THE ESTĒE LAUDER COMPANIES INC.

BEAUTIFUL *MOMENTUM*

2015 ANNUAL REPORT

BEAUTIFUL

MOMENTUM

OUR COMPANY AT-A-GLANCE FISCAL 2015*

Global Leader

in Prestige Beauty

$10.78 billion

Net Sales

25+

Prestige Brands

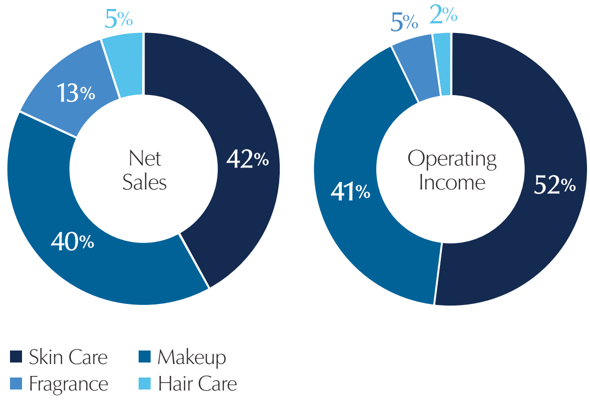
40K+

Global Employees

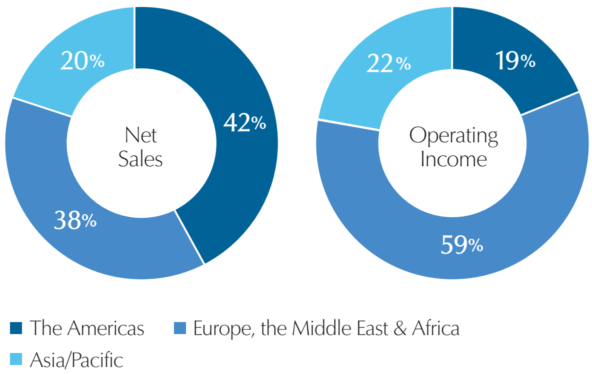
150+

Countries and Territories

RESULTS BY PRODUCT CATEGORY



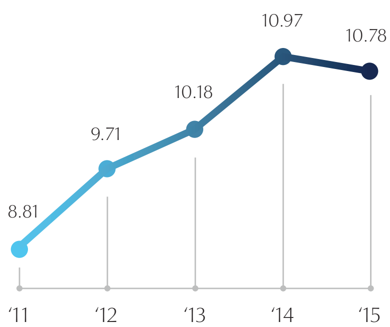
RESULTS BY GEOGRAPHIC REGION



HISTORICAL OVERVIEW

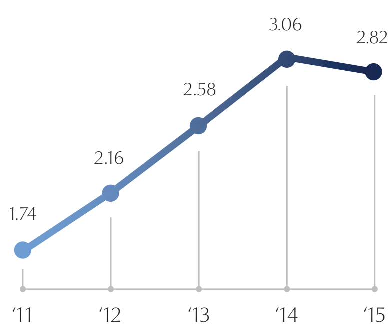
$10.78

Net Sales in billions



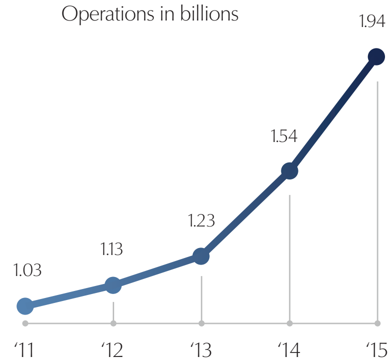
$2.82

Diluted Net Earnings Per Common Share



$1.94

Cash Flow From Operations in billions



*As a result of the Company's July 2014 implementation of its Strategic Modernization Initiative, approximately $178 million of accelerated orders were recorded as net sales and $82 million in net earnings, equal to approximately $.21 per diluted common share in fiscal 2014 that would have occurred in the fiscal 2015 first quarter. While these additional orders had an adverse impact on our fiscal 2015 net sales and operating results comparisons, we expect there to be corresponding favorable comparisons on our first quarter and full year fiscal 2016 net sales and operating results.

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WILLIAM P. LAUDER

EXECUTIVE CHAIRMAN

Dear Fellow Stockholders,

The driving force behind our Company's success year after year is our strong focus on growth for the long-term. Each decision, each new idea and each acquisition is a strategic step on a long runway that fuels momentum for the future. This *beautiful momentum* is a direct result of a strategy executed with excellence by our talented and diverse global workforce, which is guided by the outstanding strategic leadership of our President and Chief Executive Officer, Fabrizio Freda, our world-class Executive Leadership Team and the wisdom of our Board of Directors.

Against a backdrop of economic challenges, I am proud that fiscal 2015 was another year that resulted in many notable achievements for our Company. Among them was the expansion of our portfolio through the acquisition of four brands: RODIN olio lusso, Le Labo, Editions de Parfums Frédéric Malle and GLAMGLOW. As a Company founded by an entrepreneur, we understand how essential the entrepreneurial spirit and drive are to any brand. We look for this when we consider any potential acquisition—whether in skin care, makeup, fragrance or hair care. We believe that the brands we acquired this past year have the potential to join the ranks of M·A·C, Jo Malone London and La Mer, all of which began their journeys as small brands and today are formidable, global competitors in the prestige beauty space. It is not only the brands that attract us, but the vibrant personalities behind them. We give our new brands resources, tools and capabilities that they need to grow sustainably, but we also work to maintain each brand's unique identity, heritage and philosophy. We love learning from them, as they learn from us.

Fiscal 2015 was also an exciting time for the convergence of new communication channels, digital commerce and service. These platforms are fully interconnected and increasingly influencing consumers' buying behaviors. We believe we are well-positioned to take advantage of the opportunities afforded to us by the rapid pace of global digital techniques that are revolutionizing how more and more consumers experience and interact with brands. #TheEstéeEdit, the trailblazing online initiative from the Estée Lauder brand, blends content and commerce to tell the Estée Lauder brand story in a fresh modern way, while providing consumers with an educational and shoppable experience. This is just one example of the new ways our brands are reaching consumers with strategic brand storytelling in the digital space. We are also enhancing our ability to reach our consumers seamlessly and globally, and finding them where they want to shop. A wonderful example of this is the opening of a M·A·C freestanding store in Manaus, Brazil, located in the Amazon rainforest. Within its first two months of opening, the store exceeded sales expectations by more than threefold, delivering fun, on-trend products and services to consumers and fans of M·A·C in this tier three city.

This fast-evolving environment requires the best creative thinkers and flexible leadership. Innovative ideas come from everywhere and everyone in our organization. It starts with our adventurous leaders, who constantly explore new ideas—a mindset that enthuses our entire Company. Often the very best ideas are those created by employees who see an opportunity, put their hand up and say, "Let's try it." We encourage our employees to push the envelope and think differently because it sets us apart from our competitors.

From our newest employees of the Millennial generation to our most seasoned senior executives, we focus on creating a workplace that encourages continuous learning and adaptation. This is critical to our abilities to create trends, anticipate change and swiftly adapt to the shifting needs and demands of our global business. This strong focus on education helps ensure that we build the next generation of leaders for our Company. Over 9,000 employees participate in learning opportunities offered by The Estée Lauder Companies each year, and even more have access to tools that can enhance their knowledge and experience.

Our business of beauty is rooted in aspiration. Not only do we help shape the hopes and desires of our consumers, but we also shape our own ambitions as well. We are determined to be the best in prestige beauty. We aim to be the best employer. And we aspire to operate sustainably and responsibly at all times.

As I stated in our most recent Corporate Responsibility report, we understand that our global growth is built on the trust our consumers place in our extraordinary brands, High-Touch services and beautiful, safe and effective products. And they trust us to care for the environment and for all those in our value chain who help make our brands so inspiring. That confidence stems from the science behind our performance and the family values we live every day.

The integrity of what we do rests in who we are. This shines through in our corporate and brand philanthropy. The success of the M·A·C AIDS Fund, the Breast Cancer Awareness (BCA) Campaign and the Aveda Earth Month program are just a few examples of how our consumers, brands and employees unite as a force for change. I am especially inspired by our employees who are so passionately involved in many of our philanthropic platforms.

M·A·C AIDS Fund (MAF) is the largest corporate foundation and second biggest private donor to HIV/AIDS causes in the United States. Through a unique 100% giving model, every cent of the sales price of VIVAGLAM lip products is donated to MAF and other programs that help women, men and children affected by HIV/AIDS. The sale of one M·A·C VIVAGLAM LIPGLASS lip gloss or VIVAGLAM lipstick supports, for example: 45 minutes of lifesaving HIV prevention skills to a group of 75 women and girls; or a clean, safe place to sleep for two nights for a woman living with HIV/AIDS; or 24 female condoms/254 male condoms. One of MAF's signature programs, the World AIDS Day Global Volunteer Initiative, has become a core commitment of M·A·C employees each year. In December 2014, more than 2,500 M·A·C employees volunteered at HIV/AIDS organizations in 30 countries.

Since my mother's bold and courageous decision to launch The BCA Campaign, we have made tremendous progress. I am proud to continue my mother's legacy by championing our Company's commitment to The BCA Campaign and our ultimate goal of defeating breast cancer through education and medical research. The funds raised by our brands and employees have directly resulted in significant innovations and improvements in care, ranging from the launch of an early-phase breast cancer vaccine trial to improved ways to assess risk in young girls from families with multiple cases of breast cancer. I cannot help but think about my mother and how proud she would be to know that this effort lives on.

Our heritage remains one of our greatest assets. Knowing who we are as a business—focused on long-term growth and able to successfully navigate through certain global uncertainties, and knowing where we came from provides us with a strong foundation to strategically adapt and grow. We continue to thrive because of our strong strategy, deep business acumen and our creative, curious and innovative people. My father, Leonard Lauder, has frequently said that we are a business of great brands and great people. I extend my heartfelt thanks to Fabrizio, our Leadership Team, our employees and to you, our stockholders, for continuing to strengthen that legacy each and every day.


Fabrizio Freda

FABRIZIO FREDA

PRESIDENT AND CHIEF EXECUTIVE OFFICER

Dear Fellow Stockholders,

The Estée Lauder Companies delivered another year of strong financial performance in fiscal 2015, demonstrating the power of our business model, the diversity of our portfolio and the strength of our execution. Our results were fueled by our multiple engines of growth across brands, demographics, geographies and channels, signifying our proven resiliency and agility, even against the backdrop of challenging market conditions in some areas.

We are continuing to build on our *beautiful momentum* by leveraging our multiple engines of growth, combined with our brand building capabilities and our unrivaled creativity and innovation, all of which have enabled us to deliver consistent, sustainable results for stockholders.

In fiscal 2015, we generated adjusted net sales of $11.0 billion, adjusted net earnings of $1.18 billion and adjusted diluted earnings per share of $3.05. The strengthening of the dollar relative to other currencies had an adverse effect on our results. In constant currency, net sales rose 6 percent and diluted earnings per share increased 12 percent.* Cash flow from operations increased 27 percent to $1.9 billion, providing ample resources to invest in our business, while returning substantial cash to our stockholders. During the fiscal year, we raised our dividend rate by 20 percent and repurchased nearly $1 billion of our outstanding shares.

We are keenly focused on long-term value creation as we proactively manage our business to remain well-positioned to generate impressive near-term results. Our 10-year Compass, a vital long-range planning tool, helps us to anticipate emerging trends and direct our investments appropriately. Consumer shopping behaviors and habits are undergoing a profound transformation, driven by changing technology and distribution, the increasing influence of the Millennial demographic and the continued spending power of the Ageless consumer. Through skillful planning and strategic decision making, we are well-positioned in this dynamic environment.

MAINTAINING CONSISTENCY IN A DYNAMIC GLOBAL ENVIRONMENT

In fiscal 2015, we sustained our momentum by proactively managing our approach to successfully anticipate and navigate through global uncertainties, including significant movement in key currencies and slower consumer spending in China.

We have been able to nimbly and quickly shift our resources to the brands, regions and channels that are demonstrating the best opportunities and strongest momentum. This agility helped us to grow net sales at a pace higher than global prestige beauty. With one-third of our brands, markets and channels growing at double-digit rates, the rest simply needed to grow overall in line with the industry for us to outperform.

During the year, we benefitted from, and increased our investment in, several high potential areas of our business. These included our fast-growing online and mobile offerings, which are a critical part of our broader channel strategy. Our Online metrics are truly impressive: nearly all of our brands experienced strong double-digit growth in this channel, with the largest contributions from M·A·C, Estée Lauder and Clinique. We also continued to see strong double-digit growth Online across all regions, including our most developed countries, the United States and the United Kingdom.

Additionally, we continued to expand strategically in emerging markets. For example, we capitalized on the global popularity of M·A·C, using freestanding M·A·C stores as an entry point into countries with less developed prestige retail. This strategy delivered excellent results, contributing to a 71 percent increase in M·A·C's business at retail in Brazil in fiscal 2015, despite the economic downturn in that region.

