipated transactions, as well as receivables and payables denominated in foreign currencies, for periods consistent with the Company's identified exposures. The purpose of the hedging activities is to minimize the effect of foreign exchange rate movements on costs and on the cash flows that the Company receives from foreign subsidiaries. The majority of foreign currency forward contracts are denominated in currencies of major industrial countries. The Company may also enter into foreign currency option contracts to hedge anticipated transactions where there is a high probability that anticipated exposures will materialize. The foreign currency forward contracts entered into to hedge anticipated transactions have been designated as cash-flow hedges and have varying maturities through the end of June 2019. Hedge effectiveness of foreign currency forward contracts is based on a hypothetical derivative methodology and excludes the portion of fair value attributable to the spot-forward difference which is recorded in current-period earnings. Hedge effectiveness of foreign currency option contracts is based on a dollar offset methodology.

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

The ineffective portion of both foreign currency forward and interest rate derivatives is recorded in current-period earnings. For hedge contracts that are no longer deemed highly effective, hedge accounting is discontinued and gains and losses in AOCI are reclassified to earnings when the underlying forecasted transaction occurs. If it is probable that the forecasted transaction will no longer occur, then any gains or losses in AOCI are reclassified to current-period earnings. As of June 30, 2017, the Company's foreign currency cash-flow hedges were highly effective.

At June 30, 2017, the Company had foreign currency forward contracts in the amount of \$2,895 million. The foreign currencies included in foreign currency forward contracts (notional value stated in U.S. dollars) are principally the British pound (\$541 million), Swiss franc (\$457 million), Hong Kong dollar (\$355 million), Euro (\$295 million), Chinese yuan (\$160 million), Canadian dollar (\$148 million) and Thailand baht (\$126 million).

At June 30, 2016, the Company had foreign currency forward contracts in the amount of \$3,265 million. The foreign currencies included in foreign currency forward contracts (notional value stated in U.S. dollars) are principally the Euro (\$962 million), British pound (\$497 million), Chinese yuan (\$313 million), Hong Kong dollar (\$274 million), Swiss franc (\$256 million), Australian dollar (\$157 million) and Taiwan dollar (\$130 million).

In April 2016, in anticipation of the issuance of the 2021 Senior Notes, the Company entered into a series of treasury lock agreements, which were designated as cash-flow hedges. In November 2016, in anticipation of the issuance of the 2027 and 2047 Senior Notes, the Company

entered into a series of treasury lock agreements, which were designated as cash-flow hedges, see *Note 11 – Debt* for further discussion.

The estimated net loss on the Company's derivative instruments designated as cash-flow hedges as of June 30, 2017 that is expected to be reclassified from AOCI into earnings, net of tax, within the next twelve months is \$18 million. The accumulated gain (loss) on derivative instruments in AOCI was \$(4) million and \$50 million as of June 30, 2017 and 2016, respectively.

Fair-Value Hedges

The Company enters into interest rate derivative contracts to manage the exposure to interest rate fluctuations on its funded indebtedness. The Company has interest rate swap agreements, with notional amounts totaling \$250 million, \$450 million and \$250 million to effectively convert the fixed rate interest on its 2020 Senior Notes, 2021 Senior Notes and 2022 Senior Notes, respectively, to variable interest rates based on three-month LIBOR plus a margin. These interest rate swap agreements are designated as fair-value hedges of the related long-term debt, and the changes in the fair value of the interest rate swap agreements are exactly offset by the change in the fair value of the underlying long-term debt.

Credit Risk

As a matter of policy, the Company enters into derivative contracts only with counterparties that have a long-term credit rating of at least A- or higher by at least two nationally recognized rating agencies. The counterparties to these contracts are major financial institutions. Exposure to credit risk in the event of nonperformance by any of the counterparties is limited to the gross fair value of contracts in asset positions, which totaled \$13 million at June 30, 2017. To manage this risk, the Company has strict counterparty credit guidelines that are continually monitored. Accordingly, management believes risk of loss under these hedging contracts is remote.

**FAIR VALUE
MEASUREMENTS**

**12 Months Ended
Jun. 30, 2017**

[FAIR VALUE
MEASUREMENTS](#)

[FAIR VALUE
MEASUREMENTS](#)

NOTE 13 – FAIR VALUE MEASUREMENTS

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

Level 1: Inputs based on quoted market prices for identical assets or liabilities in active markets at the measurement date.

Level 2: Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Inputs reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. The inputs are unobservable in the market and significant to the instrument's valuation.

The following table presents the Company's hierarchy for its financial assets and liabilities measured at fair value on a recurring basis as of June 30, 2017:

(In millions)	Level 1	Level 2	Level 3	Total
Assets:				
Foreign currency forward contracts	\$ —	\$ 10	\$ —	\$ 10
Interest rate swap contracts	—	3	—	3
Available-for-sale securities:				
U.S. government and agency securities	—	464	—	464
Foreign government and agency securities	—	102	—	102
Corporate notes and bonds	—	505	—	505
Time deposits	—	410	—	410
Other securities	—	17	—	17
Total	\$ —	\$ 1,511	\$ —	\$ 1,511
Liabilities:				
Foreign currency forward contracts	\$ —	\$ 46	\$ —	\$ 46
Interest rate swap contracts	—	3	—	3
Contingent consideration	—	—	139	139
Total	\$ —	\$ 49	\$ 139	\$ 188

The following table presents the Company's hierarchy for its financial assets and liabilities measured at fair value on a recurring basis as of June 30, 2016:

(In millions)	Level 1	Level 2	Level 3	Total
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Assets:								
Foreign currency forward contracts	\$	—	\$	48	\$	—	\$	48
Interest rate swap contracts		—		18		—		18
Available-for-sale securities:								
U.S. government and agency securities		—		563		—		563
Foreign government and agency securities		—		61		—		61
Corporate notes and bonds		—		457		—		457
Time deposits		—		390		—		390
Other securities		—		33		—		33
Total	\$	—	\$	1,570	\$	—	\$	1,570
Liabilities:								
Foreign currency forward contracts	\$	—	\$	26	\$	—	\$	26
Contingent consideration		—		—		196		196
Total	\$	—	\$	26	\$	196	\$	222

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

(In millions)	June 30			
	2017		2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Nonderivatives				
Cash and cash equivalents	\$ 1,136	\$ 1,136	\$ 914	\$ 914
Available-for-sale securities	1,498	1,498	1,504	1,504
Current and long-term debt	3,572	3,759	2,242	2,482
Additional purchase price payable	38	38	37	37
Contingent consideration	139	139	196	196
Derivatives				
Foreign currency forward contracts – asset (liability), net	(36)	(36)	22	22
Interest rate swap contracts – asset (liability), net	—	—	18	18

The following table presents the Company's impairment charges for certain of its nonfinancial assets measured at fair value on a nonrecurring basis, classified as Level 3, during fiscal 2017:

(In millions)	Impairment charges	Date of Fair Value Measurement	Fair Value
Goodwill	\$ 28	April 1, 2017	\$ 6
Other intangible assets, net (trademarks)	2	April 1, 2017	32
Other intangible assets, net (customer lists and other)	1	April 1, 2017	—
Total	\$ 31		\$ 38

To determine the fair value of the RODIN olio lusso and Editions de Parfums Frédéric Malle reporting units as of April 1, 2017, the Company used the average of the income approach, which utilizes estimated cash flows and a terminal value, discounted at a rate of return that reflects the relative risk of cash flows, and the market approach, which utilizes performance multiples based on market peers. For both reporting units, decreased cash flows in future forecasted periods would not support a value in excess of carrying value and therefore the Company concluded that \$28 million of goodwill was impaired.

To determine the fair value of the RODIN olio lusso and Editions de Parfums Frédéric Malle trademarks as of April 1, 2017, the Company assessed the future performance of the reporting units and determined that decreased cash flows in future forecasted periods would not support the

carrying values of the trademarks. The Company therefore concluded that the remaining carrying value of the RODIN olio lusso trademark was impaired. The impairment charge for the Editions de Parfums Frédéric Malle trademark was de minimis. The fair values of the trademarks were determined utilizing a royalty rate to determine discounted projected future cash flows. An assessment related to the carrying value of the RODIN olio lusso customer relationship and persona intangible assets also led to the conclusion of full impairment.

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

Cash and cash equivalents – Cash and all highly-liquid securities with original maturities of three months or less are classified as cash and cash equivalents, primarily consisting of cash deposits in interest bearing accounts, money market funds and time deposits. The carrying amount approximates fair value, primarily due to the short maturity of cash equivalent instruments.

Available-for-sale securities – Available-for-sale securities are classified within Level 2 of the valuation hierarchy and are valued using third-party pricing services, and for time deposits, the carrying amount approximates fair value. To determine fair value, the pricing services use market prices or prices derived from other observable market inputs such as benchmark curves, credit spreads, broker/dealer quotes, and other industry and economic factors.

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

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

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

Additional purchase price payable – The Company's additional purchase price payable represents fixed minimum additional purchase price that was discounted using the Company's incremental borrowing rate, which was approximately 1%. The additional purchase price payable is classified within Level 2 of the valuation hierarchy.

Contingent consideration – Contingent consideration obligations consist of potential obligations related to the Company's acquisitions in previous years. The amounts to be paid under these obligations are contingent upon the achievement of stipulated financial targets by the business subsequent to acquisition. The fair values of the contingent consideration related to certain acquisition earn-outs were estimated using a probability-weighted discount model that considers the achievement of the conditions upon which the respective contingent obligation is dependent ("Monte Carlo Method").

The Monte Carlo Method has various inputs into the valuation model, in addition to the risk-adjusted projected future operating results of the acquired entities, which include the following ranges at June 30, 2017:

Risk-adjusted discount rate	1.5% to 2.3%
Revenue volatility	3.7% to 8.5%

Asset volatility	21.1% to 27.3%
Revenue and earnings before income tax, depreciation and amortization correlation coefficient factor	80%
Revenue discount rates	3.0% to 4.8%
Earnings before income tax, depreciation and amortization discount rates	10.7% to 13.1%

Significant changes in the projected future operating results would result in a significantly higher or lower fair value measurement. Changes to the discount rates, volatilities or correlation factors would have a lesser effect. The implied rates are deemed to be unobservable inputs and, as such, the Company's contingent consideration is classified within Level 3 of the valuation hierarchy.

Changes in the fair value of the contingent consideration obligations for the year ended June 30, 2017 are included in Selling, general and administrative expenses in the accompanying consolidated statements of earnings and were as follows:

(In millions)	Fair Value
Contingent consideration at June 30, 2016	\$ 196
Changes in fair value	(57)
Contingent consideration at June 30, 2017	<u>\$ 139</u>

In June 2017, the Company revised and approved the long-term financial projections for its brands. During this update, the Company noted that for certain of its fiscal 2015 and 2016 acquisitions, actual results and the most recent projections were lower during their respective earn-out measurement periods than the financial targets made at June 30, 2016 and it reassessed the likelihood of achieving those targets. As a result, the Company recognized a \$57 million gain within Selling, general and administrative expenses to reflect the adjusted fair value of its contingent consideration, primarily related to the acquisitions of GLAMGLOW, Editions de Parfums Frédéric Malle and Le Labo as of June 30, 2017. The gain impacted the skin care and fragrance product categories by \$24 million and \$33 million, respectively, and the Americas and Europe, the Middle East & Africa regions by \$43 million and \$14 million, respectively. The Company also considered whether the change in the financial projections impacted the fair values of the related reporting units and intangible assets, see *Note 7 - Goodwill and Other Intangible Assets* for discussion of fiscal 2017 impairments.

**PENSION, DEFERRED
COMPENSATION AND
POST-RETIREMENT
BENEFIT PLANS**

12 Months Ended

Jun. 30, 2017

**PENSION, DEFERRED
COMPENSATION AND
POST-RETIREMENT
BENEFIT PLANS**

**PENSION, DEFERRED
COMPENSATION AND
POST-RETIREMENT
BENEFIT PLANS**

**NOTE 14 – PENSION, DEFERRED COMPENSATION AND POST-RETIREMENT
BENEFIT PLANS**

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

Retirement Growth Account Plan (U.S.)

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

Restoration Plan (U.S.)

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

International Pension Plans

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

Post-retirement Benefit Plans

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

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

Plan Summaries

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

(In millions)	Pension Plans				Other than Pension Plans	
	U.S.		International		Post-retirement	
	2017	2016	2017	2016	2017	2016
Change in benefit obligation:						
Benefit obligation at beginning of year	\$ 877	\$ 794	\$ 616	\$ 586	\$ 191	\$ 175
Service cost	37	32	28	25	3	3
Interest cost	30	33	11	15	7	7
Plan participant contributions	—	—	4	4	1	1
Actuarial loss (gain)	(1)	62	(26)	53	(11)	13
Foreign currency exchange rate impact	—	—	(2)	(38)	—	(1)
Benefits, expenses, taxes and premiums paid	(40)	(44)	(25)	(29)	(8)	(7)
Settlements and curtailments	—	—	(3)	(1)	—	—
Special termination benefits	—	—	2	1	—	—
Benefit obligation at end of year	<u>\$ 903</u>	<u>\$ 877</u>	<u>\$ 605</u>	<u>\$ 616</u>	<u>\$ 183</u>	<u>\$ 191</u>
Change in plan assets:						
Fair value of plan assets at beginning of year	\$ 743	\$ 721	\$ 529	\$ 519	\$ 33	\$ 32
Actual return on plan assets	71	27	28	57	4	1
Foreign currency exchange rate impact	—	—	(9)	(42)	—	—
Employer contributions	7	39	24	22	7	6
Plan participant contributions	—	—	4	4	1	1
Settlements	—	—	(3)	(2)	—	—
Benefits, expenses, taxes and premiums paid from plan assets	(40)	(44)	(25)	(29)	(8)	(7)
Fair value of plan assets at end of year	<u>\$ 781</u>	<u>\$ 743</u>	<u>\$ 548</u>	<u>\$ 529</u>	<u>\$ 37</u>	<u>\$ 33</u>
Funded status	<u>\$ (122)</u>	<u>\$ (134)</u>	<u>\$ (57)</u>	<u>\$ (87)</u>	<u>\$ (146)</u>	<u>\$ (158)</u>
Amounts recognized in the Balance Sheet consist of:						
Other assets	\$ 12	\$ —	\$ 88	\$ 79	\$ —	\$ —
Other accrued liabilities	(23)	(17)	(5)	(4)	—	(7)
Other noncurrent liabilities	(111)	(117)	(140)	(162)	(146)	(151)
Funded status	(122)	(134)	(57)	(87)	(146)	(158)
Accumulated other comprehensive loss	232	270	72	123	21	35
Net amount recognized	<u>\$ 110</u>	<u>\$ 136</u>	<u>\$ 15</u>	<u>\$ 36</u>	<u>\$ (125)</u>	<u>\$ (123)</u>

(\$ in millions)	Pension Plans						Other than Pension Plans		
	U.S.			International			Post-retirement		
	2017	2016	2015	2017	2016	2015	2017	2016	2015
Components of net periodic benefit cost:									
Service cost	\$ 37	\$ 32	\$ 32	\$ 28	\$ 25	\$ 24	\$ 3	\$ 3	\$ 3
Interest cost	30	33	30	11	15	17	7	7	8
Expected return on assets	(52)	(49)	(50)	(16)	(20)	(21)	(1)	(2)	(2)
Amortization of:									
Actuarial loss	16	11	10	11	11	10	1	—	1
Prior service cost	1	1	—	2	2	2	—	1	1
Curtailments	—	—	—	—	—	(1)	—	—	—

Special termination benefits	—	—	—	2	1	—	—	—	—
Net periodic benefit cost	\$ 32	\$ 28	\$ 22	\$ 38	\$ 34	\$ 31	\$ 10	\$ 9	\$ 11

Weighted-average assumptions used to determine benefit obligations at June 30:

Discount rate	3.40 – 3.90%	3.00 – 3.70%	3.70 – 4.40%	.50 – 6.75%	.25 – 6.00%	.75 – 7.00%	3.70 – 9.75%	3.50 – 9.50%	4.25 – 9.00%
Rate of compensation increase	3.00 – 7.00%	3.00 – 7.00%	3.00 – 7.00%	1.00 – 5.50%	0 – 5.50%	0 – 5.50%	N/A	N/A	N/A

Weighted-average assumptions used to determine net periodic benefit cost for the year ended June 30:

Discount rate	3.00 – 3.70%	3.70 – 4.40%	3.60 – 4.30%	.25 – 6.00%	.75 – 7.00%	.50 – 6.75%	3.50 – 9.50%	4.25 – 9.00%	4.10 – 9.00%
Expected return on assets	7.00%	7.00%	7.50%	1.50 – 6.00%	2.00 – 7.00%	2.00 – 6.75%	7.00%	7.00%	7.50%
Rate of compensation increase	3.00 – 7.00%	3.00 – 7.00%	3.00 – 7.00%	0 – 5.50%	0 – 5.50%	1.00 – 5.50%	N/A	N/A	N/A

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

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. The assumed weighted-average health care cost trend rate for the coming year is 7.33% while the weighted-average ultimate trend rate of 4.53% is expected to be reached in approximately 19 years. A 100 basis-point change in assumed health care cost trend rates for fiscal 2017 would have had the following effects:

(In millions)	100 Basis-Point Increase	100 Basis-Point Decrease
Effect on total service and interest costs	\$ 1	\$ (1)
Effect on post-retirement benefit obligations	\$ 15	\$ (13)

Amounts recognized in AOCI (before tax) as of June 30, 2017 are as follows:

(In millions)	Pension Plans		Other than Pension Plans	Total
	U.S.	International	Post-retirement	
Net actuarial losses, beginning of year	\$ 267	\$ 123	\$ 33	\$ 423
Actuarial gains recognized	(21)	(38)	(12)	(71)
Amortization included in net periodic benefit cost	(16)	(11)	(1)	(28)
Net actuarial losses, end of year	<u>230</u>	<u>74</u>	<u>20</u>	<u>324</u>
Net prior service cost, beginning of year	3	—	1	4
Amortization included in net periodic benefit cost	(1)	(2)	—	(3)
Net prior service cost, end of year	<u>2</u>	<u>(2)</u>	<u>1</u>	<u>1</u>
Total amounts recognized in AOCI	<u>\$ 232</u>	<u>\$ 72</u>	<u>\$ 21</u>	<u>\$ 325</u>

Amounts in AOCI expected to be amortized as components of net periodic benefit cost during fiscal 2018 are as follows:

(In millions)	Pension Plans		Other than Pension Plans
	U.S.	International	Post-retirement
Net prior service cost	\$ 1	\$ —	\$ 1
Net actuarial losses	<u>\$ 13</u>	<u>\$ 5</u>	<u>\$ —</u>

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

(In millions)	Pension Plans					
	Retirement Growth Account		Restoration		International	
	2017	2016	2017	2016	2017	2016
Projected benefit obligation	\$ 769	\$ 754	\$ 134	\$ 123	\$ 605	\$ 616
Accumulated benefit obligation	\$ 726	\$ 710	\$ 120	\$ 109	\$ 540	\$ 549
Fair value of plan assets	\$ 781	\$ 743	\$ —	\$ —	\$ 548	\$ 529

International pension plans with projected benefit obligations in excess of the plans' assets had aggregate projected benefit obligations of \$281 million and \$330 million and aggregate fair value of plan assets of \$137 million and \$165 million at June 30, 2017 and 2016, respectively. International pension plans with accumulated benefit obligations in excess of the plans' assets had aggregate accumulated benefit obligations of \$220 million and \$226 million and aggregate fair value of plan assets of \$103 million and \$93 million at June 30, 2017 and 2016, respectively.

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

(In millions)	Pension Plans		Other than Pension Plans
	U.S.	International	Post-retirement

Expected employer contributions for year ending June 30, 2018	\$	—	\$	27	\$	—
Expected benefit payments for year ending June 30, 2018		83		22		7
2019		72		20		8
2020		68		22		8
2021		63		22		9
2022		63		28		10
Years 2023 – 2027		333		132		57

Plan Assets

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

The Company's target asset allocation at June 30, 2017 is as follows:

	<u>Pension Plans</u>		<u>Other than Pension Plans</u>
	<u>U.S.</u>	<u>International</u>	<u>Post-retirement</u>
Equity	44%	15%	44%
Debt securities	39%	60%	39%
Other	17%	25%	17%
	<u>100%</u>	<u>100%</u>	<u>100%</u>

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

Cash and Cash Equivalents – Cash and all highly-liquid securities with original maturities of three months or less are classified as cash and cash equivalents, primarily consisting of cash and time deposits. The carrying amount approximates fair value, primarily because of the short maturity of cash equivalent instruments.

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

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

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

Equity securities — The fair values are determined using the closing price reported on a major market where the individual securities are traded. These investments are classified within Level 1 of the valuation hierarchy.

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

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

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

The following table presents the fair values of the Company’s pension and post-retirement plan assets by asset category as of June 30, 2017:

<u>(In millions)</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Assets Measured at NAV⁽¹⁾</u>	<u>Total</u>
Cash and cash equivalents	\$ 3	\$ —	\$ —	\$ —	\$ 3
Short term investment funds	—	17	—	6	23
Government and agency securities	—	37	—	—	37
Debt instruments	—	59	—	—	59
Commingled funds	147	761	—	194	1,102
Insurance contracts	—	—	48	—	48
Limited partnerships and hedge fund investments	—	—	—	94	94
Total	<u>\$ 150</u>	<u>\$ 874</u>	<u>\$ 48</u>	<u>\$ 294</u>	<u>\$ 1,366</u>

(1) Per the fiscal 2017 adoption of new accounting guidance issued by the FASB, certain assets that are measured at fair value using the NAV per share (or its equivalent) as a practical expedient have not been classified in the fair value hierarchy.

The following table presents the fair values of the Company’s pension and post-retirement plan assets by asset category as of June 30, 2016:

<u>(In millions)</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Assets Measured at NAV⁽¹⁾</u>	<u>Total</u>
Cash and cash equivalents	\$ 14	\$ —	\$ —	\$ —	\$ 14
Short term investment funds	—	43	—	5	48

Government and agency securities	—	29	—	—	29
Equity securities	17	—	—	—	17
Debt instruments	—	145	—	—	145
Commingled funds	207	582	—	100	889
Insurance contracts	—	—	45	—	45
Limited partnerships and hedge fund investments	—	—	—	118	118
Total	<u>\$ 238</u>	<u>\$ 799</u>	<u>\$ 45</u>	<u>\$ 223</u>	<u>\$ 1,305</u>

(1) Per the fiscal 2017 adoption of new accounting guidance issued by the FASB, certain assets that are measured at fair value using the NAV per share (or its equivalent) as a practical expedient have not been classified in the fair value hierarchy.

The following table presents the changes in Level 3 plan assets for fiscal 2017:

<u>(In millions)</u>	<u>Insurance Contracts</u>
Balance as of June 30, 2016	\$ 45
Actual return on plan assets:	
Relating to assets still held at the reporting date	1
Purchases, sales, issuances and settlements, net	1
Foreign exchange impact	1
Balance as of June 30, 2017	<u>\$ 48</u>

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

The Company's 401(k) Savings Plan ("Savings Plan") is a contributory defined contribution plan covering substantially all regular U.S. employees who have completed the hours and service requirements, as defined by the plan document. Regular full-time employees are eligible to participate in the Savings Plan thirty days following their date of hire. The Savings Plan is subject to the applicable provisions of ERISA. The Company matches a portion of the participant's contributions after one year of service under a predetermined formula based on the participant's contribution level. The Company's contributions were \$39 million, \$37 million and \$35 million for fiscal 2017, 2016 and 2015, respectively. Shares of the Company's Class A Common Stock are not an investment option in the Savings Plan and the Company does not use such shares to match participants' contributions.

Deferred Compensation

The Company has agreements with certain employees and outside directors who defer compensation. The Company accrues for such compensation, and either interest thereon or for the change in the value of cash units. The amounts included in the accompanying consolidated balance sheets under these plans were \$75 million and \$71 million as of June 30, 2017 and 2016, respectively. The expense for fiscal 2017, 2016 and 2015 was \$6 million, \$6 million and \$9 million, respectively.

COMMITMENTS AND
CONTINGENCIES

12 Months Ended
Jun. 30, 2017

COMMITMENTS AND
CONTINGENCIES

COMMITMENTS AND
CONTINGENCIES

NOTE 15 – COMMITMENTS AND CONTINGENCIES

Contractual Obligations

The following table summarizes scheduled maturities of the Company's contractual obligations for which cash flows are fixed and determinable as of June 30, 2017:

(In millions)	Total	Payments Due in Fiscal					Thereafter
		2018	2019	2020	2021	2022	
Debt service ⁽¹⁾	\$ 5,805	\$ 312	\$ 122	\$ 617	\$ 558	\$ 101	\$ 4,095
Operating lease commitments ⁽²⁾	2,427	377	349	301	239	212	949
Unconditional purchase obligations ⁽³⁾	3,035	1,434	407	435	368	342	49
Gross unrecognized tax benefits and interest – current ⁽⁴⁾	3	3	—	—	—	—	—
Total contractual obligations	<u>\$11,270</u>	<u>\$ 2,126</u>	<u>\$ 878</u>	<u>\$ 1,353</u>	<u>\$ 1,165</u>	<u>\$ 655</u>	<u>\$ 5,093</u>

- (1) Includes long-term and current debt and the related projected interest costs, and to a lesser extent, capital lease commitments. Interest costs on long-term and current debt in fiscal 2018, 2019, 2020, 2021, 2022 and thereafter are projected to be \$123 million, \$117 million, \$117 million, \$108 million, \$101 million and \$1,645 million, respectively. Projected interest costs on variable rate instruments were calculated using market rates at June 30, 2017.
- (2) Minimum operating lease commitments only include base rent. Certain leases provide for contingent rents that are not measurable at inception and primarily include rents based on a percentage of sales in excess of stipulated levels, as well as common area maintenance. These amounts are excluded from minimum operating lease commitments and are included in the determination of total rent expense when it is probable that the expense has been incurred and the amount is reasonably measurable. Such amounts have not been material to total rent expense. Total rental expense included in the accompanying consolidated statements of earnings was \$457 million, \$442 million and \$402 million in fiscal 2017, 2016 and 2015, respectively. In July 2017, the Company entered into new lease commitments for its principal offices at the same location. The Company's rental obligations under the new leases will commence in fiscal 2020 and expire in fiscal 2040. Minimum lease obligations pursuant to the leases in fiscal 2020, 2021, 2022 and thereafter are \$5 million, \$24 million, \$32 million and \$597 million, respectively.
- (3) Unconditional purchase obligations primarily include: inventory commitments, additional purchase price payable and contingent consideration which resulted from the fiscal 2016 and 2015 acquisitions, earn-out payments related to the acquisition of Bobbi Brown, royalty payments pursuant to license agreements, advertising commitments, capital improvement commitments, non-discretionary planned funding of pension and other post-retirement benefit obligations and commitments pursuant to executive compensation arrangements. Future contingent consideration, earn-out payments and royalty and advertising commitments were estimated based on planned future sales for the term that was in effect at June 30, 2017, without consideration for potential renewal periods.

- (4) Refer to *Note 9 – Income Taxes* for information regarding unrecognized tax benefits. As of June 30, 2017, the noncurrent portion of the Company’s unrecognized tax benefits, including related accrued interest and penalties was \$73 million. At this time, the settlement period for the noncurrent portion of the unrecognized tax benefits, including related accrued interest and penalties, cannot be determined and therefore was not included.

Legal Proceedings

The Company is involved, from time to time, in litigation and other legal proceedings incidental to its business. Management believes that the outcome of current litigation and legal proceedings will not have a material adverse effect upon the Company’s results of operations, financial condition or cash flows. However, management’s assessment of the Company’s current litigation and other legal proceedings could change in light of the discovery of facts with respect to legal actions or other proceedings pending against the Company, not presently known to the Company or determinations by judges, juries or other finders of fact which are not in accord with management’s evaluation of the possible liability or outcome of such litigation or proceedings. Reasonably possible losses in addition to the amounts accrued for litigation and other legal proceedings are not material to the Company’s consolidated financial statements.

COMMON STOCK

**12 Months Ended
Jun. 30, 2017**

COMMON STOCK COMMON STOCK

NOTE 16 – COMMON STOCK

As of June 30, 2017, the Company's authorized common stock consists of 1,300 million shares of Class A Common Stock, par value \$.01 per share, and 304 million shares of Class B Common Stock, par value \$.01 per share. Class B Common Stock is convertible into Class A Common Stock, in whole or in part, at any time and from time to time at the option of the holder, on the basis of one share of Class A Common Stock for each share of Class B Common Stock converted. Holders of the Company's Class A Common Stock are entitled to one vote per share and holders of the Company's Class B Common Stock are entitled to ten votes per share.

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

<u>(Shares in thousands)</u>	<u>Class A</u>	<u>Class B</u>
Balance at June 30, 2014	234,156.4	148,728.1
Acquisition of treasury stock	(12,397.1)	—
Conversion of Class B to Class A	1,682.0	(1,682.0)
Stock-based compensation	4,394.9	—
Balance at June 30, 2015	227,836.2	147,046.1
Acquisition of treasury stock	(10,534.4)	—
Conversion of Class B to Class A	2,275.9	(2,275.9)
Stock-based compensation	3,411.9	—
Balance at June 30, 2016	222,989.6	144,770.2
Acquisition of treasury stock	(4,694.8)	—
Conversion of Class B to Class A	1,007.9	(1,007.9)
Stock-based compensation	5,038.5	—
Balance at June 30, 2017	<u>224,341.2</u>	<u>143,762.3</u>

The Company is authorized by the Board of Directors to repurchase Class A Common Stock in the open market or in privately negotiated transactions, depending on market conditions and other factors. As of June 30, 2017, the remaining authorized share repurchase balance was 14.5 million shares. Subsequent to June 30, 2017 and as of August 18, 2017, the Company purchased approximately 0.5 million additional shares of its Class A Common Stock for \$45 million pursuant to its share repurchase program.

The following is a summary of cash dividends declared per share on the Company's Class A and Class B Common Stock during the year ended June 30, 2017:

<u>Date Declared</u>	<u>Record Date</u>	<u>Payable Date</u>	<u>Amount per Share</u>
August 18, 2016	August 31, 2016	September 15, 2016	\$.30
November 1, 2016	November 30, 2016	December 15, 2016	\$.34
February 1, 2017	February 28, 2017	March 15, 2017	\$.34
May 2, 2017	May 31, 2017	June 15, 2017	\$.34

On August 17, 2017, a dividend was declared in the amount of \$.34 per share on the Company's Class A and Class B Common Stock. The dividend is payable in cash on September 15, 2017 to stockholders of record at the close of business on August 31, 2017.

STOCK PROGRAMS

12 Months Ended
Jun. 30, 2017

STOCK PROGRAMS STOCK PROGRAMS

NOTE 17 – STOCK PROGRAMS

As of June 30, 2017, the Company has two active equity compensation plans which include the Amended and Restated Fiscal 2002 Share Incentive Plan (the “Fiscal 2002 Plan”) and the Amended and Restated Non-Employee Director Share Incentive Plan (collectively, the “Plans”). These Plans currently provide for the issuance of approximately 76.8 million shares of Class A Common Stock, which consist of shares originally provided for and shares transferred to the Fiscal 2002 Plan from other inactive plans and employment agreements, to be granted in the form of stock-based awards to key employees, consultants and non-employee directors of the Company. As of June 30, 2017, approximately 11.9 million shares of Class A Common Stock were reserved and available to be granted pursuant to these Plans. The Company may satisfy the obligation of its stock-based compensation awards with either new or treasury shares. The Company’s equity compensation awards include stock options, restricted stock units (“RSU”), performance share units (“PSU”), PSUs based on total stockholder return, long-term PSUs and share units.

Total net stock-based compensation expense is attributable to the granting of, and the remaining requisite service periods of stock options, RSUs, PSUs, PSUs based on total stockholder return, long-term PSUs and share units. Compensation expense attributable to net stock-based compensation is as follows:

(In millions)	Year Ended June 30		
	2017	2016	2015
Compensation expense	\$ 219	\$ 184	\$ 165
Income tax benefit	72	60	54

As of June 30, 2017, the total unrecognized compensation cost related to unvested stock-based awards was \$170 million and the related weighted-average period over which it is expected to be recognized is approximately two years.

Stock Options

The following is a summary of the Company’s stock option programs as of June 30, 2017 and changes during the fiscal year then ended:

(Shares in thousands)	Shares	Weighted-Average Exercise Price Per Share	Aggregate Intrinsic Value⁽¹⁾ (in millions)	Weighted-Average Contractual Life Remaining in Years
Outstanding at June 30, 2016	14,007.5	\$ 52.92		
Granted at fair value	2,477.8	89.24		
Exercised	(3,361.6)	41.81		
Expired	(23.9)	70.93		
Forfeited	(135.5)	81.23		
Outstanding at June 30, 2017	<u>12,964.3</u>	62.42	\$ 435	<u>6.1</u>
Vested and expected to vest at June 30, 2017	<u>12,858.0</u>	62.22	\$ 434	<u>6.0</u>
Exercisable at June 30, 2017	<u>8,458.1</u>	51.17	\$ 379	<u>4.8</u>

- (1) The intrinsic value of a stock option is the amount by which the market value of the underlying stock exceeds the exercise price of the option.