OUR COMPASS

Our areas of focus and deployment of capital for sustainable growth are based on a rigorous strategic process that is informed by our Compass. The Compass provides a vital source of consumer and market trends and helps identify the fastest-growing areas in prestige beauty that will provide the greatest opportunities.

Through the development of our Compass, we saw early on the mega trends that led to our investments in direct-to-consumer and specialty-multi retail capabilities. It has also helped us spot key product trends, such as growing consumer interest in subcategories like facial masks. This resulted in the successful introductions of a range of masks at Origins and the expansion of this subcategory at La Mer, where we doubled the size of our mask business during fiscal 2015. Our recent acquisition of GLAMGLOW, the popular Hollywood skin care brand focused on fast-acting skin care masks, gives us the opportunity to lead in this growing subcategory. In addition, artisanal and luxury fragrances with a focus on craftsmanship and quality are anticipated to grow faster than the rest of the fragrance category, and we are well-positioned to lead this trend through our other recent acquisitions.

The Compass also helps us decide where to allocate capital by category, market and brand. For example, we made the strategic decisions to move into China, now over 6 percent of our total sales, and accelerate M·A·C and Jo Malone London in markets such as Latin America and Asia based on findings included in our Compass. These decisions are generating strong and profitable growth.

The Compass keeps our boat in the winds of growth, enabling us to focus on delivering strong near-term results, while also laying the groundwork for sustainable, profitable growth over time.

POWERFUL GROWTH IN MAKEUP AND LUXURY BRANDS

Many of our growth engines contributed to our strong performance in fiscal 2015, reflecting the depth and breadth of our business, and the strength of our balanced portfolio, which enables us to remain agile and nimble.

We are the global leader in prestige makeup, which continues to be one of our most compelling opportunities. Our brands were well-positioned to benefit from the exceptional growth of the category, where our sales increased 10 percent in constant currency during the year, adjusted for the accelerated sales orders, led by M·A·C's continued extraordinary performance.

We saw strong growth in lipstick sales across our brands, with products such as Estée Lauder's Pure Color Lip Envy, Tom Ford Beauty's Lips & Boys collection and M·A·C's Ruby Woo lipstick leading this trend.

Our most aspirational luxury brands were also standout performers this year, with sales from Tom Ford, La Mer and Jo Malone London showing strong growth. La Mer, one of our luxury skin care brands, grew retail sales by double-digit rates in fiscal 2015. La Mer's Treatment Lotion is the most popular SKU in Asia in our distribution, with new marketing assets driving sales and recruiting new consumers.

GROWTH IN HERITAGE MARKETS: THE UNITED STATES AND THE UNITED KINGDOM

We have generated growth in our heritage markets through our ability to be agile and nimble and, in fact, approach them like emerging markets: by identifying and leveraging our strengths in the fastest areas of growth. Using our proprietary consumer insights and cutting edge market research, we are strategically deploying our brands, and tailoring product assortments and communications to fit local tastes and preferences in cities and neighborhoods with ethnic diversity.

In the United States, which accounts for approximately 37 percent of our sales, we continued to build our business in fiscal 2015 by concentrating our resources on the most populous and prosperous states, including California, Texas and Florida, with products, brands and distribution strategies tailored to the unique characteristics of each market. Further, we are investing in and testing various omnichannel offerings to improve service and increase loyalty in the United States and other established markets.

Our team in the United Kingdom, our second largest market, is producing remarkable results, with net sales in constant currency growing double-digits, by directing our resources and attention to secondary cities and brands and products with the greatest potential. As one example, our team recognized an opportunity to leverage the convergence of hospitality and art in retail, and launched a Smashbox shop in Box Park Shoreditch, a pop-up mall with fashion and lifestyle stores and events in East London, to better reach consumers directly and provide them with an immersive experience.

In fiscal 2015, the talented teams at our heritage Estée Lauder and Clinique brands continued to work hard to reignite growth, beginning new, exciting programs to achieve this objective over the next year. Both brands delivered breakthrough launches that filled "white space" opportunities for us. For example, in summer 2015, the Estée Lauder brand introduced New Dimension, a revolutionary franchise of transformative skin care and makeup products that create visible definition for a beautiful, more contoured looking face.

Estée Lauder is continuing its efforts to modernize its image by reaching out to a wider demographic, including the Millennial generation. Initiatives include collaborating with Millennial influencers around the world, producing branded content across their social media platforms and introducing Kendall Jenner as a new spokesmodel. Kendall is the number one model across social media, and she is helping us to introduce Estée Lauder to a whole new generation of consumers.

Clinique is also attracting new consumers through fun and fresh product offerings in makeup. Clinique introduced Beyond Perfecting Foundation and Concealer, a new product with an innovative applicator in the strong subcategory of foundation, where the brand leads in the United States. Also in the makeup category, Clinique introduced Clinique Pop Lip Colour and Primer, a fun and colorful draw for consumers, just as the popularity of lip products exploded.

GLOBAL GROWTH: CONTINUED SUCCESS IN EMERGING MARKETS

We see significant, continuing opportunity in emerging markets, which are expected to comprise approximately 25 percent of the industry's global retail sales within the next decade. Geographic diversity and balance is an important part of our strategy to minimize volatility and enhance the consistency of our performance. We are engaging local consumers by emphasizing products and services with the greatest local appeal. Our insightful marketing encourages brand loyalty among a new generation of aspirational consumers across these countries.

Emerging markets contributed significantly to our performance, with sales in fiscal 2015 representing approximately 14 percent of our total business.

We continue to view China as a significant long-term growth opportunity and an important building block of our strategy. We are investing significant resources to reach Chinese women who, on average, use seven products in the morning and another seven at night in their beauty routines—many more than most consumers in the Western world. We are focused on becoming an even more important part of the beauty rituals of an increasing number of Chinese consumers by launching more brands in China and expanding distribution, with the potential of growing our presence from 100 cities currently to more than 300 over time.

Our growth in emerging markets is balanced across geographies. Sales in emerging markets, excluding China, rose 26 percent in constant currency, led by Turkey, Brazil and South Africa. Combined, our presence across these and other emerging markets represents an even larger portion of our business than China itself. These countries represent wellsprings of opportunity as economic improvements increase the purchasing power of a rising middle class.

We recognize that many consumers from emerging markets are introduced to our brands while traveling or abroad. Travel Retail continues to be an important cornerstone of our strategy to reach these consumers, particularly as destinations and traffic patterns shift. This year, we accelerated our growth in certain limited-distribution brands in Travel Retail and will continue to add distribution points and invest in this channel to help fuel our future growth.

CREATING THE NEXT GENERATION OF ICONIC BRANDS

We have a successful history of collaborating with talented, inspirational founders of prestige beauty lines to build their brands into game-changing global enterprises. By preserving what is special and unique about these brands, while leveraging our global distribution, creative resources and operational expertise, we are able to help these entrepreneurs realize their vision and create new avenues of growth for our Company.

Our track record is spectacular: M·A·C, Bobbi Brown, La Mer and Jo Malone London—all significant value-creating acquisitions from the 1990s—are helping to power our momentum today. For example, since we acquired Bobbi Brown in 1995 and completed our acquisition of M·A·C in 1998, sales of each brand has risen at a compound annual rate of nearly 25 percent.

We are extremely excited about the potential of the new brands we welcomed into our portfolio in fiscal 2015. Each one strengthens our presence in subcategories poised for strong growth with established brand equity and loyal consumers. GLAMGLOW increases our skin care offerings, particularly in masks that help give skin a gorgeous, spotlight-ready glow, while Editions de Parfum Frédéric Malle brings us a collection of elegant, sophisticated ultraluxury fragrances with European provenance. Le Labo adds artisanal fragrance and lifestyle offerings with an emphasis on fine craftsmanship and personalization, and RODIN olio lusso provides our Company with another authentic offering in the fast-growing luxury facial oil subcategory.

These new additions are important investments in our future and serve to enhance our already diverse portfolio of powerful brands.

ADAPTING THE WAY WE COMMUNICATE AND ENGAGE

Consumer behaviors and shopping preferences have reached a fascinating tipping point, and we are well-equipped to respond and deliver in this dynamic landscape. One of the largest and most significant forces transforming our industry is the rise of the Millennial consumer. Born between 1980 and 2000, Millennials are now the largest demographic group not only in the history of the United States, but in the world. Their spending power in the United States alone is expected to reach nearly $3.4 trillion by 2018.

These savvy consumers are widely considered to be the first “digital natives,” and expect a seamless shopping experience across the brick and mortar, online and mobile worlds. For them, lines between information, communication, entertainment, commerce and socializing do not exist. They instantly share their perspectives and seek advice not only from friends, but from an ever changing and expanding base of "experts" and "style leaders" on subjects they are interested in, particularly when it comes to beauty. As a result, they are continually experimenting and searching for new experiences, while also seeking out authentic brand stories and pursuing "individualized" brands. Our ability to meet their desires for new experiences and rapid innovation provides an important advantage in establishing strong connections with the Millennial consumer.

In many ways, the Millennial generation—and their shopping habits and preferences—is changing the expectations and behaviors of other generations. The very same dynamics that drive a Millennial's approach to the world—technology, interconnectedness, social engagement—are shaping how we all think and live, so our Company is focused on delivering High-Touch experiences across all generations.

For example, to meet the needs of our important Ageless consumer, we are emphasizing her best-loved products and brands, and innovating to meet her evolving needs with the same High-Touch approach to service in the channels where she shops. By 2017, approximately half of the United States population will be 50 years or older and will control 70 percent of the nation's disposable income. Globally, the spending power of the Ageless group will reach $15 trillion by 2020. Women in this category, particularly in our heritage markets, are willing to indulge themselves, which opens a number of opportunities for engagement across our brands. We are innovating to meet their needs by developing products tailored perfectly for them.

OUTLOOK: BUILDING ON OUR *BEAUTIFUL MOMENTUM*

Global prestige beauty is dynamic, highly competitive and undergoing significant changes. We delivered strong results in fiscal 2015 and demonstrated that our strategy is working precisely because we anticipated many of the opportunities stemming from this environment. We have proven that we are able to successfully navigate global challenges and leverage our strengths in the fastest-growing areas. And, importantly, we believe we still have a great deal of runway for future growth.

There is enormous untapped potential around the globe and across our diverse brand portfolio, and we are using our Compass to identify the areas of greatest opportunity. We are deepening our presence in emerging markets, where disposable income among women is increasing. In heritage markets, we continue to revitalize and accelerate our growth, leveraging new tools to allocate our resources more effectively. We are continuing to innovate and add to our portfolio of exceptional brands.

Combined, these efforts position The Estée Lauder Companies for long-term, sustainable growth and increasing profitability. We are focused on continual improvement in the way we do business to further increase efficiency and agility. In sum, we believe we are well-positioned to continue the *beautiful momentum* we have created.

This is truly an exciting time to be a major player in global prestige beauty. The industry is forecast to grow again by 4 to 5 percent over the next few years. Our goal remains to grow at least one percentage point faster to deliver topline growth between 6 and 8 percent annually in constant currency. In order to achieve this, we are actively investing in the fastest-growing areas of our industry. We expect to leverage our sales growth through greater productivity and cost savings and efficiencies from our Strategic Modernization Initiative program. We expect to reinvest some of the savings in capabilities and growth drivers, including digital, R&D, retail store expansion and information technology, while maintaining our goal of double-digit EPS growth in constant currency. Improvement in our inventory management is expected to drive growth in free cash flow at a faster rate than earnings, giving us more flexibility for acquisitions and returning cash to stockholders through dividends and share repurchases.

Our outstanding performance this year, and over time, is supported by the following foundational assets of our company:

First, the Lauder family. We are a public company built upon the strong foundation of family heritage and values. The Lauder family members' dedication to preserving the legacy of our Company underlines our deep commitment to ensuring long-term sustainability and growth, and I am proud and privileged to partner with them to continue to build this great organization.

Second, our people. Our success is the direct result of the talented team we have assembled and with whom I look forward to working every day. Our management team defines what it means to be "world class" and is supported by our extremely capable and talented employees around the globe. We are committed to the continuous development of all our employees at the Company, and encourage leadership from every chair.

I also thank our Board of Directors for their wise counsel and stewardship of our Company, which have been essential to setting and maintaining our strategic course.

And importantly, I am grateful to you, our valued stockholders, for your continued support and confidence.

I believe in the sustainability of the *beautiful momentum* that The Estée Lauder Companies demonstrated in fiscal 2015 and over the past several years. It is a true honor to lead this fantastic company, and I look forward to working with all of the great people associated with it to continue our progress.