The exercise period for all stock options generally may not exceed ten years from the date of grant. Stock option grants to individuals generally become exercisable in three substantively equal tranches over a service period of up to four years. The Company attributes the value of option awards on a straight-line basis over the requisite service period for each separately vesting portion of the award as if the award was, in substance, multiple awards.

The following is a summary of the per-share weighted-average grant date fair value of stock options granted and total intrinsic value of stock options exercised:

(In millions, except per share data)	Year Ended June 30		
	2017	2016	2015
Per-share weighted-average grant date fair value of stock options granted	\$ 22.79	\$ 21.51	\$ 22.44
Intrinsic value of stock options exercised	\$ 149	\$ 75	\$ 114

The fair value of each option grant was estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions:

	Year Ended June 30		
	2017	2016	2015
Weighted-average expected stock-price volatility	26%	27%	28%
Weighted-average expected option life	7 years	7 years	7 years
Average risk-free interest rate	1.5%	1.9%	2.2%
Average dividend yield	1.3%	1.2%	1.1%

The Company uses a weighted-average expected stock-price volatility assumption that is a combination of both current and historical implied volatilities of the underlying stock. The implied volatilities were obtained from publicly available data sources. For the weighted-average expected option life assumption, the Company considers the exercise behavior for past grants and models the pattern of aggregate exercises. The average risk-free interest rate is based on the U.S. Treasury strip rate for the expected term of the options and the average dividend yield is based on historical experience.

Restricted Stock Units

The Company granted approximately 1.6 million RSUs during fiscal 2017 which, at the time of grant, were scheduled to vest as follows: 0.5 million in fiscal 2018, 0.5 million in fiscal 2019, 0.5 million in fiscal 2020 and 0.1 million in fiscal 2022. Vesting of RSUs granted is generally subject to the continued employment of the grantees. RSUs are accompanied by dividend equivalent rights, payable upon settlement of the RSU either in cash or shares (based on the terms of the particular award) upon settlement of the RSU and, as such, were valued at the closing market price of the Company's Class A Common Stock on the date of grant.

The following is a summary of the status of the Company's RSUs as of June 30, 2017 and activity during the fiscal year then ended:

(Shares in thousands)	Weighted-Average Grant Date Fair Value Per Share	
	Shares	Share
Nonvested at June 30, 2016	2,795.4	\$ 75.55
Granted	1,594.1	88.91
Dividend equivalents	34.1	86.38
Vested	(1,337.9)	74.05

Forfeited	(146.5)	80.58
Nonvested at June 30, 2017	<u>2,939.2</u>	83.35

Performance Share Units

During fiscal 2017, the Company granted PSUs with a target payout of approximately 0.3 million shares with a grant date fair value per share of \$89.47, which will be settled in stock subject to the achievement of the Company's net sales, diluted net earnings per common share and return on invested capital goals for the three fiscal years ending June 30, 2020, all subject to the continued employment or retirement of the grantees. In January 2017, the Company granted PSUs with a target payout of approximately 0.3 million shares with a grant date fair value per share of \$80.79, which will be settled in stock subject to the achievement of certain net sales and net operating profit goals of a subsidiary of the Company for the fiscal year ending June 30, 2020. In January 2017, the Company also granted PSUs with a target payout of approximately 0.2 million shares with a grant date fair value per share of \$80.79, which will be settled in stock subject to the achievement of certain net sales and net operating profit goals of a subsidiary of the Company for the fiscal year ending June 30, 2022.

Settlement of all PSUs will be made pursuant to a range of opportunities relative to the target goals and, as such, the compensation cost of the PSU is subject to adjustment based upon the attainability of these target goals. No settlement will occur for results below the applicable minimum threshold of a target and additional shares shall be issued if performance exceeds the targeted performance goals. PSUs are accompanied by dividend equivalent rights that will be payable in cash upon settlement of the PSU and, as such, were valued at the closing market value of the Company's Class A Common Stock on the date of grant. These awards are subject to the provisions of the agreement under which the PSUs are granted. The PSUs generally vest at the end of the performance period. Approximately 0.2 million shares of Class A Common Stock are anticipated to be issued, relative to the target goals set at the time of issuance, in settlement of the 0.3 million PSUs that vested as of June 30, 2017. In September 2016, approximately 0.3 million shares of the Company's Class A Common Stock were issued and related accrued dividends were paid, relative to the target goals set at the time of issuance, in settlement of 0.3 million PSUs which vested as of June 30, 2016.

The following is a summary of the status of the Company's PSUs as of June 30, 2017 and activity during the fiscal year then ended:

(Shares in thousands)	Shares	Weighted-Average Grant Date Fair Value Per Share
Nonvested at June 30, 2016	539.1	\$ 76.81
Granted	749.2	83.73
Vested	(259.8)	76.23
Forfeited	(6.3)	81.11
Nonvested at June 30, 2017	<u>1,022.2</u>	82.00

Performance Share Units Based on Total Stockholder Return

During fiscal 2013, the Company granted PSUs to an executive of the Company with an aggregate target payout of 162,760 shares of the Company's Class A Common Stock, subject to continued employment through the end of the relative performance periods of June 30, 2015, 2016, and 2017. Settlement of the PSUs are based upon the Company's relative total stockholder return ("TSR") over the relevant performance period as compared to companies in the S&P 500 on July 1, 2012. The PSUs are accompanied by dividend equivalent rights that will be payable in cash upon settlement. The grant date fair value of the PSUs of \$11 million was estimated using a lattice model with a Monte Carlo simulation and the following assumptions for each performance period, respectively: contractual life of 33, 45 and 57 months, average risk-free interest rate of

0.3%, 0.5% and 0.7% and a dividend yield of 1.0%. Using the historical stock prices and dividends from public sources, the Company estimated the covariance structure of the returns on S&P 500 stocks. The volatility for the Company's stock produced by this estimation was 32%. The average risk-free interest rate is based on the U.S. Treasury strip rates over the contractual term of the grant, and the dividend yield is based on historical experience.

Through June 30, 2017, 92,431 shares of the Company's Class A Common Stock were issued, and related dividends were paid, in accordance with the terms of the grant, related to the performance periods ended June 30, 2016 and 2015. In August 2017, an additional 30,267 shares of the Company's Class A Common Stock are anticipated to be issued, and related dividends to be paid, in accordance with the terms of the grant, related to the performance period ended June 30, 2017.

Long-term Performance Share Units

During September 2015, the Company granted PSUs to an executive of the Company with an aggregate target payout of 387,848 shares (in three tranches of approximately 129,283 each) of the Company's Class A Common Stock, generally subject to continued employment through the end of relative performance periods, which end June 30, 2018, 2019 and 2020. Since the Company achieved positive Net Earnings, as defined in the PSU award agreement, for the fiscal year ended June 30, 2016, performance and vesting of each tranche will be based on the Company achieving positive Cumulative Operating Income, as defined in the PSU award agreement, during the relative performance period. Payment with respect to a tranche will be made on the third anniversary of the last day of the respective performance period. The PSUs are accompanied by dividend equivalent rights that will be payable in cash at the same time as the payment of shares of Class A Common Stock. The grant date fair value of these PSUs of \$30 million was estimated using the closing stock price of the Company's Class A Common Stock as of September 4, 2015, the date of grant.

During January 2016, the Company granted PSUs to an executive of the Company with an aggregate target payout of 71,694 shares (in three tranches of 23,898 each) of the Company's Class A Common Stock. Since the Company achieved positive Net Earnings, as defined in the PSU award agreement, for the fiscal year ended June 30, 2017, the vesting of each tranche will generally be subject to continued employment through the end of relative service periods that end on January 29, 2018, 2019 and 2020. Payment with respect to a tranche will be made within 30 business days of the date on which the PSUs vest. The PSUs are accompanied by dividend equivalent rights that will be payable in cash at the same time as the payment of shares of the Company's Class A Common Stock. The grant date fair value of these PSUs of \$6 million was estimated using the closing stock price of the Company's Class A Common Stock as of January 28, 2016, the date of grant.

Share Units

The Company grants share units to certain non-employee directors under the Amended and Restated Non-Employee Director Share Incentive Plan. The share units are convertible into shares of the Company's Class A Common Stock as provided for in that plan. Share units are accompanied by dividend equivalent rights that are converted to additional share units when such dividends are declared.

The following is a summary of the status of the Company's share units as of June 30, 2017 and activity during the fiscal year then ended:

(Shares in thousands)	Shares	Weighted-Average Grant Date Fair Value Per Share
Outstanding at June 30, 2016	120.7	\$ 45.00
Granted	8.9	78.36

Dividend equivalents	2.0	86.46
Converted	—	—
Outstanding at June 30, 2017	<u>131.6</u>	47.87

Cash Units

Certain non-employee directors defer cash compensation in the form of cash payout share units, which are not subject to the Plans. These share units are classified as liabilities and, as such, their fair value is adjusted to reflect the current market value of the Company's Class A Common Stock. The Company recorded \$2 million, \$2 million and \$3 million as compensation expense to reflect additional deferrals and the change in the market value for fiscal 2017, 2016 and 2015, respectively.

**NET EARNINGS
ATTRIBUTABLE TO THE
ESTÉE LAUDER
COMPANIES INC. PER
COMMON SHARE**

12 Months Ended

Jun. 30, 2017

**NET EARNINGS
ATTRIBUTABLE TO THE
ESTÉE LAUDER
COMPANIES INC. PER
COMMON SHARE**

**NET EARNINGS
ATTRIBUTABLE TO THE
ESTÉE LAUDER
COMPANIES INC. PER
COMMON SHARE**

NOTE 18 – NET EARNINGS ATTRIBUTABLE TO THE ESTÉE LAUDER COMPANIES INC. PER COMMON SHARE

Net earnings attributable to The Estée Lauder Companies Inc. per common share (“basic EPS”) is computed by dividing net earnings attributable to The Estée Lauder Companies Inc. by the weighted-average number of common shares outstanding and contingently issuable shares (which satisfy certain conditions). Net earnings attributable to The Estée Lauder Companies Inc. per common share assuming dilution (“diluted EPS”) is computed by reflecting potential dilution from stock-based awards.

A reconciliation between the numerators and denominators of the basic and diluted EPS computations is as follows:

(In millions, except per share data)	Year Ended June 30		
	2017	2016	2015
Numerator:			
Net earnings attributable to The Estée Lauder Companies Inc.	\$ 1,249	\$ 1,115	\$ 1,089
Denominator:			
Weighted-average common shares outstanding –			
Basic	367.1	370.0	379.3
Effect of dilutive stock options	3.8	4.6	4.6
Effect of PSUs	0.2	0.1	0.1
Effect of RSUs	1.9	1.8	1.6
Effect of performance share units based on TSR	—	0.1	0.1
Weighted-average common shares outstanding – Diluted	373.0	376.6	385.7
Net earnings attributable to The Estée Lauder Companies Inc. per common share:			
Basic	\$ 3.40	\$ 3.01	\$ 2.87
Diluted	3.35	2.96	2.82

As of June 30, 2017, there were 1.8 million stock options excluded from the computation of diluted EPS because their inclusion would be anti-dilutive. As of June 30, 2016, there were 0.2 million stock options excluded from the computation of diluted EPS because their inclusion would be anti-dilutive. As of June 30, 2015, there were no anti-dilutive stock options to be excluded from the computation of diluted EPS. As of June 30, 2017, 2016 and 2015, 1.0 million, 0.5 million and 0.6 million, respectively, of PSUs have been excluded from the calculation of diluted EPS because the number of shares ultimately issued is contingent on the achievement of certain performance targets of the Company, as discussed in *Note 17 – Stock Programs*.

**ACCUMULATED OTHER
COMPREHENSIVE
INCOME (LOSS)**

12 Months Ended

Jun. 30, 2017

**ACCUMULATED OTHER
COMPREHENSIVE
INCOME (LOSS)**

**ACCUMULATED OTHER
COMPREHENSIVE
INCOME (LOSS)**

NOTE 19 – ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The components of AOCI included in the accompanying consolidated balance sheets consist of the following:

(In millions)	Year Ended June 30		
	2017	2016	2015
Net unrealized investment gains, beginning of year	\$ 7	\$ —	\$ 1
Unrealized investment gains (losses)	(8)	7	1
Reclassification to earnings during the year (1)	—	—	(2)
Net unrealized investment gains (losses), end of year	<u>(1)</u>	<u>7</u>	<u>—</u>
Net derivative instruments, beginning of year	32	44	(1)
Gain (loss) on derivative instruments	(13)	48	108
Benefit (provision) for deferred income taxes	5	(17)	(38)
Reclassification to earnings during the year:			
Foreign currency forward contracts (2)	(40)	(65)	(38)
Interest rate-related derivatives (3)	(1)	(1)	—
Benefit for deferred income taxes on reclassification (4)	14	23	13
Net derivative instruments, end of year	<u>(3)</u>	<u>32</u>	<u>44</u>
Net pension and post-retirement adjustments, beginning of year	(285)	(235)	(233)
Changes in plan assets and benefit obligations:			
Net actuarial gains (losses) recognized	71	(114)	(48)
Translation adjustments	—	6	16
Benefit (provision) for deferred income taxes	(20)	39	13
Amortization, settlements and curtailments included in net periodic benefit cost (5):			
Net actuarial losses	28	22	21
Net prior service cost	3	4	3
Provision for deferred income taxes on reclassification (4)	(10)	(7)	(7)
Net pension and post-retirement adjustments, end of year	<u>(213)</u>	<u>(285)</u>	<u>(235)</u>
Cumulative translation adjustments, beginning of year	(299)	(190)	132
Translation adjustments	32	(107)	(319)
Provision for deferred income taxes	—	(2)	(3)
Cumulative translation adjustments, end of year	<u>(267)</u>	<u>(299)</u>	<u>(190)</u>
Accumulated other comprehensive loss	<u>\$ (484)</u>	<u>\$ (545)</u>	<u>\$ (381)</u>

(1) Amounts recorded in Interest income and investment income, net in the accompanying consolidated statements of earnings.

(2) For the year ended June 30, 2017, \$10 million and \$30 million were recorded in Cost of Sales and Selling, general and administrative expenses, respectively, in the accompanying consolidated statements of earnings. For the year ended June 30, 2016, \$17 million and \$48 million were

recorded in Cost of Sales and Selling, general and administrative expenses, respectively, in the accompanying consolidated statements of earnings. For the year ended June 30, 2015, \$9 million and \$29 million were recorded in Cost of Sales and Selling, general and administrative expenses, respectively, in the accompanying consolidated statements of earnings.

- (3) Amounts recorded in Interest expense in the accompanying consolidated statements of earnings.
- (4) Amounts recorded in Provision for income taxes in the accompanying consolidated statements of earnings.
- (5) See *Note 14 – Pension, Deferred Compensation and Post-Retirement Benefit Plans* for additional information.

**STATEMENT OF CASH
FLOWS**

**12 Months Ended
Jun. 30, 2017**

**STATEMENT OF CASH
FLOWS**

STATEMENT OF CASH FLOWS NOTE 20 – STATEMENT OF CASH FLOWS

Supplemental cash flow information is as follows:

(In millions)	Year Ended June 30		
	2017	2016	2015
Cash:			
Cash paid during the year for interest	\$ 96	\$ 79	\$ 66
Cash paid during the year for income taxes	\$ 456	\$ 451	\$ 417
Non-cash investing and financing activities:			
Capital lease and asset retirement obligations incurred	\$ 12	\$ 27	\$ 9
Pending purchase price true-up payment	\$ —	\$ —	\$ 11
Non-cash purchases (sales) of short- and long-term investments, net	\$ 6	\$ (3)	\$ 2
Property, plant and equipment accrued but unpaid	\$ 29	\$ 29	\$ 29

**SEGMENT DATA AND
RELATED INFORMATION**

**12 Months Ended
Jun. 30, 2017**

**SEGMENT DATA AND
RELATED INFORMATION**

**SEGMENT DATA AND
RELATED INFORMATION**

NOTE 21 – SEGMENT DATA AND RELATED INFORMATION

Reportable operating segments include components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker (the “Chief Executive”) in deciding how to allocate resources and in assessing performance. As a result of the similarities in the manufacturing, marketing and distribution processes for all of the Company’s products, much of the information provided in the consolidated financial statements is similar to, or the same as, that reviewed on a regular basis by the Chief Executive. Although the Company operates in one business segment, beauty products, management also evaluates performance on a product category basis.

While the Company’s results of operations are also reviewed on a consolidated basis, the Chief Executive reviews data segmented on a basis that facilitates comparison to industry statistics. Accordingly, net sales, depreciation and amortization, and operating income are available with respect to the manufacture and distribution of skin care, makeup, fragrance, hair care and other products. These product categories meet the definition of operating segments and, accordingly, additional financial data are provided below. The “other” segment includes the sales and related results of ancillary products and services that do not fit the definition of skin care, makeup, fragrance and hair care.

Product category performance is measured based upon net sales before returns associated with restructuring and other activities, and earnings before income taxes, interest expense, interest income and investment income, net, and charges associated with restructuring and other activities. Returns and charges associated with restructuring and other activities are not allocated to the product categories because they result from activities that are deemed a Company-wide initiative to redesign, resize and reorganize select corporate functions and go-to-market structures, and to transform and modernize the Company’s GTI. The accounting policies for the Company’s reportable segments are the same as those described in the summary of significant accounting policies, except for depreciation and amortization charges, which are allocated, primarily, based upon net sales. The assets and liabilities of the Company are managed centrally and are reported internally in the same manner as the consolidated financial statements; thus, no additional information is produced for the Chief Executive or included herein.

(In millions)	Year Ended June 30		
	2017	2016	2015
PRODUCT CATEGORY DATA			
Net Sales:			
Skin Care	\$ 4,527	\$ 4,446	\$ 4,479
Makeup	5,054	4,702	4,304
Fragrance	1,637	1,487	1,416
Hair Care	539	554	531
Other	69	74	50
	<u>11,826</u>	<u>11,263</u>	<u>10,780</u>
Returns associated with restructuring and other activities	(2)	(1)	—
	<u>\$ 11,824</u>	<u>\$ 11,262</u>	<u>\$ 10,780</u>
Depreciation and Amortization:			
Skin Care	\$ 161	\$ 151	\$ 158
Makeup	218	184	168
Fragrance	59	52	54

Hair Care	23	24	26
Other	3	4	3
	<u>\$ 464</u>	<u>\$ 415</u>	<u>\$ 409</u>

Operating Income (Loss) before charges associated with restructuring and other activities:

Skin Care	\$ 1,014	\$ 842	\$ 832
Makeup	713	758	659
Fragrance	115	87	83
Hair Care	51	52	38
Other	11	5	(6)
	<u>1,904</u>	<u>1,744</u>	<u>1,606</u>

Reconciliation:

Charges associated with restructuring and other activities	(212)	(134)	—
Interest expense	(103)	(71)	(60)
Interest income and investment income, net	28	16	15
Earnings before income taxes	<u>\$ 1,617</u>	<u>\$ 1,555</u>	<u>\$ 1,561</u>

(In millions)	Year Ended or at June 30		
	2017	2016	2015
GEOGRAPHIC DATA			
Net Sales:			
The Americas	\$ 4,819	\$ 4,710	\$ 4,514
Europe, the Middle East & Africa	4,650	4,381	4,086
Asia/Pacific	2,357	2,172	2,180
	<u>11,826</u>	<u>11,263</u>	<u>10,780</u>
Returns associated with restructuring and other activities	(2)	(1)	—
	<u>\$ 11,824</u>	<u>\$ 11,262</u>	<u>\$ 10,780</u>

Operating Income (Loss):

The Americas	\$ 284	\$ 346	\$ 302
Europe, the Middle East & Africa	1,203	1,027	943
Asia/Pacific	417	371	361
	<u>1,904</u>	<u>1,744</u>	<u>1,606</u>
Charges associated with restructuring and other activities	(212)	(134)	—
	<u>\$ 1,692</u>	<u>\$ 1,610</u>	<u>\$ 1,606</u>

Total Assets:

The Americas	\$ 7,061	\$ 5,423	\$ 4,898
Europe, the Middle East & Africa	3,367	3,016	2,614
Asia/Pacific	1,140	784	715
	<u>\$ 11,568</u>	<u>\$ 9,223</u>	<u>\$ 8,227</u>

Long-Lived Assets (property, plant and equipment, net):

The Americas	\$ 1,071	\$ 978	\$ 957
Europe, the Middle East & Africa	456	464	400
Asia/Pacific	144	141	133
	<u>\$ 1,671</u>	<u>\$ 1,583</u>	<u>\$ 1,490</u>

Net sales are predominantly attributed to a country within a geographic segment based on the location of the customer. The net sales from the Company's travel retail business are included in the Europe, the Middle East & Africa region. The Company is domiciled in the United States. Net sales in the United States in fiscal 2017, 2016 and 2015 were \$4,238 million, \$4,151 million and \$3,972 million, respectively. The Company's long-lived assets in the United States at June 30, 2017, 2016 and 2015 were \$869 million, \$862 million and \$856 million, respectively.

UNAUDITED
QUARTERLY FINANCIAL
DATA

12 Months Ended
Jun. 30, 2017

UNAUDITED
QUARTERLY FINANCIAL
DATA

UNAUDITED QUARTERLY NOTE 22 – UNAUDITED QUARTERLY FINANCIAL DATA
FINANCIAL DATA

The following summarizes the unaudited quarterly operating results of the Company for fiscal 2017 and 2016:

(In millions, except per share data)	Quarter Ended				Total Year
	September 30 (1)	December 31 (2)	March 31 (3)	June 30 (4)	
Fiscal 2017					
Net Sales	\$ 2,865	\$ 3,208	\$ 2,857	\$ 2,894	\$ 11,824
Gross Profit	2,269	2,571	2,266	2,281	9,387
Operating Income	418	617	427	230	1,692
Net Earnings Attributable to The Estée Lauder Companies Inc.	294	428	298	229	1,249
Net earnings attributable to The Estée Lauder Companies Inc. per common share:					
Basic	.80	1.17	.81	.62	3.40
Diluted	.79	1.15	.80	.61	3.35
Fiscal 2016					
Net Sales	\$ 2,835	\$ 3,124	\$ 2,657	\$ 2,646	\$ 11,262
Gross Profit	2,258	2,535	2,153	2,135	9,081
Operating Income	453	630	384	143	1,610
Net Earnings Attributable to The Estée Lauder Companies Inc.	309	447	265	94	1,115
Net earnings attributable to The Estée Lauder Companies Inc. per common share:					
Basic	.83	1.21	.72	.25	3.01
Diluted	.82	1.19	.71	.25	2.96

- (1) Fiscal 2017 first quarter results include charges associated with restructuring and other activities of \$(31) million (\$(20) million after tax, or \$(.05) per diluted common share).
- (2) Fiscal 2017 second quarter results include charges associated with restructuring and other activities of \$(41) million (\$(26) million after tax, or \$(.07) per diluted common share). Fiscal 2016 second quarter results include charges associated with restructuring and other activities of \$(19) million (\$(12) million after tax, or \$(.03) per diluted common share).
- (3) Fiscal 2017 third quarter results include charges associated with restructuring and other activities of \$(62) million (\$(42) million after tax, or \$(.11) per diluted common share). Fiscal 2016 third quarter results include charges associated with restructuring and other activities of \$(15) million (\$(10) million after tax, or \$(.02) per diluted common share).
- (4) Fiscal 2017 fourth quarter results include charges associated with restructuring and other activities of \$(78) million (\$(55) million after tax, or \$(.15) per diluted common share), the changes in fair value of contingent consideration of \$58 million (\$42 million after tax, or \$.11 per diluted common share), goodwill and other intangible asset impairments of \$(31) million (\$(23) million after tax, or \$(.06) per

diluted common share) and the China deferred tax asset valuation allowance reversal of \$75 million, or \$.20 per diluted common share. Fiscal 2016 fourth quarter results include charges associated with restructuring and other activities of \$(100) million (\$(68) million after tax, or \$(-.18) per diluted common share).

**SCHEDULE II -
VALUATION AND
QUALIFYING ACCOUNTS**

**SCHEDULE II - VALUATION AND
QUALIFYING ACCOUNTS**

**SCHEDULE II - VALUATION AND
QUALIFYING ACCOUNTS**

12 Months Ended

Jun. 30, 2017

THE ESTÉE LAUDER COMPANIES INC.

**SCHEDULE II – VALUATION AND QUALIFYING ACCOUNTS
Three Years Ended June 30, 2017
(In millions)**

<u>Description</u>	<u>Balance at Beginning of Period</u>	<u>Additions</u>		<u>Deductions</u>	<u>Balance at End of Period</u>
		<u>(1) Charged to Costs and Expenses</u>	<u>(2) Charged to Other Accounts</u>		
Reserves deducted in the balance sheet from the assets to which they apply:					
Allowance for doubtful accounts and customer deductions:					
Year ended June 30, 2017	\$ 24	\$ 18	\$ —	\$ 12 ^(a)	\$ 30
Year ended June 30, 2016	\$ 21	\$ 13	\$ —	\$ 10 ^(a)	\$ 24
Year ended June 30, 2015	\$ 24	\$ 8	\$ —	\$ 11 ^(a)	\$ 21
Sales return accrual:					
Year ended June 30, 2017	\$ 96	\$ 463	\$ —	\$ 450 ^(b)	\$ 109
Year ended June 30, 2016	\$ 97	\$ 373	\$ —	\$ 374 ^(b)	\$ 96
Year ended June 30, 2015	\$ 94	\$ 400	\$ —	\$ 397 ^(b)	\$ 97
Deferred tax valuation allowance:					
Year ended June 30, 2017	\$ 118	\$ 3	\$ —	\$ 79	\$ 42
Year ended June 30, 2016	\$ 121	\$ 6	\$ —	\$ 9	\$ 118
Year ended June 30, 2015	\$ 115	\$ 10	\$ —	\$ 4	\$ 121

**Accrued restructuring
initiatives:**

	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Year ended June 30, 2017	<u>\$ 77</u>	<u>\$ 122</u>	<u>\$ —</u>	<u>\$ 48</u>	<u>\$ 151</u>
Year ended June 30, 2016	<u>\$ —</u>	<u>\$ 122</u>	<u>\$ —</u>	<u>\$ 45</u>	<u>\$ 77</u>
Year ended June 30, 2015	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

- (a) Includes amounts written-off, net of recoveries.
- (b) Represents actual returns.

**SUMMARY OF
SIGNIFICANT
ACCOUNTING POLICIES
(Policies)**

12 Months Ended

Jun. 30, 2017

**SUMMARY OF
SIGNIFICANT
ACCOUNTING POLICIES**

Principles of Consolidation

Principles of Consolidation

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

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

Management Estimates

Management Estimates

The preparation of financial statements and related disclosures in conformity with U.S. generally accepted accounting principles (“U.S. GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses reported in those financial statements. Certain significant accounting policies that contain subjective management estimates and assumptions include those related to revenue recognition, inventory, pension and other post-retirement benefit costs, goodwill, other intangible assets and long-lived assets, 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 consolidated financial statements in future periods.

**Currency Translation and
Transactions**

Currency Translation and Transactions

All assets and liabilities of foreign subsidiaries and affiliates are translated at year-end rates of exchange, while revenue and expenses are translated at weighted-average rates of exchange for the period. Unrealized translation gains (losses) reported as cumulative translation adjustments through other comprehensive income (loss) (“OCI”) attributable to The Estée Lauder Companies Inc. amounted to \$32 million, \$(109) million and \$(322) million, net of tax, in fiscal 2017, 2016 and 2015, respectively. For the Company’s Venezuelan and Ukrainian subsidiaries operating in highly inflationary economies, the U.S. dollar is the functional currency. Remeasurement adjustments in financial statements in a highly inflationary economy and other transactional gains and losses are reflected in earnings. These subsidiaries are not material to the Company’s consolidated financial statements or liquidity in fiscal 2017, 2016 and 2015.

The Company enters into foreign currency forward contracts and may enter into option contracts to hedge foreign currency transactions for periods consistent with its identified exposures. Accordingly, the Company categorizes these instruments as entered into for purposes other than trading.

The accompanying consolidated statements of earnings include net exchange gains on foreign currency transactions of \$15 million, \$16 million and \$4 million in fiscal 2017, 2016 and 2015, respectively.

Cash and Cash Equivalents

Cash and Cash Equivalents

Cash and cash equivalents include \$434 million and \$205 million of short-term time deposits at June 30, 2017 and 2016, respectively. The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Investments

Investments

The Company's investment objectives include capital preservation, maintaining adequate liquidity, asset diversification, and achieving appropriate returns within the guidelines set forth in the Company's investment policy. These investments are classified as available-for-sale, with any temporary difference between the cost and fair value of an investment presented as a separate component of accumulated other comprehensive income (loss) ("AOCI"). See *Note 13 – Fair Value Measurements* for further information about how the fair values of investments are determined.

Investments in the common stock of privately-held companies in which the Company has significant influence, but less than a controlling financial interest, are accounted for under the equity method of accounting. The Company accounts for all other investments using the cost-method of accounting. These investments were not material to the Company's consolidated financial statements as of June 30, 2017 and 2016 and are included in Long-term investments in the accompanying consolidated balance sheets.

The Company evaluates investments held in unrealized loss positions for other-than-temporary impairment on a quarterly basis. Such evaluation involves a variety of considerations, including assessments of the risks and uncertainties associated with general economic conditions and distinct conditions affecting specific issuers. Factors considered by the Company include, but are not limited to (i) the length of time and extent the security has been in a material loss position; (ii) the financial condition and creditworthiness of the issuer; (iii) future economic conditions and market forecasts related to the issuer's industry, sector, or geography; (iv) the Company's intent and ability to retain its investment until maturity or for a period of time sufficient to allow for recovery of market value; and (v) an assessment of whether it is more likely than not that the Company will be required to sell its investment before recovery of market value.

Accounts Receivable

Accounts Receivable

Accounts receivable is stated net of the allowance for doubtful accounts and customer deductions totaling \$30 million and \$24 million as of June 30, 2017 and 2016, respectively. This reserve is based upon the evaluation of accounts receivable aging, specific exposures and historical trends.

Inventory and Promotional Merchandise

Inventory and Promotional Merchandise

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

Derivative Financial Instruments

Derivative Financial Instruments

The Company's derivative financial instruments are recorded as either assets or liabilities on the balance sheet and measured at fair value. All derivatives are (i) designated as a hedge of the fair value of a recognized asset or liability or of an unrecognized firm commitment ("fair-value" hedge), (ii) designated as a hedge of a forecasted transaction or of the variability of cash flows to

be received or paid related to a recognized asset or liability (“cash-flow” hedge), or (iii) not designated as a hedging instrument. Changes in the fair value of a derivative that is designated and qualifies as a fair-value hedge that is highly effective are recorded in current-period earnings, along with the loss or gain on the hedged asset or liability that is attributable to the hedged risk (including losses or gains on unrecognized firm commitments). Changes in the fair value of a derivative that is designated and qualifies as a cash-flow hedge of a forecasted transaction that is highly effective are recorded in OCI. Gains and losses deferred in OCI are then recognized in current-period earnings when earnings are affected by the variability of cash flows of the hedged forecasted transaction (e.g., when periodic settlements on a variable-rate asset or liability are recorded in earnings). Changes in the fair value of derivative instruments not designated as hedging instruments are reported in current-period earnings.

Property, Plant and Equipment *Property, Plant and Equipment*

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

Goodwill and Other Indefinite-lived Intangible Assets *Goodwill and Other Indefinite-lived Intangible Assets*

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

The Company assesses goodwill and other indefinite-lived intangible assets at least annually for impairment as of the beginning of the fiscal fourth quarter or more frequently if certain events or circumstances exist. The Company tests goodwill for impairment at the reporting unit level, which is one level below the Company’s operating segments. The Company identifies its reporting units by assessing whether the components of its operating segments constitute businesses for which discrete financial information is available and management of each operating segment regularly reviews the operating results of those components. The Company makes certain judgments and assumptions in allocating assets and liabilities to determine carrying values for its reporting units. When testing goodwill for impairment, the Company has the option of first performing a qualitative assessment to determine whether it is more-likely-than-not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform a quantitative goodwill impairment test. If necessary, the quantitative impairment test is performed in two steps: (i) the Company determines if an indication of impairment exists by comparing the fair value of a reporting unit with its carrying value, and (ii) if there is an impairment, the Company measures the amount of impairment loss by comparing the implied fair value of goodwill with the carrying amount of that goodwill. When testing other indefinite-lived intangible assets for impairment, the Company also has the option of first performing a qualitative assessment to determine whether it is more-likely-than-not that the indefinite-lived intangible asset is impaired as a basis for determining whether it is necessary to perform a quantitative test. The quantitative impairment test for indefinite-lived intangible assets encompasses calculating the fair value of an indefinite-lived intangible asset and comparing the fair value to its carrying value. If the carrying value exceeds the fair value, an impairment charge is recorded.

For fiscal 2017 and 2016, the Company elected to perform the qualitative assessment for certain of its reporting units and indefinite-lived intangible assets. This qualitative assessment included the review of certain macroeconomic factors and entity-specific qualitative factors to determine if it was more-likely-than-not that the fair values of its reporting units were below carrying value. The Company considered macroeconomic factors including the global economic growth, general macroeconomic trends for the markets in which the reporting units operate and the

intangible assets are employed, and the growth of the global prestige beauty industry. In addition to these macroeconomic factors, among other things, the Company considered the reporting units' current results and forecasts, any changes in the nature of the business, any significant legal, regulatory, contractual, political or other business climate factors, changes in the industry/competitive environment, changes in the composition or carrying amount of net assets and its intention to sell or dispose of a reporting unit or cease the use of a trademark.