*This letter contains references to the following non-GAAP financial measures: constant currency, adjusted net sales, adjusted net earnings and adjusted diluted EPS. As a result of the Company's July 2014 implementation of its Strategic Modernization Initiative, approximately $178 million of accelerated orders were recorded as net sales and $82 million in net earnings, equal to approximately $.21 per diluted common share in fiscal 2014 that would have occurred in the fiscal 2015 first quarter. While these additional orders had an adverse impact on our fiscal 2015 net sales and operating results comparisons, we expect there to be corresponding favorable comparisons on our first quarter and full year fiscal 2016 net sales and operating results. Additionally, during fiscal 2015 and 2014, the Company recorded remeasurement charges of $5 million and $38 million, respectively, related to changes in Venezuelan foreign currency exchange rate mechanisms. Including the effect of these items, net sales were $10.8 billion, net earnings were $1.09 billion and diluted earnings per share were $2.82. Information about GAAP and non-GAAP financial measures, including reconciliation information, is included in the Financial Section of this Annual Report.

ESTĒE LAUDER | aramis | CLINIQUE Allergy Tested. 100% Fragrance Free. | PRESCRIPTIVES

LAB SERIES SKINCARE FOR MEN | ORIGINS | TOMMY HILFIGER | M·A·C

Kiton | LA MER | BOBBI BROWN | DONNA KARAN NEW YORK

DKNY DONNA KARAN NEW YORK | AVEDA THE ART AND SCIENCE OF PURE FLOWER AND PLANT ESSENCES | Jo Malone London | Bumble and bumble.

MICHAEL KORS | DARPHIN PARIS | GoodSkin LABS | TOM FORD BEAUTY

Ojon | smashbox | Ermenegildo Zegna PARFUMS | AERIN BEAUTY

Osiao | MARNI | TORY BURCH | RODIN olio lusso®

LE LABO® GRASSE – NEW YORK | EDITIONS DE PARFUMS FREDERIC MALLE | HOLLYWOOD, CALIFORNIA GLAMGLOW®

EVERY BEAUTY BRAND

begins with a dream, a creative spark and a talented entrepreneur. Our long tradition of identifying brands with unique positioning while working closely with their innovative founders has built many of them into global powerhouses. In fiscal 2015, The Estée Lauder Companies welcomed four new, high-potential brands that complement our diverse portfolio.

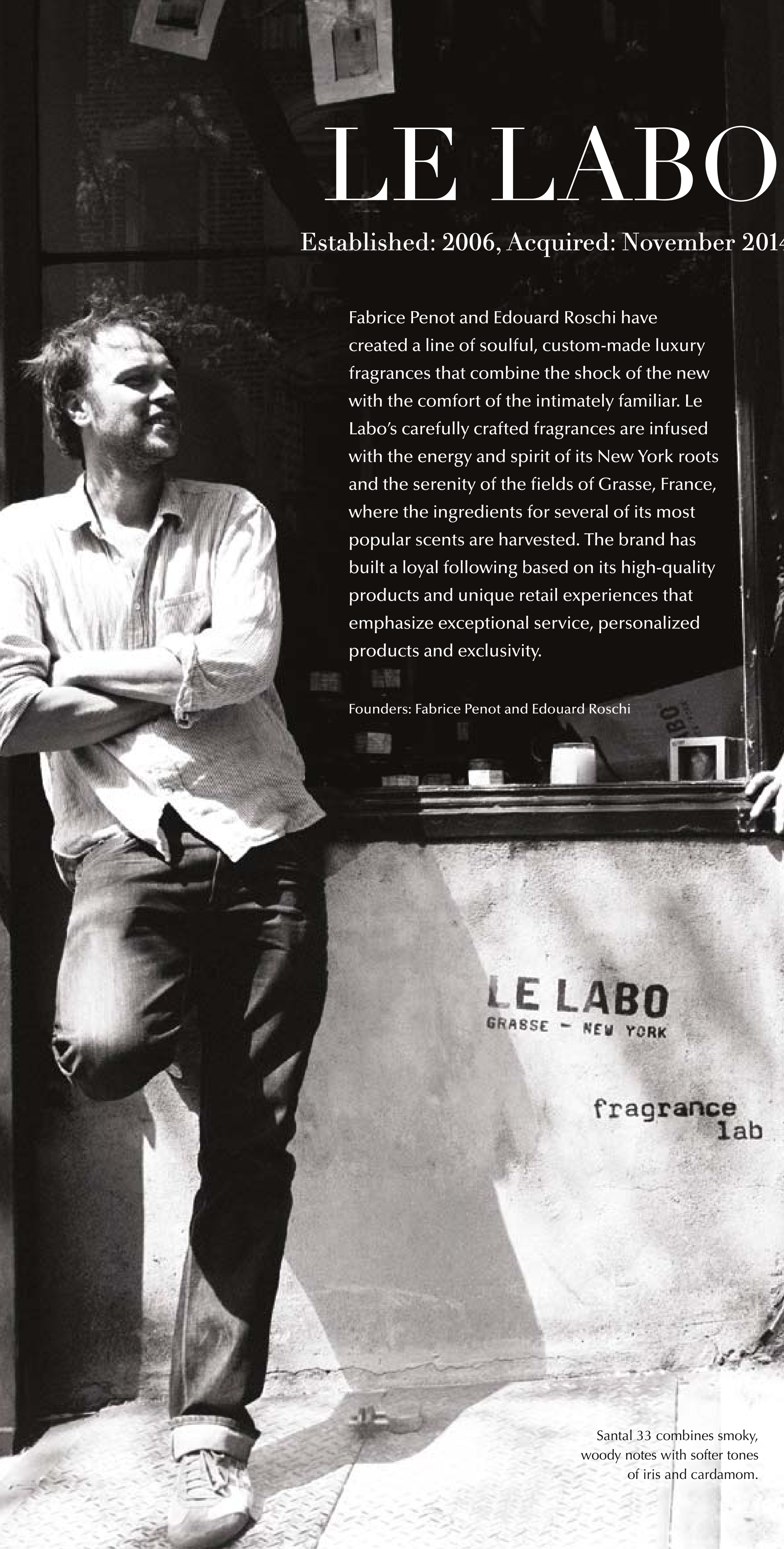
RODIN OLIO LUSSO

Established: 2007, Acquired: October 2014

Raised on the principle that "there is beauty in simplicity," Linda Rodin, former model, renowned stylist, fashion icon and inspiration to women of all ages, longed for a dream elixir reflecting the easygoing Italian beauty that inspired her own style. She began experimenting in her New York City apartment by mixing essential oils, and RODIN olio lusso—which translates to "luxury oil"—was born. RODIN olio lusso has a unique positioning in the high-growth subcategory of skin care oils and a devoted cult following of fashion and beauty connoisseurs and Ageless consumers around the world.

Founder: Linda Rodin

Created by combining 11 essential oils, Linda Rodin's Luxury Face Oil is the result of her two-year quest to create a product that caresses the skin in noticeable luxury.



LE LABO

Established: 2006, Acquired: November 2014

Fabrice Penot and Edouard Roschi have created a line of soulful, custom-made luxury fragrances that combine the shock of the new with the comfort of the intimately familiar. Le Labo's carefully crafted fragrances are infused with the energy and spirit of its New York roots and the serenity of the fields of Grasse, France, where the ingredients for several of its most popular scents are harvested. The brand has built a loyal following based on its high-quality products and unique retail experiences that emphasize exceptional service, personalized products and exclusivity.

Founders: Fabrice Penot and Edouard Roschi

Santal 33 combines smoky, woody notes with softer tones of iris and cardamom.

EDITIONS DE PARFUMS DE FRÉDÉRIC MALLE

Established: 2000, Acquired: January 2015

Descended from legendary perfumers, Frédéric Malle curates a line of exclusive, ultraluxury fragrances crafted by some of the world's most talented perfumers. As unique and varied as its creators, each fragrance in Malle's eponymous collection, including his most popular products—Carnal Flower and Portrait of a Lady—reflects Malle's streamlined approach and uncompromising dedication to celebrating perfumers and "pure perfumery."

Founder: Frédéric Malle

Frédéric Malle's Portrait of a Lady is a baroque, sumptuous and symphonic perfume that required hundreds of trials to balance the expressive formula.

GLAMGLOW

Established: 2010, Acquired: January 2015

GLAMGLOW, the Hollywood-inspired prestige skin care brand, was developed by Glenn and Shannon Dellimore to help friends get stunning, camera-ready skin with fast-acting treatment masks. GLAMGLOW's exclusive collection of innovative, high-end treatment masks helps give skin a gorgeous, spotlight-ready glow in just 10 minutes.

Founders: Glenn and Shannon Dellimore

GLAMGLOW's legendary first product, YOUTHMUD, provides gentle exfoliation, revealing a smoother, more youthful, camera-ready appearance after one treatment.

DEMOGRAPHIC AGILITY:

CAPTURING MILLENNIALS AND AGELESS CONSUMERS

DYNAMIC CONSUMER TRENDS

are expected to shape prestige beauty for the next 10 years, two of which trends are the rise and influence of the Millennial consumer (individuals between the ages of 15 and 35) and the Ageless consumer (individuals over the age of 50). We are responding to these opportunities, while continuing to recognize and serve beautiful, diverse consumers of all ages around the world.

Right: Darphin Exquisâge Beauty Revealing Collection image.


DARPHIN
PARIS
celebrate your age, exquisitely
DARPHIN
PARIS
EXQUISÂGE
SÉRUM RÉVÉLATEUR DE BEAUTÉ
BEAUTY REVEALING SERUM
DARPHIN
PARIS
EXQUISÂGE
CRÈME RÉVÉLATRICE DE BEAUTÉ
BEAUTY REVEALING CREAM

Estée Lauder model Kendall Jenner has a social media audience of over 50 million followers.

We are responding to Millennials' expectations of seamless, 24/7 shopping experiences and digital communications that entertain as well as inform. M·A·C's first-ever youth concept store in Orlando, Florida became one of the brand's top five brick and mortar stores globally, featuring a product play table and youthful design that bring to life the brand architecture through an iconic supersized logo. Estée Lauder signed Millennial social media sensation Kendall Jenner to bring a new generation of women to Estée Lauder; and Origins filled a white space in prestige beauty for Millennials with the launch of Original Skin Renewal Serum with Willowherb.

At the same time, we remain focused on continually delighting Ageless consumers who represent vast spending power, and, in fact, are estimated to control 70 percent of disposable income in the U.S. by 2017. Campaigns like Darphin's Exquisâge Beauty Revealing Collection celebrates women who feel they've reached their best age yet—whatever that number may be.

75%
of U.S. workforce accounted for by Millennials by 2020

$3.4 trillion
U.S. Millennials' purchasing power by 2018

86%
of Millennials sharing their brand preferences online

For the brand's launch of its quarter-life skin care product, Original Skin Renewal Serum, Origins debuted the #QuarterLifeCrisis app around the globe, encouraging consumers to personalize "selfies" and share them on social channels.

SOCIAL, ONLINE, IN-STORE

and High-Touch experiences and services must reach the consumer wherever and whenever she desires in an accessible, direct and seamless way. In part due to the Millennial impact on other consumers, we are witnessing a revolution in how consumers shop at retail stores and online platforms, as new channels of communication, commerce and service converge. We continue to enhance our digital infrastructure and increase our number of freestanding stores to seamlessly guide consumers between shopping channels around the globe and reach them how and where they like to shop.

Consumers today have many opportunities to discover our brands and products. See how the consumer journey might look in China.

Researches on a beauty blog

Reads product reviews on Tmall China

Alerts friends via social media platform Weibo

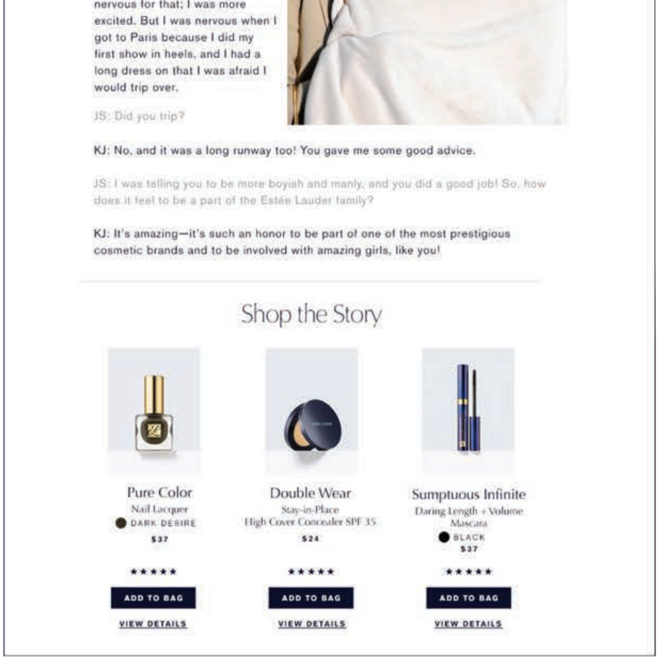
Experiences product at Clinique counter in Haitang Bay, Hainan, China

Purchases on Clinique China e-commerce site

We strive to enhance consumers' shopping experiences by providing content and information across a wide variety of touch points, allowing for a seamless experience across channels. At M·A·C, artists teach in-store classes and upload the shoppable videos to YouTube to encourage spending across multiple points of sale. #TheEstéeEdit, the online initiative from Estée Lauder, represents brand storytelling at its best, providing consumers an aspirational mix of high-quality, lifestyle content that is engaging and shoppable. This year, we continued to increase our number of freestanding stores, which offer consumers High-Touch, customizable and educational prestige experiences and services.