For the Company's other reporting units and other indefinite-lived intangible assets, including those acquired during and subsequent to fiscal 2015, a quantitative assessment was performed. The Company engaged third-party valuation specialists and used industry accepted valuation models and criteria that were reviewed and approved by various levels of management. To determine the fair value of the reporting units, the Company used an equal weighting of the income and market approaches. Under the income approach, we determined fair value using a discounted cash flow method, projecting future cash flows of each reporting unit, as well as a terminal value, and discounting such cash flows at a rate of return that reflected the relative risk of the cash flows. Under the market approach, we utilized market multiples from publicly traded companies with similar operating and investment characteristics as the reporting unit. The key estimates and factors used in these two approaches include revenue growth rates and profit margins based on internal forecasts, terminal value, the weighted-average cost of capital used to discount future cash flows and comparable market multiples. To determine the fair value of other indefinite-lived intangible assets, we use an income approach, the relief-from-royalty method. This method assumes that, in lieu of ownership, a third party would be willing to pay a royalty in order to obtain the rights to use the comparable asset.

Long-Lived Assets

Long-Lived Assets

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. When such events or changes in circumstances occur, a recoverability test is performed comparing projected undiscounted cash flows from the use and eventual disposition of an asset or asset group to its carrying value. If the projected undiscounted cash flows are less than the carrying value, then an impairment charge would be recorded for the excess of the carrying value over the fair value, which is determined by discounting estimated future cash flows.

Concentration of Credit Risk

Concentration of Credit Risk

The Company is a worldwide manufacturer, marketer and distributor of skin care, makeup, fragrance and hair care products. The Company's sales that are subject to credit risk are made primarily to department stores, perfumeries, specialty multi-brand retailers and retailers in its travel retail business. The Company grants credit to all qualified customers and does not believe it is exposed significantly to any undue concentration of credit risk.

The Company's largest customer sells products primarily within the United States and accounted for \$922 million, or 8%, \$1,065 million, or 9%, and \$1,060 million, or 10%, of the Company's consolidated net sales in fiscal 2017, 2016 and 2015, respectively. This customer accounted for \$112 million, or 8%, and \$164 million, or 13%, of the Company's accounts receivable at June 30, 2017 and 2016, respectively.

Revenue Recognition

Revenue Recognition

Revenues from product sales are recognized upon transfer of ownership, including passage of title to the customer and transfer of the risk of loss related to those goods. In the Americas region, sales are generally recognized at the time the product is shipped to the customer and in the Europe, the Middle East & Africa and Asia/Pacific regions, sales are generally recognized based upon the customer's receipt. In certain circumstances, transfer of title takes place at the point of sale, for example, at the Company's retail stores. The Company records revenues generated from purchase with purchase promotions in Net Sales and costs of its purchase with purchase and gift with purchase promotions in Cost of Sales.

Revenues are reported on a net sales basis, which is computed by deducting from gross sales the amount of actual product returns received, discounts, incentive arrangements with retailers and an

amount established for anticipated product returns. The Company's practice is to accept product returns from retailers only if properly requested and approved. In accepting returns, the Company typically provides a credit to the retailer against accounts receivable from that retailer. As a percentage of gross sales, returns were 3.5% in fiscal 2017, 3.1% in fiscal 2016 and 3.4% in fiscal 2015.

Payments to Customers

Payments to Customers

Certain incentive arrangements require the payment of a fee to customers based on their attainment of pre-established sales levels. These fees have been accrued and recorded as a reduction of Net Sales in the accompanying consolidated statements of earnings and were not material to the results of operations in any period presented.

The Company enters into transactions related to demonstration, advertising and counter construction, some of which involve cooperative relationships with customers. These activities may be arranged either with unrelated third parties or in conjunction with the customer. To the extent the Company receives an identifiable benefit in exchange for consideration and the fair-value of the benefit can be reasonably estimated, the Company's share of the counter depreciation and the other costs of these transactions (regardless of to whom they were paid) are reflected in Selling, general and administrative expenses in the accompanying consolidated statements of earnings and were approximately \$1,405 million, \$1,387 million and \$1,378 million in fiscal 2017, 2016 and 2015, respectively.

Advertising and Promotion

Advertising and Promotion

Global net expenses for advertising, merchandising, sampling, promotion and product development were \$2,908 million, \$2,821 million and \$2,772 million in fiscal 2017, 2016 and 2015, respectively, and are expensed as incurred. Excluding the impact of purchase with purchase and gift with purchase promotions, which are included in Net Sales and Cost of Sales, costs for advertising, merchandising, sampling, promotion and product development included in Selling, general and administrative expenses in the accompanying consolidated statements of earnings were \$2,689 million, \$2,607 million and \$2,559 million in fiscal 2017, 2016 and 2015, respectively.

Research and Development

Research and Development

Research and development costs of \$179 million, \$191 million and \$178 million in fiscal 2017, 2016 and 2015, respectively, are recorded in Selling, general and administrative expenses in the accompanying consolidated statements of earnings and are expensed as incurred.

Shipping and Handling

Shipping and Handling

Shipping and handling expenses of \$400 million, \$363 million and \$364 million in fiscal 2017, 2016 and 2015, respectively, are recorded in Selling, general and administrative expenses in the accompanying consolidated statements of earnings and include distribution center costs, third-party logistics costs and outbound freight.

Operating Leases

Operating Leases

The Company recognizes rent expense from operating leases with periods of free and scheduled rent increases on a straight-line basis over the applicable lease term. The Company considers lease renewals when such renewals are reasonably assured. From time to time, the Company may receive capital improvement funding from its lessors. These amounts are recorded as deferred liabilities and amortized over the remaining lease term as a reduction of rent expense.

License Arrangements

License Arrangements

The Company's license agreements provide the Company with worldwide rights to manufacture, market and sell beauty and beauty-related products (or particular categories thereof) using the licensors' trademarks. Our current licenses have an initial term of approximately 5 years to 10 years, and are renewable subject to the Company's compliance with the license agreement provisions. Most of our license agreements have renewal terms in 5 year increments, with potential renewal periods ranging from approximately 5 years to 25 years. Under each license,

the Company is required to pay royalties to the licensor, at least annually, based on net sales to third parties.

Most of the Company's licenses were entered into to create new business. In some cases, the Company acquired, or entered into, a license where the licensor or another licensee was operating a pre-existing beauty products business. In those cases, other intangible assets are capitalized and amortized over their useful lives.

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

[Stock-Based Compensation](#)

Stock-Based Compensation

The Company records stock-based compensation, measured at the fair value of the awards that are ultimately expected to vest, as an expense in the consolidated financial statements. Upon the exercise of stock options or the vesting of restricted stock units, performance share units, performance share units based on total stockholder return and long-term performance share units, the resulting excess tax benefits, if any, are credited to additional paid-in capital. Any resulting tax deficiencies will first be offset against those cumulative credits to additional paid-in capital. If the cumulative credits to additional paid-in capital are exhausted, tax deficiencies will be recorded to the provision for income taxes.

[Income Taxes](#)

Income Taxes

The Company accounts for income taxes using an asset and liability approach that requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in its consolidated financial statements or tax returns. The net deferred tax assets assume sufficient future earnings for their realization, as well as the continued application of currently anticipated tax rates. Included in net deferred tax assets is a valuation allowance for deferred tax assets, where management believes it is not more-likely-than-not that the deferred tax assets will be realized in the relevant jurisdiction. If the Company's assessment of realizability of a deferred tax asset changes, an increase to a valuation allowance will result in a reduction of net earnings at that time while the reduction of a valuation allowance will result in an increase of net earnings at that time.

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

[Recently Issued Accounting Standards](#)

Recently Issued Accounting Standards

Pension-related Costs

In March 2017, the Financial Accounting Standards Board ("FASB") issued authoritative guidance that amends how companies present net periodic benefit cost in the income statement and balance sheet relating to defined benefit pension and/or other postretirement benefit

plans. Within the income statement, the new guidance requires companies to report the service cost component within operating expenses and report the other components of net periodic benefit cost below operating income (if one is reported). In addition, within the balance sheet, the guidance changes the components of the pension cost eligible for capitalization to the service cost component only (e.g., as a cost of internally manufactured inventory or a self-constructed asset).

Effective for the Company – Fiscal 2019 first quarter, with early adoption permitted as of the first interim period in fiscal 2018. The guidance must be applied (a) retrospectively as it pertains to the income statement classification of the components of net periodic benefit cost and (b) prospectively as it pertains to future capitalization of service costs.

Impact on consolidated financial statements – The Company will adopt this guidance when it becomes effective and although certain components of pension expense will be reclassified out of operating income, the Company does not believe this will have a material impact on reported operating income.

Goodwill

In January 2017, FASB issued authoritative guidance which simplifies the subsequent measurement of goodwill by eliminating the second step from the quantitative goodwill impairment test. The single quantitative step test requires companies to compare the fair value of a reporting unit with its carrying amount and record an impairment charge for the amount that the carrying amount exceeds the fair value, up to the total amount of goodwill allocated to that reporting unit. The Company will continue to have the option of first performing a qualitative assessment to determine whether it is necessary to perform the quantitative goodwill impairment test.

Effective for the Company – Fiscal 2021 first quarter, with early adoption permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017.

Impact on consolidated financial statements – The Company did not elect to apply this guidance to its fiscal 2017 impairment testing and will continue to assess the impact of adopting it on future interim and annual impairment tests.

Income Taxes

In October 2016, the FASB issued authoritative guidance that changes the way companies account for income taxes relating to intra-entity transfers of assets other than inventory. This new guidance requires that an entity recognize the income tax consequences of an intra-entity transfer of an asset other than inventory in the period in which the transfer takes place. Under current guidance, recognition of current and deferred income taxes of an intra-entity asset transfer is deferred. This new guidance may affect consolidated earnings where the intra-entity transfer of an asset other than inventory occurs between entities in jurisdictions with different tax rates. This guidance must be adopted using a modified retrospective approach with a cumulative-effect adjustment to retained earnings as of the beginning of the period of adoption.

Effective for the Company – Fiscal 2019 first quarter, with early adoption permitted.

Impact on consolidated financial statements – The adoption of this guidance is not expected to have a material impact on the Company's consolidated financial statements.

Measurement of Credit Losses on Financial Instruments

In June 2016, the FASB issued authoritative guidance that requires companies to utilize an impairment model for most financial assets measured at amortized cost and certain other financial instruments, which include trade and other receivables, loans and held-to-maturity debt securities, to record an allowance for credit risk based on expected losses rather than incurred losses. In addition, this new guidance changes the recognition method for credit losses on available-for-sale debt securities, which can occur as a result of market and credit risk, as well as additional

disclosures. In general, this guidance will require modified retrospective adoption for all outstanding instruments that fall under this guidance.

Effective for the Company – Fiscal 2021 first quarter.

Impact on consolidated financial statements – The Company is currently evaluating the impact of applying this guidance on its financial instruments, such as accounts receivable and short- and long-term investments.

Compensation - Stock Compensation

In March 2016, the FASB issued authoritative guidance that changes the way companies account for certain aspects of share-based payments to employees. This new guidance requires that all excess tax benefits and tax deficiencies related to share-based compensation awards be recorded as income tax expense or benefit in the income statement. In addition, companies are required to treat the tax effects of exercised or vested awards as discrete items in the period that they occur. This guidance also permits an employer to withhold up to the maximum statutory withholding rates in a jurisdiction without triggering liability classification, allows companies to elect to account for forfeitures as they occur, and provides requirements for the cash flow classification of cash paid by an employer when directly withholding shares for tax-withholding purposes and for the classification of excess tax benefits. The new guidance prescribes different transition methods for the various provisions.

Effective for the Company – Fiscal 2018 first quarter, with early adoption permitted.

Impact on consolidated financial statements – The Company will adopt this guidance in its fiscal 2018 first quarter. For the fiscal years ended June 30, 2017 and 2016, the Company recognized \$42 million and \$22 million of excess tax benefits, respectively, directly in its consolidated statements of equity. These amounts may or may not be representative of future amounts to be recognized in the income statement upon the adoption of this new standard, as the impact of the adoption will be primarily dependent on the timing and intrinsic value of stock-based compensation awards, employee exercise behavior and applicable tax rates.

Leases

In February 2016, the FASB issued authoritative guidance that requires lessees to account for most leases on their balance sheets with the liability being equal to the present value of the lease payments. The right-of-use asset will be based on the lease liability adjusted for certain costs such as direct costs. Lease expense will be recognized similar to current accounting guidance with operating leases resulting in a straight-line expense, and financing leases resulting in a front-loaded expense similar to the current accounting for capital leases. This guidance must be adopted using a modified retrospective transition approach for leases that exist or are entered into after the beginning of the earliest comparative period in the financial statements, and provides for certain practical expedients.

Effective for the Company – Fiscal 2020 first quarter, with early adoption permitted.

Impact on consolidated financial statements – The Company currently has an implementation team in place that is performing a comprehensive evaluation of the impact of the adoption of this guidance. While the Company has not completed its evaluation, it believes the adoption of this standard will have a significant impact on its consolidated balance sheets. As disclosed in *Note 15 – Commitments and Contingencies*, the Company has \$2,427 million in future minimum lease commitments as of June 30, 2017. Upon adoption, the Company's lease liability will generally be based on the present value of such payments and the related right-of use asset will generally be based on the lease liability, adjusted for initial direct costs.

Revenue from Contracts with Customers

In May 2014, the FASB issued authoritative guidance that defines how companies should report revenues from contracts with customers. The standard requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. It provides companies with a single comprehensive five-step principles-based model to use in accounting for revenue and supersedes current revenue recognition requirements, including most industry-specific and transaction-specific revenue guidance.

In March 2016, the FASB issued authoritative guidance that amended the principal versus agent guidance in its new revenue recognition standard. These amendments do not change the key aspects of the principal versus agent guidance, including the definition that an entity is a principal if it controls the good or service prior to it being transferred to a customer, but the amendments clarify the implementation guidance related to the considerations that must be made during the contract evaluation process.

In April 2016, the FASB issued authoritative guidance that amended the new standard to clarify the guidance on identifying performance obligations and accounting for licenses of intellectual property.

In May 2016, the FASB issued authoritative guidance that clarified certain terms, guidance and disclosure requirements during the transition period related to completed contracts and contract modifications. In addition, the FASB provided clarification on the concept of collectability, the calculation of the fair value of noncash consideration and the presentation of sales and other similar taxes.

In May 2016, the FASB issued authoritative guidance to reflect the Securities and Exchange Commission Staff's rescission of their prior comments that covered, among other things, accounting for shipping and handling costs and accounting for consideration given by a vendor to a customer.

In December 2016, the FASB issued authoritative guidance that amends various aspects of the new standard to clarify certain terms, guidance and disclosure requirements. In particular, the guidance addresses disclosure requirements for remaining performance obligations, impairment testing for contract costs and accrual of advertising costs, as well as clarifies several examples.

Effective for the Company – Fiscal 2019, with early adoption permitted. An entity is permitted to apply the foregoing guidance retrospectively to all prior periods presented, with certain practical expedients, or apply the requirements in the year of adoption, through a cumulative adjustment.

Impact on consolidated financial statements – The Company will apply all of this new guidance when they become effective in fiscal 2019 and has not yet selected a transition method. Although the Company has not yet completed its evaluation, it has preliminarily determined that certain promotional goods, such as samples and testers, may be reclassified from Selling, general and administrative expenses to Cost of Sales in the consolidated financial statements upon adoption. Additionally, the Company's customer loyalty programs, which have historically been accounted for under the incremental cost approach, will be accounted for as a reduction of revenue based on the fair value of estimated future redemptions when the obligation is created (i.e. upon sale of the product to the consumer).

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

INVESTMENTS (Tables)

**12 Months Ended
Jun. 30, 2017**

INVESTMENTS

Schedule of gains and losses recorded in AOCI related to the Company's available-for-sale investments

Gains and losses recorded in AOCI related to the Company's available-for-sale investments as of June 30, 2017 were as follows:

<u>(In millions)</u>	<u>Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
U.S. government and agency securities	\$ 464	\$ 2	\$ (2)	\$ 464
Foreign government and agency securities	103	—	(1)	102
Corporate notes and bonds	506	—	(1)	505
Time deposits	410	—	—	410
Other securities	16	1	—	17
Total	<u>\$ 1,499</u>	<u>\$ 3</u>	<u>\$ (4)</u>	<u>\$ 1,498</u>

Gains and losses recorded in AOCI related to the Company's available-for-sale investments as of June 30, 2016 were as follows:

<u>(In millions)</u>	<u>Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
U.S. government and agency securities	\$ 560	\$ 3	\$ —	\$ 563
Foreign government and agency securities	61	—	—	61
Corporate notes and bonds	454	3	—	457
Time deposits	390	—	—	390
Other securities	32	1	—	33
Total	<u>\$ 1,497</u>	<u>\$ 7</u>	<u>\$ —</u>	<u>\$ 1,504</u>

Schedule of available-for-sale securities by contractual maturity

The following table presents the Company's available-for-sale securities by contractual maturity as of June 30, 2017:

<u>(In millions)</u>	<u>Cost</u>	<u>Fair Value</u>
Due within one year	\$ 604	\$ 605
Due after one through five years	895	893
	<u>\$ 1,499</u>	<u>\$ 1,498</u>

Schedule of gross unrealized losses that are not deemed to be other-than-temporarily impaired

The following table presents the fair market value of the Company's investments with gross unrealized losses that are not deemed to be other-than-temporarily impaired as of June 30, 2017:

<u>(In millions)</u>	<u>In a Loss Position for Less Than 12 Months</u>		<u>In a Loss Position for More Than 12 Months</u>	
	<u>Fair Value</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>	<u>Gross Unrealized Losses</u>
Available-for-sale securities	\$ 739	\$ (4)	\$ 9	\$ —

Schedule of gross gains and losses realized on sales of investments

<u>(In millions)</u>	<u>Year Ended June 30</u>	
	<u>2017</u>	<u>2016</u>

Gross realized gains	\$	1	\$	1
Gross realized losses		(1)		(1)
Total	\$	—	\$	—

**INVENTORY AND
PROMOTIONAL
MERCHANDISE (Tables)**

**INVENTORY AND PROMOTIONAL
MERCHANDISE**

Inventory and Promotional Merchandise

12 Months Ended

Jun. 30, 2017

(In millions)	June 30	
	2017	2016
Inventory and promotional merchandise, net consists of:		
Raw materials	\$ 334	\$ 306
Work in process	194	177
Finished goods	762	622
Promotional merchandise	189	159
	<u>\$ 1,479</u>	<u>\$ 1,264</u>

**PROPERTY, PLANT AND
EQUIPMENT (Tables)**

**12 Months Ended
Jun. 30, 2017**

PROPERTY, PLANT AND EQUIPMENT

Property, Plant and Equipment

(In millions)	June 30	
	2017	2016
Assets (Useful Life)		
Land	\$ 30	\$ 15
Buildings and improvements (10 to 40 years)	192	187
Machinery and equipment (3 to 10 years)	668	680
Computer hardware and software (4 to 15 years)	1,115	1,041
Furniture and fixtures (5 to 10 years)	96	84
Leasehold improvements	1,918	1,789
	<u>4,019</u>	<u>3,796</u>
Less accumulated depreciation and amortization	<u>(2,348)</u>	<u>(2,213)</u>
	<u>\$ 1,671</u>	<u>\$ 1,583</u>

**ACQUISITION OF
BUSINESSES (Tables)**

**12 Months Ended
Jun. 30, 2017**

ACQUISITION OF BUSINESSES

**Summary of calculation and allocation of
purchase price**

(In millions)		
Cash		\$ 28
Accounts receivable ⁽¹⁾		42
Inventory		102
Other current assets		4
Property, plant and equipment		8
Intangible assets		860
Goodwill		607
Total assets acquired		<u>1,651</u>
Accounts payable		60
Other accrued liabilities		15
Deferred income taxes		100
Total liabilities assumed		<u>175</u>
Total purchase price		<u>\$ 1,476</u>

(1) Represents the gross amount of trade receivables of \$42 million, net of estimated customer deductions which were de minimis.

**GOODWILL AND OTHER
INTANGIBLE ASSETS**
(Tables)

**12 Months Ended
Jun. 30, 2017**

**GOODWILL AND OTHER INTANGIBLE
ASSETS**

Schedule of goodwill by product category and related
change in the carrying amount

<u>(In millions)</u>	<u>Skin Care</u>	<u>Makeup</u>	<u>Fragrance</u>	<u>Hair Care</u>	<u>Total</u>
<u>Balance as of June 30, 2015</u>					
Goodwill	\$ 184	\$ 450	\$ 181	\$ 395	\$1,210
Accumulated impairments	(29)	—	—	(36)	(65)
	<u>155</u>	<u>450</u>	<u>181</u>	<u>359</u>	<u>1,145</u>
Goodwill acquired during the year	—	10	78	—	88
Translation and other adjustments	—	—	(4)	(1)	(5)
	<u>—</u>	<u>10</u>	<u>74</u>	<u>(1)</u>	<u>83</u>
<u>Balance as of June 30, 2016</u>					
Goodwill	184	460	255	393	1,292
Accumulated impairments	(29)	—	—	(35)	(64)
	<u>155</u>	<u>460</u>	<u>255</u>	<u>358</u>	<u>1,228</u>
Goodwill acquired during the year	—	716	—	—	716
Impairment charges	(6)	—	(22)	—	(28)
	<u>(6)</u>	<u>716</u>	<u>(22)</u>	<u>—</u>	<u>688</u>
<u>Balance as of June 30, 2017</u>					
Goodwill	184	1,176	255	393	2,008
Accumulated impairments	(35)	—	(22)	(35)	(92)
	<u>\$ 149</u>	<u>\$ 1,176</u>	<u>\$ 233</u>	<u>\$ 358</u>	<u>\$1,916</u>

Schedule of finite-lived assets

<u>(In millions)</u>	<u>June 30, 2017</u>			<u>June 30, 2016</u>		
	<u>Gross Carrying Value</u>	<u>Accumulated Amortization</u>	<u>Total Net Book Value</u>	<u>Gross Carrying Value</u>	<u>Accumulated Amortization</u>	<u>Total Net Book Value</u>
<u>Amortizable intangible assets:</u>						
Customer lists and other	\$ 696	\$ 279	\$ 417	\$ 299	\$ 245	\$ 54
License agreements	43	43	—	43	43	—
	<u>\$ 739</u>	<u>\$ 322</u>	<u>417</u>	<u>\$ 342</u>	<u>\$ 288</u>	<u>54</u>
<u>Non- amortizable</u>						

<u>intangible</u> <u>assets:</u>				
Trademarks and other			910	290
Total intangible assets			<u>\$1,327</u>	<u>\$ 344</u>

[Schedule of indefinite-lived assets](#)

<u>(In millions)</u>	<u>June 30, 2017</u>			<u>June 30, 2016</u>		
	<u>Gross Carrying Value</u>	<u>Accumulated Amortization</u>	<u>Total Net Book Value</u>	<u>Gross Carrying Value</u>	<u>Accumulated Amortization</u>	<u>Total Net Book Value</u>
<u>Amortizable</u> <u>intangible</u> <u>assets:</u>						
Customer lists and other	\$ 696	\$ 279	\$ 417	\$ 299	\$ 245	\$ 54
License agreements	43	43	—	43	43	—
	<u>\$ 739</u>	<u>\$ 322</u>	417	<u>\$ 342</u>	<u>\$ 288</u>	54
<u>Non-</u> <u>amortizable</u> <u>intangible</u> <u>assets:</u>						
Trademarks and other			910			290
Total intangible assets			<u>\$1,327</u>			<u>\$ 344</u>

[Estimated aggregate amortization expense for next five years](#)

<u>(In millions)</u>	<u>Fiscal</u>				
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Estimated aggregate amortization expense	\$ 52	\$ 51	\$ 44	\$ 43	\$ 42

**CHARGES ASSOCIATED
WITH RESTRUCTURING
AND OTHER ACTIVITIES**
(Tables)

12 Months Ended

Jun. 30, 2017

**CHARGES ASSOCIATED WITH
RESTRUCTURING ACTIVITIES**

Schedule of incurred charges associated with
restructuring and other activities

(In millions)	Sales Returns (included in Net Sales)	Cost of Sales	<u>Operating Expenses</u>		Total
			Restructuring Charges	Other Charges	
<u>Fiscal 2017</u>					
Leading Beauty Forward	\$ 2	\$ 15	\$ 122	\$ 73	\$ 212
<u>Fiscal 2016</u>					
Leading Beauty Forward	\$ 1	\$ —	\$ 75	\$ 5	\$ 81
Global Technology Infrastructure	—	—	46	7	53
Total	\$ 1	\$ —	\$ 121	\$ 12	\$ 134

Leading Beauty Forward

**CHARGES ASSOCIATED WITH
RESTRUCTURING ACTIVITIES**

Schedule of restructuring and other charges expected to
be incurred

(In millions)	Sales Returns (included in Net Sales)	Cost of Sales	<u>Operating Expenses</u>		Total
			Restructuring Charges	Other Charges	
<u>Approval Period</u>					
Fiscal 2016	\$ 4	\$ 28	\$ 87	\$ 71	\$ 190
Fiscal 2017	11	10	132	118	271
Cumulative through June 30, 2017	\$ 15	\$ 38	\$ 219	\$ 189	\$ 461

Schedule of total cumulative charges by type approved
associated with restructuring initiatives

(In millions)	Employee- Related Costs	Asset- Related Costs	Contract Terminations	Other Exit Costs	Total
	Costs	Costs	Terminations	Costs	
<u>Approval Period</u>					
Fiscal 2016	\$ 75	\$ 3	\$ 5	\$ 4	\$ 87
Fiscal 2017	126	1	—	5	132
Cumulative through June 30, 2017	\$ 201	\$ 4	\$ 5	\$ 9	\$ 219

[Schedule of total cumulative charges recorded associated with restructuring and other activities](#)

(In millions)	Sales Returns (included in Net Sales)	Cost of Sales	Operating Expenses		Total
			Restructuring Charges	Other Charges	
Fiscal 2016	\$ 1	\$ —	\$ 75	\$ 5	\$ 81
Fiscal 2017	2	15	122	73	212
Cumulative through June 30, 2017	\$ 3	\$ 15	\$ 197	\$ 78	\$ 293

[Schedule of total cumulative charges by type recorded associated with restructuring and other activities](#)

(In millions)	Employee-Related Costs	Asset-Related Costs	Contract Terminations	Other Exit Costs	Total
	Fiscal 2016	\$ 74	\$ 1	\$ —	
Fiscal 2017	116	2	2	2	122
Charges recorded through June 30, 2017	\$ 190	\$ 3	\$ 2	\$ 2	\$ 197

[Schedule of accrued restructuring charges from program inception](#)

(In millions)	Employee-Related Costs	Asset-Related Costs	Contract Terminations	Other Exit Costs	Total
Charges	\$ 74	\$ 1	\$ —	\$ —	\$ 75
Noncash asset write-offs	—	(1)	—	—	(1)
Translation adjustments	(1)	—	—	—	(1)
Balance at June 30, 2016	73	—	—	—	73
Charges	116	2	2	2	122
Cash payments	(39)	—	(2)	(2)	(43)
Noncash asset write-offs	—	(2)	—	—	(2)
Balance at June 30, 2017	\$ 150	\$ —	\$ —	\$ —	\$ 150

INCOME TAXES (Tables)

12 Months Ended
Jun. 30, 2017

INCOME TAXES

Provision for income taxes

(In millions)	Year Ended June 30		
	2017	2016	2015
Current:			
Federal	\$ 218	\$ 224	\$ 237
Foreign	253	293	251
State and local	8	11	32
	<u>479</u>	<u>528</u>	<u>520</u>
Deferred:			
Federal	(58)	(73)	(56)
Foreign	(61)	(22)	2
State and local	1	1	1
	<u>(118)</u>	<u>(94)</u>	<u>(53)</u>
	<u>\$ 361</u>	<u>\$ 434</u>	<u>\$ 467</u>

Reconciliation of the U.S. federal statutory income tax rate and actual effective tax rate on earnings before income taxes

	Year Ended June 30		
	2017	2016	2015
Provision for income taxes at statutory rate	35.0%	35.0%	35.0%
Increase (decrease) due to:			
State and local income taxes, net of federal tax benefit	0.7	0.9	1.1
Taxation of foreign operations	(7.5)	(8.0)	(6.8)
China deferred tax asset valuation allowance reversal	(4.6)	—	—
Income tax reserve adjustments	(1.2)	(0.3)	0.5
Other, net	(0.1)	0.3	0.1
Effective tax rate	<u>22.3%</u>	<u>27.9%</u>	<u>29.9%</u>

Significant components of deferred income tax assets and liabilities

(In millions)	June 30	
	2017	2016
Deferred tax assets:		
Compensation related expenses	\$ 256	\$ 240
Inventory obsolescence and other inventory related reserves	97	86
Retirement benefit obligations	124	129
Various accruals not currently deductible	189	197

Net operating loss, credit and other carryforwards	65	111
Unrecognized state tax benefits and accrued interest	24	25
Other differences between tax and financial statement values	91	88
	<u>846</u>	<u>876</u>
Valuation allowance for deferred tax assets	(42)	(118)
Total deferred tax assets	<u>804</u>	<u>758</u>
Deferred tax liabilities:		
Depreciation and amortization	(465)	(293)
Other differences between tax and financial statement values	(17)	(43)
Total deferred tax liabilities	<u>(482)</u>	<u>(336)</u>
Total net deferred tax assets	<u>\$ 322</u>	<u>\$ 422</u>

Reconciliation of the beginning and ending amount of gross unrecognized tax benefits

(In millions)	June 30	
	2017	2016
Beginning of the year balance of gross unrecognized tax benefits	\$ 82	\$ 78
Gross amounts of increases as a result of tax positions taken during a prior period	6	16
Gross amounts of decreases as a result of tax positions taken during a prior period	(23)	(14)
Gross amounts of increases as a result of tax positions taken during the current period	10	12
Amounts of decreases in unrecognized tax benefits relating to settlements with taxing authorities	(5)	(8)
Reductions to unrecognized tax benefits as a result of a lapse of the applicable statutes of limitations	(2)	(2)
End of year balance of gross unrecognized tax benefits	<u>\$ 68</u>	<u>\$ 82</u>

Tax years that remain subject to examination vary by the major tax jurisdictions

Major Jurisdiction	Open Fiscal Years
Belgium	2013 – 2017
Canada	2015 – 2017
China	2013 – 2017
France	2013 – 2017
Germany	2013 – 2017
Hong Kong	2011 – 2017
Italy	2014 – 2017
Japan	2016 – 2017
Korea	2014 – 2017
Russia	2015 – 2017
Spain	2013 – 2017
Switzerland	2014 – 2017
United Kingdom	2016 – 2017
United States	2017
State of California	2013 – 2017
State and City of New York	2011 – 2017

**OTHER ACCRUED
LIABILITIES (Tables)**

**12 Months Ended
Jun. 30, 2017**

OTHER ACCRUED LIABILITIES

Other Accrued Liabilities

(In millions)	June 30	
	2017	2016
Advertising, merchandising and sampling	\$ 319	\$ 283
Employee compensation	522	504
Payroll and other taxes	190	163
Other	768	682
	<u>\$ 1,799</u>	<u>\$ 1,632</u>

DEBT (Tables)

**12 Months Ended
Jun. 30, 2017**

DEBT

Schedule of current and long-term debt and available financing

(In millions)	Debt at June 30		Available financing at June 30, 2017	
	2017	2016	Committed	Uncommitted
4.15% Senior Notes, due March 15, 2047 (“2047 Senior Notes”)	\$ 493	\$ —	\$ —	\$ —
4.375% Senior Notes, due June 15, 2045 (“2045 Senior Notes”)	455	455	—	—
3.70% Senior Notes, due August 15, 2042 (“2042 Senior Notes”)	247	247	—	—
6.00% Senior Notes, due May 15, 2037 (“2037 Senior Notes”)	294	293	—	—
5.75% Senior Notes, due October 15, 2033 (“2033 Senior Notes”)	197	197	—	—
3.15% Senior Notes, due March 15, 2027 (“2027 Senior Notes”)	497	—	—	—
2.35% Senior Notes, due August 15, 2022 (“2022 Senior Notes”)	252	267	—	—
1.70% Senior Notes, due May 10, 2021 (“2021 Senior Notes”)	445	448	—	—
1.80% Senior Notes, due February 7, 2020 (“2020 Senior Notes”)	498	—	—	—
5.55% Senior Notes, due May 15, 2017 (“2017 Senior Notes”)	—	307	—	—
Commercial paper that matured through July 2017 (1.07% interest rate)	170	—	—	1,330
Other long-term borrowings	5	3	—	—
Other current borrowings	19	25	—	140
Revolving credit facility	—	—	1,500	—
	<u>3,572</u>	<u>2,242</u>	<u>\$ 1,500</u>	<u>\$ 1,470</u>
Less current debt including current maturities	(189)	(332)		
	<u>\$ 3,383</u>	<u>\$ 1,910</u>		

Schedule of long-term debt

As of June 30, 2017, the Company’s long-term debt consisted of the following:

Notes (\$ in millions)	Issue Date	Price	Yield	Principal	Unamortized Debt (Discount) Premium	Interest rate swap adjustments	Debt Issuance Costs	Semi-annual interest payments
2047 Senior Notes (1)	February 2017	99.739%	4.165%	\$ 500	\$ (2)	\$ —	\$ (5)	March 15/ September 15
2045 Senior Notes (2)	June 2015	97.999	4.497	300	(6)	—	(3)	June 15/ December 15
2045 Senior Notes (2)	May 2016	110.847	3.753	150	16	—	(2)	June 15/ December 15
2042 Senior Notes	August 2012	99.567	3.724	250	(1)	—	(2)	February 15/ August 15
2037 Senior Notes (3)	May 2007	98.722	6.093	300	(3)	—	(3)	May 15/ November 15
2033 Senior Notes (4)	September 2003	98.645	5.846	200	(2)	—	(1)	April 15/ October 15
2027 Senior Notes(5)	February 2017	99.963	3.154	500	—	—	(3)	March 15/ September 15
2022 Senior Notes (6)	August 2012	99.911	2.360	250	—	3	(1)	February 15/ August 15
2021 Senior Notes (6),(7)	May 2016	99.976	1.705	450	—	(3)	(2)	August 15/ May 10/ November 10
2020 Senior Notes(6)	February 2017	99.986	1.805	500	—	—	(2)	February 7/ August 7

(1) In November 2016, in anticipation of the issuance of the 2047 Senior Notes, the Company entered into a series of treasury lock agreements on a notional amount totaling \$350 million at a weighted-average all-in rate of 3.01%. The treasury lock agreements were

settled upon the issuance of the new debt, and the Company recognized a gain in OCI of \$3 million that is being amortized against interest expense over the life of the 2047 Senior Notes. As a result of the treasury lock agreements, the debt discount and debt issuance costs, the effective interest rate on the 2047 Senior Notes will be 4.17% over the life of the debt.