Aveda Experience Center in Istanbul, Turkey.


Surf Infusion campaign featuring hair by Bumble and bumble's Global Artistic Director, Laurent Philippon.



#TheEstéeEdit online initiative from Estée Lauder connects consumers to brand storytelling and shoppable content.

> I like a good eye…
> I love mascara.

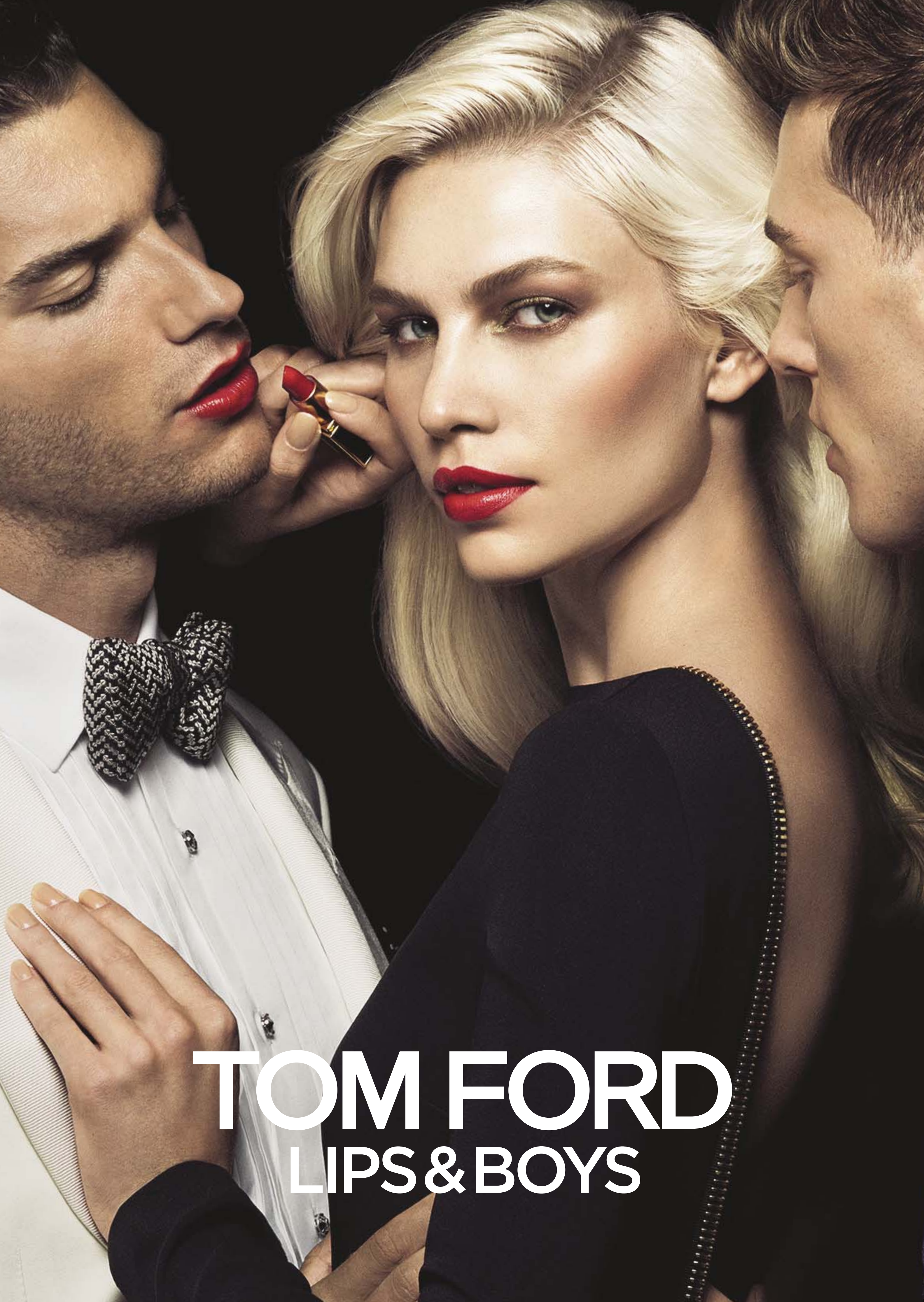
Kendall Jenner

LIPSTICK SALES SOARED

this year as consumers by the millions sought a quick and easy way to experiment with color trends. Consumers all over the world indulged in pick-me-up moments in makeup, with lipstick representing the power of self-discovery and self-expression. M·A·C, Smashbox, Estée Lauder, Clinique and Tom Ford realized double-digit growth in the lip category.

Right: Clinique Pop Lip Colour + Primer ad visual.


CLINIQUE
CLINIQUE
Have it all.
CLINIQUE
clinique.com © Clinique Laboratories, LLC
Rich colour + smoothing primer in one. New. Clinique Pop™


TOM FORD
LIPS & BOYS

Estée Lauder Pure Color Envy

With provocative shade names such as Rebellious Rose, Envious, Eccentric and Powerful, and an iconic, luxurious case, Pure Color Envy has become an aspirational lipstick coveted by women globally.

M·A·C Ruby Woo

Globally, Ruby Woo is the number one selling lipstick shade across prestige makeup. In fact, M·A·C sells one lipstick every second.

Tom Ford Lips & Boys

The lip category at Tom Ford grew nearly 50 percent during fiscal 2015, leveraging disruptive digital campaigns like Lips & Boys.

Smashbox Bing

With this innovative campaign, the beauty and art world collide. The packaging for the limited-edition lipstick shade, Bing, was dressed up with artist Donald Robertson's one-of-a-kind illustrations.

Left: Tom Ford Lips & Boys ad visual.

TREND-DRIVEN CONSUMERS

with an appetite for newness and instant transformation gave us the opportunity to distort and capitalize on subcategories in fiscal 2015. With the Compass as our guide, our brands were well-positioned to benefit from rapid growth in key subcategories, such as contouring in both makeup and skin care, foundations, masks and oils. We enhanced our portfolio in these areas through new product innovations and acquisitions.

Right: Bobbi Brown Intensive Skin Serum Foundation SPF 40 visual.

Hybrid Foundations

Formulated with Traditional Chinese Medicine ingredients, Bobbi Brown's Intensive Skin Serum Foundation SPF 40 combines the benefits of a skin care product with an extraordinary foundation formula in a full range of shades. While developed to respond to the needs of the Asian consumer, the foundation has strongly resonated with consumers around the world.

Masks

Origins is the number one prestige mask brand in the U.S. Origins strengthens its mask popularity by engaging consumers with a weekly program that encourages them to post "selfies" using Origins masks with the hashtag #MaskMonday.

ORIGINS

#MaskMonday "selfies" from Origins.

Oils

Whether for skin or for hair, oils have become an important part of consumers' beauty rituals. Bumble and bumble capitalized on the strength of Hairdresser's Invisible Oil, introducing a shampoo, conditioner and primer.

Bumble and bumble Hairdresser's Invisible Oil Family.

Contouring

Smashbox's Step-By-Step Contour Kit is the brand's bestselling SKU at Sephora, and Smashbox is one of the top three contour brands at Sephora. One of the most exciting developments at Estée Lauder is a transformative contouring collection of skin care and palettes that creates visible definition for a beautiful, more contoured looking face. The New Dimension collection includes Shape + Fill Expert Serum, Expert Liquid Tape, Shape + Sculpt Face Kit and Shape + Sculpt Eye Kit.

Smashbox Step-By-Step Contour Kit and Stick Trio.

Right: Estée Lauder's New Dimension transformative contouring collection.


esteelauder.com © 2015 Estée Lauder Inc.
NEW DIMENSION
The Transformative Beauty of Contouring
ESTĒE LAUDER
New Dimension
Expert Liquid Tape
ESTĒE LAUDER
New Dimension
Shape + Fill
Expert Serum
SHAPE+SCULPT
Eye Contouring Kit
TIGHTEN+TONE
Expert Liquid Tape
SHAPE+FILL
Expert Serum
SHAPE+SCULPT
Face Contouring Kit
ESTĒE LAUDER

DRIVEN BY A DESIRE

across the globe for high-end, artisanal scents, luxury fragrances performed strongly in fiscal 2015. Jo Malone London and Tom Ford were two standout performers in luxury fragrance this year, having each grown strong double-digits, well ahead of the market. When we acquired Jo Malone London 15 years ago, it had just two locations in the U.K.; today it has over 500 stores and counters globally.

Right: Tom Ford Velvet Orchid ad featuring Gigi Hadid.


TOM FORD
VELVET ORCHID


© AERIN Beauty, DIST.


AERIN
ROSE
DE
GRASSE

Jo Malone London Wood Sage & Sea Salt ad.

Jo Malone London's debut of its Wood Sage & Sea Salt collection was the number one launch in the U.S. women's prestige fragrance category during the Holiday 2014 season. Tom Ford had an intoxicating year in fragrance. Its Neroli Portofino Collection expanded and continued strong sales momentum, and the launch of Velvet Orchid was the brand's strongest yet. AERIN launched Rose de Grasse, the first parfum of the brand's Premier Collection—a luxurious celebration of the most rare and artisanal perfumery ingredients reimagined through the lens of Aerin Lauder's style and creativity.

Left: AERIN Rose de Grasse ad.

THE U.S. AND U.K. MARKETS

represent approximately 45 percent of our worldwide sales. We maintain our leadership positions by finding "emerging markets" within our heritage markets, targeting growing trends in specific regions and tailoring our assortments to local demographics. In the U.K., sales in fiscal 2015 grew faster than overall U.K. prestige beauty, as we opened new freestanding stores at major transportation hubs and in tier two and tier three cities. In the U.S., we continued to focus our resources on the areas that are the fastest-growing. Specialty-multi, freestanding stores, e-commerce and select high-end department stores continue to perform well in the U.S.

Right: Jo Malone London Girl Poppy Delevingne.


Bobbi's Makeup Lessons
Beauty Simplified
BOBBI BROWN

La Mer Counter,
The Beverly Center,
Los Angeles.

The Estée Lauder Companies:

Nearly
2X
the size of its nearest prestige competitor in the U.S.

4 brands
in the top 10 beauty brands in the U.S.

No.1
positions in U.S. prestige skin care and makeup

Top 2 brands
in prestige beauty in the U.K.

IN THE NEXT TEN YEARS

consumers across emerging markets will represent approximately 25 percent of the industry's estimated global retail sales. The Estée Lauder Companies has made significant strategic investments to capture the growing affluent populations in these markets. We continue to focus resources on our group of emerging markets, which includes Russia, China, the Middle East, Turkey, South Africa and Mexico, and this strategy is a key building block of our international growth. M·A·C's strong gains in emerging markets contributed to its stellar global growth in fiscal 2015. The brand is our largest in many emerging markets, including Brazil, Turkey, Sub-Saharan Africa and the Philippines. M·A·C is now available in more than 100 countries and territories.

Right: M·A·C collaboration with social media sensation and designer Bao Bao Wan.


Bao Bao Wan
M·A·C


M·A·C
JULIA PETIT

The New Gold Fragrance Collection by Michael Kors ad visual. Michael Kors fragrances resonate strongly with consumers in the Middle East, who are attracted to their luxurious gold accents and sophisticated olfactive offerings.

In the heart of the Amazon rainforests' tier three city of Manaus, M·A·C's freestanding store surpassed sales expectations by over three times within two months of opening. M·A·C also partnered with the hugely influential Brazilian personality, TV presenter and model Julia Petit, to create an exclusive collection of colors that would suit all Brazilians. In China, M·A·C collaborated with social media sensation and designer Bao Bao Wan to introduce a color collection inspired by her womanly and brazen aesthetic. Over half of the lipsticks in the collection sold out in three days in China. These locally relevant collaborations drove brand loyalty and sales in emerging markets.

Left: M·A·C collaboration with Brazilian personality Julia Petit.

ROSE MARIE BRAVO, CBE
Retail and Marketing Consultant

PAUL J. FRIBOURG
Chairman, Chief Executive Officer,
Continental Grain Company

RICHARD D. PARSONS
Senior Advisor,
Providence Equity Partners LLC

FABRIZIO FREDA
President and Chief Executive Officer,
The Estée Lauder Companies Inc.

JANE LAUDER
Global Brand President, Clinique

AERIN LAUDER
Founder and Creative Director, AERIN;
Style and Image Director, Estée Lauder

BARRY S. STERNLICHT
Chairman, Chief Executive Officer,
Starwood Capital Group

Photograph by: Floto+Warner for *Fortune Magazine*, "The Fortune 500" issue, May 21, 2012.

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The Estée Lauder Companies Inc.