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

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

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

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

(6) The Company entered into interest rate swap agreements with a notional amount totaling \$250 million, \$450 million and \$250 million to effectively convert the fixed rate interest on its outstanding 2020 Senior Notes, 2021 Senior Notes and 2022 Senior Notes, respectively, to variable interest rates based on three-month LIBOR plus a margin.

(7) In April 2016, in anticipation of the issuance of the 2021 Senior Notes, the Company entered into a series of treasury lock agreements on a notional amount totaling \$400 million at a weighted-average all-in rate of 1.27%. The treasury lock agreements were settled upon the issuance of the new debt and the Company made a payment of \$1 million that is being amortized to interest expense over the life of the 2021 Senior Notes. As a result of the treasury lock agreements, the debt discount and debt issuance costs, the effective interest rate on the 2021 Senior Notes will be 1.844% over the life of the debt.

**DERIVATIVE FINANCIAL
INSTRUMENTS (Tables)**

**12 Months Ended
Jun. 30, 2017**

**DERIVATIVE FINANCIAL
INSTRUMENTS**

Schedule of fair values of the
derivative financial
instruments included in the
consolidated balance sheets

(In millions)	Asset Derivatives		Liability Derivatives			
	Balance Sheet Location	Fair Value (1)		Balance Sheet Location	Fair Value (1)	
		June 30			June 30	
		2017	2016		2017	2016
Derivatives Designated as Hedging Instruments:						
Foreign currency forward contracts	Prepaid expenses and other current assets	\$ 7	\$ 37	Other accrued liabilities	\$ 44	\$ 18
Interest rate swap contracts	Prepaid expenses and other current assets	3	18	Other accrued liabilities	3	—
Total Derivatives Designated as Hedging Instruments		10	55		47	18
Derivatives Not Designated as Hedging Instruments:						
Foreign currency forward contracts	Prepaid expenses and other current assets	3	11	Other accrued liabilities	2	8
Total Derivatives		\$ 13	\$ 66		\$ 49	\$ 26

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

Schedule of gains and losses
related to derivative financial
instruments designated as
hedging instruments

(In millions)	Amount of Gain or (Loss) Recognized in OCI on Derivatives (Effective Portion)		Location of Gain or (Loss) Reclassified from AOCI into Earnings (Effective Portion)	Amount of Gain or (Loss) Reclassified from AOCI into Earnings (Effective Portion) (1)	
	June 30			June 30	
	2017	2016		2017	2016
	Derivatives in Cash Flow Hedging Relationships:				

Foreign currency forward contracts	\$	(18)	\$	48	Cost of sales	\$	10	\$	17
					Selling, general and administrative		30		48
Interest rate-related derivatives		5		—	Interest expense		1		1
Total derivatives	\$	(13)	\$	48		\$	41	\$	66

(1) The amount of gain (loss) recognized in earnings related to the amount excluded from effectiveness testing was \$3 million and \$(1) million for fiscal 2017 and 2016, respectively. The gain (loss) recognized in earnings related to the ineffective portion of the hedging relationships was de minimis for fiscal 2017. There was no gain (loss) recognized in earnings related to the ineffective portion of hedging relationships for fiscal 2016.

(In millions)	Location of Gain or (Loss) Recognized in Earnings on Derivatives	Amount of Gain or (Loss) Recognized in Earnings on Derivatives (1)	
		June 30	
		2017	2016
Derivatives in Fair Value Hedging Relationships:			
Interest rate swap contracts	Interest expense	\$ (18)	\$ 18

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

[Schedule of gains and losses related to derivative financial instruments not designated as hedging instruments](#)

(In millions)	Location of Gain or (Loss) Recognized in Earnings on Derivatives	Amount of Gain or (Loss) Recognized in Earnings on Derivatives	
		June 30	
		2017	2016
Derivatives Not Designated as Hedging Instruments:			
Foreign currency forward contracts	Selling, general and administrative	\$ (2)	\$ 5

**FAIR VALUE
MEASUREMENTS (Tables)**

**12 Months Ended
Jun. 30, 2017**

FAIR VALUE MEASUREMENTS

**Financial assets and liabilities
measured at fair value on a recurring
basis**

The following table presents the Company's hierarchy for its financial assets and liabilities measured at fair value on a recurring basis as of June 30, 2017:

(In millions)	Level 1	Level 2	Level 3	Total
Assets:				
Foreign currency forward contracts	\$ —	\$ 10	\$ —	\$ 10
Interest rate swap contracts	—	3	—	3
Available-for-sale securities:				
U.S. government and agency securities	—	464	—	464
Foreign government and agency securities	—	102	—	102
Corporate notes and bonds	—	505	—	505
Time deposits	—	410	—	410
Other securities	—	17	—	17
Total	\$ —	\$ 1,511	\$ —	\$ 1,511
Liabilities:				
Foreign currency forward contracts	\$ —	\$ 46	\$ —	\$ 46
Interest rate swap contracts	—	3	—	3
Contingent consideration	—	—	139	139
Total	\$ —	\$ 49	\$ 139	\$ 188

The following table presents the Company's hierarchy for its financial assets and liabilities measured at fair value on a recurring basis as of June 30, 2016:

(In millions)	Level 1	Level 2	Level 3	Total
Assets:				
Foreign currency forward contracts	\$ —	\$ 48	\$ —	\$ 48
Interest rate swap contracts	—	18	—	18
Available-for-sale securities:				
U.S. government and agency securities	—	563	—	563
Foreign government and agency securities	—	61	—	61
Corporate notes and bonds	—	457	—	457
Time deposits	—	390	—	390
Other securities	—	33	—	33
Total	\$ —	\$ 1,570	\$ —	\$ 1,570
Liabilities:				
Foreign currency forward contracts	\$ —	\$ 26	\$ —	\$ 26
Contingent consideration	—	—	196	196
Total	\$ —	\$ 26	\$ 196	\$ 222

[Estimated fair values of financial instruments](#)

(In millions)	June 30			
	2017		2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Nonderivatives				
Cash and cash equivalents	\$ 1,136	\$ 1,136	\$ 914	\$ 914
Available-for-sale securities	1,498	1,498	1,504	1,504
Current and long-term debt	3,572	3,759	2,242	2,482
Additional purchase price payable	38	38	37	37
Contingent consideration	139	139	196	196
Derivatives				
Foreign currency forward contracts – asset (liability), net	(36)	(36)	22	22
Interest rate swap contracts – asset (liability), net	—	—	18	18

[Impairment charges measured at fair value on a nonrecurring basis, classified as Level 3](#)

(In millions)	Impairment charges	Date of Fair Value Measurement	Fair Value
Goodwill	\$ 28	April 1, 2017	\$ 6
Other intangible assets, net (trademarks)	2	April 1, 2017	32
Other intangible assets, net (customer lists and other)	1	April 1, 2017	—
Total	<u>\$ 31</u>		<u>\$ 38</u>

[Schedule of fair value assumptions](#)

The Monte Carlo Method has various inputs into the valuation model, in addition to the risk-adjusted projected future operating results of the acquired entities, which include the following ranges at June 30, 2017:

Risk-adjusted discount rate	1.5% to 2.3%
Revenue volatility	3.7% to 8.5%
Asset volatility	21.1% to 27.3%
Revenue and earnings before income tax, depreciation and amortization correlation coefficient factor	80%
Revenue discount rates	3.0% to 4.8%
Earnings before income tax, depreciation and amortization discount rates	10.7% to 13.1%

[Changes in the fair value of the contingent consideration obligations](#)

(In millions)	Fair Value
Contingent consideration at June 30, 2016	\$ 196
Changes in fair value	(57)
Contingent consideration at June 30, 2017	<u>\$ 139</u>

**PENSION, DEFERRED
COMPENSATION AND
POST-RETIREMENT
BENEFIT PLANS (Tables)**

12 Months Ended

Jun. 30, 2017

**PENSION, DEFERRED
COMPENSATION AND POST-
RETIREMENT BENEFIT PLANS**

Schedule of components of net periodic
benefit cost for pension and other post-
retirement benefit plans

(In millions)	Pension Plans				Other than Pension Plans	
	U.S.		International		Post-retirement	
	2017	2016	2017	2016	2017	2016
Change in benefit obligation:						
Benefit obligation at beginning of year	\$ 877	\$ 794	\$ 616	\$ 586	\$ 191	\$ 175
Service cost	37	32	28	25	3	3
Interest cost	30	33	11	15	7	7
Plan participant contributions	—	—	4	4	1	1
Actuarial loss (gain)	(1)	62	(26)	53	(11)	13
Foreign currency exchange rate impact	—	—	(2)	(38)	—	(1)
Benefits, expenses, taxes and premiums paid	(40)	(44)	(25)	(29)	(8)	(7)
Settlements and curtailments	—	—	(3)	(1)	—	—
Special termination benefits	—	—	2	1	—	—
Benefit obligation at end of year	<u>\$ 903</u>	<u>\$ 877</u>	<u>\$ 605</u>	<u>\$ 616</u>	<u>\$ 183</u>	<u>\$ 191</u>
Change in plan assets:						
Fair value of plan assets at beginning of year	\$ 743	\$ 721	\$ 529	\$ 519	\$ 33	\$ 32
Actual return on plan assets	71	27	28	57	4	1
Foreign currency exchange rate impact	—	—	(9)	(42)	—	—
Employer contributions	7	39	24	22	7	6
Plan participant contributions	—	—	4	4	1	1
Settlements	—	—	(3)	(2)	—	—
Benefits, expenses, taxes and premiums paid from plan assets	(40)	(44)	(25)	(29)	(8)	(7)
Fair value of plan assets at end of year	<u>\$ 781</u>	<u>\$ 743</u>	<u>\$ 548</u>	<u>\$ 529</u>	<u>\$ 37</u>	<u>\$ 33</u>
Funded status	<u>\$ (122)</u>	<u>\$ (134)</u>	<u>\$ (57)</u>	<u>\$ (87)</u>	<u>\$ (146)</u>	<u>\$ (158)</u>
Amounts recognized in the Balance Sheet consist of:						
Other assets	\$ 12	\$ —	\$ 88	\$ 79	\$ —	\$ —
Other accrued liabilities	(23)	(17)	(5)	(4)	—	(7)
Other noncurrent liabilities	(111)	(117)	(140)	(162)	(146)	(151)

Funded status	(122)	(134)	(57)	(87)	(146)	(158)
Accumulated other comprehensive loss	232	270	72	123	21	35
Net amount recognized	\$ 110	\$ 136	\$ 15	\$ 36	\$ (125)	\$ (123)

Net periodic benefit costs and weighted-average assumptions

(\$ in millions)	Pension Plans						Other than Pension Plans		
	U.S.			International			Post-retirement		
	2017	2016	2015	2017	2016	2015	2017	2016	2015
Components of net periodic benefit cost:									
Service cost	\$ 37	\$ 32	\$ 32	\$ 28	\$ 25	\$ 24	\$ 3	\$ 3	\$ 3
Interest cost	30	33	30	11	15	17	7	7	8
Expected return on assets	(52)	(49)	(50)	(16)	(20)	(21)	(1)	(2)	(2)
Amortization of:									
Actuarial loss	16	11	10	11	11	10	1	—	1
Prior service cost	1	1	—	2	2	2	—	1	1
Curtailments	—	—	—	—	—	(1)	—	—	—
Special termination benefits	—	—	—	2	1	—	—	—	—
Net periodic benefit cost	<u>\$ 32</u>	<u>\$ 28</u>	<u>\$ 22</u>	<u>\$ 38</u>	<u>\$ 34</u>	<u>\$ 31</u>	<u>\$ 10</u>	<u>\$ 9</u>	<u>\$ 11</u>
Weighted-average assumptions used to determine benefit obligations at June 30:									
Discount rate	3.40	3.00	3.70				3.70	3.50	4.25
	—	—	—	.50	.25	.75	—	—	—
	3.90%	3.70%	4.40%	6.75%	6.00%	7.00%	9.75%	9.50%	9.00%
Rate of compensation increase	3.00	3.00	3.00	1.00			N/A	N/A	N/A
	—	—	—	—	0	0			
	7.00%	7.00%	7.00%	5.50%	5.50%	5.50%			
Weighted-average assumptions used to determine net periodic benefit cost for the year ended June 30:									
Discount rate	3.00	3.70	3.60				3.50	4.25	4.10
	—	—	—	.25	.75	.50	—	—	—
	3.70%	4.40%	4.30%	6.00%	7.00%	6.75%	9.50%	9.00%	9.00%
Expected return on assets	7.00%	7.00%	7.50%	1.50	2.00	2.00	7.00%	7.00%	7.50%
				6.00%	7.00%	6.75%			

Rate of compensation	3.00	3.00	3.00			1.00	N/A	N/A	N/A
increase	—	—	—	0—	0—	—			
	7.00%	7.00%	7.00%	5.50%	5.50%	5.50%			

[Impact of one-percentage-point change in assumed health care cost trend rates](#)

A 100 basis-point change in assumed health care cost trend rates for fiscal 2017 would have had the following effects:

<u>(In millions)</u>	<u>100 Basis-Point Increase</u>	<u>100 Basis-Point Decrease</u>
Effect on total service and interest costs	\$ 1	\$ (1)
Effect on post-retirement benefit obligations	\$ 15	\$ (13)

[Amounts recognized in AOCI \(before tax\)](#)

Amounts recognized in AOCI (before tax) as of June 30, 2017 are as follows:

<u>(In millions)</u>	<u>Pension Plans</u>		<u>Other than Pension Plans</u>	<u>Total</u>
	<u>U.S.</u>	<u>International</u>	<u>Post-retirement</u>	
Net actuarial losses, beginning of year	\$ 267	\$ 123	\$ 33	\$ 423
Actuarial gains recognized	(21)	(38)	(12)	(71)
Amortization included in net periodic benefit cost	(16)	(11)	(1)	(28)
Net actuarial losses, end of year	<u>230</u>	<u>74</u>	<u>20</u>	<u>324</u>
Net prior service cost, beginning of year	3	—	1	4
Amortization included in net periodic benefit cost	(1)	(2)	—	(3)
Net prior service cost, end of year	<u>2</u>	<u>(2)</u>	<u>1</u>	<u>1</u>
Total amounts recognized in AOCI	<u>\$ 232</u>	<u>\$ 72</u>	<u>\$ 21</u>	<u>\$ 325</u>

[Amounts in AOCI expected to be amortized as components of net periodic benefit cost during next fiscal year](#)

Amounts in AOCI expected to be amortized as components of net periodic benefit cost during fiscal 2018 are as follows:

<u>(In millions)</u>	<u>Pension Plans</u>		<u>Other than Pension Plans</u>
	<u>U.S.</u>	<u>International</u>	<u>Post-retirement</u>
Net prior service cost	\$ 1	\$ —	\$ 1
Net actuarial losses	\$ 13	\$ 5	\$ —

[Projected benefit obligation, accumulated benefit obligation and fair value of plan assets for the Company's pension plans](#)

<u>(In millions)</u>	<u>Pension Plans</u>					
	<u>Retirement Growth Account</u>		<u>Restoration</u>		<u>International</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>

Projected benefit obligation	\$ 769	\$ 754	\$ 134	\$ 123	\$ 605	\$ 616
Accumulated benefit obligation	\$ 726	\$ 710	\$ 120	\$ 109	\$ 540	\$ 549
Fair value of plan assets	\$ 781	\$ 743	\$ —	\$ —	\$ 548	\$ 529

Expected Cash Flows

(In millions)	Pension Plans		Other than Pension Plans
	U.S.	International	Post-retirement
Expected employer contributions for year ending June 30, 2018	\$ —	\$ 27	\$ —
Expected benefit payments for year ending June 30,			
2018		83	22
2019		72	20
2020		68	22
2021		63	22
2022		63	28
Years 2023 – 2027		333	132
			57

Target Asset Allocation

The Company's target asset allocation at June 30, 2017 is as follows:

	Pension Plans		Other than Pension Plans
	U.S.	International	Post-retirement
Equity	44%	15%	44%
Debt securities	39%	60%	39%
Other	17%	25%	17%
	100%	100%	100%

Fair values of the Company's pension and post-retirement plan assets by asset category

The following table presents the fair values of the Company's pension and post-retirement plan assets by asset category as of June 30, 2017:

(In millions)	Assets Measured at NAV ⁽¹⁾				Total
	Level 1	Level 2	Level 3		
Cash and cash equivalents	\$ 3	\$ —	\$ —	\$ —	\$ 3
Short term investment funds	—	17	—	6	23
Government and agency securities	—	37	—	—	37
Debt instruments	—	59	—	—	59
Commingled funds	147	761	—	194	1,102
Insurance contracts	—	—	48	—	48
Limited partnerships and hedge fund investments	—	—	—	94	94
Total	\$ 150	\$ 874	\$ 48	\$ 294	\$ 1,366

(1) Per the fiscal 2017 adoption of new accounting guidance issued by the FASB, certain assets that are measured at fair value using the NAV per share (or its equivalent) as a practical expedient have not been classified in the fair value hierarchy.

The following table presents the fair values of the Company's pension and post-retirement plan assets by asset category as of June 30, 2016:

(In millions)	Level 1	Level 2	Level 3	Assets Measured at NAV⁽¹⁾	Total
Cash and cash equivalents	\$ 14	\$ —	\$ —	\$ —	\$ 14
Short term investment funds	—	43	—	5	48
Government and agency securities	—	29	—	—	29
Equity securities	17	—	—	—	17
Debt instruments	—	145	—	—	145
Commingled funds	207	582	—	100	889
Insurance contracts	—	—	45	—	45
Limited partnerships and hedge fund investments	—	—	—	118	118
Total	\$ 238	\$ 799	\$ 45	\$ 223	\$ 1,305

(1) Per the fiscal 2017 adoption of new accounting guidance issued by the FASB, certain assets that are measured at fair value using the NAV per share (or its equivalent) as a practical expedient have not been classified in the fair value hierarchy.

[Changes in Level 3 plan assets](#)

The following table presents the changes in Level 3 plan assets for fiscal 2017:

(In millions)	Insurance Contracts
Balance as of June 30, 2016	\$ 45
Actual return on plan assets:	
Relating to assets still held at the reporting date	1
Purchases, sales, issuances and settlements, net	1
Foreign exchange impact	1
Balance as of June 30, 2017	\$ 48

**COMMITMENTS AND
CONTINGENCIES (Tables)**

**12 Months Ended
Jun. 30, 2017**

**COMMITMENTS AND
CONTINGENCIES**

**Summary of scheduled
maturities of contractual
obligations for which cash
flows are fixed and
determinable**

The following table summarizes scheduled maturities of the Company's contractual obligations for which cash flows are fixed and determinable as of June 30, 2017:

(In millions)	Total	Payments Due in Fiscal					Thereafter
		2018	2019	2020	2021	2022	
Debt service ⁽¹⁾	\$ 5,805	\$ 312	\$ 122	\$ 617	\$ 558	\$ 101	\$ 4,095
Operating lease commitments ⁽²⁾	2,427	377	349	301	239	212	949
Unconditional purchase obligations ⁽³⁾	3,035	1,434	407	435	368	342	49
Gross unrecognized tax benefits and interest – current ⁽⁴⁾	3	3	—	—	—	—	—
Total contractual obligations	\$11,270	\$ 2,126	\$ 878	\$ 1,353	\$ 1,165	\$ 655	\$ 5,093

- (1) Includes long-term and current debt and the related projected interest costs, and to a lesser extent, capital lease commitments. Interest costs on long-term and current debt in fiscal 2018, 2019, 2020, 2021, 2022 and thereafter are projected to be \$123 million, \$117 million, \$117 million, \$108 million, \$101 million and \$1,645 million, respectively. Projected interest costs on variable rate instruments were calculated using market rates at June 30, 2017.
- (2) Minimum operating lease commitments only include base rent. Certain leases provide for contingent rents that are not measurable at inception and primarily include rents based on a percentage of sales in excess of stipulated levels, as well as common area maintenance. These amounts are excluded from minimum operating lease commitments and are included in the determination of total rent expense when it is probable that the expense has been incurred and the amount is reasonably measurable. Such amounts have not been material to total rent expense. Total rental expense included in the accompanying consolidated statements of earnings was \$457 million, \$442 million and \$402 million in fiscal 2017, 2016 and 2015, respectively. In July 2017, the Company entered into new lease commitments for its principal offices at the same location. The Company's rental obligations under the new leases will commence in fiscal 2020 and expire in fiscal 2040. Minimum lease obligations pursuant to the leases in fiscal 2020, 2021, 2022 and thereafter are \$5 million, \$24 million, \$32 million and \$597 million, respectively.
- (3) Unconditional purchase obligations primarily include: inventory commitments, additional purchase price payable and contingent consideration which resulted from the fiscal 2016 and 2015 acquisitions, earn-out payments related to the acquisition of Bobbi Brown, royalty payments pursuant to license agreements, advertising commitments, capital improvement commitments, non-discretionary planned funding of pension and other post-retirement benefit obligations and commitments pursuant to executive compensation arrangements. Future contingent consideration, earn-out payments and royalty and advertising commitments were estimated based on planned future sales for the term that was in effect at June 30, 2017, without consideration for potential renewal periods.
- (4) Refer to *Note 9 – Income Taxes* for information regarding unrecognized tax benefits. As of June 30, 2017, the noncurrent portion of the Company's unrecognized tax benefits, including related accrued interest and penalties was \$73 million. At this time, the

settlement period for the noncurrent portion of the unrecognized tax benefits, including related accrued interest and penalties, cannot be determined and therefore was not included.

COMMON STOCK (Tables)

**12 Months Ended
Jun. 30, 2017**

COMMON STOCK

Information about the entity's common stock
outstanding

<u>(Shares in thousands)</u>	<u>Class A</u>	<u>Class B</u>
Balance at June 30, 2014	234,156.4	148,728.1
Acquisition of treasury stock	(12,397.1)	—
Conversion of Class B to Class A	1,682.0	(1,682.0)
Stock-based compensation	4,394.9	—
Balance at June 30, 2015	227,836.2	147,046.1
Acquisition of treasury stock	(10,534.4)	—
Conversion of Class B to Class A	2,275.9	(2,275.9)
Stock-based compensation	3,411.9	—
Balance at June 30, 2016	222,989.6	144,770.2
Acquisition of treasury stock	(4,694.8)	—
Conversion of Class B to Class A	1,007.9	(1,007.9)
Stock-based compensation	5,038.5	—
Balance at June 30, 2017	<u>224,341.2</u>	<u>143,762.3</u>

Summary of cash dividends declared per share
on the Company's Class A and Class B Common
Stock

The following is a summary of cash dividends declared per share on the Company's Class A and Class B Common Stock during the year ended June 30, 2017:

<u>Date Declared</u>	<u>Record Date</u>	<u>Payable Date</u>	<u>Amount per Share</u>
August 18, 2016	August 31, 2016	September 15, 2016	\$.30
November 1, 2016	November 30, 2016	December 15, 2016	\$.34
February 1, 2017	February 28, 2017	March 15, 2017	\$.34
May 2, 2017	May 31, 2017	June 15, 2017	\$.34

STOCK PROGRAMS
(Tables)

12 Months Ended
Jun. 30, 2017

STOCK PROGRAMS

Schedule of stock-based compensation expense and related income tax benefits

(In millions)	Year Ended June 30		
	2017	2016	2015
Compensation expense	\$ 219	\$ 184	\$ 165
Income tax benefit	72	60	54

Summary of stock option programs and changes during the period

(Shares in thousands)	Shares	Weighted-Average Exercise Price Per Share	Aggregate Intrinsic Value⁽¹⁾ (in millions)	Weighted-Average Contractual Life Remaining in Years
Outstanding at June 30, 2016	14,007.5	\$ 52.92		
Granted at fair value	2,477.8	89.24		
Exercised	(3,361.6)	41.81		
Expired	(23.9)	70.93		
Forfeited	(135.5)	81.23		
Outstanding at June 30, 2017	<u>12,964.3</u>	62.42	<u>\$ 435</u>	<u>6.1</u>
Vested and expected to vest at June 30, 2017	<u>12,858.0</u>	62.22	<u>\$ 434</u>	<u>6.0</u>
Exercisable at June 30, 2017	<u>8,458.1</u>	51.17	<u>\$ 379</u>	<u>4.8</u>

(1) The intrinsic value of a stock option is the amount by which the market value of the underlying stock exceeds the exercise price of the option.

Summary of the per-share weighted-average grant date fair value of stock options granted and total intrinsic value of stock options exercised

(In millions, except per share data)	Year Ended June 30		
	2017	2016	2015
Per-share weighted-average grant date fair value of stock options granted	<u>\$ 22.79</u>	<u>\$ 21.51</u>	<u>\$ 22.44</u>
Intrinsic value of stock options exercised	<u>\$ 149</u>	<u>\$ 75</u>	<u>\$ 114</u>

Schedule of fair value option-pricing assumptions

	Year Ended June 30		
	2017	2016	2015
Weighted-average expected stock-price volatility	26%	27%	28%
Weighted-average expected option life	7 years	7 years	7 years
Average risk-free interest rate	1.5%	1.9%	2.2%
Average dividend yield	1.3%	1.2%	1.1%

Summary of the status of Restricted Stock Units (RSUs) and activity

Weighted-Average Grant Date

(Shares in thousands)	Shares	Fair Value Per Share
Nonvested at June 30, 2016	2,795.4	\$ 75.55
Granted	1,594.1	88.91
Dividend equivalents	34.1	86.38
Vested	(1,337.9)	74.05
Forfeited	(146.5)	80.58
Nonvested at June 30, 2017	2,939.2	83.35

[Summary of the status of Performance
Share Units, \(PSUs\) and activity](#)

(Shares in thousands)	Shares	Weighted- Average Grant Date Fair Value Per Share
Nonvested at June 30, 2016	539.1	\$ 76.81
Granted	749.2	83.73
Vested	(259.8)	76.23
Forfeited	(6.3)	81.11
Nonvested at June 30, 2017	1,022.2	82.00

[Summary of the status of share units and
activity under the Non-Employee Director
Share Incentive Plan](#)

(Shares in thousands)	Shares	Weighted- Average Grant Date Fair Value Per Share
Outstanding at June 30, 2016	120.7	\$ 45.00
Granted	8.9	78.36
Dividend equivalents	2.0	86.46
Converted	—	—
Outstanding at June 30, 2017	131.6	47.87

**NET EARNINGS
ATTRIBUTABLE TO THE
ESTÉE LAUDER
COMPANIES INC. PER
COMMON SHARE (Tables)**

12 Months Ended

Jun. 30, 2017

**NET EARNINGS ATTRIBUTABLE TO THE ESTÉE
LAUDER COMPANIES INC. PER COMMON SHARE**

Schedule of reconciliation between the numerators and
denominators of the basic and diluted EPS computations

(In millions, except per share data)	Year Ended June 30		
	2017	2016	2015
Numerator:			
Net earnings attributable to The Estée Lauder Companies Inc.	\$ 1,249	\$ 1,115	\$ 1,089
Denominator:			
Weighted-average common shares outstanding – Basic	367.1	370.0	379.3
Effect of dilutive stock options	3.8	4.6	4.6
Effect of PSUs	0.2	0.1	0.1
Effect of RSUs	1.9	1.8	1.6
Effect of performance share units based on TSR	—	0.1	0.1
Weighted-average common shares outstanding – Diluted	<u>373.0</u>	<u>376.6</u>	<u>385.7</u>
Net earnings attributable to The Estée Lauder Companies Inc. per common share:			
Basic	\$ 3.40	\$ 3.01	\$ 2.87
Diluted	3.35	2.96	2.82

**ACCUMULATED OTHER
COMPREHENSIVE
INCOME (LOSS) (Tables)**

12 Months Ended

Jun. 30, 2017

**ACCUMULATED OTHER
COMPREHENSIVE
INCOME (LOSS)**

**Schedule of components of
AOCI**

(In millions)	Year Ended June 30		
	2017	2016	2015
Net unrealized investment gains, beginning of year	\$ 7	\$ —	\$ 1
Unrealized investment gains (losses)	(8)	7	1
Reclassification to earnings during the year ⁽¹⁾	—	—	(2)
Net unrealized investment gains (losses), end of year	<u>(1)</u>	<u>7</u>	<u>—</u>
Net derivative instruments, beginning of year	32	44	(1)
Gain (loss) on derivative instruments	(13)	48	108
Benefit (provision) for deferred income taxes	5	(17)	(38)
Reclassification to earnings during the year:			
Foreign currency forward contracts ⁽²⁾	(40)	(65)	(38)
Interest rate-related derivatives ⁽³⁾	(1)	(1)	—
Benefit for deferred income taxes on reclassification ⁽⁴⁾	14	23	13
Net derivative instruments, end of year	<u>(3)</u>	<u>32</u>	<u>44</u>
Net pension and post-retirement adjustments, beginning of year	(285)	(235)	(233)
Changes in plan assets and benefit obligations:			
Net actuarial gains (losses) recognized	71	(114)	(48)
Translation adjustments	—	6	16
Benefit (provision) for deferred income taxes	(20)	39	13
Amortization, settlements and curtailments included in net periodic benefit cost ⁽⁵⁾ :			
Net actuarial losses	28	22	21
Net prior service cost	3	4	3
Provision for deferred income taxes on reclassification ⁽⁴⁾	(10)	(7)	(7)
Net pension and post-retirement adjustments, end of year	<u>(213)</u>	<u>(285)</u>	<u>(235)</u>
Cumulative translation adjustments, beginning of year	(299)	(190)	132
Translation adjustments	32	(107)	(319)
Provision for deferred income taxes	—	(2)	(3)
Cumulative translation adjustments, end of year	<u>(267)</u>	<u>(299)</u>	<u>(190)</u>
Accumulated other comprehensive loss	<u>\$ (484)</u>	<u>\$ (545)</u>	<u>\$ (381)</u>

(1) Amounts recorded in Interest income and investment income, net in the accompanying consolidated statements of earnings.

(2) For the year ended June 30, 2017, \$10 million and \$30 million were recorded in Cost of Sales and Selling, general and administrative expenses, respectively, in the accompanying consolidated statements of earnings. For the year ended June 30, 2016, \$17 million and \$48 million were recorded in Cost of Sales and Selling, general and administrative expenses, respectively, in the accompanying consolidated statements of earnings. For the year ended June 30, 2015, \$9 million and \$29 million were recorded in Cost of Sales and Selling, general and administrative expenses, respectively, in the accompanying consolidated statements of earnings.

- (3) Amounts recorded in Interest expense in the accompanying consolidated statements of earnings.
- (4) Amounts recorded in Provision for income taxes in the accompanying consolidated statements of earnings.
- (5) See *Note 14 – Pension, Deferred Compensation and Post-Retirement Benefit Plans* for additional information.