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and CEO of China, Morgan Stanley

CHARLENE BARSHEFSKY
Senior International Partner, WilmerHale

RICHARD F. ZANNINO
Managing Director,
CCMP Capital Advisors, LLC

IRVINE O. HOCKADAY, JR.
Retired President and Chief Executive Officer,
Hallmark Cards, Inc.

LYNN FORESTER
DE ROTHSCHILD
Chief Executive Officer, E.L. Rothschild LLC

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Chairman Emeritus,
The Estée Lauder Companies Inc.

MELLODY HOBSON
President, Ariel Investments, LLC

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Group President

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President and Chief Executive Officer

CARL HANEY
Executive Vice President,
Global Research and Development,
Corporate Product Innovation,
Package Development

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Global Human Resources

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Global Supply Chain

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Group President, International

TRACEY T. TRAVIS
Executive Vice President and
Chief Financial Officer

ALEXANDRA C. TROWER
Executive Vice President,
Global Communications

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The table below summarizes selected financial information. For further information, refer to the audited consolidated financial statements and the notes thereto beginning on page 80 of this report.

YEAR ENDED OR AT JUNE 30	2015	2014[a]	2013[a]	2012[a]	2011[a]
(In millions, except per share data)					
STATEMENT OF EARNINGS DATA:					
Net sales[b]	**$10,780.4**	$10,968.8	$10,181.7	$9,713.6	$8,810.0
Gross profit	**8,679.8**	8,810.6	8,155.8	7,717.8	6,873.1
Operating income[b] [c]	**1,606.3**	1,827.6	1,526.0	1,311.7	1,089.4
Interest expense	**60.0**	59.4	63.1	66.5	69.2
Interest and investment income, net	**14.3**	8.6	8.3	5.4	5.3
Interest expense on debt extinguishment[d]	**—**	—	19.1	—	—
Other income[e]	**—**	—	23.1	10.5	—
Earnings before income taxes	**1,560.6**	1,776.8	1,475.2	1,261.1	1,025.5
Provision for income taxes	**467.2**	567.7	451.4	400.6	321.7
Net earnings	**1,093.4**	1,209.1	1,023.8	860.5	703.8
Net earnings attributable to noncontrolling interests	**(4.5)**	(5.0)	(4.0)	(3.6)	(3.0)
Net earnings attributable to The Estée Lauder Companies Inc.	**1,088.9**	1,204.1	1,019.8	856.9	700.8
CASH FLOW DATA:					
Net cash flows provided by operating activities	**$ 1,943.3**	$ 1,535.2	$ 1,226.3	$1,126.7	$1,027.0
Net cash flows used for investing activities	**(1,616.2)**	(511.6)	(465.5)	(428.3)	(606.9)
Net cash flows used for financing activities	**(894.8)**	(856.9)	(611.5)	(585.1)	(313.1)
PER SHARE DATA:					
Net earnings attributable to The Estée Lauder Companies Inc. per common share:					
Basic	**$ 2.87**	$ 3.12	$ 2.63	$ 2.20	$ 1.78
Diluted[(a)–(d)]	**$ 2.82**	$ 3.06	$ 2.58	$ 2.16	$ 1.74
Weighted-average common shares outstanding:					
Basic	**379.3**	386.2	387.6	388.7	394.0
Diluted	**385.7**	393.1	394.9	397.0	402.4
Cash dividends declared per common share	**$ .92**	$ .78	$ 1.08	$ .525	$ .375
BALANCE SHEET DATA:					
Working capital	**$ 2,332.9**	$ 2,768.5	$ 2,362.6	$1,729.3	$1,743.2
Total assets	**8,239.2**	7,868.8	7,145.2	6,593.0	6,273.9
Total debt[d] [f] [g]	**1,637.3**	1,343.1	1,344.3	1,288.1	1,218.1
Stockholders' equity—The Estée Lauder Companies Inc.	**3,643.2**	3,854.9	3,286.9	2,733.2	2,629.4

(a) Fiscal 2014 results included $(1.8) million, after tax, related to total adjustments associated with restructuring activities. Fiscal 2013 results included $11.7 million, after tax, or $.03 per diluted share related to total charges associated with restructuring activities. Fiscal 2012 results included $44.1 million, after tax, or $.11 per diluted share related to total charges associated with restructuring activities. Fiscal 2011 results included $41.7 million, after tax, or $.10 per diluted share related to total charges associated with restructuring activities.

(b) As a result of our July 2014 SMI rollout, approximately $178 million of accelerated orders were recorded as net sales and $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 $5.3 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 $38.3 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 September 2012, we redeemed the $230.1 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 $19.1 million ($12.2 million after tax, or $.03 per diluted share) representing the call premium of $18.6 million and the pro-rata write-off of $0.5 million of issuance costs and debt discount.

(e) In December 2012, we amended the agreement related to the August 2007 sale of Rodan + Fields (a brand then owned by us) to receive a fixed amount in lieu of future contingent consideration and other rights. As a result of the original and amended terms of the agreement, we recognized $23.1 million as other income in our consolidated statement of earnings. In November 2011, we settled a commercial dispute with third parties that was outside our normal operations. In connection therewith, we received a $10.5 million cash payment, which has been classified as other income in our consolidated statement of earnings.

(f) In August 2012, we issued $250.0 million of 2.35% Senior Notes due August 15, 2022 and $250.0 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.

(g) In June 2015, we issued $300.0 million of 4.375% Senior Notes due June 15, 2045 in a public offering. We are using the net proceeds of the offering for general corporate purposes.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The discussion and analysis of our financial condition at June 30, 2015 and our results of operations for the three fiscal years ended June 30, 2015 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

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 our retail stores.

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. Our practice is to accept product returns from retailers only if properly requested and approved. In accepting returns, we typically provide a credit to the retailer against accounts receivable from that retailer. As a percentage of gross sales, returns were 3.4% in fiscal 2015 and 2014 and 3.3% in fiscal 2013.

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.

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. Inventory cost includes raw materials, direct labor and overhead, 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.

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.

PENSION AND OTHER POST-RETIREMENT BENEFIT COSTS

We offer the following benefits to some or all of our employees: a domestic trust-based noncontributory qualified defined benefit pension plan ("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.

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 2015, net periodic benefit cost was determined using discount rates for our Domestic Plans of 3.60% and 4.30% and varying rates on our international plans between .50% and 6.75%. 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 2015, we used an expected return on plan assets of 7.50% for our U.S. Qualified Plan and varying rates of between 2.00% and 6.75% 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 *"Note 13—Pension, Deferred Compensation and Post-retirement Benefit Plans"* of Notes to Consolidated Financial Statements 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 2015, our pension plans had actual return on assets of approximately $61 million as compared with expected return on assets of approximately $72 million. The resulting net deferred loss of approximately $11 million, when combined with gains and losses from previous years, will be amortized over periods ranging from approximately 7 to 18 years. The actual return on plan assets from our global pension plans was lower than expected, primarily due to underperformance of U.S. plan assets partially offset by stronger than expected returns on international plan assets.

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 2015 pension expense:

(In millions)	25 Basis-Point Increase	25 Basis-Point Decrease
Discount rate	$(3.9)	$3.9
Expected return on assets	$(2.8)	$2.8

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 one-percentage-point change in assumed health care cost trend rates for fiscal 2015 would have had the following effects:

(In millions)	One-Percentage-Point Increase	One-Percentage-Point Decrease
Effect on total service and interest costs	$ 1.3	$ (1.0)
Effect on post-retirement benefit obligations	$15.1	$(10.1)

To determine the fiscal 2016 net periodic benefit cost, we are using discount rates of 4.40% and 3.70% for the U.S. Qualified Plan and the non-qualified domestic noncontributory pension plan, respectively, and varying rates for our international plans of between .75% and 7.00%. 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 2.00% and 7.00%. The net change in these two key assumptions from those used in fiscal 2015 will result in an increase in pension expense of approximately $11 million in fiscal 2016.

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.

We assess 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. We test goodwill for impairment at the reporting unit level, which is one level below our operating segments. We identify our reporting units by assessing whether the components of our 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. We make certain judgments and assumptions in allocating assets and liabilities to determine carrying values for our reporting units. When testing goodwill for impairment, we have the option of first performing a qualitative assessment to determine whether it is more-likely-than-not that the fair value of a reporting unit is less than its carrying amount as 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) we determine 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, we measure 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, we also have 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 2015, we elected to perform the qualitative assessment for all 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. We 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, we 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 our intention to sell or dispose of a reporting unit or cease the use of a trademark. With regard to our fiscal 2015 acquisitions of RODIN olio lusso, Le Labo, Editions de Parfums Frédéric Malle and GLAMGLOW, the carrying values of the related goodwill and other indefinite-lived intangible assets as of the assessment date approximated their fair values. As a result of our qualitative assessment, we concluded that it was more-likely-than-not that our goodwill and other indefinite-lived intangible assets were not impaired and we did not need to perform a quantitative assessment.

For fiscal 2014, we tested our reporting units for impairment using the two-step approach and our other indefinite-lived intangible assets for impairment by comparing their fair values to their carrying values. As a result of these tests, we concluded the fair values of our reporting units and the fair values of our indefinite-lived intangible assets substantially exceeded their carrying values.

We review 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, an impairment would be recorded for the excess of the carrying value over the fair value, which is determined by discounting estimated future cash flows.

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, 2015, we have current net deferred tax assets of $279.0 million and non-current net deferred tax assets of $72.1 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 $120.9 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. Based on our assessments, no additional valuation allowance is required. If our 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.

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 those tax positions where it is more-likely-than-not that a tax benefit will be sustained, we have recorded the largest amount of tax benefit with a greater than 50% likelihood of being realized upon settlement with a tax authority that has full knowledge of all relevant information. For those tax positions where it is not more-likely-than-not that a tax benefit will be sustained, no tax benefit has been recognized in the consolidated financial statements. We classify applicable interest and penalties as a component of the provision for income taxes. Although the outcome relating to these exposures is uncertain, in 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 our consolidated results of operations.

QUANTITATIVE ANALYSIS

During the three-year period ended June 30, 2015, 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. For fiscal 2015, had these estimates been changed simultaneously by 2.5% in either direction, our reported gross profit would have increased or decreased by approximately $5.9 million and the provision for income taxes would have increased or decreased by approximately $0.2 million. The collective impact of these changes on operating income, net earnings attributable to The Estée Lauder Companies Inc., and net earnings attributable to The Estée Lauder Companies Inc. per diluted common share would be an increase or decrease of approximately $5.9 million, $5.7 million and $.01, respectively.

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 2015, 2014 and 2013 and reflects the basis of presentation described in *"Note 2—Summary of Significant Accounting Policies* and *Note 20—Segment Data and Related Information"* of Notes to Consolidated Financial Statements 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	2015	2014	2013
(In millions)			
NET SALES			
By Region:			
The Americas	**$ 4,513.8**	$ 4,572.3	$ 4,302.9
Europe, the Middle East & Africa	**4,086.4**	4,163.7	3,758.7
Asia/Pacific	**2,180.2**	2,232.7	2,121.6
	10,780.4	10,968.7	10,183.2
(Returns) adjustments associated with restructuring activities	**—**	0.1	(1.5)
Net Sales	**$10,780.4**	$10,968.8	$10,181.7
By Product Category:			
Skin Care	**$ 4,478.7**	$ 4,769.8	$ 4,465.3
Makeup	**4,304.6**	4,210.2	3,876.9
Fragrance	**1,416.4**	1,425.0	1,310.8
Hair Care	**530.6**	515.6	488.9
Other	**50.1**	48.1	41.3
	10,780.4	10,968.7	10,183.2
(Returns) adjustments associated with restructuring activities	**—**	0.1	(1.5)
Net Sales	**$10,780.4**	$10,968.8	$10,181.7
OPERATING INCOME (LOSS)			
By Region:			
The Americas	**$ 302.3**	$ 537.3	$ 423.2
Europe, the Middle East & Africa	**943.3**	938.3	813.4
Asia/Pacific	**360.7**	349.1	307.2
	1,606.3	1,824.7	1,543.8
Total (charges) adjustments associated with restructuring activities	**—**	2.9	(17.8)
Operating Income	**$ 1,606.3**	$ 1,827.6	$ 1,526.0
By Product Category:			
Skin Care	**$ 832.2**	$ 975.8	$ 830.1
Makeup	**659.3**	715.9	580.4
Fragrance	**82.8**	104.1	120.3
Hair Care	**37.9**	33.7	26.7
Other	**(5.9)**	(4.8)	(13.7)
	1,606.3	1,824.7	1,543.8
Total (charges) adjustments associated with restructuring activities	**—**	2.9	(17.8)
Operating Income	**$ 1,606.3**	$ 1,827.6	$ 1,526.0

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

YEAR ENDED JUNE 30	2015	2014	2013
Net sales	**100.0%**	100.0%	100.0%
Cost of sales	**19.5**	19.7	19.9
Gross profit	**80.5**	80.3	80.1
Operating expenses:			
Selling, general and administrative	**65.6**	63.6	64.8
Restructuring and other charges	**—**	–	0.1
Goodwill impairment	**—**	–	0.1
Impairment of other intangible assets	**—**	–	0.1
Total operating expenses	**65.6**	63.6	65.1
Operating income	**14.9**	16.7	15.0
Interest expense	**0.6**	0.5	0.6
Interest expense on debt extinguishment	**—**	–	0.2
Interest income and investment income, net	**0.2**	–	0.1
Other income	**—**	–	0.2
Earnings before income taxes	**14.5**	16.2	14.5
Provision for income taxes	**4.4**	5.2	4.5
Net earnings	**10.1**	11.0	10.0
Net earnings attributable to noncontrolling interests	**—**	–	–
Net earnings attributable to The Estée Lauder Companies Inc.	**10.1%**	11.0%	10.0%

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.