STATEMENT OF CASH
 FLOWS (Tables)

12 Months Ended
 Jun. 30, 2017

STATEMENT OF CASH
 FLOWS

Supplemental cash flow
 information

<u>(In millions)</u>	<u>Year Ended June 30</u>		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Cash:			
Cash paid during the year for interest	\$ 96	\$ 79	\$ 66
Cash paid during the year for income taxes	\$ 456	\$ 451	\$ 417
Non-cash investing and financing activities:			
Capital lease and asset retirement obligations incurred	\$ 12	\$ 27	\$ 9
Pending purchase price true-up payment	\$ —	\$ —	\$ 11
Non-cash purchases (sales) of short- and long-term investments, net	\$ 6	\$ (3)	\$ 2
Property, plant and equipment accrued but unpaid	\$ 29	\$ 29	\$ 29

**SEGMENT DATA AND
RELATED INFORMATION**

(Tables)

12 Months Ended

Jun. 30, 2017

**SEGMENT DATA AND RELATED
INFORMATION**

Schedule of segment data and related
information

(In millions)	Year Ended June 30		
	2017	2016	2015
PRODUCT CATEGORY DATA			
Net Sales:			
Skin Care	\$ 4,527	\$ 4,446	\$ 4,479
Makeup	5,054	4,702	4,304
Fragrance	1,637	1,487	1,416
Hair Care	539	554	531
Other	69	74	50
	<u>11,826</u>	<u>11,263</u>	<u>10,780</u>
Returns associated with restructuring and other activities	(2)	(1)	—
	<u>\$ 11,824</u>	<u>\$ 11,262</u>	<u>\$ 10,780</u>
Depreciation and Amortization:			
Skin Care	\$ 161	\$ 151	\$ 158
Makeup	218	184	168
Fragrance	59	52	54
Hair Care	23	24	26
Other	3	4	3
	<u>\$ 464</u>	<u>\$ 415</u>	<u>\$ 409</u>
Operating Income (Loss) before charges associated with restructuring and other activities:			
Skin Care	\$ 1,014	\$ 842	\$ 832
Makeup	713	758	659
Fragrance	115	87	83
Hair Care	51	52	38
Other	11	5	(6)
	<u>1,904</u>	<u>1,744</u>	<u>1,606</u>
Reconciliation:			
Charges associated with restructuring and other activities	(212)	(134)	—
Interest expense	(103)	(71)	(60)
Interest income and investment income, net	28	16	15
Earnings before income taxes	<u>\$ 1,617</u>	<u>\$ 1,555</u>	<u>\$ 1,561</u>

(In millions)	Year Ended or at June 30		
	2017	2016	2015
GEOGRAPHIC DATA			
Net Sales:			
The Americas	\$ 4,819	\$ 4,710	\$ 4,514
Europe, the Middle East & Africa	4,650	4,381	4,086
Asia/Pacific	2,357	2,172	2,180
	<u>11,826</u>	<u>11,263</u>	<u>10,780</u>
Returns associated with restructuring and other activities	(2)	(1)	—

<u>\$ 11,824</u>	<u>\$ 11,262</u>	<u>\$ 10,780</u>
------------------	------------------	------------------

Operating Income (Loss):

The Americas	\$ 284	\$ 346	\$ 302
Europe, the Middle East & Africa	1,203	1,027	943
Asia/Pacific	<u>417</u>	<u>371</u>	<u>361</u>
	1,904	1,744	1,606
Charges associated with restructuring and other activities	<u>(212)</u>	<u>(134)</u>	<u>—</u>
	<u>\$ 1,692</u>	<u>\$ 1,610</u>	<u>\$ 1,606</u>

Total Assets:

The Americas	\$ 7,061	\$ 5,423	\$ 4,898
Europe, the Middle East & Africa	3,367	3,016	2,614
Asia/Pacific	<u>1,140</u>	<u>784</u>	<u>715</u>
	<u>\$ 11,568</u>	<u>\$ 9,223</u>	<u>\$ 8,227</u>

Long-Lived Assets (property, plant and equipment, net):

The Americas	\$ 1,071	\$ 978	\$ 957
Europe, the Middle East & Africa	456	464	400
Asia/Pacific	<u>144</u>	<u>141</u>	<u>133</u>
	<u>\$ 1,671</u>	<u>\$ 1,583</u>	<u>\$ 1,490</u>

UNAUDITED
 QUARTERLY FINANCIAL
 DATA (Tables)

12 Months Ended
 Jun. 30, 2017

UNAUDITED
QUARTERLY FINANCIAL
DATA

Summary of unaudited
quarterly operating results

(In millions, except per share data)	Quarter Ended				Total Year
	September 30 (1)	December 31 (2)	March 31 (3)	June 30 (4)	
Fiscal 2017					
Net Sales	\$ 2,865	\$ 3,208	\$ 2,857	\$ 2,894	\$ 11,824
Gross Profit	2,269	2,571	2,266	2,281	9,387
Operating Income	418	617	427	230	1,692
Net Earnings Attributable to The Estée Lauder Companies Inc.	294	428	298	229	1,249
Net earnings attributable to The Estée Lauder Companies Inc. per common share:					
Basic	.80	1.17	.81	.62	3.40
Diluted	.79	1.15	.80	.61	3.35
Fiscal 2016					
Net Sales	\$ 2,835	\$ 3,124	\$ 2,657	\$ 2,646	\$ 11,262
Gross Profit	2,258	2,535	2,153	2,135	9,081
Operating Income	453	630	384	143	1,610
Net Earnings Attributable to The Estée Lauder Companies Inc.	309	447	265	94	1,115
Net earnings attributable to The Estée Lauder Companies Inc. per common share:					
Basic	.83	1.21	.72	.25	3.01
Diluted	.82	1.19	.71	.25	2.96

- (1) Fiscal 2017 first quarter results include charges associated with restructuring and other activities of \$(31) million (\$(20) million after tax, or \$(.05) per diluted common share).
- (2) Fiscal 2017 second quarter results include charges associated with restructuring and other activities of \$(41) million (\$(26) million after tax, or \$(.07) per diluted common share). Fiscal 2016 second quarter results include charges associated with restructuring and other activities of \$(19) million (\$(12) million after tax, or \$(.03) per diluted common share).
- (3) Fiscal 2017 third quarter results include charges associated with restructuring and other activities of \$(62) million (\$(42) million after tax, or \$(.11) per diluted common share). Fiscal 2016 third quarter results include charges associated with restructuring and other activities of \$(15) million (\$(10) million after tax, or \$(.02) per diluted common share).
- (4) Fiscal 2017 fourth quarter results include charges associated with restructuring and other activities of \$(78) million (\$(55) million after tax, or \$(.15) per diluted common share), the changes in fair value of contingent consideration of \$58 million (\$42 million after tax, or \$.11 per diluted common share), goodwill and other intangible asset impairments of \$(31) million (\$(23) million after tax, or \$(.06) per diluted common share) and the China deferred tax asset valuation allowance reversal of \$75 million, or \$.20 per diluted common share. Fiscal 2016 fourth quarter results include charges associated with restructuring and other activities of \$(100) million (\$(68) million after tax, or \$(.18) per diluted common share).

**SUMMARY OF
SIGNIFICANT
ACCOUNTING POLICIES
- Currency Translation and
Transactions (Details) - USD
(\$)
\$ in Millions**

12 Months Ended

Jun. 30, 2017 Jun. 30, 2016 Jun. 30, 2015

Currency Translation and Transactions

<u>Unrealized translation gains (losses), net of tax</u>	\$ 32	\$ (109)	\$ (322)
<u>Net exchange gains on foreign currency transactions</u>	\$ 15	\$ 16	\$ 4

**SUMMARY OF
SIGNIFICANT
ACCOUNTING POLICIES
- Cash and Cash Equivalents
and Accounts Receivable
(Details) - USD (\$)
\$ in Millions**

Jun. 30, 2017 Jun. 30, 2016

Cash and Cash Equivalents

Short-term time deposits

\$ 434

\$ 205

Accounts Receivable

Allowance for doubtful accounts and customer deductions \$ 30

\$ 24

**SUMMARY OF
SIGNIFICANT
ACCOUNTING POLICIES
- Property, Plant and
Equipment (Details)**

12 Months Ended

Jun. 30, 2017

Minimum

Property, Plant and Equipment

Property, Plant and Equipment, Useful Life 3 years

Maximum

Property, Plant and Equipment

Property, Plant and Equipment, Useful Life 40 years

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	3 Months Ended								12 Months Ended		
	Jun. 30, 2017	Mar. 31, 2017	Dec. 31, 2016	Sep. 30, 2016	Jun. 30, 2016	Mar. 31, 2016	Dec. 31, 2015	Sep. 30, 2015	Jun. 30, 2017	Jun. 30, 2016	Jun. 30, 2015
- Concentration of Credit Risk (Details) - USD (\$)											
\$ in Millions											
Concentration of Credit Risk											
<u>Net Sales</u>	\$ 2,894	\$ 2,857	\$ 3,208	\$ 2,865	\$ 2,646	\$ 2,657	\$ 3,124	\$ 2,835	\$ 11,824	\$ 11,262	\$ 10,780
<u>Accounts receivable, net</u>	1,395				1,258				1,395	1,258	
<u>Net Sales Largest Customer</u>											
Concentration of Credit Risk											
<u>Net Sales</u>									\$ 922	\$ 1,065	\$ 1,060
<u>Concentration of credit risk (as a percent)</u>									8.00%	9.00%	10.00%
<u>Accounts Receivable Largest Customer</u>											
Concentration of Credit Risk											
<u>Accounts receivable, net</u>	\$ 112				\$ 164				\$ 112	\$ 164	
<u>Concentration of credit risk (as a percent)</u>									8.00%	13.00%	

**SUMMARY OF
SIGNIFICANT
ACCOUNTING POLICIES**
- Revenue Recognition,
Payments to Customers,
Advertising and Promotion
(Details) - USD (\$)
\$ in Millions

12 Months Ended

	Jun. 30, 2017	Jun. 30, 2016	Jun. 30, 2015
<u>Revenue Recognition</u>			
<u>Product return by customers (as a percent)</u>	3.50%	3.10%	3.40%
<u>Payments to Customers</u>			
<u>Payments to customers</u>	\$ 1,405	\$ 1,387	\$ 1,378
<u>Advertising and Promotion</u>			
<u>Global net expenses for advertising, merchandising, sampling, promotion and product development</u>	2,908	2,821	2,772
<u>Global net expenses excluding purchase with purchase, gift with purchase, for advertising, merchandising, sampling, promotion and product development costs</u>	\$ 2,689	\$ 2,607	\$ 2,559

**SUMMARY OF
SIGNIFICANT
ACCOUNTING POLICIES**

12 Months Ended

**- Research and Development
and Shipping and Handling
(Details) - Selling, general
and administrative expenses**

Jun. 30, 2017 Jun. 30, 2016 Jun. 30, 2015

**- USD (\$)
\$ in Millions**

Research and Development

Research and development costs \$ 179 \$ 191 \$ 178

Shipping and Handling

Shipping and handling expenses \$ 400 \$ 363 \$ 364

**SUMMARY OF
SIGNIFICANT
ACCOUNTING POLICIES
- Licensing Arrangements
(Details) - License
agreements**

12 Months Ended

Jun. 30, 2017

Finite-lived intangible assets

License agreement, remaining or renewal term 5 years

Minimum

Finite-lived intangible assets

License initial term 5 years

License agreement, remaining or renewal term 5 years

Maximum

Finite-lived intangible assets

License initial term 10 years

License agreement, remaining or renewal term 25 years

**SUMMARY OF
SIGNIFICANT
ACCOUNTING POLICIES**
- Recently Issued Accounting
Standards (Details) - USD (\$)
\$ in Millions

12 Months Ended

Jun. 30, 2017 Jun. 30, 2016

Recently Issued Accounting Standards

<u>Recognized excess tax benefits</u>	\$ 42	\$ 22
<u>Future minimum lease commitments</u>	\$ 2,427	

**INVESTMENTS - Gains and
Losses Recorded in AOCI
(Details) - USD (\$)
\$ in Millions**

Jun. 30, 2017 Jun. 30, 2016

Gains and losses recorded in AOCI

<u>Cost</u>	\$ 1,499	\$ 1,497
<u>Gross Unrealized Gains</u>	3	7
<u>Gross Unrealized Losses</u>	(4)	
<u>Fair Value</u>	1,498	1,504

U.S. government and agency securities

Gains and losses recorded in AOCI

<u>Cost</u>	464	560
<u>Gross Unrealized Gains</u>	2	3
<u>Gross Unrealized Losses</u>	(2)	
<u>Fair Value</u>	464	563

Foreign government and agency securities

Gains and losses recorded in AOCI

<u>Cost</u>	103	61
<u>Gross Unrealized Losses</u>	(1)	
<u>Fair Value</u>	102	61

Corporate notes and bonds

Gains and losses recorded in AOCI

<u>Cost</u>	506	454
<u>Gross Unrealized Gains</u>		3
<u>Gross Unrealized Losses</u>	(1)	
<u>Fair Value</u>	505	457

Time deposits

Gains and losses recorded in AOCI

<u>Cost</u>	410	390
<u>Fair Value</u>	410	390

Other securities

Gains and losses recorded in AOCI

<u>Cost</u>	16	32
<u>Gross Unrealized Gains</u>	1	1
<u>Fair Value</u>	\$ 17	\$ 33

**INVESTMENTS - Available-
For-Sale Securities by
Contractual Maturity
(Details)
\$ in Millions**

**Jun. 30, 2017
USD (\$)**

Available-for-sale securities by contractual maturity

<u>Due within one year, Cost</u>	\$ 604
<u>Due after one through five years, Cost</u>	895
<u>Cost, Total</u>	1,499
<u>Due within one year, Fair Value</u>	605
<u>Due after one through five years, Fair Value</u>	893
<u>Fair Value, Total</u>	\$ 1,498

**INVESTMENTS - Fair
Market Value of Investments
With Unrealized Losses Not
Deemed to be Other-Than
Temporarily Impaired
(Details) - Available-for-sale
securities
\$ in Millions**

**12 Months
Ended**

**Jun. 30, 2017
USD (\$)**

Fair market value of investments with gross unrealized losses that are not deemed to be other-than temporarily impaired

In a Loss Position for Less Than 12 Months, Fair Value

\$ 739

In a Loss Position for Less Than 12 Months, Gross Unrealized Losses

(4)

In a Loss Position for More Than 12 Months, Fair Value

\$ 9

**INVESTMENTS - Gross
Gains and Losses Realized
on Sales of Investments
(Details) - USD (\$)
\$ in Millions**

12 Months Ended

Jun. 30, 2017 Jun. 30, 2016

Gross gains and losses realized on sales of investments

Gross realized gains

\$ 1

\$ 1

Gross realized losses

\$ (1)

\$ (1)

**INVESTMENTS - Sales
proceeds from investments
classified as available-for-
sale (Details) - USD (\$)
\$ in Millions**

12 Months Ended

Jun. 30, 2017 Jun. 30, 2016

Proceeds from sale of available-for-sale securities

Sales proceeds from investments classified as available-for-sale \$ 687 \$ 794

**INVENTORY AND
PROMOTIONAL
MERCHANDISE (Details) -
USD (\$)**

Jun. 30, 2017 Jun. 30, 2016

\$ in Millions

INVENTORY AND PROMOTIONAL MERCHANDISE

<u>Raw materials</u>	\$ 334	\$ 306
<u>Work in process</u>	194	177
<u>Finished goods</u>	762	622
<u>Promotional merchandise</u>	189	159
<u>Inventory and promotional merchandise, net</u>	\$ 1,479	\$ 1,264

**PROPERTY, PLANT AND
EQUIPMENT (Details) -**

**USD (\$)
\$ in Millions**

12 Months Ended

Jun. 30, 2017 Jun. 30, 2016 Jun. 30, 2015

Property, Plant and Equipment

<u>Property, Plant and Equipment</u>	\$ 4,019	\$ 3,796	
<u>Less accumulated depreciation and amortization</u>	(2,348)	(2,213)	
<u>Property, Plant and Equipment, net</u>	1,671	1,583	\$ 1,490
<u>Cost of assets related to projects in progress</u>	183	186	
<u>Depreciation and amortization of property, plant and equipment</u>	\$ 428	401	\$ 400

Minimum

Property, Plant and Equipment

<u>Property, Plant and Equipment, Useful Life</u>	3 years		
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Maximum

Property, Plant and Equipment

<u>Property, Plant and Equipment, Useful Life</u>	40 years		
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Land

Property, Plant and Equipment

<u>Property, Plant and Equipment</u>	\$ 30	15	
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Buildings and improvements

Property, Plant and Equipment

<u>Property, Plant and Equipment</u>	\$ 192	187	
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Buildings and improvements | Minimum

Property, Plant and Equipment

<u>Property, Plant and Equipment, Useful Life</u>	10 years		
---	----------	--	--

Buildings and improvements | Maximum

Property, Plant and Equipment

<u>Property, Plant and Equipment, Useful Life</u>	40 years		
---	----------	--	--

Machinery and equipment

Property, Plant and Equipment

<u>Property, Plant and Equipment</u>	\$ 668	680	
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Machinery and equipment | Minimum

Property, Plant and Equipment

<u>Property, Plant and Equipment, Useful Life</u>	3 years		
---	---------	--	--

Machinery and equipment | Maximum

Property, Plant and Equipment

<u>Property, Plant and Equipment, Useful Life</u>	10 years		
---	----------	--	--

Computer hardware and software

Property, Plant and Equipment

<u>Property, Plant and Equipment</u>	\$ 1,115	1,041	
--------------------------------------	----------	-------	--

Computer hardware and software | Minimum

Property, Plant and Equipment

<u>Property, Plant and Equipment, Useful Life</u>	4 years		
---	---------	--	--

Computer hardware and software | Maximum

Property, Plant and Equipment

Property, Plant and Equipment, Useful Life 15 years
Furniture and fixtures

Property, Plant and Equipment

Property, Plant and Equipment \$ 96 84
Furniture and fixtures | Minimum

Property, Plant and Equipment

Property, Plant and Equipment, Useful Life 5 years
Furniture and fixtures | Maximum

Property, Plant and Equipment

Property, Plant and Equipment, Useful Life 10 years
Leasehold improvements

Property, Plant and Equipment

Property, Plant and Equipment \$ 1,918 \$ 1,789

ACQUISITION OF BUSINESSES (Details) - USD (\$) \$ in Millions	3 Months	12 Months			
	Ended	Ended	Nov. 14,	Jun. 30,	Jun. 30,
	Dec. 19,	Jun. 30,	2016	2016	2015
	2016	2017	2017		
<u>Assets acquired and liabilities assumed at the acquisition date</u>					
<u>Goodwill</u>		\$ 1,916	\$ 1,916	\$ 1,228	\$ 1,145
<u>Too Faced</u>					
<u>Acquisition of Businesses</u>					
<u>Interest acquired (as a percent)</u>	100.00%				
<u>Consideration</u>	\$ 1,500				
<u>Working capital adjustment</u>	\$ 8				
<u>Net sales</u>			165		
<u>Net earnings (loss)</u>			22		
<u>Acquisition-related costs</u>			\$ 11		
<u>Assets acquired and liabilities assumed at the acquisition date</u>					
<u>Cash</u>	28				
<u>Accounts receivable</u>	42				
<u>Inventory</u>	102				
<u>Other current assets</u>	4				
<u>Property, plant and equipment</u>	8				
<u>Intangible assets</u>	860				
<u>Goodwill</u>	607				
<u>Total assets acquired</u>	1,651				
<u>Accounts payable</u>	60				
<u>Other accrued liabilities</u>	15				
<u>Deferred income taxes</u>	100				
<u>Total liabilities assumed</u>	175				
<u>Total purchase price</u>	1,476				
<u>Acquired trade receivables</u>					
<u>Gross amount of accounts receivable</u>	\$ 42				
<u>BECCA</u>					
<u>Acquisition of Businesses</u>					
<u>Interest acquired (as a percent)</u>				100.00%	

**GOODWILL AND OTHER
INTANGIBLE ASSETS -
Goodwill and Other
Intangible Assets (Details) -
USD (\$)
\$ in Millions**

12 Months Ended

**Jun. 30, Jun. 30, Jun. 30,
2017 2016 2015**

Goodwill and Other Intangible Assets

<u>Goodwill</u>	\$ 2,008	\$ 1,292	\$ 1,210
<u>Accumulated impairments</u>	(92)	(64)	(65)

Changes in goodwill

<u>Goodwill, Beginning Balance</u>	1,228	1,145	
<u>Goodwill acquired during the period</u>	716	88	
<u>Impairment charges</u>	(28)		
<u>Translation adjustments</u>		(5)	
<u>Goodwill, Period Increase (Decrease)</u>	688	83	
<u>Goodwill, Ending Balance</u>	1,916	1,228	

Too Faced And BECCA

Changes in goodwill

<u>Amortizable intangible assets</u>	\$ 397		
<u>Weighted average amortization period</u>	10 years		
<u>Non-amortizable intangible assets</u>	\$ 623		
<u>Goodwill acquired during the period</u>	705		
<u>Goodwill expected to be deductible for tax purposes arising from acquisitions</u>	316		

Bobbi Brown brand

Changes in goodwill

<u>Goodwill, Period Increase (Decrease)</u>	11		
<u>Skin Care</u>			

Goodwill and Other Intangible Assets

<u>Goodwill</u>	184	184	184
<u>Accumulated impairments</u>	(35)	(29)	(29)

Changes in goodwill

<u>Goodwill, Beginning Balance</u>	155	155	
<u>Impairment charges</u>	(6)		
<u>Goodwill, Period Increase (Decrease)</u>	(6)		
<u>Goodwill, Ending Balance</u>	149	155	

Makeup

Goodwill and Other Intangible Assets

<u>Goodwill</u>	1,176	460	450
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Changes in goodwill

<u>Goodwill, Beginning Balance</u>	460	450	
<u>Goodwill acquired during the period</u>	716	10	
<u>Goodwill, Period Increase (Decrease)</u>	716	10	
<u>Goodwill, Ending Balance</u>	1,176	460	

Fragrance**Goodwill and Other Intangible Assets**

<u>Goodwill</u>	255	255	181
<u>Accumulated impairments</u>	(22)		
<u>Changes in goodwill</u>			
<u>Goodwill, Beginning Balance</u>	255	181	
<u>Goodwill acquired during the period</u>		78	
<u>Impairment charges</u>	(22)		
<u>Translation adjustments</u>		(4)	
<u>Goodwill, Period Increase (Decrease)</u>	(22)	74	
<u>Goodwill, Ending Balance</u>	233	255	

Hair Care**Goodwill and Other Intangible Assets**

<u>Goodwill</u>	393	393	395
<u>Accumulated impairments</u>	(35)	(35)	\$ (36)
<u>Changes in goodwill</u>			
<u>Goodwill, Beginning Balance</u>	358	359	
<u>Translation adjustments</u>		(1)	
<u>Goodwill, Period Increase (Decrease)</u>		(1)	
<u>Goodwill, Ending Balance</u>	\$ 358	\$ 358	

GOODWILL AND OTHER INTANGIBLE ASSETS - Finite and Indefinite-Lived Assets (Details) - USD (\$) \$ in Millions	3 Months	12 Months Ended		
	Ended	Jun. 30,	Jun. 30,	Jun. 30,
	Jun. 30, 2017	2017	2016	2015
<u>Intangible assets</u>				
Total intangible assets	\$ 1,327	\$ 1,327	\$ 344	
<u>Amortizable intangible assets:</u>				
Gross Carrying Value	739	739	342	
Accumulated Amortization	322	322	288	
Total Net Book Value	417	417	54	
Aggregate amortization expense for amortizable intangible assets		35	16	\$ 14
<u>Estimated aggregate amortization expense</u>				
Estimated aggregate amortization expense for fiscal year 2018	52	52		
Estimated aggregate amortization expense for fiscal year 2019	51	51		
Estimated aggregate amortization expense for fiscal year 2020	44	44		
Estimated aggregate amortization expense for fiscal year 2021	43	43		
Estimated aggregate amortization expense for fiscal year 2022	42	42		
Goodwill impairment		28		
Impairment of other intangible assets		3		
Combined goodwill and other intangible asset impairment charges	31	31		
<u>The Americas</u>				
<u>Estimated aggregate amortization expense</u>				
Combined goodwill and other intangible asset impairment charges		17		
<u>Europe, the Middle East and Africa</u>				
<u>Estimated aggregate amortization expense</u>				
Combined goodwill and other intangible asset impairment charges		14		
<u>Skin Care</u>				
<u>Estimated aggregate amortization expense</u>				
Goodwill impairment		6		
Combined goodwill and other intangible asset impairment charges		9		
<u>Fragrance</u>				
<u>Estimated aggregate amortization expense</u>				
Goodwill impairment		22		

<u>Combined goodwill and other intangible asset impairment charges</u>		22	
<u>Trademarks and other</u>			
<u>Non-amortizable intangible assets:</u>			
<u>Trademarks and other</u>	910	910	290
<u>Customer lists and other</u>			
<u>Amortizable intangible assets:</u>			
<u>Gross Carrying Value</u>	696	696	299
<u>Accumulated Amortization</u>	279	279	245
<u>Total Net Book Value</u>	417	417	54
<u>License agreements</u>			
<u>Amortizable intangible assets:</u>			
<u>Gross Carrying Value</u>	43	43	43
<u>Accumulated Amortization</u>	\$ 43	\$ 43	\$ 43
<u>License agreements Minimum</u>			
<u>Intangible assets</u>			
<u>Finite-Lived Intangible Asset, Useful Life</u>		5 years	
<u>License agreements Maximum</u>			
<u>Intangible assets</u>			
<u>Finite-Lived Intangible Asset, Useful Life</u>		10 years	
<u>Other Minimum</u>			
<u>Intangible assets</u>			
<u>Finite-Lived Intangible Asset, Useful Life</u>		2 years	
<u>Other Maximum</u>			
<u>Intangible assets</u>			
<u>Finite-Lived Intangible Asset, Useful Life</u>		20 years	

**CHARGES ASSOCIATED
WITH RESTRUCTURING
AND OTHER ACTIVITIES**
- Charges Associated with
Restructuring and Other
Activities (Details) - USD (\$)
\$ in Millions

12 Months Ended

Jun. 30, 2017 Jun. 30, 2016

Restructuring and related costs

Restructuring and other charges \$ 134

Sales Returns (included in Net Sales)

Restructuring and related costs

Restructuring and other charges 1

Restructuring Charges.

Restructuring and related costs

Restructuring and other charges 121

Other Charges.

Restructuring and related costs

Restructuring and other charges 12

Leading Beauty Forward

Restructuring and related costs

Restructuring and other charges \$ 212 81

Leading Beauty Forward | Sales Returns (included in Net Sales)

Restructuring and related costs

Restructuring and other charges 2 1

Leading Beauty Forward | Cost of sales

Restructuring and related costs

Restructuring and other charges 15

Leading Beauty Forward | Restructuring Charges.

Restructuring and related costs

Restructuring and other charges 122 75

Leading Beauty Forward | Other Charges.

Restructuring and related costs

Restructuring and other charges \$ 73 5

Global Technology Infrastructure

Restructuring and related costs

Restructuring and other charges 53

Global Technology Infrastructure | Restructuring Charges.

Restructuring and related costs

Restructuring and other charges 46

Global Technology Infrastructure | Other Charges.

Restructuring and related costs

Restructuring and other charges \$ 7

**CHARGES ASSOCIATED
WITH RESTRUCTURING
AND OTHER ACTIVITIES
- Leading Beauty Forward
(Details) - Leading Beauty
Forward
\$ in Millions**

12 Months Ended

**Jun. 30, 2017
USD (\$)
employee**

Charges associated with restructuring and other activities

Restructuring and other charges expected to be incurred \$ 461

Estimated net reduction in global positions (as a percentage) 2.50%

Minimum

Charges associated with restructuring and other activities

Restructuring and other charges expected to be incurred \$ 600

Estimated net reduction in global positions | employee 900

Maximum

Charges associated with restructuring and other activities

Restructuring and other charges expected to be incurred \$ 700

Estimated net reduction in global positions | employee 1,200

**CHARGES ASSOCIATED
WITH RESTRUCTURING
AND OTHER ACTIVITIES**

**- Approved Restructuring
Activities by Major Cost
Type (Details) - Leading
Beauty Forward
\$ in Millions**

**Jun. 30, 2017
USD (\$)**

Restructuring and related costs

Restructuring and related costs, approved costs, 2016 fiscal year \$ 190

Restructuring and related costs, approved costs, current period 271

Restructuring and Related Cost, Expected Cost 461

Sales Returns (included in Net Sales)

Restructuring and related costs

Restructuring and related costs, approved costs, 2016 fiscal year 4

Restructuring and related costs, approved costs, current period 11

Restructuring and Related Cost, Expected Cost 15

Cost of sales

Restructuring and related costs

Restructuring and related costs, approved costs, 2016 fiscal year 28

Restructuring and related costs, approved costs, current period 10

Restructuring and Related Cost, Expected Cost 38

Restructuring Charges.

Restructuring and related costs

Restructuring and related costs, approved costs, 2016 fiscal year 87

Restructuring and related costs, approved costs, current period 132

Restructuring and Related Cost, Expected Cost 219

Restructuring Charges. | Employee-Related Costs

Restructuring and related costs

Restructuring and related costs, approved costs, 2016 fiscal year 75

Restructuring and related costs, approved costs, current period 126

Restructuring and Related Cost, Expected Cost 201

Restructuring Charges. | Asset-Related Costs

Restructuring and related costs

Restructuring and related costs, approved costs, 2016 fiscal year 3

Restructuring and related costs, approved costs, current period 1

Restructuring and Related Cost, Expected Cost 4

Restructuring Charges. | Contract Terminations

Restructuring and related costs

Restructuring and related costs, approved costs, 2016 fiscal year 5

Restructuring and Related Cost, Expected Cost 5

Restructuring Charges. | Other Exit Costs

Restructuring and related costs

Restructuring and related costs, approved costs, 2016 fiscal year 4

<u>Restructuring and related costs, approved costs, current period</u>	5
<u>Restructuring and Related Cost, Expected Cost</u>	9
<u>Other Charges.</u>	
<u>Restructuring and related costs</u>	
<u>Restructuring and related costs, approved costs, 2016 fiscal year</u>	71
<u>Restructuring and related costs, approved costs, current period</u>	118
<u>Restructuring and Related Cost, Expected Cost</u>	\$ 189

**CHARGES ASSOCIATED
WITH RESTRUCTURING
AND OTHER ACTIVITIES
- Cumulative Restructuring
Charges by Major Cost Type
(Details) - Leading Beauty**

Jun. 30, 2017

USD (\$)

Forward

\$ in Millions

Restructuring and related costs

Restructuring and related costs, 2016 fiscal year \$ 81

Restructuring and related costs, current period 212

Restructuring and related costs 293

Sales Returns (included in Net Sales)

Restructuring and related costs

Restructuring and related costs, 2016 fiscal year 1

Restructuring and related costs, current period 2

Restructuring and related costs 3

Cost of sales

Restructuring and related costs

Restructuring and related costs, current period 15

Restructuring and related costs 15

Restructuring Charges.

Restructuring and related costs

Restructuring and related costs, 2016 fiscal year 75

Restructuring and related costs, current period 122

Restructuring and related costs 197

Restructuring Charges. | Employee-Related Costs

Restructuring and related costs

Restructuring and related costs, 2016 fiscal year 74

Restructuring and related costs, current period 116

Restructuring and related costs 190

Restructuring Charges. | Asset-Related Costs

Restructuring and related costs

Restructuring and related costs, 2016 fiscal year 1

Restructuring and related costs, current period 2

Restructuring and related costs 3

Restructuring Charges. | Contract Terminations

Restructuring and related costs

Restructuring and related costs, current period 2

Restructuring and related costs 2

Restructuring Charges. | Other Exit Costs

Restructuring and related costs

Restructuring and related costs, current period 2

Restructuring and related costs 2

Other Charges.

Restructuring and related costs

<u>Restructuring and related costs, 2016 fiscal year</u>	5
<u>Restructuring and related costs, current period</u>	73
<u>Restructuring and related costs</u>	\$ 78

**CHARGES ASSOCIATED
WITH RESTRUCTURING
AND OTHER ACTIVITIES**
- Accrued Restructuring
Charges (Details) - USD (\$)
\$ in Millions

12 Months Ended

Jun. 30, 2020 Jun. 30, 2019 Jun. 30, 2018 Jun. 30, 2017 Jun. 30, 2016

Restructuring Costs

Charges \$ 212 \$ 134

Leading Beauty Forward

Restructuring Costs

Beginning balance \$ 150 73

Charges 122 75

Cash payments (43)

Non-cash asset write-offs (2) (1)

Translation adjustments (1)

Ending balance 150 73

Employee-Related Costs | Leading Beauty Forward

Restructuring Costs

Beginning balance 150 73

Charges 116 74

Cash payments (39)

Translation adjustments (1)

Ending balance 150 73

Asset-Related Costs | Leading Beauty Forward

Restructuring Costs

Charges 2 1

Non-cash asset write-offs (2) \$ (1)

Contract Terminations | Leading Beauty Forward

Restructuring Costs

Charges 2

Cash payments (2)

Other Exit Costs | Leading Beauty Forward

Restructuring Costs

Charges 2

Cash payments \$ (2)

Forecast | Leading Beauty Forward

Restructuring Costs

Accrued restructuring charges expected to result in cash expenditures funded from cash provided by operations \$ 6 \$ 47 \$ 97

**CHARGES ASSOCIATED
WITH RESTRUCTURING
AND OTHER ACTIVITIES**

12 Months Ended

**- GTI Restructuring
(Details) - USD (\$)
\$ in Millions**

Jun. 30, 2017 Jun. 30, 2016

Restructuring charges and the related activities

Restructuring Charges \$ 212 \$ 134

Global Technology Infrastructure

Restructuring charges and the related activities

Restructuring Charges 46

Other charges 7

Global Technology Infrastructure | Contract Terminations

Restructuring charges and the related activities

Restructuring Charges 24

Global Technology Infrastructure | Asset-Related Costs

Restructuring charges and the related activities

Restructuring Charges 18

Global Technology Infrastructure | Employee-Related Costs

Restructuring charges and the related activities

Restructuring Charges \$ 4

INCOME TAXES (Details) - USD (\$) \$ in Millions	3	12 Months Ended				
	Months Ended	Jun.	Jun.	Jun.	Jun.	Jun.
	Jun. 30, 2017	30, 2017	30, 2016	30, 2015	30, 2017	30, 2016
Current:						
<u>Federal</u>		\$ 218	\$ 224	\$ 237		
<u>Foreign</u>		253	293	251		
<u>State and local</u>		8	11	32		
<u>Total</u>		479	528	520		
Deferred:						
<u>Federal</u>		(58)	(73)	(56)		
<u>Foreign</u>		(61)	(22)	2		
<u>State and local</u>		1	1	1		
<u>Total</u>		(118)	(94)	(53)		
<u>Provision for income taxes</u>		361	434	467		
<u>Amounts contributed by the Company's foreign operations included in earnings before income taxes</u>		\$ 1,676	\$ 1,448	\$ 1,420		
Reconciliation of the U.S. federal statutory income tax rate and entity's actual effective tax rate on earnings before income taxes						
<u>Provision for income taxes at statutory rate (as a percent)</u>		35.00%	35.00%	35.00%		
Increase (decrease) due to:						
<u>State and local income taxes, net of federal tax benefit (as a percent)</u>		0.70%	0.90%	1.10%		
<u>Taxation of foreign operations (as a percent)</u>		(7.50%)	(8.00%)	(6.80%)		
<u>China deferred tax asset valuation allowance reversal (as a percent)</u>		(4.60%)				
<u>Income tax reserve adjustments (as a percent)</u>		(1.20%)	(0.30%)	0.50%		
<u>Reversal of deferred tax asset</u>		(4.60%)				
<u>Other, net (as a percent)</u>		(0.10%)	0.30%	0.10%		
<u>Effective tax rate (as a percent)</u>		22.30%	27.90%	29.90%		
<u>China deferred tax asset valuation allowance</u>	\$ 75					
<u>Undistributed earnings of foreign subsidiaries on which Federal income and foreign withholding taxes have not been provided</u>					\$	4,136
Deferred tax assets:						
<u>Compensation related expenses</u>					256	\$ 240
<u>Inventory obsolescence and other inventory related reserves</u>					97	86
<u>Retirement benefit obligations</u>					124	129
<u>Various accruals not currently deductible</u>					189	197
<u>Net operating loss, credit and other carryforwards</u>					65	111
<u>Unrecognized state tax benefits and accrued interest</u>					24	25
<u>Other differences between tax and financial statement values</u>					91	88

<u>Deferred tax assets, gross</u>					846	876
<u>Valuation allowance for deferred tax assets</u>					(42)	(118)
<u>Total deferred tax assets</u>					804	758
<u>Deferred tax liabilities:</u>						
<u>Depreciation and amortization</u>					(465)	(293)
<u>Other differences between tax and financial statement values</u>					(17)	(43)
<u>Total deferred tax liabilities</u>					(482)	(336)
<u>Total net deferred tax assets</u>					322	422
<u>Net operating loss and other carryforwards</u>					230	410
<u>Portion of net operating loss and other carryforwards with indefinite carryforward period</u>					218	
<u>Deferred tax assets, net of valuation allowances recorded to reflect the tax benefits of the carryforwards not utilized to date</u>					34	4
<u>Gross unrecognized tax benefits</u>	68	\$ 82	\$ 78	\$ 78	68	82
<u>Total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate</u>					42	
<u>Gross interest and penalty (expense) benefit</u>		5				
<u>Total gross accrued interest and penalties related to unrecognized tax benefits</u>					\$ 13	\$ 18
<u>Reconciliation of the beginning and ending amount of gross unrecognized tax benefits</u>						
<u>Beginning of the year balance of gross unrecognized tax benefits</u>		82	78			
<u>Gross amounts of increases as a result of tax positions taken during a prior period</u>		6	16			
<u>Gross amounts of decreases as a result of tax positions taken during a prior period</u>		(23)	(14)			
<u>Gross amounts of increases as a result of tax positions taken during the current period</u>		10	12			
<u>Amounts of decreases in unrecognized tax benefits relating to settlements with taxing authorities</u>		(5)	(8)			
<u>Reductions to unrecognized tax benefits as a result of a lapse of the applicable statutes of limitations</u>		(2)	(2)			
<u>End of year balance of gross unrecognized tax benefits</u>	\$ 68	\$ 68	\$ 82	\$ 78		

**OTHER ACCRUED
LIABILITIES (Details) -
USD (\$)
\$ in Millions**

Jun. 30, 2017 Jun. 30, 2016

OTHER ACCRUED LIABILITIES

<u>Advertising, merchandising and sampling</u>	\$ 319	\$ 283
<u>Employee compensation</u>	522	504
<u>Payroll and other taxes</u>	190	163
<u>Other</u>	768	682
<u>Total</u>	\$ 1,799	\$ 1,632

DEBT (Details) - USD (\$) \$ in Millions	1 Months Ended					2 Months Ended	12 Months Ended			
	Feb. 28, 2017	Nov. 30, 2016	Oct. 31, 2016	Apr. 30, 2016	Apr. 30, 2007	May 31, 2003	May 31, 2015	Jun. 30, 2017	Jun. 30, 2016	Aug. May 18, 31, 2017 2016
<u>Current and long-term debt and available financing</u>										
<u>Current and long-term debt</u>								\$ 3,572	\$ 2,242	
<u>Less current debt including current maturities</u>								(189)	(332)	
<u>Long-term debt, excluding current maturities</u>								3,383	1,910	
<u>Available financing, committed</u>								1,500		
<u>Available financing, uncommitted</u>								1,470		
<u>4.15% Senior Notes, due March 15, 2047 ("2047 Senior Notes")</u>										
<u>Current and long-term debt and available financing</u>										
<u>Current and long-term debt</u>								\$ 493		
<u>Interest rate, stated percentage</u>								4.15%		
<u>Price (as a percent)</u>								99.739%		
<u>Yield (as a percent)</u>								4.165%		
<u>Aggregate principal amount</u>	\$ 500							\$ 500		
<u>Unamortized Debt (Discount)</u>								(2)		
<u>Premium</u>										
<u>Debt Issuance Costs</u>								(5)		
<u>4.15% Senior Notes, due March 15, 2047 ("2047 Senior Notes")</u>										
<u>Treasury lock agreements</u>										
<u>Current and long-term debt and available financing</u>										
<u>Yield (as a percent)</u>		4.17%								
<u>Weighted-average all-in rate (as a percent)</u>		3.01%								
<u>Gain (loss) on derivative instruments recognized in other comprehensive income</u>								\$ 3		
<u>Notional amount</u>								\$ 350		
<u>4.375% Senior Notes, due June 15, 2045 ("2045 Senior Notes")</u>										
<u>Current and long-term debt and available financing</u>										
<u>Current and long-term debt</u>								\$ 455	455	

<u>Interest rate, stated percentage</u>	4.375%	
<u>Price (as a percent)</u>	97.999%	
<u>Yield (as a percent)</u>	4.497%	
<u>Aggregate principal amount</u>	\$ 300	\$ 150
<u>Aggregate amount outstanding of senior notes</u>		\$ 450
<u>Unamortized Debt (Discount)</u>	(6)	
<u>Premium</u>		
<u>Debt Issuance Costs</u>	\$ (3)	
<u>4.375% Senior Notes, due June 15, 2045 ("2045 Senior Notes") </u>		
<u>Interest rate swap contracts</u>		
<u>Current and long-term debt and available financing</u>		
<u>Yield (as a percent)</u>	4.216%	
<u>Weighted-average all-in rate (as a percent)</u>	2.38%	
<u>Gain (loss) on derivative instruments recognized in other comprehensive income</u>	\$ 18	
<u>Notional amount</u>	\$ 300	
<u>4.375% Senior Notes, due June 15, 2045 ("2045 Senior Notes - Addendum")</u>		
<u>Current and long-term debt and available financing</u>		
<u>Price (as a percent)</u>	110.847%	
<u>Yield (as a percent)</u>	3.753%	
<u>Aggregate principal amount</u>	\$ 150	
<u>Unamortized Debt (Discount)</u>	16	
<u>Premium</u>		
<u>Debt Issuance Costs</u>	(2)	
<u>3.70% Senior Notes due August 15, 2042 ("2042 Senior Notes")</u>		
<u>Current and long-term debt and available financing</u>		
<u>Current and long-term debt</u>	\$ 247	247
<u>Interest rate, stated percentage</u>	3.70%	
<u>Price (as a percent)</u>	99.567%	
<u>Yield (as a percent)</u>	3.724%	
<u>Aggregate principal amount</u>	\$ 250	
<u>Unamortized Debt (Discount)</u>	(1)	
<u>Premium</u>		
<u>Debt Issuance Costs</u>	(2)	

6.00% Senior Notes, due May 15, 2037 ("2037 Senior Notes")

Current and long-term debt and available financing

<u>Current and long-term debt</u>		\$ 294	293
<u>Interest rate, stated percentage</u>		6.00%	
<u>Price (as a percent)</u>		98.722%	
<u>Yield (as a percent)</u>		6.093%	
<u>Aggregate principal amount</u>		\$ 300	
<u>Unamortized Debt (Discount)</u>		(3)	
<u>Premium</u>			
<u>Debt Issuance Costs</u>		(3)	

6.00% Senior Notes, due May 15, 2037 ("2037 Senior Notes") |

Interest rate swap contracts

Current and long-term debt and available financing

<u>Yield (as a percent)</u>	6.181%		
<u>Weighted-average all-in rate (as a percent)</u>	5.45%		
<u>Gain (loss) on derivative instruments recognized in other comprehensive income</u>	\$ (1)		
<u>Notional amount</u>	\$ 210		

5.75% Senior Notes, due October 15, 2033 ("2033 Senior Notes")

Current and long-term debt and available financing

<u>Current and long-term debt</u>		\$ 197	197
<u>Interest rate, stated percentage</u>		5.75%	
<u>Price (as a percent)</u>		98.645%	
<u>Yield (as a percent)</u>		5.846%	
<u>Aggregate principal amount</u>		\$ 200	
<u>Unamortized Debt (Discount)</u>		(2)	
<u>Premium</u>			
<u>Debt Issuance Costs</u>		(1)	

5.75% Senior Notes, due October 15, 2033 ("2033 Senior Notes") | Treasury lock agreements

Current and long-term debt and available financing

<u>Yield (as a percent)</u>	5.395%		
<u>Weighted-average all-in rate (as a percent)</u>	4.53%		

<u>Cash paid / (received) on settlement of derivative</u>		\$ 15	
<u>Notional amount</u>		\$ 195	
<u>3.15% Senior Notes, due March 15, 2027 ("2027 Senior Notes")</u>			
<u>Current and long-term debt and available financing</u>			
<u>Current and long-term debt</u>		\$ 497	
<u>Interest rate, stated percentage</u>		3.15%	
<u>Price (as a percent)</u>		99.963%	
<u>Yield (as a percent)</u>		3.154%	
<u>Aggregate principal amount</u>	500	\$ 500	
<u>Debt Issuance Costs</u>		(3)	
<u>3.15% Senior Notes, due March 15, 2027 ("2027 Senior Notes") Treasury lock agreements</u>			
<u>Current and long-term debt and available financing</u>			
<u>Yield (as a percent)</u>	3.18%		
<u>Weighted-average all-in rate (as a percent)</u>	2.37%		
<u>Gain (loss) on derivative instruments recognized in other comprehensive income</u>		\$ 2	
<u>Notional amount</u>	450		
<u>2.35% Senior Notes due August 15, 2022 ("2022 Senior Notes")</u>			
<u>Current and long-term debt and available financing</u>			
<u>Current and long-term debt</u>		\$ 252	267
<u>Interest rate, stated percentage</u>		2.35%	
<u>Price (as a percent)</u>		99.911%	
<u>Yield (as a percent)</u>		2.36%	
<u>Aggregate principal amount</u>		\$ 250	
<u>Interest rate swap adjustments</u>		3	
<u>Debt Issuance Costs</u>		\$ (1)	
<u>2.35% Senior Notes due August 15, 2022 ("2022 Senior Notes") LIBOR</u>			
<u>Current and long-term debt and available financing</u>			
<u>Number of months for LIBOR calculation</u>			3 months
<u>2.35% Senior Notes due August 15, 2022 ("2022 Senior Notes") Interest rate swap contracts</u>			

Current and long-term debt and available financing

Notional amount \$ 250

1.70% Senior Notes, due May 10, 2021 ("2021 Senior Notes")

Current and long-term debt and available financing

Current and long-term debt \$ 445 448

Interest rate, stated percentage 1.70%

Price (as a percent) 99.976%

Yield (as a percent) 1.705%

Aggregate principal amount \$ 450

Interest rate swap adjustments (3)

Debt Issuance Costs \$ (2)

1.70% Senior Notes, due May 10, 2021 ("2021 Senior Notes") |

LIBOR

Current and long-term debt and available financing

Number of months for LIBOR calculation 3 months

1.70% Senior Notes, due May 10, 2021 ("2021 Senior Notes") |

Interest rate swap contracts

Current and long-term debt and available financing

Notional amount \$ 450

1.70% Senior Notes, due May 10, 2021 ("2021 Senior Notes") |

Treasury lock agreements

Current and long-term debt and available financing

Yield (as a percent) 1.844%

Weighted-average all-in rate (as a percent) 1.27%

Cash paid / (received) on settlement of derivative \$ 1

Notional amount \$ 400

1.80% Senior Notes, due February 7, 2020 ("2020 Senior Notes")

Current and long-term debt and available financing

Current and long-term debt \$ 498

Interest rate, stated percentage 1.80%

Price (as a percent) 99.986%

<u>Yield (as a percent)</u>			1.805%	
<u>Aggregate principal amount</u>	500		\$ 500	
<u>Debt Issuance Costs</u>			\$ (2)	
<u>1.80% Senior Notes, due February 7, 2020 ("2020 Senior Notes") LIBOR</u>				
<u>Current and long-term debt and available financing</u>				
<u>Number of months for LIBOR calculation</u>				3 months
<u>1.80% Senior Notes, due February 7, 2020 ("2020 Senior Notes") Interest rate swap contracts</u>				
<u>Current and long-term debt and available financing</u>				
<u>Notional amount</u>			\$ 250	
<u>5.55% Senior Notes, due May 15, 2017 ("2017 Senior Notes")</u>				
<u>Current and long-term debt and available financing</u>				
<u>Current and long-term debt</u>				307
<u>Interest rate, stated percentage</u>			5.55%	
<u>Refinance of principal amount debt</u>	300			
<u>Commercial paper that matured through July 2017 (1.07% interest rate)</u>				
<u>Current and long-term debt and available financing</u>				
<u>Current and long-term debt</u>			\$ 170	
<u>Interest rate, stated percentage</u>			1.07%	
<u>Available financing, uncommitted</u>			\$ 1,330	
<u>Aggregate principal amount</u>	1,500	3,000	\$ 1,500	
<u>Commercial paper, outstanding amount</u>			170	\$ 431
<u>Other long-term borrowings</u>				
<u>Current and long-term debt and available financing</u>				
<u>Current and long-term debt</u>			5	3
<u>Other current borrowings</u>				
<u>Current and long-term debt and available financing</u>				
<u>Current and long-term debt</u>			19	25

<u>Available financing, uncommitted</u>		140	
<u>Monthly average amount outstanding</u>		\$ 17	\$ 31
<u>Weighted-average interest rate (as a percent)</u>		11.20%	12.50%
<u>Revolving credit facility</u>			
<u>Current and long-term debt and available financing</u>			
<u>Available financing, committed</u>		\$ 1,500	
<u>Revolving Credit Facility Expiring November 2017</u>			
<u>Current and long-term debt and available financing</u>			
<u>Maximum borrowing capacity</u>	\$	1,500	
<u>Termination of undrawn senior unsecured credit agreement</u>	\$	1,500	
<u>Debt instrument term</u>		364	364
		days	days
<u>Revolving Credit Facility Expiring July 2020</u>			
<u>Current and long-term debt and available financing</u>			
<u>Maximum borrowing capacity</u>		1,000	
<u>Revolving Credit Facility Expiring October 2021</u>			
<u>Current and long-term debt and available financing</u>			
<u>Annual fee</u>		1	
<u>Maximum borrowing capacity</u>	\$	1,500	
<u>Debt Instrument Term Extension</u>		2	
		years	
<u>Amount of borrowings outstanding</u>			\$ 0
<u>Maximum borrowing capacity for multi-currency loans</u>		\$ 500	
<u>Incurred costs to establish facility</u>		1	
<u>Amount of financial obligation due, which if exceeded and which there is a failure to pay, would result in an event of default and acceleration of the maturity date</u>		\$ 175	

**DERIVATIVE FINANCIAL
INSTRUMENTS -
Derivative Instruments
Included in the Consolidated
Balance Sheets (Details) -
USD (\$)
\$ in Millions**

**Jun. 30, Jun. 30,
2017 2016**

Derivatives, Fair Value

Derivative Asset, Total \$ 13 \$ 66

Derivative Liability, Total 49 26

Derivatives designated as hedging instruments

Derivatives, Fair Value

Derivative Asset, Total 10 55

Derivative Liability, Total 47 18

Derivatives designated as hedging instruments | Foreign currency forward contracts |

Prepaid expenses and other current assets

Derivatives, Fair Value

Derivative asset, fair value 7 37

Derivatives designated as hedging instruments | Foreign currency forward contracts | Other
accrued liabilities

Derivatives, Fair Value

Derivative liability, fair value 44 18

Derivatives designated as hedging instruments | Interest rate swap contracts | Prepaid
expenses and other current assets

Derivatives, Fair Value

Derivative asset, fair value 3 18

Derivatives designated as hedging instruments | Interest rate swap contracts | Other accrued
liabilities

Derivatives, Fair Value

Derivative liability, fair value 3

Derivatives not designated as hedging instruments | Foreign currency forward contracts |
Prepaid expenses and other current assets

Derivatives, Fair Value

Derivative asset, fair value 3 11

Derivatives not designated as hedging instruments | Foreign currency forward contracts |
Other accrued liabilities

Derivatives, Fair Value

Derivative liability, fair value \$ 2 \$ 8

**DERIVATIVE FINANCIAL
INSTRUMENTS - Gain
(Loss) on Derivative
Financial Instruments
(Details) - USD (\$)
\$ in Millions**

12 Months Ended

**Jun. 30, Jun. 30,
2017 2016**

[Foreign currency forward contracts | Selling, general and administrative | Derivatives not designated as hedging instruments](#)

[Gain \(loss\) on derivative financial instruments](#)

[Amount of Gain or \(Loss\) Recognized in Earnings on Derivatives](#)

\$ (2) \$ 5

[Derivatives in cash flow hedging relationships](#)

[Gain \(loss\) on derivative financial instruments](#)

[Amount of Gain or \(Loss\) Recognized in OCI on Derivatives \(Effective Portion\)](#)

(13) 48

[Amount of Gain or \(Loss\) Reclassified from AOCI into Earnings \(Effective Portion\)](#)

41 66

[Gain \(loss\) recognized in earnings related to the amount excluded from effectiveness testing](#)

3 (1)

[Gain \(loss\) recognized in earnings related to the ineffective portion of the hedging relationships](#)

0

[Derivatives in cash flow hedging relationships | Foreign currency forward contracts](#)

[Gain \(loss\) on derivative financial instruments](#)

[Amount of Gain or \(Loss\) Recognized in OCI on Derivatives \(Effective Portion\)](#)

(18) 48

[Derivatives in cash flow hedging relationships | Foreign currency forward contracts | Cost of sales](#)

[Gain \(loss\) on derivative financial instruments](#)

[Amount of Gain or \(Loss\) Reclassified from AOCI into Earnings \(Effective Portion\)](#)

10 17

[Derivatives in cash flow hedging relationships | Foreign currency forward contracts | Selling, general and administrative](#)

[Gain \(loss\) on derivative financial instruments](#)

[Amount of Gain or \(Loss\) Reclassified from AOCI into Earnings \(Effective Portion\)](#)

30 48

[Derivatives in cash flow hedging relationships | Interest rate-related derivatives](#)

[Gain \(loss\) on derivative financial instruments](#)

[Amount of Gain or \(Loss\) Recognized in OCI on Derivatives \(Effective Portion\)](#)

5

[Derivatives in cash flow hedging relationships | Interest rate-related derivatives | Interest expense](#)

[Gain \(loss\) on derivative financial instruments](#)

[Amount of Gain or \(Loss\) Reclassified from AOCI into Earnings \(Effective Portion\)](#)

1 1

[Derivatives in Fair Value Hedging Relationships | Interest rate swap contracts | Interest expense](#)

[Gain \(loss\) on derivative financial instruments](#)

[Amount of Gain or \(Loss\) Recognized in Earnings on Derivatives](#)

\$ (18) \$ 18

**DERIVATIVE FINANCIAL
INSTRUMENTS - Cash-
Flow Hedges, Fair Value
Hedges, Credit Risk (Details)
\$ in Millions**

**12 Months
Ended
Jun. 30, Jun. 30,
2017 2016
USD (\$) USD
Agency (\$)**

[1.80% Senior Notes, due February 7, 2020 \("2020 Senior Notes"\) | LIBOR](#)

[Fair Value Hedges](#)

[Number of months for LIBOR calculation](#)

3 months

[1.70% Senior Notes, due May 10, 2021 \("2021 Senior Notes"\) | LIBOR](#)

[Fair Value Hedges](#)

[Number of months for LIBOR calculation](#)

3 months

[2.35% Senior Notes due August 15, 2022 \("2022 Senior Notes"\) | LIBOR](#)

[Fair Value Hedges](#)

[Number of months for LIBOR calculation](#)

3 months

[Derivative](#)

[Credit Risk](#)

[Minimum number of nationally recognized rating agencies | Agency](#)

2

[Maximum exposure to credit risk in the event of nonperformance by counterparties, gross fair value of contracts in asset positions](#)

\$ 13

[Interest rate swap contracts | 1.80% Senior Notes, due February 7, 2020 \("2020 Senior Notes"\)](#)

[Fair Value Hedges](#)

[Notional amount](#)

250

[Interest rate swap contracts | 1.70% Senior Notes, due May 10, 2021 \("2021 Senior Notes"\)](#)

[Fair Value Hedges](#)

[Notional amount](#)

450

[Interest rate swap contracts | 2.35% Senior Notes due August 15, 2022 \("2022 Senior Notes"\)](#)

[Fair Value Hedges](#)

[Notional amount](#)

250

[Derivatives in cash flow hedging relationships](#)

[Foreign Currency Cash-Flow Hedges](#)

[Amount expected to be reclassified from AOCI into earnings, net of tax, within the next twelve months](#)

18

[Accumulated gain \(loss\) on derivative instruments in AOCI, before tax](#)

(4) \$ 50

[Derivatives in cash flow hedging relationships | Foreign currency forward contracts](#)

[Foreign Currency Cash-Flow Hedges](#)

[Notional amount](#)

2,895 3,265

[Derivatives in cash flow hedging relationships | Foreign currency forward contracts | Euro](#)

[Foreign Currency Cash-Flow Hedges](#)

[Notional amount](#)

295 962

[Derivatives in cash flow hedging relationships | Foreign currency forward contracts | British pound](#)

<u>Foreign Currency Cash-Flow Hedges</u>		
<u>Notional amount</u>	541	497
<u>Derivatives in cash flow hedging relationships Foreign currency forward contracts Chinese yuan</u>		
<u>Foreign Currency Cash-Flow Hedges</u>		
<u>Notional amount</u>	160	313
<u>Derivatives in cash flow hedging relationships Foreign currency forward contracts Swiss franc</u>		
<u>Foreign Currency Cash-Flow Hedges</u>		
<u>Notional amount</u>	457	256
<u>Derivatives in cash flow hedging relationships Foreign currency forward contracts Canadian dollar</u>		
<u>Foreign Currency Cash-Flow Hedges</u>		
<u>Notional amount</u>	148	
<u>Derivatives in cash flow hedging relationships Foreign currency forward contracts Hong Kong dollar</u>		
<u>Foreign Currency Cash-Flow Hedges</u>		
<u>Notional amount</u>	355	274
<u>Derivatives in cash flow hedging relationships Foreign currency forward contracts Australian dollar</u>		
<u>Foreign Currency Cash-Flow Hedges</u>		
<u>Notional amount</u>		157
<u>Derivatives in cash flow hedging relationships Foreign currency forward contracts Taiwan dollar</u>		
<u>Foreign Currency Cash-Flow Hedges</u>		
<u>Notional amount</u>		\$ 130
<u>Derivatives in cash flow hedging relationships Foreign currency forward contracts Thailand baht</u>		
<u>Foreign Currency Cash-Flow Hedges</u>		
<u>Notional amount</u>	126	
<u>Derivatives in Fair Value Hedging Relationships Interest rate swap contracts 1.80% Senior Notes, due February 7, 2020 ("2020 Senior Notes")</u>		
<u>Fair Value Hedges</u>		
<u>Notional amount</u>		\$ 250
<u>Derivatives in Fair Value Hedging Relationships Interest rate swap contracts 1.80% Senior Notes, due February 7, 2020 ("2020 Senior Notes") LIBOR</u>		
<u>Fair Value Hedges</u>		
<u>Number of months for LIBOR calculation</u>		3 months
<u>Derivatives in Fair Value Hedging Relationships Interest rate swap contracts 1.70% Senior Notes, due May 10, 2021 ("2021 Senior Notes")</u>		
<u>Fair Value Hedges</u>		
<u>Notional amount</u>		\$ 450
<u>Derivatives in Fair Value Hedging Relationships Interest rate swap contracts 1.70% Senior Notes, due May 10, 2021 ("2021 Senior Notes") LIBOR</u>		
<u>Fair Value Hedges</u>		

<u>Number of months for LIBOR calculation</u>	3 months
<u>Derivatives in Fair Value Hedging Relationships Interest rate swap contracts 2.35% Senior Notes due August 15, 2022 ("2022 Senior Notes")</u>	
<u>Fair Value Hedges</u>	
<u>Notional amount</u>	\$ 250
<u>Derivatives in Fair Value Hedging Relationships Interest rate swap contracts 2.35% Senior Notes due August 15, 2022 ("2022 Senior Notes") LIBOR</u>	
<u>Fair Value Hedges</u>	
<u>Number of months for LIBOR calculation</u>	3 months

**FAIR VALUE
MEASUREMENTS -
Hierarchy For Financial
Assets and Liabilities
Measured at Fair Value on a
Recurring Basis (Details) -
USD (\$)
\$ in Millions**

Jun. 30, 2017 Jun. 30, 2016

Assets:

<u>Available-for-sale securities</u>	\$ 1,498	\$ 1,504
<u>U.S. government and agency securities</u>		

Assets:

<u>Available-for-sale securities</u>	464	563
<u>Foreign government and agency securities</u>		

Assets:

<u>Available-for-sale securities</u>	102	61
<u>Corporate notes and bonds</u>		

Assets:

<u>Available-for-sale securities</u>	505	457
<u>Time deposits</u>		

Assets:

<u>Available-for-sale securities</u>	410	390
<u>Other securities</u>		

Assets:

<u>Available-for-sale securities</u>	17	33
<u>Recurring basis Level 2</u>		

Assets:

<u>Foreign currency forward contracts</u>	10	48
<u>Interest rate swap contracts</u>	3	18
<u>Total</u>	1,511	1,570

Liabilities:

<u>Foreign currency forward contracts</u>	46	26
<u>Interest rate swap contracts</u>	3	
<u>Total</u>	49	26

Recurring basis | Level 3

Liabilities:

<u>Contingent consideration</u>	139	196
<u>Total</u>	139	196

Recurring basis | U.S. government and agency securities | Level 2

Assets:

<u>Available-for-sale securities</u>	464	563
<u>Recurring basis Foreign government and agency securities Level 2</u>		

Assets:

<u>Available-for-sale securities</u>	102	61
--------------------------------------	-----	----

Recurring basis | Corporate notes and bonds | Level 2

Assets:

Available-for-sale securities 505 457

Recurring basis | Time deposits | Level 2

Assets:

Available-for-sale securities 410 390

Recurring basis | Other securities | Level 2

Assets:

Available-for-sale securities 17 33

Fair Value

Assets:

Available-for-sale securities 1,498 1,504

Liabilities:

Contingent consideration 139 196

Fair Value | Recurring basis

Assets:

Foreign currency forward contracts 10 48

Interest rate swap contracts 3 18

Total 1,511 1,570

Liabilities:

Foreign currency forward contracts 46 26

Interest rate swap contracts 3

Contingent consideration 139 196

Total 188 222

Fair Value | Recurring basis | U.S. government and agency securities

Assets:

Available-for-sale securities 464 563

Fair Value | Recurring basis | Foreign government and agency securities

Assets:

Available-for-sale securities 102 61

Fair Value | Recurring basis | Corporate notes and bonds

Assets:

Available-for-sale securities 505 457

Fair Value | Recurring basis | Time deposits

Assets:

Available-for-sale securities 410 390

Fair Value | Recurring basis | Other securities

Assets:

Available-for-sale securities \$ 17 \$ 33

FAIR VALUE MEASUREMENTS - Estimated Fair Values of Financial Instruments (Details) - USD (\$) \$ in Millions	3	12 Months Ended				
	Months Ended	Jun. 30, 2017	Jun. 30, 2016	Jun. 30, 2015	Jun. 30, 2017	Jun. 30, 2016
<u>Nonderivatives</u>						
<u>Available-for-sale securities</u>					\$ 1,498	\$ 1,504
<u>Derivatives</u>						
<u>Derivative Asset</u>					13	66
<u>Derivative liability</u>					(49)	(26)
<u>Impairment charges of certain non financial assets measured at fair value on a nonrecurring basis</u>						
<u>Goodwill impairment</u>		\$ 28				
<u>Goodwill</u>				\$ 1,145	1,916	1,228
<u>Changes in the fair value of the contingent consideration obligations</u>						
<u>Changes in fair value of contingent consideration</u>	\$ 58	57	\$ (8)	(7)		
<u>Skin Care</u>						
<u>Impairment charges of certain non financial assets measured at fair value on a nonrecurring basis</u>						
<u>Goodwill impairment</u>		6				
<u>Goodwill</u>				155	149	155
<u>Fragrance</u>						
<u>Impairment charges of certain non financial assets measured at fair value on a nonrecurring basis</u>						
<u>Goodwill impairment</u>		\$ 22				
<u>Goodwill</u>				\$ 181	233	255
<u>Level 2 Additional Purchase Price Payable</u>						
<u>Fair value inputs</u>						
<u>Risk-adjusted discount rate (as a percent)</u>		1.00%				
<u>Level 3 Contingent Consideration Monte Carlo Method</u>						
<u>Fair value inputs</u>						
<u>Revenue and earnings before income tax, depreciation and amortization correlation coefficient factor (as a percent)</u>		80.00%				
<u>Level 3 Non recurring basis</u>						
<u>Impairment charges of certain non financial assets measured at fair value on a nonrecurring basis</u>						
<u>Goodwill impairment</u>		\$ 28				
<u>Total</u>		31				
<u>Level 3 Non recurring basis Customer lists and other</u>						
<u>Impairment charges of certain non financial assets measured at fair value on a nonrecurring basis</u>						
<u>Other intangible assets, net</u>		1				

[Level 3 | Non recurring basis | Trademarks](#)

[Impairment charges of certain non financial assets measured at fair value on a nonrecurring basis](#)

[Other intangible assets, net](#) \$ 2

[Minimum | Level 3 | Contingent Consideration | Monte Carlo Method](#)

[Fair value inputs](#)

[Risk-adjusted discount rate \(as a percent\)](#) 1.50%

[Revenue volatility \(as a percent\)](#) 3.70%

[Asset volatility \(as a percent\)](#) 21.10%

[Revenue discount rates \(as a percent\)](#) 3.00%

[Earnings before income tax, depreciation and amortization discount rates \(as a percent\)](#) 10.70%

[Minimum | Swap yield curve | Foreign currency forward contracts](#)

[Foreign currency forward contracts](#)

[Contract maturities](#) 12 months

[Maximum | Level 3 | Contingent Consideration | Monte Carlo Method](#)

[Fair value inputs](#)

[Risk-adjusted discount rate \(as a percent\)](#) 2.30%

[Revenue volatility \(as a percent\)](#) 8.50%

[Asset volatility \(as a percent\)](#) 27.30%

[Revenue discount rates \(as a percent\)](#) 4.80%

[Earnings before income tax, depreciation and amortization discount rates \(as a percent\)](#) 13.10%

[Maximum | LIBOR | Foreign currency forward contracts](#)

[Foreign currency forward contracts](#)

[Contract maturities](#) 12 months

[Carrying Amount](#)

[Nonderivatives](#)

[Cash and cash equivalents](#) 1,136 914

[Available-for-sale securities](#) 1,498 1,504

[Current and long-term debt](#) 3,572 2,242

[Additional purchase price payable](#) 38 37

[Contingent consideration](#) 139 \$ 196 196 139 196

[Changes in the fair value of the contingent consideration obligations](#)

[Contingent consideration at the beginning of the period](#) 196

[Contingent consideration at the end of the period](#) 139 139 196

[Carrying Amount | Foreign currency forward contracts](#)

[Derivatives](#)

[Derivative Asset](#)