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 continue to increase stockholder value is to provide our customers and consumers with superior products and services that they have come to expect from us in the most efficient and profitable manner while recognizing consumers' changing behaviors and shopping preferences. To be the global leader in prestige beauty, we are guided by our long-term strategy through fiscal 2018, which has numerous initiatives across geographic regions, product categories, brands, channels of distribution and functions that are designed to grow our sales, leverage our strengths and make us more productive and profitable. We also plan to continue to build upon and leverage our history of outstanding creativity, innovation and entrepreneurship in high quality products and services and engaging communications.

We believe our diverse and highly desirable brand portfolio positions us well to capitalize on opportunities in fast growing and profitable areas in prestige beauty. Skin care, our most profitable product category, remains a strategic priority for us and, as a result, we continue to support our large, long-standing skin care product lines including Advanced Night Repair from Estée Lauder, Clinique's 3-Step Skin Care System and Crème de la Mer from La Mer. We are also developing and introducing new products, such as New Dimension from Estée Lauder, the Clinique Sonic System Purifying Cleansing Brush and Clinique Smart custom-repair serum, as well as skin care masks from La Mer. We also supplemented our skin care offerings in fiscal 2015 through the recent acquisitions of GLAMGLOW and RODIN olio lusso. While global prestige skin care growth was slower in fiscal 2015, global growth in prestige makeup accelerated, in part due to social media activities. This benefited our makeup sales, and we continue to believe that the makeup category represents one of our most compelling growth opportunities. During the year, we successfully launched a number of new products, including new collections from our makeup artist brands, Pure Color Envy sculpting lipstick and sculpting eye shadow palette from Estée Lauder, and Pop Lip Colour and Primer, Beyond Perfecting foundation and concealer and Chubby Stick sculpting products from Clinique. Our fragrance category has benefited from new launches, expanded distribution from our luxury fragrance brands and our recent acquisitions of Le Labo and Editions de Parfums Frédéric Malle. In addition, we are expanding our hair care brands in salons and other retail channels. To complement the strategies in our existing business, we are continuously looking to acquire and incubate smaller brands that we believe have growth potential and may provide unique opportunities for profitable growth in the future.

Our global footprint provides us many avenues of growth, enabling us to quickly utilize our strengths to capture opportunities around the world by leveraging our regional organization and to align the talents and expertise of our people in an effort to assure that we are locally relevant with our products, services, channels, marketing and visual merchandising. We are seeking share growth in large, image-building cities within core markets such as the United States, the United Kingdom, France, Italy and Japan by strengthening our geographic presence there. In addition, we continue to expand our presence and accelerate growth in emerging markets such as China, the Middle East, Eastern Europe, Brazil, Russia and South Africa. During fiscal 2015, we have seen a general slowdown in department store traffic in some markets, which has particularly affected Estée Lauder and Clinique, but we have been able to grow our business in other channels. In North America, we continued to expand our presence in specialty multi-brand retailers and freestanding retail stores. Internationally, we expanded our business in freestanding stores, in European perfumeries and pharmacies, and in department stores, particularly in the United Kingdom and certain markets in Asia. Travel retail remains an important source of sales growth, profitability and brand building, although it is susceptible to a number of external factors, including fluctuations in foreign currency exchange rates and consumers' willingness and ability to travel. We have strategies focused on consumers who purchase in this channel, in stores at their travel destinations or when they return to their home market. In addition, we have identified opportunities to expand our online portfolio around the world, resulting in strong net sales growth in this channel, and we are in the early stages of developing and testing omnichannel concepts to better serve consumers as they shop across channels. We are applying what we have learned from our digital strategy in the United States to other markets such as Brazil and Russia. To further drive our online sales, we are expanding our presence on key third-party platforms in China, where we are seeing promising results.

While our business is performing well overall, we continue to see competitive pressures and economic challenges in certain countries around the world. We remain cautious of slower retail growth in Hong Kong and China, a decline in spending by Russian and Brazilian travelers, unfavorable foreign exchange due to the strength of the U.S. dollar in relation to most currencies, and lower net sales from our travel retail business in Korea, one of our largest markets for travel retail, due to a decrease in the number of travelers there as a result of the recent outbreak of the MERS virus. Additionally, we are monitoring the effects of economic instability in Russia, Greece and Brazil.

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

Looking ahead to fiscal 2016, we plan to execute our strategy by focusing on the multiple growth engines that we believe will promote long-term sustainable growth. These include strengthening our presence in emerging markets, continuing to revitalize and accelerate growth in our heritage brands, focusing on key demographics and seeking opportunities to add to our diverse brand portfolio. We will continue to drive innovation and creativity that we believe will enable us to introduce products that resonate with consumers. Some will involve new sub-categories and others may expand key franchises. We expect to leverage our topline growth through greater productivity, due in part to cost savings and efficiencies from our Strategic Modernization Initiative ("SMI"). We plan to continue allocating our resources to growth drivers such as digital capabilities, including the development of omnichannel concepts, retail store expansion and information technology enhancements. We also plan to continue to succeed in high growth product categories, sub-categories and channels of distribution, benefit from regional opportunities, focus on emerging market and luxury consumers and enhance our local relevance.

Investment in our global information systems is ongoing. We have implemented initiatives to leverage our SMI foundation that are focused on sustainment and global efficiencies. As we continue to modernize our key processes, related systems and infrastructure, we are also developing upgraded capabilities to support our human resource operations and are making investments to upgrade our global technology infrastructure, as well as our retail systems and retail capabilities globally. These initiatives are expected to improve profitability by enhancing gross margin and supporting efficiencies in select operating expenses and working capital, freeing resources to strategically reinvest in activities to support our future growth.

We rolled out the last major wave of SMI in July 2014 and currently most of our locations are 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 impact on net sales and operating results by product category and geographic region was as follows:

	YEAR ENDED JUNE 30, 2014	
(In millions)	Net Sales	Operating Results
Product Category:		
Skin Care	$ 91	$ 72
Makeup	65	41
Fragrance	21	14
Hair Care	1	—
Other	—	—
Total	$178	$127
Region:		
The Americas	$ 84	$ 53
Europe, the Middle East & Africa	68	53
Asia/Pacific	26	21
Total	$178	$127

The higher orders at the end of fiscal 2014, coupled with the resulting lower orders in the beginning of fiscal 2015 created a difficult comparison between fiscal 2015 and fiscal 2014, which resulted in a variance of approximately $357 million in net sales and approximately $254 million in operating results and adversely impacted our operating margin comparisons. While these additional orders had an adverse impact on our fiscal 2015 net sales and operating results comparisons, we expect there to be corresponding favorable comparisons on our first quarter and full year fiscal 2016 net sales and operating results. We believe 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.

See *"Non-GAAP Financial Measures"* below for reconciliations between non-GAAP financial measures and the most directly comparable U.S. GAAP measures.

FISCAL 2015 AS COMPARED WITH FISCAL 2014

NET SALES

Net sales decreased 2%, or $188.4 million, to $10,780.4 million, entirely driven by the negative impact of foreign currency translation of approximately $519 million and the difficult comparison due to the accelerated orders, as discussed above, of approximately $357 million. Inclusive of these items, higher net sales in our makeup and hair care product categories were more than offset by declines in our skin care and fragrance product categories, while geographically, we experienced lower net sales in each region. Our makeup artist and luxury brands continued to grow net sales through successful product launches and expanded global distribution. However, net sales from Estée Lauder and Clinique have been challenged in all of our product categories and reflect a difficult comparison to the prior year, which featured significant launch activity related to the reformulation of certain iconic skin care products and several significant fragrance launches. In addition, we are experiencing strong growth in certain channels such as specialty-multi, online and freestanding stores, as well as expansion in emerging markets. Excluding the impact of foreign currency translation and the impact of the accelerated orders, net sales would have increased 6%, with growth in each of our major product categories and within each geographic region.

Product Categories

The change in net sales in each product category was negatively impacted by the accelerated orders into the fiscal 2014 fourth quarter from certain of our retailers due to our implementation of SMI as follows: skin care, approximately $183 million; makeup, approximately $131 million; fragrance, approximately $42 million; and hair care, approximately $1 million.

Skin Care Net sales of skin care products decreased 6%, or $291.1 million, to $4,478.7 million. This decrease reflected the negative impact of foreign currency translation of approximately $215 million. The decrease, as reported, reflected lower net sales of Estée Lauder and Clinique products of approximately $303 million, combined, primarily due to the accelerated orders and significant launch activity in the prior year related to the reformulation of certain iconic products. These decreases were partially offset by higher sales of La Mer products, primarily due to new launches and expanded distribution in the travel retail channel, and incremental sales from our recent acquisitions of approximately $23 million, combined. Excluding the impact of foreign currency translation and the impact of the accelerated orders, skin care net sales would have increased 2%. Excluding the impact of foreign currency translation, skin care net sales decreased 2%. Adjusting for the impact of the accelerated orders, reported net sales in skin care would have decreased 2%.

Makeup Makeup net sales increased 2%, or $94.4 million, to $4,304.6 million. This change reflected the negative impact of foreign currency translation of approximately $205 million. The net sales increase, as reported, primarily reflected higher net sales from our makeup artist brands, Tom Ford and Smashbox of approximately $293 million, combined. Sales from our makeup artist brands benefited from new product offerings, as well as expanded distribution in a number of channels, including our freestanding retail stores. The higher net sales from Tom Ford and Smashbox were primarily due to expanded distribution of Tom Ford in the travel retail channel and Smashbox in specialty multi-brand retailers. Partially offsetting these increases were lower sales of Clinique and Estée Lauder products of approximately $161 million, combined. Excluding the impact of foreign currency translation and the impact of the accelerated orders, makeup net sales would have increased 10%. Excluding the impact of foreign currency translation, makeup net sales increased 7%. Adjusting for the impact of the accelerated orders, reported net sales in makeup would have increased 5%.

Fragrance Net sales of fragrance products decreased 1%, or $8.6 million, to $1,416.4 million. This decrease was entirely driven by the negative impact of foreign currency translation of approximately $75 million. The decrease, as reported, primarily reflected lower sales of certain Estée Lauder, Clinique, Coach and Tommy Hilfiger fragrances of approximately $98 million, combined. These decreases were mostly offset by the strong performance of luxury fragrances from Jo Malone London and Tom Ford that resulted in higher net sales of approximately $91 million, combined. Excluding the impact of foreign currency translation and the impact of the accelerated orders, fragrance net sales would have increased 8%. Excluding the impact of foreign currency translation, fragrance net sales increased 5%. Adjusting for the impact of the accelerated orders, reported net sales in fragrance would have increased 2%.

Hair Care Hair care net sales increased 3%, or $15.0 million, to $530.6 million. This change reflected the negative impact of foreign currency translation of approximately $22 million. The increase in net sales reflected expanded global distribution of Aveda products in department stores, freestanding retail stores, salons and in the travel retail channel, and Bumble and bumble products in specialty multi-brand retailers. The category also benefited from increased sales of Smooth Infusion Naturally Straight from Aveda, as well as the expansion of the Hairdresser's Invisible Oil line of products from Bumble and bumble which contributed approximately $12 million to the increase, combined. Partially offsetting these increases were lower sales of the Invati line of products and Dry Remedy shampoo from Aveda of approximately $6 million, combined. Excluding the impact of foreign currency translation and the impact of the accelerated orders, hair care net sales would have increased 7%. Excluding the impact of foreign currency translation, hair care net sales increased 7%. Adjusting for the impact of the accelerated orders, reported net sales in hair care would have increased 3%.

Geographic Regions

The overall change in net sales in each geographic region was negatively impacted by the accelerated orders into the fiscal 2014 fourth quarter from certain of our retailers due to our implementation of SMI as follows: Americas, approximately $169 million; Europe, the Middle East & Africa, approximately $136 million; and Asia/Pacific, approximately $52 million.