22

Derivative liability					(36)
Carrying Amount Interest rate swap contracts					
Derivatives					
Derivative Asset					18
Fair Value					
Nonderivatives					
Cash and cash equivalents				1,136	914
Available-for-sale securities				1,498	1,504
Current and long-term debt				3,759	2,482
Additional purchase price payable				38	37
Contingent consideration	139	196	196	139	196
Changes in the fair value of the contingent consideration obligations					
Contingent consideration at the beginning of the period			196		
Contingent consideration at the end of the period	\$ 139	139	\$ 196		
Fair Value Selling, general and administrative expenses					
Changes in the fair value of the contingent consideration obligations					
Changes in fair value of contingent consideration			57		
Fair Value Selling, general and administrative expenses The Americas					
Changes in the fair value of the contingent consideration obligations					
Changes in fair value of contingent consideration			43		
Fair Value Selling, general and administrative expenses Europe, the Middle East and Africa					
Changes in the fair value of the contingent consideration obligations					
Changes in fair value of contingent consideration			14		
Fair Value Selling, general and administrative expenses Skin Care					
Changes in the fair value of the contingent consideration obligations					
Changes in fair value of contingent consideration			24		
Fair Value Selling, general and administrative expenses Fragrance					
Changes in the fair value of the contingent consideration obligations					
Changes in fair value of contingent consideration			33		
Fair Value Level 3 Non recurring basis					
Impairment charges of certain non financial assets measured at fair value on a nonrecurring basis					
Goodwill					6
Total			38		
Fair Value Level 3 Non recurring basis Trademarks					

**Impairment charges of certain non financial assets
measured at fair value on a nonrecurring basis**

Other intangible assets, net

\$ 32

Fair Value | Foreign currency forward contracts

Derivatives

Derivative Asset

22

Derivative liability

\$ (36)

Fair Value | Interest rate swap contracts

Derivatives

Derivative Asset

\$ 18

**PENSION, DEFERRED
COMPENSATION AND
POST-RETIREMENT
BENEFIT PLANS - Benefit
Obligation, Plan Assets and
Amounts Recognized in
Balance Sheet (Details) -
USD (\$)
\$ in Millions**

12 Months Ended

Jun. 30, 2017 Jun. 30, 2016 Jun. 30, 2015

Change in plan assets:

<u>Fair value of plan assets at beginning of year</u>	\$ 1,305		
<u>Fair value of plan assets at end of year</u>	1,366	\$ 1,305	

Amounts recognized in the Balance Sheet consist of:

<u>Accumulated other comprehensive loss</u>	325		
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Pension Plans | United States

Change in benefit obligation:

<u>Benefit obligation at beginning of year</u>	877	794	
<u>Service cost</u>	37	32	\$ 32
<u>Interest cost</u>	30	33	30
<u>Actuarial loss (gain)</u>	(1)	62	
<u>Benefits, expenses, taxes and premiums paid</u>	(40)	(44)	
<u>Benefit obligation at end of year</u>	903	877	794

Change in plan assets:

<u>Fair value of plan assets at beginning of year</u>	743	721	
<u>Actual return on plan assets</u>	71	27	
<u>Employer contributions</u>	7	39	
<u>Benefits, expenses, taxes and premium paid</u>	(40)	(44)	
<u>Fair value of plan assets at end of year</u>	781	743	721
<u>Funded status</u>	(122)	(134)	

Amounts recognized in the Balance Sheet consist of:

<u>Other assets</u>	12		
<u>Other accrued liabilities</u>	(23)	(17)	
<u>Other noncurrent liabilities</u>	(111)	(117)	
<u>Funded status</u>	(122)	(134)	
<u>Accumulated other comprehensive loss</u>	232	270	
<u>Net amount recognized</u>	110	136	

Pension Plans | International

Change in benefit obligation:

<u>Benefit obligation at beginning of year</u>	616	586	
<u>Service cost</u>	28	25	24
<u>Interest cost</u>	11	15	17
<u>Plan participant contributions</u>	4	4	
<u>Actuarial loss (gain)</u>	(26)	53	
<u>Foreign currency exchange rate impact</u>	(2)	(38)	

<u>Benefits, expenses, taxes and premiums paid</u>	(25)	(29)	
<u>Settlements and curtailments</u>	(3)	(1)	
<u>Special termination benefits</u>	2	1	
<u>Benefit obligation at end of year</u>	605	616	586
<u>Change in plan assets:</u>			
<u>Fair value of plan assets at beginning of year</u>	529	519	
<u>Actual return on plan assets</u>	28	57	
<u>Foreign currency exchange rate impact</u>	(9)	(42)	
<u>Employer contributions</u>	24	22	
<u>Plan participant contributions</u>	4	4	
<u>Settlements</u>	(3)	(2)	
<u>Benefits, expenses, taxes and premium paid</u>	(25)	(29)	
<u>Fair value of plan assets at end of year</u>	548	529	519
<u>Funded status</u>	(57)	(87)	
<u>Amounts recognized in the Balance Sheet consist of:</u>			
<u>Other assets</u>	88	79	
<u>Other accrued liabilities</u>	(5)	(4)	
<u>Other noncurrent liabilities</u>	(140)	(162)	
<u>Funded status</u>	(57)	(87)	
<u>Accumulated other comprehensive loss</u>	72	123	
<u>Net amount recognized</u>	15	36	
<u>Other than Pension Plans Post-Retirement</u>			
<u>Change in benefit obligation:</u>			
<u>Benefit obligation at beginning of year</u>	191	175	
<u>Service cost</u>	3	3	3
<u>Interest cost</u>	7	7	8
<u>Plan participant contributions</u>	1	1	
<u>Actuarial loss (gain)</u>	(11)	13	
<u>Foreign currency exchange rate impact</u>		(1)	
<u>Benefits, expenses, taxes and premiums paid</u>	(8)	(7)	
<u>Benefit obligation at end of year</u>	183	191	175
<u>Change in plan assets:</u>			
<u>Fair value of plan assets at beginning of year</u>	33	32	
<u>Actual return on plan assets</u>	4	1	
<u>Employer contributions</u>	7	6	
<u>Plan participant contributions</u>	1	1	
<u>Benefits, expenses, taxes and premium paid</u>	(8)	(7)	
<u>Fair value of plan assets at end of year</u>	37	33	\$ 32
<u>Funded status</u>	(146)	(158)	
<u>Amounts recognized in the Balance Sheet consist of:</u>			
<u>Other accrued liabilities</u>		(7)	
<u>Other noncurrent liabilities</u>	(146)	(151)	
<u>Funded status</u>	(146)	(158)	
<u>Accumulated other comprehensive loss</u>	21	35	

Net amount recognized

\$ (125)

\$ (123)

**PENSION, DEFERRED
COMPENSATION AND
POST-RETIREMENT
BENEFIT PLANS -
Components of Net Periodic
Benefit Cost (Details) - USD
(\$)**

12 Months Ended

Jun. 30, 2017 Jun. 30, 2016 Jun. 30, 2015

\$ in Millions

[Pension Plans | United States](#)

Components of net periodic benefit cost:

Service cost	\$ 37	\$ 32	\$ 32
Interest cost	30	33	30
Expected return on plan assets	(52)	(49)	(50)
<u>Amortization of:</u>			
Actuarial loss	16	11	10
Prior service cost	1	1	
Net periodic benefit cost	\$ 32	\$ 28	\$ 22

Weighted-average assumptions used to determine net periodic benefit cost for the year ended June 30:

Expected return on assets (as a percent)	7.00%	7.00%	7.50%
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[Pension Plans | United States | Minimum](#)

Weighted-average assumptions used to determine benefit obligations at June 30:

Discount rate (as a percent)	3.40%	3.00%	3.70%
Rate of compensation increase (as a percent)	3.00%	3.00%	3.00%

Weighted-average assumptions used to determine net periodic benefit cost for the year ended June 30:

Discount rate (as a percent)	3.00%	3.70%	3.60%
Rate of compensation increase (as a percent)	3.00%	3.00%	3.00%

[Pension Plans | United States | Maximum](#)

Weighted-average assumptions used to determine benefit obligations at June 30:

Discount rate (as a percent)	3.90%	3.70%	4.40%
Rate of compensation increase (as a percent)	7.00%	7.00%	7.00%

Weighted-average assumptions used to determine net periodic benefit cost for the year ended June 30:

Discount rate (as a percent)	3.70%	4.40%	4.30%
Rate of compensation increase (as a percent)	7.00%	7.00%	7.00%

[Pension Plans | International](#)

Components of net periodic benefit cost:

Service cost	\$ 28	\$ 25	\$ 24
Interest cost	11	15	17
Expected return on plan assets	(16)	(20)	(21)

Amortization of:

Actuarial loss	11	11	10
Prior service cost	2	2	2
Curtailments			(1)
Special termination benefits	2	1	
Net periodic benefit cost	\$ 38	\$ 34	\$ 31
Pension Plans International Minimum			
Weighted-average assumptions used to determine benefit obligations at June 30:			
Discount rate (as a percent)	0.50%	0.25%	0.75%
Rate of compensation increase (as a percent)	1.00%	0.00%	0.00%
Weighted-average assumptions used to determine net periodic benefit cost for the year ended June 30:			
Discount rate (as a percent)	0.25%	0.75%	0.50%
Expected return on assets (as a percent)	1.50%	2.00%	2.00%
Rate of compensation increase (as a percent)	0.00%	0.00%	1.00%
Pension Plans International Maximum			
Weighted-average assumptions used to determine benefit obligations at June 30:			
Discount rate (as a percent)	6.75%	6.00%	7.00%
Rate of compensation increase (as a percent)	5.50%	5.50%	5.50%
Weighted-average assumptions used to determine net periodic benefit cost for the year ended June 30:			
Discount rate (as a percent)	6.00%	7.00%	6.75%
Expected return on assets (as a percent)	6.00%	7.00%	6.75%
Rate of compensation increase (as a percent)	5.50%	5.50%	5.50%
Other than Pension Plans Post-Retirement			
Components of net periodic benefit cost:			
Service cost	\$ 3	\$ 3	\$ 3
Interest cost	7	7	8
Expected return on plan assets	(1)	(2)	(2)
Amortization of:			
Actuarial loss	1		1
Prior service cost		1	1
Net periodic benefit cost	\$ 10	\$ 9	\$ 11
Weighted-average assumptions used to determine net periodic benefit cost for the year ended June 30:			
Expected return on assets (as a percent)	7.00%	7.00%	7.50%
Other than Pension Plans Post-Retirement Minimum			
Weighted-average assumptions used to determine benefit obligations at June 30:			
Discount rate (as a percent)	3.70%	3.50%	4.25%
Weighted-average assumptions used to determine net periodic benefit cost for the year ended June 30:			
Discount rate (as a percent)	3.50%	4.25%	4.10%
Other than Pension Plans Post-Retirement Maximum			

Weighted-average assumptions used to determine benefit obligations at June 30:

<u>Discount rate (as a percent)</u>	9.75%	9.50%	9.00%
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Weighted-average assumptions used to determine net periodic benefit cost for the year ended June 30:

<u>Discount rate (as a percent)</u>	9.50%	9.00%	9.00%
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**PENSION, DEFERRED
COMPENSATION AND
POST-RETIREMENT
BENEFIT PLANS -
Assumed Health Care Cost
Trend Rates (Details) - Other
than Pension Plans Post-
Retirement**

12 Months Ended

Jun. 30, 2017

Assumed health care cost trend rates

<u>Assumed weighted-average health care cost trend rate for the coming year (as a percent)</u>	7.33%
<u>Weighted-average ultimate trend rate (as a percent)</u>	4.53%
<u>Period after which ultimate trend rate is expected to be reached</u>	19 years

**PENSION, DEFERRED
COMPENSATION AND
POST-RETIREMENT
BENEFIT PLANS - Impact
of One-Percentage-Point
Change in Assumed Health
Care Cost Trend Rates
(Details) - Other than
Pension Plans Post-
Retirement
\$ in Millions**

**12 Months
Ended**

**Jun. 30, 2017
USD (\$)**

Effects of one-percentage-point change in assumed health care cost trend rates for fiscal 2016

<u>Effect of one-percentage-point increase on total service and interest costs</u>	\$ 1
<u>Effect of one-percentage-point decrease on total service and interest costs</u>	(1)
<u>Effect of one-percentage-point increase on post-retirement benefit obligations</u>	15
<u>Effect of one-percentage-point decrease on post-retirement benefit obligations</u>	\$ (13)

**PENSION, DEFERRED
COMPENSATION AND
POST-RETIREMENT
BENEFIT PLANS -
Amounts Recognized in
AOCI (Before Tax) (Details)
- USD (\$)
\$ in Millions**

12 Months Ended

	Jun. 30, 2017	Jun. 30, 2016	Jun. 30, 2015
<u>Defined Benefit Plan Disclosure</u>			
<u>Balance, beginning of year</u>	\$ (3,572)		
<u>Balance, end of year</u>	(4,384)	\$ (3,572)	
<u>Total amounts recognized in AOCI</u>	325		
<u>Net actuarial (gains) losses recognized</u>			
<u>Defined Benefit Plan Disclosure</u>			
<u>Balance, beginning of year</u>	423		
<u>Amounts before reclassification</u>	(71)	114	\$ 48
<u>Amounts reclassified out</u>	(28)	(22)	(21)
<u>Balance, end of year</u>	324	423	
<u>Net prior service cost (credit) recognized</u>			
<u>Defined Benefit Plan Disclosure</u>			
<u>Balance, beginning of year</u>	4		
<u>Amounts reclassified out</u>	(3)	(4)	\$ (3)
<u>Balance, end of year</u>	1	4	
<u>Other than Pension Plans Post-Retirement</u>			
<u>Defined Benefit Plan Disclosure</u>			
<u>Total amounts recognized in AOCI</u>	21	35	
<u>Other than Pension Plans Post-Retirement Net actuarial (gains) losses recognized</u>			
<u>Defined Benefit Plan Disclosure</u>			
<u>Balance, beginning of year</u>	33		
<u>Amounts before reclassification</u>	(12)		
<u>Amounts reclassified out</u>	(1)		
<u>Balance, end of year</u>	20	33	
<u>Other than Pension Plans Post-Retirement Net prior service cost (credit) recognized</u>			
<u>Defined Benefit Plan Disclosure</u>			
<u>Balance, beginning of year</u>	1		
<u>Balance, end of year</u>	1	1	
<u>United States Pension Plans</u>			
<u>Defined Benefit Plan Disclosure</u>			
<u>Total amounts recognized in AOCI</u>	232	270	
<u>United States Pension Plans Net actuarial (gains) losses recognized</u>			
<u>Defined Benefit Plan Disclosure</u>			
<u>Balance, beginning of year</u>	267		

<u>Amounts before reclassification</u>	(21)	
<u>Amounts reclassified out</u>	(16)	
<u>Balance, end of year</u>	230	267
<u>United States Pension Plans Net prior service cost (credit) recognized</u>		
<u>Defined Benefit Plan Disclosure</u>		
<u>Balance, beginning of year</u>	3	
<u>Amounts reclassified out</u>	(1)	
<u>Balance, end of year</u>	2	3
<u>International Pension Plans</u>		
<u>Defined Benefit Plan Disclosure</u>		
<u>Total amounts recognized in AOCI</u>	72	123
<u>International Pension Plans Net actuarial (gains) losses recognized</u>		
<u>Defined Benefit Plan Disclosure</u>		
<u>Balance, beginning of year</u>	123	
<u>Amounts before reclassification</u>	(38)	
<u>Amounts reclassified out</u>	(11)	
<u>Balance, end of year</u>	74	\$ 123
<u>International Pension Plans Net prior service cost (credit) recognized</u>		
<u>Defined Benefit Plan Disclosure</u>		
<u>Amounts reclassified out</u>	(2)	
<u>Balance, end of year</u>	\$ (2)	

**PENSION, DEFERRED
COMPENSATION AND
POST-RETIREMENT
BENEFIT PLANS -
Amounts in AOCI expected
to be amortized as
components of net periodic
benefit cost during fiscal
2017 (Details)
\$ in Millions**

**Jun. 30,
2017
USD (\$)**

Pension Plans | United States

Amounts in accumulated other comprehensive (income) loss expected to be amortized as components of net periodic benefit cost during fiscal 2018

Prior service cost \$ 1

Net actuarial loss 13

Pension Plans | International

Amounts in accumulated other comprehensive (income) loss expected to be amortized as components of net periodic benefit cost during fiscal 2018

Net actuarial loss 5

Other than Pension Plans Post-Retirement

Amounts in accumulated other comprehensive (income) loss expected to be amortized as components of net periodic benefit cost during fiscal 2018

Prior service cost \$ 1

**PENSION, DEFERRED
COMPENSATION AND
POST-RETIREMENT
BENEFIT PLANS -
Amounts Recognized in
AOCI (Before Tax) (Details)
- USD (\$)
\$ in Millions**

**Jun. 30, Jun. 30, Jun. 30,
2017 2016 2015**

Defined Benefit Plan Disclosure

Fair value of plan assets \$ 1,366 \$ 1,305

Pension Plans Retirement Growth Account

Defined Benefit Plan Disclosure

Projected benefit obligation 769 754

Accumulated benefit obligation 726 710

Fair value of plan assets 781 743

Pension Plans Restoration

Defined Benefit Plan Disclosure

Projected benefit obligation 134 123

Accumulated benefit obligation 120 109

Pension Plans | International

Defined Benefit Plan Disclosure

Projected benefit obligation 605 616 \$ 586

Accumulated benefit obligation 540 549

Fair value of plan assets 548 529 \$ 519

Defined benefit plans with obligations in excess of plan assets:

Pension plans with projected benefit obligations in excess of the plans' assets, aggregate projected benefit obligations 281 330

Pension plans with projected benefit obligations in excess of the plans' assets, aggregate fair value of plan assets 137 165

Defined benefit plans with accumulated benefit obligations in excess of plan assets:

Pension plans with accumulated benefit obligations in excess of the plans' assets, aggregate accumulated benefit obligations 220 226

Pension plans with accumulated benefit obligations in excess of the plans' assets, aggregate fair value of plan assets \$ 103 \$ 93

**PENSION, DEFERRED
COMPENSATION AND
POST-RETIREMENT
BENEFIT PLANS -
Expected Cash Flows for the
Company's Pension and
Post-Retirement Plans
(Details)
\$ in Millions**

**Jun. 30, 2017
USD (\$)**

Pension Plans | United States

Expected cash flows for the Company's pension and post-retirement plans

<u>Expected benefit payments for year ending June 30, 2018</u>	\$ 83
<u>Expected benefit payments for year ending June 30, 2019</u>	72
<u>Expected benefit payments for year ending June 30, 2020</u>	68
<u>Expected benefit payments for year ending June 30, 2021</u>	63
<u>Expected benefit payments for year ending June 30, 2022</u>	63
<u>Expected benefit payments for year ending June 30, Years 2023-2027</u>	333

Pension Plans | International

Expected cash flows for the Company's pension and post-retirement plans

<u>Expected employer contributions for year ending June 30, 2018</u>	27
<u>Expected benefit payments for year ending June 30, 2018</u>	22
<u>Expected benefit payments for year ending June 30, 2019</u>	20
<u>Expected benefit payments for year ending June 30, 2020</u>	22
<u>Expected benefit payments for year ending June 30, 2021</u>	22
<u>Expected benefit payments for year ending June 30, 2022</u>	28
<u>Expected benefit payments for year ending June 30, Years 2023-2027</u>	132

Other than Pension Plans Post-Retirement

Expected cash flows for the Company's pension and post-retirement plans

<u>Expected benefit payments for year ending June 30, 2018</u>	7
<u>Expected benefit payments for year ending June 30, 2019</u>	8
<u>Expected benefit payments for year ending June 30, 2020</u>	8
<u>Expected benefit payments for year ending June 30, 2021</u>	9
<u>Expected benefit payments for year ending June 30, 2022</u>	10
<u>Expected benefit payments for year ending June 30, Years 2023-2027</u>	\$ 57

**PENSION, DEFERRED
COMPENSATION AND
POST-RETIREMENT
BENEFIT PLANS -
Company's Target Asset
Allocation at June 30, 2017
(Details)**

Jun. 30, 2017

[Pension Plans | United States](#)

[Company's target asset allocation at June 30, 2017](#)

[Target asset allocation \(as a percent\)](#) 100.00%

[Pension Plans | United States | Equity securities](#)

[Company's target asset allocation at June 30, 2017](#)

[Target asset allocation \(as a percent\)](#) 44.00%

[Pension Plans | United States | Debt instruments](#)

[Company's target asset allocation at June 30, 2017](#)

[Target asset allocation \(as a percent\)](#) 39.00%

[Pension Plans | United States | Other](#)

[Company's target asset allocation at June 30, 2017](#)

[Target asset allocation \(as a percent\)](#) 17.00%

[Pension Plans | International](#)

[Company's target asset allocation at June 30, 2017](#)

[Target asset allocation \(as a percent\)](#) 100.00%

[Pension Plans | International | Equity securities](#)

[Company's target asset allocation at June 30, 2017](#)

[Target asset allocation \(as a percent\)](#) 15.00%

[Pension Plans | International | Debt instruments](#)

[Company's target asset allocation at June 30, 2017](#)

[Target asset allocation \(as a percent\)](#) 60.00%

[Pension Plans | International | Other](#)

[Company's target asset allocation at June 30, 2017](#)

[Target asset allocation \(as a percent\)](#) 25.00%

[Other than Pension Plans Post-Retirement](#)

[Company's target asset allocation at June 30, 2017](#)

[Target asset allocation \(as a percent\)](#) 100.00%

[Other than Pension Plans Post-Retirement | Equity securities](#)

[Company's target asset allocation at June 30, 2017](#)

[Target asset allocation \(as a percent\)](#) 44.00%

[Other than Pension Plans Post-Retirement | Debt instruments](#)

[Company's target asset allocation at June 30, 2017](#)

[Target asset allocation \(as a percent\)](#) 39.00%

[Other than Pension Plans Post-Retirement | Other](#)

[Company's target asset allocation at June 30, 2017](#)

[Target asset allocation \(as a percent\)](#) 17.00%

**PENSION, DEFERRED
COMPENSATION AND
POST-RETIREMENT
BENEFIT PLANS - Fair
values of the Company's
pension and post-retirement
plan assets by asset category
(Details) - USD (\$)
\$ in Millions**

12 Months Ended

Jun. 30, 2017 Jun. 30, 2016

Defined Benefit Plan Disclosure

Fair value of plan assets \$ 1,366 \$ 1,305

Level 1

Defined Benefit Plan Disclosure

Fair value of plan assets 150 238

Level 2

Defined Benefit Plan Disclosure

Fair value of plan assets 874 799

Level 3

Defined Benefit Plan Disclosure

Fair value of plan assets 48 45

Assets Measured at NAV

Defined Benefit Plan Disclosure

Fair value of plan assets 294 223

Cash and cash equivalents

Defined Benefit Plan Disclosure

Fair value of plan assets 3 14

Cash and cash equivalents | Level 1

Defined Benefit Plan Disclosure

Fair value of plan assets 3 14

Short-term investment funds

Defined Benefit Plan Disclosure

Fair value of plan assets 23 48

Short-term investment funds | Level 2

Defined Benefit Plan Disclosure

Fair value of plan assets 17 43

Short-term investment funds | Assets Measured at NAV

Defined Benefit Plan Disclosure

Fair value of plan assets 6 5

Government and agency securities

Defined Benefit Plan Disclosure

Fair value of plan assets 37 29

Government and agency securities | Level 2

Defined Benefit Plan Disclosure

Fair value of plan assets 37 29

Equity securities		
Defined Benefit Plan Disclosure		
Fair value of plan assets		17
Equity securities Level 1		
Defined Benefit Plan Disclosure		
Fair value of plan assets		17
Debt instruments		
Defined Benefit Plan Disclosure		
Fair value of plan assets	59	145
Debt instruments Level 2		
Defined Benefit Plan Disclosure		
Fair value of plan assets	59	145
Commingled funds		
Defined Benefit Plan Disclosure		
Fair value of plan assets	1,102	889
Unfunded commitments	\$ 0	
Commingled funds Minimum		
Defined Benefit Plan Disclosure		
Monthly and quarterly redemption notice periods	10 days	
Commingled funds Maximum		
Defined Benefit Plan Disclosure		
Monthly and quarterly redemption notice periods	30 days	
Commingled funds Level 1		
Defined Benefit Plan Disclosure		
Fair value of plan assets	\$ 147	207
Commingled funds Level 2		
Defined Benefit Plan Disclosure		
Fair value of plan assets	761	582
Commingled funds Assets Measured at NAV		
Defined Benefit Plan Disclosure		
Fair value of plan assets	194	100
Insurance contracts		
Defined Benefit Plan Disclosure		
Fair value of plan assets	48	45
Insurance contracts Level 3		
Defined Benefit Plan Disclosure		
Fair value of plan assets	48	45
Limited partnerships and hedge fund investments		
Defined Benefit Plan Disclosure		
Fair value of plan assets	\$ 94	118
Limited partnerships and hedge fund investments Minimum		
Defined Benefit Plan Disclosure		
Monthly and quarterly redemption notice periods	30 days	
Limited partnerships and hedge fund investments Maximum		

Defined Benefit Plan Disclosure

Monthly and quarterly redemption notice periods

90 days

Limited partnerships and hedge fund investments | Assets Measured at NAV

Defined Benefit Plan Disclosure

Fair value of plan assets

\$ 94

\$ 118

**PENSION, DEFERRED
COMPENSATION AND
POST-RETIREMENT
BENEFIT PLANS - Changes
in Level 3 Plan Assets
(Details)
\$ in Millions**

12 Months Ended

**Jun. 30, 2017
USD (\$)**

Changes in Level 3 plan assets

Fair value of plan assets at beginning of year \$ 1,305

Actual return on plan assets:

Fair value of plan assets at end of year 1,366

Level 3

Changes in Level 3 plan assets

Fair value of plan assets at beginning of year 45

Actual return on plan assets:

Fair value of plan assets at end of year 48

Insurance contracts

Changes in Level 3 plan assets

Fair value of plan assets at beginning of year 45

Actual return on plan assets:

Fair value of plan assets at end of year 48

Insurance contracts | Level 3

Changes in Level 3 plan assets

Fair value of plan assets at beginning of year 45

Actual return on plan assets:

Relating to assets still held at the reporting date 1

Purchases, sales, issuances and settlements, net 1

Foreign exchange impact 1

Fair value of plan assets at end of year \$ 48

**PENSION, DEFERRED
COMPENSATION AND
POST-RETIREMENT
BENEFIT PLANS - 401(k)
Savings Plan (U.S.) and
Deferred Compensation
(Details) - USD (\$)
\$ in Millions**

12 Months Ended

**Jun. 30, Jun. 30, Jun. 30,
2017 2016 2015**

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

Minimum period following date of hire after which full-time employees become eligible to participate in the savings plan

30 days

Minimum service period after which the Company matches a portion of the participant's contributions

1 year

Company's contribution to contributory defined contribution plan

\$ 39 \$ 37 \$ 35

Deferred Compensation

Accrued amount of deferred compensation and interest thereon

75 71

Deferred compensation expense (income) to reflect additional deferrals and change in market value (in dollars)

\$ 6 \$ 6 \$ 9

**COMMITMENTS AND
CONTINGENCIES (Details)**

- USD (\$)
\$ in Millions

12 Months Ended

**Jun. 30, Jun. 30, Jun. 30, Jul. 31,
2017 2016 2015 2017**

Debt service, Payments Due in Fiscal

<u>Debt service</u>	\$ 5,805		
<u>Debt service, Payments Due in Fiscal 2018</u>	312		
<u>Debt service, Payments Due in Fiscal 2019</u>	122		
<u>Debt service, Payments Due in Fiscal 2020</u>	617		
<u>Debt service, Payments Due in Fiscal 2021</u>	558		
<u>Debt service, Payments Due in Fiscal 2022</u>	101		
<u>Debt service, Payments Due in Fiscal Thereafter</u>	4,095		

Operating lease commitments, Payments Due in Fiscal

<u>Operating lease commitments</u>	2,427		
<u>Operating lease commitments, Payments Due in Fiscal 2018</u>	377		
<u>Operating lease commitments, Payments Due in Fiscal 2019</u>	349		
<u>Operating lease commitments, Payments Due in Fiscal 2020</u>	301		\$ 5
<u>Operating lease commitments, Payments Due in Fiscal 2021</u>	239		24
<u>Operating lease commitments, Payments Due in Fiscal 2022</u>	212		32
<u>Operating lease commitments, Payments Due in Fiscal Thereafter</u>	949		\$ 597

Unconditional purchase obligations, Payments Due in Fiscal

<u>Unconditional purchase obligations</u>	3,035		
<u>Unconditional purchase obligations, Payments Due in Fiscal 2018</u>	1,434		
<u>Unconditional purchase obligations, Payments Due in Fiscal 2019</u>	407		
<u>Unconditional purchase obligations, Payments Due in Fiscal 2020</u>	435		
<u>Unconditional purchase obligations, Payments Due in Fiscal 2021</u>	368		
<u>Unconditional purchase obligations, Payments Due in Fiscal 2022</u>	342		
<u>Unconditional purchase obligations, Payments Due in Fiscal Thereafter</u>	49		

Gross unrecognized tax benefits and interest - current, Payments Due in Fiscal

<u>Gross unrecognized tax benefits and interest - current</u>	3		
<u>Gross unrecognized tax benefits and interest - current, Payments Due in Fiscal 2018</u>	3		

Total contractual obligations, Payments Due in Fiscal

<u>Total contractual obligations</u>	11,270		
<u>Total contractual obligations, Payments Due in Fiscal 2018</u>	2,126		
<u>Total contractual obligations, Payments Due in Fiscal 2019</u>	878		
<u>Total contractual obligations, Payments Due in Fiscal 2020</u>	1,353		
<u>Total contractual obligations, Payments Due in Fiscal 2021</u>	1,165		
<u>Total contractual obligations, Payments Due in Fiscal 2022</u>	655		
<u>Total contractual obligations, Payments Due in Fiscal Thereafter</u>	5,093		

Projected interest costs on long-term and current debt, payments Due in fiscal

<u>Projected interest costs on long-term and current debt Due in fiscal 2018</u>	123		
<u>Projected interest costs on long-term and current debt Due in fiscal 2019</u>	117		
<u>Projected interest costs on long-term and current debt Due in fiscal 2020</u>	117		
<u>Projected interest costs on long-term and current debt Due in fiscal 2021</u>	108		
<u>Projected interest costs on long-term and current debt Due in fiscal 2022</u>	101		
<u>Projected interest costs on long-term and current debt Due in fiscal Thereafter</u>	1,645		
<u>Rental expense</u>	457	\$ 442	\$ 402
<u>Noncurrent unrecognized tax benefits, accrued interest and penalties</u>	\$ 73		

COMMON STOCK (Details) - USD (\$) \$/ shares in Units, \$ in Millions											12 Months Ended			24 Months Ended	
	Sep. 15, 2017	Aug. 18, 2017	Aug. 17, 2017	Jun. 15, 2017	May 02, 2017	Mar. 15, 2017	Feb. 01, 2017	Dec. 15, 2016	Nov. 01, 2016	Sep. 15, 2016	Aug. 18, 2016	Jun. 30, 2017	Jun. 30, 2016	Jun. 30, 2015	Jun. 30, 2017
Stock disclosures															
Additional purchase of Class A Common Stock (in dollars)											\$ 413	\$ 890	\$ 983		
Cash dividends declared per common share (in dollars per share)											\$ 1.32	\$ 1.14	\$ 0.92		
Common Class A and Common Class B															
Stock disclosures															
Cash dividends declared per common share (in dollars per share)		\$ 0.34	\$ 0.34	\$ 0.34	\$ 0.34	\$ 0.34	\$ 0.34	\$ 0.34	\$ 0.34	\$ 0.30					
Dividends paid (in dollars per share)			\$ 0.34	\$ 0.34	\$ 0.34	\$ 0.34	\$ 0.34	\$ 0.34	\$ 0.34	\$ 0.30					
Common Class A and Common Class B Forecast															
Stock disclosures															
Dividends paid (in dollars per share)	\$ 0.34														
Common Class A															
Class of Stock															
Common stock, shares authorized											1,300,000,000	1,300,000,000	1,300,000,000		
Common stock, par value (in dollars per share)											\$ 0.01	\$ 0.01	\$ 0.01		
Exchange basis for conversion of Class B Common Stock into shares of Class A Common Stock											One-for-one basis				
Common stock holder voting rights											one vote per share				
Increase (Decrease) in Stockholders' Equity															
Balance at the beginning of the period (in shares)											222,989,600	227,836,200	234,156,400	227,836,200	
Acquisition of treasury stock (in shares)											(4,694,800)	(10,534,400)	(12,397,100)		
Conversion of Class B to Class A (in shares)											1,007,900	2,275,900	1,682,000		
Stock-based compensation (in shares)											5,038,500	3,411,900	4,394,900		
Balance at the end of the period (in shares)											224,341,200	222,989,600	227,836,200	224,341,200	
Stock disclosures															
Remaining authorized share repurchase balance (in shares)											14,500,000			14,500,000	
Additional purchase of Class A Common Stock (in shares)	500,000														
Additional purchase of Class A Common Stock (in dollars)	\$ 45														
Common Class B															
Class of Stock															
Common stock, shares authorized											304,000,000	304,000,000		304,000,000	
Common stock, par value (in dollars per share)											\$ 0.01	\$ 0.01		\$ 0.01	

Common stock holder voting rights

ten votes per share

Increase (Decrease) in Stockholders' Equity

Balance at the beginning of the period (in shares)

144,770,237 147,046,100 148,728,100 147,046,100

Conversion of Class B to Class A (in shares)

(1,007,900) (2,275,900) (1,682,000)

Balance at the end of the period (in shares)

143,762,288 144,770,237 147,046,100 143,762,288

**STOCK PROGRAMS -
Stock Program Details
(Details)
shares in Millions, \$ in
Millions**

**12 Months Ended
Jun. 30,
2017 Jun. 30, Jun. 30,
USD (\$) 2016 2015
item USD (\$) USD (\$)
shares**

Share-based Compensation Arrangement by Share-based Payment Award

<u>Number of active equity compensation plans item</u>	2		
<u>Compensation expense</u>			
<u>Compensation expense</u>	\$ 219	\$ 184	\$ 165
<u>Income tax benefit</u>	72	\$ 60	\$ 54
<u>Total unrecognized compensation cost related to unvested stock-based awards</u>	\$ 170		
<u>Weighted-average period over which compensation cost related to unvested stock-based awards is expected to be recognized</u>	2 years		
<u>Common Class A</u>			

Share-based Compensation Arrangement by Share-based Payment Award

<u>Number of Class A Common Stock shares authorized under active equity compensation plans shares</u>	76.8
<u>Number of Class A Common Stock shares reserved and available to be granted pursuant to equity compensation plans shares</u>	11.9

STOCK PROGRAMS - Stock Options (Details) - Stock options \$/ shares in Units, \$ in Millions	12 Months Ended		
	Jun. 30, 2017 USD (\$) item \$/ shares shares	Jun. 30, 2016 USD (\$) \$/ shares shares	Jun. 30, 2015 USD (\$) \$/ shares shares
Shares			
Outstanding at the beginning of the year (in shares) shares	14,007,500		
Grant at fair value (in shares) shares	2,477,800		
Exercised (in shares) shares	(3,361,600)		
Expired (in shares) shares	(23,900)		
Forfeited (in shares) shares	(135,500)		
Outstanding at the end of the period (in shares) shares	12,964,300	14,007,500	
Vested and expected to vest (in shares) shares	12,858,000		
Exercisable (in shares) shares	8,458,100		
Weighted-Average Exercise Price Per Share			
Outstanding at the beginning of the year (in dollars per share)	\$ 52.92		
Grant date fair value (in dollars per share)	89.24		
Exercise price (in dollars per share)	41.81		
Expired (in dollars per share)	70.93		
Forfeited (in dollars per share)	81.23		
Outstanding at the end of the period (in dollars per share)	62.42	\$ 52.92	
Vested and expected to vest Weighted-Average Exercise Price (in dollars per share)	62.22		
Exercisable Weighted-Average Exercise Price (in dollars per share)	\$ 51.17		
Additional General Disclosures			
Outstanding Aggregate Intrinsic Value (in dollars) \$	\$ 435		
Weighted-Average Contractual Life Remaining	6 years 1 month 6 days		
Vested and expected to vest Aggregate Intrinsic Value (in dollars) \$	\$ 434		
Vested and expected to vest Exercisable Weighted-Average Contractual Life Remaining	6 years		
Exercisable Aggregate Intrinsic Value (in dollars) \$	\$ 379		
Exercisable Weighted-Average Contractual Life Remaining	4 years 9 months 18 days		
Maximum exercise period for all stock options from the date of grant	10 years		
Number of substantively equal tranches in which stock options grants become exercisable item	3		
Service period over which stock option grants generally become exercisable in substantively equal tranches	4 years		
Per-share weighted-average grant date fair value of stock options granted			
Per-share weighted-average grant date fair value of stock options granted (in dollars per share)	\$ 22.79	\$ 21.51	\$ 22.44

<u>Intrinsic value of stock options exercised (in dollars) \$</u>	\$ 149	\$ 75	\$ 114
<u>Fair Value Of Option Grants, Assumptions and Methodology</u>			
<u>Method used for estimating fair value of option grant</u>	Black-Scholes		
<u>Weighted-average expected stock-price volatility (as a percent)</u>	26.00%	27.00%	28.00%
<u>Weighted-average expected option life</u>	7 years	7 years	7 years
<u>Average risk-free interest rate (as a percent)</u>	1.50%	1.90%	2.20%
<u>Average dividend yield (as a percent)</u>	1.30%	1.20%	1.10%

**STOCK PROGRAMS -
Restricted Stock Units
(Details) - Restricted Stock
Units**

**12 Months Ended
Jun. 30, 2017
\$ / shares
shares**

Shares

<u>Nonvested at the beginning of the period (in shares)</u>	2,795,400
<u>Granted (in shares)</u>	1,594,100
<u>Dividend equivalents (in shares)</u>	34,100
<u>Vested (in shares)</u>	(1,337,900)
<u>Forfeited (in shares)</u>	(146,500)
<u>Nonvested at the end of the period (in shares)</u>	2,939,200

Weighted-Average Grant Date Fair Value

<u>Nonvested at the beginning of the period (in dollars per share) \$ / shares</u>	\$ 75.55
<u>Grant date fair value (in dollars per share) \$ / shares</u>	88.91
<u>Dividend equivalents (in dollars per share) \$ / shares</u>	86.38
<u>Vested (in dollars per share) \$ / shares</u>	74.05
<u>Forfeited (in dollars per share) \$ / shares</u>	80.58
<u>Nonvested at the end of the period (in dollars per share) \$ / shares</u>	\$ 83.35

RSU grants scheduled to vest in fiscal 2018

Shares

<u>RSU grants scheduled to vest (in shares)</u>	500,000
---	---------

RSU grants scheduled to vest in fiscal 2019

Shares

<u>RSU grants scheduled to vest (in shares)</u>	500,000
---	---------

RSU grants scheduled to vest in fiscal 2020

Shares

<u>RSU grants scheduled to vest (in shares)</u>	500,000
---	---------

RSU grants scheduled to vest in fiscal 2022

Shares

<u>RSU grants scheduled to vest (in shares)</u>	100,000
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**STOCK PROGRAMS -
Performance Share Units
(Details) - \$ / shares**

1 Months Ended		12 Months Ended		
Jan. 31, 2017	Sep. 30, 2016	Jun. 30, 2017	Jun. 30, 2016	Jun. 30, 2015

Common Class A

Share-based Compensation Arrangement by Share-based Payment Award

<u>Common Stock issued (in shares)</u>			5,038,500	3,411,900	4,394,900
--	--	--	-----------	-----------	-----------

Performance Share Units

Share-based Compensation Arrangement by Share-based Payment Award

<u>Vesting period</u>			3 years		
-----------------------	--	--	---------	--	--

<u>Granted (in shares)</u>			749,200		
----------------------------	--	--	---------	--	--

<u>Grant date fair value (in dollars per share)</u>			\$ 83.73		
---	--	--	----------	--	--

Other Equity Compensation Plans

<u>Nonvested at the beginning of the period (in shares)</u>			539,100		
---	--	--	---------	--	--

<u>Granted (in shares)</u>			749,200		
----------------------------	--	--	---------	--	--

<u>Vested (in shares)</u>			(259,800)	(300,000)	
---------------------------	--	--	-----------	-----------	--

<u>Forfeited (in shares)</u>			(6,300)		
------------------------------	--	--	---------	--	--

<u>Nonvested at the end of the period (in shares)</u>			1,022,200	539,100	
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Weighted-Average Grant Date Fair Value

<u>Nonvested at the beginning of the period (in dollars per share)</u>			\$ 76.81		
--	--	--	----------	--	--

<u>Grant date fair value (in dollars per share)</u>			83.73		
---	--	--	-------	--	--

<u>Vested (in dollars per share)</u>			76.23		
--------------------------------------	--	--	-------	--	--

<u>Forfeited (in dollars per share)</u>			81.11		
---	--	--	-------	--	--

<u>Nonvested at the end of the period (in dollars per share)</u>			\$ 82.00	\$ 76.81	
--	--	--	----------	----------	--

Performance Share Units | Common Class A

Share-based Compensation Arrangement by Share-based Payment Award

<u>Target payout for performance share units in Class A</u>			200,000		
---	--	--	---------	--	--

<u>Common Stock (in shares)</u>					
---------------------------------	--	--	--	--	--

<u>Common Stock issued (in shares)</u>		300,000			
--	--	---------	--	--	--

PSU settled June 30, 2020 | Performance Share Units

Share-based Compensation Arrangement by Share-based Payment Award

<u>Granted (in shares)</u>	300,000		300,000		
----------------------------	---------	--	---------	--	--

<u>Grant date fair value (in dollars per share)</u>	\$ 80.79		\$ 89.47		
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Other Equity Compensation Plans

<u>Granted (in shares)</u>	300,000		300,000		
----------------------------	---------	--	---------	--	--

Weighted-Average Grant Date Fair Value

<u>Grant date fair value (in dollars per share)</u>	\$ 80.79		\$ 89.47		
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PSU settled June 30, 2022 | Performance Share Units

Share-based Compensation Arrangement by Share-based Payment Award

<u>Granted (in shares)</u>	200,000
<u>Grant date fair value (in dollars per share)</u>	\$ 80.79
<u>Other Equity Compensation Plans</u>	
<u>Granted (in shares)</u>	200,000
<u>Weighted-Average Grant Date Fair Value</u>	
<u>Grant date fair value (in dollars per share)</u>	\$ 80.79

STOCK PROGRAMS - Performance Share Units Based on Total Stockholder Return (Details) - USD (\$) \$ in Millions	1	12 Months Ended			24
	Months Ended				Months Ended
	Aug. 31, 2017	Jun. 30, 2017	Jun. 30, 2016	Jun. 30, 2015	Jun. 30, 2013
<u>Common Class A</u>					
<u>Share-based Compensation Arrangement by Share-based Payment Award</u>					
<u>Common Stock issued (in shares)</u>		5,038,500	3,411,900	4,394,900	
<u>Performance share units based on total stockholder return</u>					
<u>Share-based Compensation Arrangement by Share-based Payment Award</u>					
<u>Grant date fair value (in USD)</u>		\$ 11			\$ 11
<u>Method used for estimating fair value of option grant</u>		lattice model with a Monte Carlo			
<u>Dividend yield (as a percent)</u>		1.00%			
<u>Weighted-average expected stock-price volatility (as a percent)</u>		32.00%			
<u>Performance share units based on total stockholder return Performance share units based on total stockholders return vesting (contractual term 33 months)</u>					
<u>Share-based Compensation Arrangement by Share-based Payment Award</u>					
<u>Weighted-average expected option life</u>		33 months			
<u>Weighted-average risk-free interest rate (as a percent)</u>		0.30%			
<u>Performance share units based on total stockholder return Performance share units based on total stockholders return vesting (contractual term 45 months)</u>					
<u>Share-based Compensation Arrangement by Share-based Payment Award</u>					
<u>Weighted-average expected option life</u>		45 months			
<u>Weighted-average risk-free interest rate (as a percent)</u>		0.50%			
<u>Performance share units based on total stockholder return Performance share units based on total stockholders return vesting (contractual term 57 months)</u>					
<u>Share-based Compensation Arrangement by Share-based Payment Award</u>					
<u>Weighted-average expected option life</u>		57 months			

<u>Weighted-average risk-free interest rate (as a percent)</u>	0.70%	
<u>Performance share units based on total stockholder return Common Class A Executive</u>		
<u>Share-based Compensation Arrangement by Share-based Payment Award</u>		
<u>Target payout for performance share units in Class A Common Stock (in shares)</u>		162,760
<u>Common Stock issued (in shares)</u>		92,431
<u>Forecast Performance share units based on total stockholder return Common Class A Executive</u>		
<u>Share-based Compensation Arrangement by Share-based Payment Award</u>		
<u>Common Stock issued (in shares)</u>	30,267	

STOCK PROGRAMS - Long-term Performance Share Units (Details) - Long- term Performance Share Units - Common Class A - Executive \$ in Millions	1 Months Ended			
	Jan. 31, 2016 item shares	Sep. 30, 2015 item shares	Jan. 28, 2016 USD (\$)	Sep. 04, 2015 USD (\$)
<u>Share-based Compensation Arrangement by Share-based Payment Award</u>				
<u>Target payout for performance share units in Class A Common Stock (in shares)</u>	71,694	387,848		
<u>Number of tranches item</u>	3	3		
<u>Business days to make tranche payment</u>	30 days			
<u>Grant date fair value (in USD) \$</u>			\$ 6	\$ 30
<u>Performance period ending June 30, 2018</u>				
<u>Share-based Compensation Arrangement by Share-based Payment Award</u>				
<u>Target payout for performance share units in Class A Common Stock (in shares)</u>		129,283		
<u>Performance period ending June 30, 2019</u>				
<u>Share-based Compensation Arrangement by Share-based Payment Award</u>				
<u>Target payout for performance share units in Class A Common Stock (in shares)</u>		129,283		
<u>Performance period ending June 30, 2020</u>				
<u>Share-based Compensation Arrangement by Share-based Payment Award</u>				
<u>Target payout for performance share units in Class A Common Stock (in shares)</u>		129,283		
<u>Performance period ending January 29, 2018</u>				
<u>Share-based Compensation Arrangement by Share-based Payment Award</u>				
<u>Target payout for performance share units in Class A Common Stock (in shares)</u>	23,898			
<u>Performance period ending January 29, 2019</u>				
<u>Share-based Compensation Arrangement by Share-based Payment Award</u>				
<u>Target payout for performance share units in Class A Common Stock (in shares)</u>	23,898			
<u>Performance period ending January 29, 2020</u>				
<u>Share-based Compensation Arrangement by Share-based Payment Award</u>				
<u>Target payout for performance share units in Class A Common Stock (in shares)</u>	23,898			

**STOCK PROGRAMS -
Share Units, Cash Units
(Details) - USD (\$)
\$ / shares in Units, \$ in
Millions**

12 Months Ended

	Jun. 30, 2017	Jun. 30, 2016	Jun. 30, 2015
<u>Non-employee Director Deferred Cash Compensation, Cash Payout Shares</u>			
<u>Deferred compensation expense (income) to reflect additional deferrals and change in market value (in dollars)</u>	\$ 6	\$ 6	\$ 9
<u>Share Units</u>			
<u>Shares</u>			
<u>Outstanding at the beginning of the period (in shares)</u>	120,700		
<u>Granted (in shares)</u>	8,900		
<u>Dividend equivalents (in shares)</u>	2,000		
<u>Outstanding at the end of the period (in shares)</u>	131,600	120,700	
<u>Weighted-Average Grant Date Fair Value Per Share</u>			
<u>Outstanding at the beginning of the period (in dollars per share)</u>	\$ 45.00		
<u>Grant date fair value (in dollars per share)</u>	78.36		
<u>Dividend equivalents (in dollars per share)</u>	86.46		
<u>Outstanding at the end of the period (in dollars per share)</u>	\$ 47.87	\$ 45.00	
<u>Cash Units</u>			
<u>Non-employee Director Deferred Cash Compensation, Cash Payout Shares</u>			
<u>Deferred compensation expense (income) to reflect additional deferrals and change in market value (in dollars)</u>	\$ 2	\$ 2	\$ 3

**NET EARNINGS
ATTRIBUTABLE TO THE
ESTEE LAUDER
COMPANIES INC. PER
COMMON SHARE -
Reconciliation Between
Numerator and
Denominator of Basic and
Diluted EPS Computations
(Details) - USD (\$)
\$/ shares in Units, shares in
Millions, \$ in Millions**

3 Months Ended

12 Months Ended

Jun. 30, 2017	Mar. 31, 2017	Dec. 31, 2016	Sep. 30, 2016	Jun. 30, 2016	Mar. 31, 2016	Dec. 31, 2015	Sep. 30, 2015	Jun. 30, 2017	Jun. 30, 2016	Jun. 30, 2015
---------------------	---------------------	---------------------	---------------------	---------------------	---------------------	---------------------	---------------------	---------------------	---------------------	---------------------

Numerator:

Net earnings attributable to The Estee
Lauder Companies Inc. (in dollars)

\$	\$	\$
1,249	1,115	1,089

Denominator:

Weighted-average common shares
outstanding - Basic

367.1	370.0	379.3
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Weighted-average common shares
outstanding - Diluted

373.0	376.6	385.7
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**Net earnings attributable to The
Estee Lauder Companies Inc. per
common share:**

Basic (in dollars per share)

\$ 0.62	\$ 0.81	\$ 1.17	\$ 0.80	\$ 0.25	\$ 0.72	\$ 1.21	\$ 0.83	\$ 3.40	\$ 3.01	\$ 2.87
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Diluted (in dollars per share)

\$ 0.61	\$ 0.80	\$ 1.15	\$ 0.79	\$ 0.25	\$ 0.71	\$ 1.19	\$ 0.82	\$ 3.35	\$ 2.96	\$ 2.82
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Stock options

Denominator:

Incremental common shares
attributable to share-based payment
arrangements

3.8	4.6	4.6
-----	-----	-----

Performance Share Units

Denominator:

Incremental common shares
attributable to share-based payment
arrangements

0.2	0.1	0.1
-----	-----	-----

Restricted Stock Units

Denominator:

Incremental common shares
attributable to share-based payment
arrangements

1.9	1.8	1.6
-----	-----	-----

Performance share units based on total
stockholder return

Denominator:

Incremental common shares
attributable to share-based payment
arrangements

0.1	0.1
-----	-----

**NET EARNINGS
 ATTRIBUTABLE TO THE
 ESTEE LAUDER
 COMPANIES INC. PER
 COMMON SHARE -
 Antidilutive Securities
 Excluded from Computation
 of Earnings, Per Share
 (Details) - shares
 shares in Millions**

12 Months Ended

**Jun. 30,
 2017 Jun. 30,
 2016 Jun. 30,
 2015**

[Stock options](#)

Antidilutive Securities Excluded from Computation of Earnings, Per Share

Antidilutive shares excluded from the calculation of diluted earnings per share	1.8	0.2	0.0
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[Contingently Issuable Shares](#)

Antidilutive Securities Excluded from Computation of Earnings, Per Share

Antidilutive shares excluded from the calculation of diluted earnings per share	1.0	0.5	0.6
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**ACCUMULATED OTHER
COMPREHENSIVE
INCOME (LOSS) - Changes
in AOCI by Component
(Details) - USD (\$)
\$ in Millions**

12 Months Ended

**Jun. 30, Jun. 30, Jun. 30,
2017 2016 2015**

Changes in AOCI, net of tax by component

<u>Balance, beginning of year</u>	\$ 3,572		
<u>Translation adjustments</u>	32	\$ (101)	\$ (306)
<u>Balance, end of year</u>	4,384	3,572	
<u>Accumulated other comprehensive loss</u>	(484)	(545)	

Changes in AOCI, net of tax by component

<u>Accumulated other comprehensive loss</u>	(484)	(545)	(381)
<u>Net unrealized investment gains (losses)</u>			

Changes in AOCI, net of tax by component

<u>Balance, beginning of year</u>	7		1
<u>Amounts before reclassification</u>	(8)	7	1
<u>Reclassification to earnings during the year</u>			(2)
<u>Balance, end of year</u>	(1)	7	

Changes in AOCI, net of tax by component

<u>Accumulated other comprehensive income (loss) from foreign currency cash-flow hedges</u>			
<u>Balance, beginning of year</u>	32	44	(1)
<u>Amounts before reclassification</u>	(13)	48	108
<u>Benefit (provision) for deferred income taxes before reclassification</u>	5	(17)	(38)
<u>Benefit (provision) for deferred income taxes on reclassification</u>	14	23	13
<u>Balance, end of year</u>	(3)	32	44

Changes in AOCI, net of tax by component

<u>Reclassification to earnings during the year</u>	(40)	(65)	(38)
<u>Accumulated other comprehensive income (loss) from foreign currency cash-flow hedges Foreign currency forward contracts</u>			

Changes in AOCI, net of tax by component

<u>Reclassification to earnings during the year</u>	(1)	(1)	
<u>Amounts Included in Net Periodic Benefit Cost</u>			

Changes in AOCI, net of tax by component

<u>Balance, beginning of year</u>	(285)	(235)	(233)
<u>Benefit (provision) for deferred income taxes before reclassification</u>	(20)	39	13
<u>Benefit (provision) for deferred income taxes on reclassification</u>	(10)	(7)	(7)
<u>Translation adjustments</u>		6	16
<u>Balance, end of year</u>	(213)	(285)	(235)
<u>Net actuarial (gains) losses recognized</u>			

<u>Changes in AOCI, net of tax by component</u>			
<u>Balance, beginning of year</u>	(423)		
<u>Amounts before reclassification</u>	71	(114)	(48)
<u>Reclassification to earnings during the year</u>	28	22	21
<u>Balance, end of year</u>	(324)	(423)	
<u>Net prior service cost (credit) recognized</u>			
<u>Changes in AOCI, net of tax by component</u>			
<u>Balance, beginning of year</u>	(4)		
<u>Reclassification to earnings during the year</u>	3	4	3
<u>Balance, end of year</u>	(1)	(4)	
<u>Translation adjustments</u>			
<u>Changes in AOCI, net of tax by component</u>			
<u>Balance, beginning of year</u>	(299)	(190)	132
<u>Amounts before tax</u>	32	(107)	(319)
<u>Provision for deferred income taxes</u>		(2)	(3)
<u>Balance, end of year</u>	\$ (267)	\$ (299)	\$ (190)

**ACCUMULATED OTHER
COMPREHENSIVE
INCOME (LOSS) - Schedule
of Components of AOCI -
Footnotes (Detail) - USD (\$)
\$ in Millions**

12 Months Ended

**Jun. Jun. Jun.
30, 30, 30,
2017 2016 2015**

Reclassification adjustments from accumulated other comprehensive income (loss)

<u>Cost of sales</u>	\$	\$	\$
	(2,437)	(2,181)	(2,100)
<u>Selling, general and administrative</u>	(7,469)	(7,338)	(7,074)

Accumulated other comprehensive income (loss) from foreign currency cash-flow hedges | Foreign currency forward contracts | Amount Reclassified from AOCI

Reclassification adjustments from accumulated other comprehensive income (loss)

<u>Cost of sales</u>	10	17	9
<u>Selling, general and administrative</u>	\$ 30	\$ 48	\$ 29

**STATEMENT OF CASH
FLOWS (Details) - USD (\$)
\$ in Millions**

**12 Months Ended
Jun. 30, 2017 Jun. 30, 2016 Jun. 30, 2015**

Cash:

<u>Cash paid during the year for interest</u>	\$ 96	\$ 79	\$ 66
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<u>Cash paid during the year for income taxes</u>	456	451	417
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Noncash investing and financing activities:

<u>Capital lease and asset retirement obligations incurred</u>	12	27	9
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<u>Pending purchase price true-up payment</u>			11
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<u>Non-cash purchases (sales) of short- and long-term investments, net</u>	6	(3)	2
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<u>Property, plant and equipment accrued but unpaid</u>	\$ 29	\$ 29	\$ 29
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SEGMENT DATA AND RELATED INFORMATION (Details) \$ in Millions	3 Months Ended								12 Months Ended		
	Jun. 30, 2017	Mar. 31, 2017	Dec. 31, 2016	Sep. 30, 2016	Jun. 30, 2016	Mar. 31, 2016	Dec. 31, 2015	Sep. 30, 2015	Jun. 30, 2017	Jun. 30, 2016	Jun. 30, 2015
	USD (\$)	USD (\$)	USD (\$)	USD (\$)	USD (\$)	USD (\$)	USD (\$)	USD (\$)	USD (\$) segment	USD (\$)	USD (\$)
<u>SEGMENT DATA AND RELATED INFORMATION</u>											
<u>Number of operating segments segment</u>									1		
<u>Net Sales:</u>											
<u>Net Sales before returns associated with restructuring activities</u>									\$ 11,826	\$ 11,263	\$ 10,780
<u>Net Sales</u>	\$ 2,894	\$ 2,857	\$ 3,208	\$ 2,865	\$ 2,646	\$ 2,657	\$ 3,124	\$ 2,835	11,824	11,262	10,780
<u>Depreciation and Amortization:</u>											
<u>Depreciation and amortization</u>									464	415	409
<u>Operating Income (Loss) before charges associated with restructuring and other activities:</u>											
<u>Operating Income (Loss) before charges associated with restructuring and other activities</u>									1,904	1,744	1,606
<u>Operating Income</u>	230	\$ 427	\$ 617	\$ 418	143	\$ 384	\$ 630	\$ 453	1,692	1,610	1,606
<u>Reconciliation:</u>											
<u>Returns/Charges associated with restructuring and other activities</u>									(212)	(134)	
<u>Interest expense</u>									(103)	(71)	(60)
<u>Interest income and investment income, net</u>									28	16	15
<u>Earnings before Income Taxes</u>									1,617	1,555	1,561
<u>Total Assets:</u>											
<u>Assets</u>	11,568				9,223				11,568	9,223	8,227
<u>Long-Lived Assets (property, plant and equipment, net):</u>											
<u>Long-Lived Assets</u>	1,671				1,583				1,671	1,583	1,490
<u>Skin Care</u>											
<u>Net Sales:</u>											
<u>Net Sales before returns associated with restructuring activities</u>									4,527	4,446	4,479
<u>Depreciation and Amortization:</u>											
<u>Depreciation and amortization</u>									161	151	158
<u>Operating Income (Loss) before charges associated with restructuring and other activities:</u>											

<u>Operating Income (Loss) before charges associated with restructuring and other activities</u>	1,014	842	832
<u>Makeup</u>			
<u>Net Sales:</u>			
<u>Net Sales before returns associated with restructuring activities</u>	5,054	4,702	4,304
<u>Depreciation and Amortization:</u>			
<u>Depreciation and amortization</u>	218	184	168
<u>Operating Income (Loss) before charges associated with restructuring and other activities:</u>			
<u>Operating Income (Loss) before charges associated with restructuring and other activities</u>	713	758	659
<u>Fragrance</u>			
<u>Net Sales:</u>			
<u>Net Sales before returns associated with restructuring activities</u>	1,637	1,487	1,416
<u>Depreciation and Amortization:</u>			
<u>Depreciation and amortization</u>	59	52	54
<u>Operating Income (Loss) before charges associated with restructuring and other activities:</u>			
<u>Operating Income (Loss) before charges associated with restructuring and other activities</u>	115	87	83
<u>Hair Care</u>			
<u>Net Sales:</u>			
<u>Net Sales before returns associated with restructuring activities</u>	539	554	531
<u>Depreciation and Amortization:</u>			
<u>Depreciation and amortization</u>	23	24	26
<u>Operating Income (Loss) before charges associated with restructuring and other activities:</u>			
<u>Operating Income (Loss) before charges associated with restructuring and other activities</u>	51	52	38
<u>Other</u>			
<u>Net Sales:</u>			
<u>Net Sales before returns associated with restructuring activities</u>	69	74	50
<u>Depreciation and Amortization:</u>			
<u>Depreciation and amortization</u>	3	4	3

Operating Income (Loss) before charges associated with restructuring and other activities:

Operating Income (Loss) before charges associated with restructuring and other activities 11 5 (6)

Sales Returns (included in Net Sales)

Reconciliation:

Returns/Charges associated with restructuring and other activities (2) (1)

The Americas

Net Sales:

Net Sales before returns associated with restructuring activities 4,819 4,710 4,514

Operating Income (Loss) before charges associated with restructuring and other activities:

Operating Income (Loss) before charges associated with restructuring and other activities 284 346 302

Total Assets:

Assets 7,061 5,423 7,061 5,423 4,898

Long-Lived Assets (property, plant and equipment, net):

Long-Lived Assets 1,071 978 1,071 978 957

Europe, the Middle East and Africa

Net Sales:

Net Sales before returns associated with restructuring activities 4,650 4,381 4,086

Operating Income (Loss) before charges associated with restructuring and other activities:

Operating Income (Loss) before charges associated with restructuring and other activities 1,203 1,027 943

Total Assets:

Assets 3,367 3,016 3,367 3,016 2,614

Long-Lived Assets (property, plant and equipment, net):

Long-Lived Assets 456 464 456 464 400

Asia/Pacific

Net Sales:

Net Sales before returns associated with restructuring activities 2,357 2,172 2,180

Operating Income (Loss) before charges associated with restructuring and other activities:

<u>Operating Income (Loss) before charges associated with restructuring and other activities</u>			417	371	361
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Total Assets:

<u>Assets</u>	1,140	784	1,140	784	715
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Long-Lived Assets (property, plant and equipment, net):

<u>Long-Lived Assets</u>	144	141	144	141	133
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United States

Net Sales:

<u>Net Sales</u>			4,238	4,151	3,972
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Long-Lived Assets (property, plant and equipment, net):

<u>Long-Lived Assets</u>	\$ 869	\$ 862	\$ 869	\$ 862	\$ 856
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**UNAUDITED
QUARTERLY FINANCIAL
DATA (Details) - USD (\$)
\$ / shares in Units, \$ in
Millions**

3 Months Ended

12 Months Ended

Jun. 30, 2017	Mar. 31, 2017	Dec. 31, 2016	Sep. 30, 2016	Jun. 30, 2016	Mar. 31, 2016	Dec. 31, 2015	Sep. 30, 2015	Jun. 30, 2017	Jun. 30, 2016	Jun. 30, 2015
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**UNAUDITED QUARTERLY
FINANCIAL DATA**

<u>Net Sales</u>	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
	2,894	2,857	3,208	2,865	2,646	2,657	3,124	2,835	11,824	11,262	10,780
<u>Gross Profit</u>	2,281	2,266	2,571	2,269	2,135	2,153	2,535	2,258	9,387	9,081	8,680
<u>Operating Income</u>	230	427	617	418	143	384	630	453	1,692	1,610	\$ 1,606
<u>Net Earnings Attributable to The Estee Lauder Companies Inc.</u>	\$ 229	\$ 298	\$ 428	\$ 294	\$ 94	\$ 265	\$ 447	\$ 309	\$ 1,249	\$ 1,115	
<u>Net earnings attributable to The Estee Lauder Companies Inc. per common share:</u>											
<u>Basic (in dollars per share)</u>	\$ 0.62	\$ 0.81	\$ 1.17	\$ 0.80	\$ 0.25	\$ 0.72	\$ 1.21	\$ 0.83	\$ 3.40	\$ 3.01	\$ 2.87
<u>Diluted (in dollars per share)</u>	\$ 0.61	\$ 0.80	\$ 1.15	\$ 0.79	\$ 0.25	\$ 0.71	\$ 1.19	\$ 0.82	\$ 3.35	\$ 2.96	\$ 2.82
<u>Charges associated with restructuring activities, asset impairment</u>											
<u>Charges associated with restructuring and other activities</u>	\$ (78)	\$ (62)	\$ (41)	\$ (31)	\$ (100)	\$ (15)	\$ (19)		\$ (195)	\$ (133)	
<u>Charges associated with restructuring and other activities, net of tax</u>	\$ (55)	\$ (42)	\$ (26)	\$ (20)	\$ (68)	\$ (10)	\$ (12)				
<u>Charges associated with restructuring and other activities net of tax, per diluted common share (in dollars per share)</u>	\$ (0.15)	\$ (0.11)	\$ (0.07)	\$ (0.05)	\$ (0.18)	\$ (0.02)	\$ (0.03)				
<u>Changes in fair value of contingent consideration</u>	\$ 58								57	\$ (8)	\$ (7)
<u>Change in fair value of contingent consideration net of tax</u>	\$ 42										
<u>Change in fair value of contingent consideration net of tax per diluted common share (in dollars per share)</u>	\$ 0.11										
<u>Goodwill and other intangible asset impairments</u>	\$ (31)								\$ (31)		
<u>Goodwill and other intangible asset impairments net of tax</u>	\$ (23)										
<u>Goodwill and other intangible asset impairments net of tax per diluted common share (in dollars per share)</u>	\$ (0.06)										
<u>China deferred tax asset valuation allowance reversal</u>	\$ 75										

China deferred tax asset valuation
allowance reversal per share diluted (in \$
dollars per share) 0.20

**SCHEDULE II -
VALUATION AND
QUALIFYING ACCOUNTS
(Details) - USD (\$)
\$ in Millions**

12 Months Ended

**Jun. 30,
2017 Jun. 30,
2016 Jun. 30,
2015**

Allowance for doubtful accounts and customer deductions:

Reserves deducted in the balance sheet from the assets to which they apply:

<u>Balance at Beginning of Period</u>	\$ 24	\$ 21	\$ 24
<u>Charged to Costs and Expenses</u>	18	13	8
<u>Deductions</u>	[1]12	10	11
<u>Balance at End of Period</u>	30	24	21

Sales return accrual:

Reserves deducted in the balance sheet from the assets to which they apply:

<u>Balance at Beginning of Period</u>	96	97	94
<u>Charged to Costs and Expenses</u>	463	373	400
<u>Deductions</u>	[2]450	374	397
<u>Balance at End of Period</u>	109	96	97

Deferred tax valuation allowance:

Reserves deducted in the balance sheet from the assets to which they apply:

<u>Balance at Beginning of Period</u>	118	121	115
<u>Charged to Costs and Expenses</u>	3	6	10
<u>Deductions</u>	79	9	4
<u>Balance at End of Period</u>	42	118	\$ 121

Accrued restructuring:

Reserves deducted in the balance sheet from the assets to which they apply:

<u>Balance at Beginning of Period</u>	77		
<u>Charged to Costs and Expenses</u>	122	122	
<u>Deductions</u>	48	45	
<u>Balance at End of Period</u>	\$ 151	\$ 77	

[1] Includes amounts written-off, net of recoveries.

[2] Represents actual returns