Net sales in the Americas decreased 1%, or $58.5 million, to $4,513.8 million. Net sales in the United States and Canada, as reported, decreased approximately $53 million, combined, primarily due to lower net sales from certain of our heritage brands, driven by the impact of the accelerated orders and a difficult comparison with the prior year, which featured significant launch activity related to the reformulation of certain iconic products. These decreases were partially offset by higher net sales from our makeup artist, luxury and hair care brands. Net sales in Latin America decreased approximately $5 million, primarily reflecting lower net sales in Venezuela, partially offset by higher net sales in Brazil. Excluding the impact of foreign currency translation and the impact of the accelerated orders, net sales in the Americas would have increased 6%. Excluding the impact of foreign currency translation, net sales in the Americas increased 2%. Adjusting for the impact of the accelerated orders, reported net sales in the Americas would have increased 2%.

In Europe, the Middle East & Africa, net sales decreased 2%, or $77.3 million, to $4,086.4 million, driven by approximately $285 million of unfavorable foreign currency translation due to the strength of the U.S. dollar in relation to most currencies in the region. Lower sales in our travel retail business, Germany, Iberia and Italy totaled approximately $185 million, combined. The lower sales in our travel retail business were driven by the impact of the accelerated orders. Excluding this impact, travel retail net sales increased due to a strategic expansion of certain of our luxury brands and our makeup artist brands, partially offset by the negative impact of the social instability in Hong Kong, as well as changes in the purchasing power of key groups of travelers. The decrease in sales in Germany, Iberia and Italy was due to the weakening of the Euro against the U.S. dollar. Excluding this impact, net sales in Germany, Iberia and Italy increased, primarily driven by certain of our luxury, makeup artist and hair care brands as a result of expanded distribution and new product introductions. Partially offsetting these reported decreases were higher sales in the United Kingdom and the Middle East of approximately $122 million, combined. The increase in sales in the United Kingdom was primarily driven by our makeup artist and luxury brands. Higher sales in the Middle East were primarily driven by certain of our luxury brands and makeup artist brands as a result of new product introductions and expanded distribution. Excluding the impact of foreign currency translation and the impact of the accelerated orders, net sales in Europe, the Middle East & Africa would have increased 8%. Excluding the impact of foreign currency translation, Europe, the Middle East & Africa net sales increased 5%. Adjusting for the impact of the accelerated orders, reported net sales in Europe, the Middle East & Africa would have increased 1%.

Net sales in Asia/Pacific decreased 2%, or $52.5 million, to $2,180.2 million, driven by approximately $79 million of unfavorable foreign currency translation due to the strength of the U.S. dollar in relation to certain currencies in the region. Lower sales in Japan and Hong Kong totaled approximately $94 million, combined. The decrease in net sales in Japan primarily reflected the impact of the accelerated orders and foreign currency translation, partially offset by higher sales of certain of our luxury and makeup artist brands. The lower sales in Hong Kong were primarily due to the negative impact to our business as a result of the social instability there. These decreases were partially offset by higher net sales in China, Australia and Korea of approximately $46 million, combined. The higher net sales in China were primarily driven by certain of our heritage and luxury brands, and our makeup artist brands as a result of expanded distribution in department stores, freestanding stores and online. For Australia and Korea, the higher net sales were from certain of our makeup artist and luxury brands. Excluding the impact of foreign currency translation and the impact of the accelerated orders, net sales in Asia/Pacific would have increased 4%. Excluding the impact of foreign currency translation, Asia/Pacific net sales increased 1%. Adjusting for the impact of the accelerated orders, reported net sales in Asia/Pacific would have been flat.

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

COST OF SALES

Cost of sales as a percentage of total net sales decreased to 19.5% as compared with 19.7% in the prior year. This improvement reflected favorable changes in foreign exchange transactions of approximately 20 basis points, partially offset by an increase in obsolescence charges of approximately 10 basis points.

Since certain promotional activities are a component of sales or cost of sales, and the timing and level of promotions vary with our promotional calendar, we have experienced, and expect to continue to experience, fluctuations in the cost of sales percentage. In addition, future cost of sales may be impacted by channels of distribution and their relative growth.

OPERATING EXPENSES

Operating expenses as a percentage of net sales increased to 65.6% as compared with 63.6% in the prior year, and were impacted by the accelerated orders and brand and channel mix as certain retail and media formats carry different cost structures. As a percentage of net sales, this increase primarily reflected an increase in general and administrative expenses of approximately 100 basis points as a result of higher support spending behind capability-building initiatives, such as information technology, as well as for acquisition-related expenses. This increase also reflected higher store operating and selling costs of approximately 110 basis points, combined, primarily driven by the expansion of M·A·C and Jo Malone London freestanding retail stores. Also contributing to this increase were higher costs associated with stock-based compensation and higher spending on advertising, merchandising and sampling as a percentage of net sales of approximately 10 basis points, each. Partially offsetting these increases were lower charges related to the measurement of net monetary assets in Venezuela of approximately 30 basis points and favorable changes in foreign exchange transactions of approximately 10 basis points. Adjusting for the impact of the accelerated orders into the fiscal 2014 fourth quarter, operating expenses as a percentage of net sales would have increased approximately 10 basis points, primarily reflecting an increase in general and administrative expenses and higher store operating costs, partially offset by lower spending on advertising, merchandising and sampling and lower charges related to the remeasurement of net monetary assets in Venezuela.

Changes in advertising, merchandising and sampling spending result from the type, timing and level of activities related to product launches and rollouts, as well as the markets and brands being emphasized.

OPERATING RESULTS

Operating income decreased 12%, or $221.3 million, to $1,606.3 million, driven entirely by the negative impact of the accelerated orders of approximately $254 million and foreign currency translation of approximately $131 million. Operating margin decreased to 14.9% of net sales as compared with 16.7% in the prior year, reflecting an increase in our operating expense margin, partially offset by our higher gross margin. Adjusting for the impact of the accelerated orders, operating income would have increased 2% and operating margin would have remained flat.

Our skin care, makeup and fragrance results declined, primarily reflecting the accelerated orders, as well as certain challenges and difficult comparisons affecting our net sales growth in certain markets and channels by our heritage brands as previously discussed. These decreases were partially offset by improved results from our makeup artist, certain luxury, and our hair care brands. While certain operating expenses have increased as a percentage of net sales during the current year, we have been able to implement cost containment measures to mitigate the impact.

Product Categories

The overall change in operating results in each product category was negatively impacted by the accelerated orders into the fiscal 2014 fourth quarter from certain of our retailers due to our implementation of SMI as follows: skin care, approximately $144 million; makeup, approximately $82 million; fragrance, approximately $28 million; and the impact on hair care was de minimis.

Skin care operating income decreased 15%, or $143.6 million, to $832.2 million, reflecting the impact of the accelerated orders and a difficult comparison to the significant launch activity in the prior year by certain of our heritage brands. Makeup operating income decreased 8%, or $56.6 million, to $659.3 million, primarily due to lower results from our heritage brands, reflecting the impact of the accelerated orders, partially offset by improved results from our makeup artist brands. Fragrance operating income decreased 20%, or $21.3 million, to $82.8 million, reflecting the lower launch activity from certain designer fragrances and heritage brands, partially offset by higher results from certain of our luxury fragrance brands. Hair care operating results increased 12%, or $4.2 million, to $37.9 million, primarily reflecting higher net sales driven by expanded global distribution and new product launches, as well as lower investment spending as compared with the higher level of spending in the prior year to support the Invati line of products. Adjusting for the impact of the accelerated orders, skin care operating results would have been flat and makeup, fragrance and hair care operating results would have increased 4%, 7% and 13%, respectively.

Geographic Regions

The overall change in operating results in each geographic region was negatively impacted by the accelerated orders into the fiscal 2014 fourth quarter from certain of our retailers due to our implementation of SMI as follows: Americas, approximately $106 million; Europe, the Middle East & Africa, approximately $106 million; and Asia/Pacific, approximately $42 million.

Operating income in the Americas decreased 44%, or $235.0 million, to $302.3 million, primarily reflecting the decrease in net sales from our heritage brands in the United States and Canada associated with the accelerated orders and the significant launch activity in the prior year related to the reformulation of certain iconic products, as well as higher general and administrative expenses, which include acquisition-related expenses. This decrease was partially offset by lower advertising, merchandising and sampling spending by our heritage brands due to the lower launch activity and a reallocation of spending among media formats. The region also benefited from higher results in Latin America, primarily driven by lower charges related to the remeasurement of net monetary assets in Venezuela. Adjusting for the impact of the accelerated orders, operating income in the Americas would have decreased 27%.

In Europe, the Middle East & Africa, operating income increased less than 1%, or $5.0 million, to $943.3 million. Higher operating results in the United Kingdom, the Middle East, France, India, Russia and Switzerland of approximately $83 million, combined, were partially offset by lower operating results in our travel retail business, due to the accelerated orders, and, to a lesser extent, Germany of approximately $79 million, combined. The higher results in France, India, Russia and Switzerland were primarily due to an increase in constant currency net sales. Adjusting for the impact of the accelerated orders, operating income in Europe, the Middle East & Africa would have increased 13%.

In Asia/Pacific, operating income increased 3%, or $11.6 million, to $360.7 million. Higher results in China, Korea and Australia totaled approximately $49 million, combined. These higher results were partially offset by lower results in Japan, due to the accelerated orders, and Singapore of approximately $40 million, combined. The lower results in Singapore were primarily due to lower net sales. Adjusting for the impact of the accelerated orders, operating income in Asia/Pacific would have increased 16%.

INTEREST EXPENSE

Interest expense increased to $60.0 million as compared with $59.4 million in the prior year, primarily due to higher short- and long-term debt levels.

INTEREST INCOME AND INVESTMENT INCOME, NET

Interest income and investment income, net increased to $14.3 million as compared with $8.6 million in the prior year, primarily due to higher investment income as a result of an increase in short- and long-term investment balances and rates in connection with our modified cash investment strategy, as well as realized gains on investments. See *"Financial Condition"* below for further discussion of our modified cash investment strategy.

PROVISION FOR INCOME TAXES

The provision for income taxes represents U.S. federal, foreign, state and local income taxes. The effective rate differs from the federal statutory rate primarily due to the effect of state and local income taxes, the 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.

The effective rate for income taxes was 29.9% and 32.0% for fiscal 2015 and 2014, respectively. The decrease of 210 basis points was principally attributable to a lower effective tax rate related to our foreign operations, which included Venezuela remeasurement charges in fiscal 2015 and 2014 of $5.3 million and $38.3 million, respectively, for which no tax benefit was provided. This reduction was partially offset by an increase in income tax reserve adjustments recorded in the current year.

NET EARNINGS ATTRIBUTABLE TO THE ESTĒE LAUDER COMPANIES INC.

Net earnings attributable to The Estée Lauder Companies Inc. as compared with the prior year decreased 10%, or $115.2 million, to $1,088.9 million and diluted net earnings per common share decreased 8% from $3.06 to $2.82.

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 these items that are not comparable from period to period helps investors and others compare operating performance between two 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. The following tables present Net Sales, Operating Income and Diluted net earnings per common share adjusted to exclude the impact of accelerated orders associated with the July 2014 SMI rollout, adjustments associated with restructuring activities and the Venezuela remeasurement charges. The tables provide reconciliations between these non-GAAP financial measures and the most directly comparable U.S. GAAP measures.

	Year Ended June 30				% Change
	2015	2014	Variance	% Change	in Constant Currency
($ in millions)					
Net Sales, as reported	**$10,780.4**	$10,968.8	$(188.4)	(2)%	3%
Accelerated orders associated with SMI rollout	**178.3**	(178.3)	356.6		
Adjustments associated with restructuring activities	**—**	(0.1)	0.1		
Net Sales, as adjusted	**$10,958.7**	$10,790.4	$ 168.3	2%	6%

	Year Ended June 30				% Change
	2015	2014	Variance	% Change	in Constant Currency
($ in millions)					
Operating Income, as reported	**$1,606.3**	$1,827.6	$(221.3)	(12)%	(5)%
Accelerated orders associated with SMI rollout	**127.2**	(127.2)	254.4		
Venezuela remeasurement charge	**5.3**	38.3	(33.0)		
Total adjustments associated with restructuring activities	**—**	(2.9)	2.9		
Operating Income, as adjusted	**$1,738.8**	$1,735.8	$ 3.0	0%	8%

	Year Ended June 30				% Change in Constant Currency
	2015	2014	Variance	% Change	
(Not adjusted for differences caused by rounding)					
Diluted net earnings per common share, as reported	**$2.82**	$3.06	$(.24)	(8)%	0%
Accelerated orders associated with SMI rollout	**.21**	(.21)	.42		
Venezuela remeasurement charge	**.01**	.10	(.08)		
Total adjustments associated with restructuring activities	**—**	(.00)	—		
Diluted net earnings per common share, as adjusted	**$3.05**	$2.95	$ .10	3%	12%

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:

	As Reported							
	Year ended June 30, 2015	Year ended June 30, 2014	Variance	Add: Impact of foreign currency translation	Add: Impact of accelerated orders	Variance as adjusted	% Change as reported	% Change as adjusted
(In millions)								
Product Category:								
Skin Care	**$ 4,478.7**	$ 4,769.8	$(291.1)	$215.4	$182.8	$107.1	(6)%	2%
Makeup	**4,304.6**	4,210.2	94.4	204.9	130.8	430.1	2	10
Fragrance	**1,416.4**	1,425.0	(8.6)	74.7	42.0	108.1	(1)	8
Hair Care	**530.6**	515.6	15.0	22.0	1.0	38.0	3	7
Other	**50.1**	48.1	2.0	2.1	—	4.1	4	9
Total	**$10,780.4**	$10,968.7	$(188.3)	$519.1	$356.6	$687.4	(2)%	6%
Region:								
The Americas	**$ 4,513.8**	$ 4,572.3	$ (58.5)	$154.5	$168.6	$264.6	(1)%	6%
Europe, the Middle East & Africa	**4,086.4**	4,163.7	(77.3)	285.2	135.8	343.7	(2)	8
Asia/Pacific	**2,180.2**	2,232.7	(52.5)	79.4	52.2	79.1	(2)	4
Total	**$10,780.4**	$10,968.7	$(188.3)	$519.1	$356.6	$687.4	(2)%	6%

FISCAL 2014 AS COMPARED WITH FISCAL 2013

NET SALES

Net sales increased 8%, or $787.1 million, to $10,968.8 million, primarily reflecting growth in all of our product categories and geographic regions. The impact of foreign currency translation on the change in net sales was de minimis.

In advance of our July 2014 implementation of SMI at certain of our locations and to provide adequate safety stock to mitigate any potential short-term business interruption associated with the rollout, certain of our retailers accelerated their orders during the fiscal 2014 fourth quarter. Those additional orders, which totaled approximately $178 million, would have occurred in our fiscal 2015 first quarter and created a favorable comparison to fiscal 2013. Adjusting for the impact of the accelerated orders, reported net sales would have increased 6%, with growth in all of our product categories and geographic regions.

Product Categories

The change in net sales in each product category benefited from the accelerated orders during fiscal 2014, as discussed above, as follows: skin care, approximately $91 million; makeup, approximately $65 million; fragrance, approximately $21 million; and hair care, approximately $1 million.

Skin Care Net sales of skin care products increased 7%, or $304.5 million, to $4,769.8 million. The fiscal 2014 launches of Advanced Night Repair Synchronized Recovery Complex II and Micro Essence Skin Activating Treatment Lotion from Estée Lauder, and Dramatically Different Moisturizing Lotion+ and reformulated Repairwear Laser Focus from Clinique contributed approximately $615 million of incremental sales, combined. Also contributing to the increase were higher sales of La Mer products and the Nutritious line of products from Estée Lauder of approximately $144 million, combined. Partially offsetting these increases were lower sales of certain existing Advanced Night Repair Synchronized Recovery products from Estée Lauder and Dramatically Different Moisturizing Lotion and Repairwear Laser Focus from Clinique of approximately $493 million, combined. Excluding the impact of foreign currency translation, skin care net sales increased 8%. Adjusting for the impact of the accelerated orders, reported net sales in skin care would have increased 5%.

Makeup Makeup net sales increased 9%, or $333.3 million, to $4,210.2 million, primarily reflecting higher net sales from our makeup artist brands, the fiscal 2014 launch of All About Shadow from Clinique and higher sales of Smashbox products of approximately $339 million, combined. Sales from our makeup artist brands benefited from new product offerings, as well as expanded distribution in line with our retail store strategy. Partially offsetting these increases were lower sales of Chubby Stick Moisturizing Lip Colour Balm and High Impact Lip Color from Clinique, as well as the fiscal 2013 launches of Pore Refining Solutions Makeup from Clinique and Pure Color Vivid Shine Lipstick from Estée Lauder of approximately $34 million, combined. The impact of foreign currency translation on makeup net sales was de minimis. Adjusting for the impact of the accelerated orders, reported net sales in makeup would have increased 7%.

Fragrance Net sales of fragrance products increased 9%, or $114.2 million, to $1,425.0 million, primarily reflecting the fiscal 2014 launches of Estée Lauder Modern Muse, the Michael Kors Collection, Jo Malone Peony & Blush Suede and Tory Burch, as well as higher sales of Tom Ford Black Orchid of approximately $149 million, combined. These increases were partially offset by lower sales of Estée Lauder *pleasures*, Donna Karan Cashmere Mist, DKNY Be Delicious So Intense and Coach Poppy of approximately $31 million, combined. The impact of foreign currency translation on fragrance net sales was de minimis. Adjusting for the impact of the accelerated orders, reported net sales in fragrance would have increased 7%.

Hair Care Hair care net sales increased 5%, or $26.7 million, to $515.6 million, reflecting the continued success and growth of the Invati line of products and the new and reformulated Dry Remedy line of products from Aveda, which contributed approximately $25 million, combined to the increase. The category benefited from sales generated from expanded global distribution of Aveda products to salons and in the travel retail channel and Bumble and bumble products to specialty multi-brand retailers. Partially offsetting these increases were lower sales of Ojon products. The decrease in Ojon net sales was primarily due to the exit of that business from the direct response television channel in our fiscal 2014 second quarter. Excluding the impact of foreign currency translation, hair care net sales increased 6%. The impact of the accelerated orders on the change in reported net sales in hair care was de minimis.

Geographic Regions

The overall change in net sales in each geographic region benefited from the accelerated orders during fiscal 2014, as discussed above, as follows: Americas, approximately $84 million; Europe, the Middle East & Africa, approximately $68 million; and Asia/Pacific, approximately $26 million.

Net sales in the Americas increased 6%, or $269.4 million, to $4,572.3 million, primarily reflecting higher net sales in the United States of approximately $231 million, including the $84 million in accelerated orders. This growth primarily reflected new collections from our makeup artist brands, higher sales of prestige products from our luxury brands, the continued expansion of Smashbox at specialty multi-brand retailers and department stores, contributions from new product innovations from certain of our heritage brands, fiscal 2014 launches from certain of our designer fragrances and expansion into new retail channels by certain of our hair care brands. Net sales in Latin America increased approximately $24 million, led by Venezuela and Brazil. The net sales increase in Venezuela was primarily due to price increases as a result of rising inflation. Net sales in Canada increased approximately $15 million. Excluding the impact of foreign currency translation, the Americas net sales increased 7%. Adjusting for the impact of the accelerated orders, reported net sales in the Americas would have increased 4%.

In Europe, the Middle East & Africa, net sales increased 11%, or $405.0 million, to $4,163.7 million, primarily reflecting higher sales from our travel retail business, the United Kingdom, Germany and France of approximately $335 million, combined. The net sales increase in our travel retail business primarily reflected the success of fiscal 2014 launch initiatives, an increase in global airline passenger traffic and expanded distribution, as well as the impact of the accelerated orders. This was despite a slowdown at retail, in part, due to an adverse impact of Chinese government actions on the travel and spending of Chinese consumers. Higher sales in the United Kingdom and France were primarily driven by certain of our makeup artist and luxury brands. The net sales increase in Germany was primarily driven by our makeup artist and certain of our heritage brands. These increases were partially offset by lower net sales in South Africa and India of approximately $7 million, combined, driven by the weakening of their respective currencies. Excluding the impact of foreign currency translation, Europe, the Middle East & Africa net sales increased 9%. Adjusting for the impact of the accelerated orders, reported net sales in Europe, the Middle East & Africa would have increased 9%.

Net sales in Asia/Pacific increased 5%, or $111.1 million, to $2,232.7 million, primarily reflecting higher sales in China and Hong Kong of approximately $119 million, combined. Higher sales in China were primarily driven by expanded distribution. The net sales increase in Hong Kong was primarily due to higher net sales from certain of our heritage and luxury brands. These increases were partially offset by lower net sales in Japan and Australia of approximately $17 million, combined. The declines in Japan and Australia were driven by the weakening of their respective currencies, which more than offset an improvement in their local retail environments and the impact of the accelerated orders in Japan. Excluding the impact of foreign currency translation, Asia/Pacific net sales increased 9%. Adjusting for the impact of the accelerated orders, reported net sales in Asia/Pacific would have increased 4%.

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

COST OF SALES

Cost of sales as a percentage of total net sales decreased to 19.7% as compared with 19.9% in fiscal 2013. Cost of sales as a percentage of total net sales reflected strategic changes in pricing and the mix of our business of approximately 30 basis points and favorable manufacturing variances of approximately 10 basis points. Partially offsetting these changes were an increase in obsolescence charges and the unfavorable effect of exchange rates of approximately 10 basis points, each.

OPERATING EXPENSES

Operating expenses as a percentage of net sales decreased to 63.6% as compared with 65.1% in fiscal 2013. As a percentage of net sales, this decrease primarily reflected lower spending on advertising, merchandising and sampling of approximately 110 basis points, lower selling costs of approximately 50 basis points and a favorable comparison to fiscal 2013, which reflected restructuring, goodwill and other impairment charges of approximately 40 basis points, combined. These improvements were partially offset by a charge in fiscal 2014 to remeasure net monetary assets in Venezuela of approximately 30 basis points and unfavorable changes in foreign exchange transactions of approximately 10 basis points. Adjusting for the impact of the accelerated orders in fiscal 2014, operating expenses as a percentage of net sales would have decreased 50 basis points, primarily reflecting lower spending on advertising, merchandising and sampling, and lower selling costs.

Changes in advertising, merchandising and sampling spending result from the type, timing and level of activities related to product launches and rollouts, as well as the markets and brands being emphasized.

OPERATING RESULTS

Operating income increased 20%, or $301.6 million, to $1,827.6 million and operating margin increased to 16.7% of net sales as compared with 15.0% in fiscal 2013, which primarily reflected our lower operating expense margin and, to a lesser extent, our higher gross margin. The overall operating results were also impacted by approximately $127 million related to the accelerated orders in fiscal 2014, as discussed above, which created a favorable comparison to fiscal 2013, partially offset by the fiscal 2014 remeasurement of net monetary assets in Venezuela of $38.3 million. The following discussions of Operating Results by Product Categories and Geographic Regions exclude the impact of total charges (adjustments) associated with restructuring activities of $(2.9) million, or less than 1% of net sales, for fiscal 2014 and $17.8 million, or less than 1% of net sales, for fiscal 2013. We believe the following analysis of operating results better reflects the manner in which we conduct and view our business. Adjusting for the impact of the accelerated orders in fiscal 2014 and charges (adjustments) associated with restructuring activities, operating income would have increased 10% and operating margin would have increased 50 basis points.

Product Categories

The overall change in operating results in each product category benefited from the accelerated orders during fiscal 2014, as discussed above, as follows: skin care, approximately $72 million; makeup, approximately $41 million; fragrance, approximately $14 million; and the impact on hair care was de minimis.

Skin care operating income increased 18%, or $145.7 million, to $975.8 million, primarily reflecting higher results driven by fiscal 2014 product launches from Estée Lauder and Clinique and higher sales of luxury skin care products. Makeup operating income increased 23%, or $135.5 million, to $715.9 million, primarily reflecting improved results from our makeup artist brands and certain of our heritage brands, attributable to growth in net sales. We reallocated our investment spending among brands and media formats which positively impacted operating income in the skin care and makeup product categories. Fragrance operating income decreased 13%, or $16.2 million, to $104.1 million, primarily reflecting higher investment spending behind fiscal 2014 major launches, partially offset by higher results from our luxury brands. The fiscal 2014 remeasurement of net monetary assets in Venezuela impacted the skin care, makeup and fragrance product categories by $12 million, $16 million and $10 million, respectively. Hair care operating results increased 26%, or $7.0 million, to $33.7 million, primarily reflecting higher results from Aveda and strategic reductions in spending behind Ojon products. Adjusting for the accelerated orders, operating income in the skin care, makeup, fragrance and hair care product categories would have increased (decreased) 9%, 16%, (25%) and 26%, respectively.

Geographic Regions

The overall change in operating results in each geographic region benefited as a result of the accelerated orders during fiscal 2014, as discussed above, as follows: Americas, approximately $53 million; Europe, the Middle East & Africa, approximately $53 million; and Asia/Pacific, approximately $21 million.

Operating income in the Americas increased 27%, or $114.1 million, to $537.3 million, primarily reflecting the increase in net sales, as previously discussed, as well as a more measured approach to spending. These improvements were partially offset by the fiscal 2014 remeasurement of net monetary assets in Venezuela. Adjusting for the impact of the accelerated orders, operating income in the Americas would have increased 14%.

In Europe, the Middle East & Africa, operating income increased 15%, or $124.9 million, to $938.3 million. Higher results from our travel retail business and in the United Kingdom totaled approximately $126 million, combined, primarily reflecting higher sales. The higher results in our travel retail business also reflected the impact of the accelerated orders. These improvements were partially offset by lower operating results in France and the Middle East of approximately $10 million, combined. The lower results in France were due to higher spending on advertising, merchandising and sampling. Adjusting for the impact of the accelerated orders, operating income in Europe, the Middle East & Africa would have increased 9%.

In Asia/Pacific, operating income increased 14%, or $41.9 million, to $349.1 million. Higher results in Korea, Japan and Hong Kong totaled approximately $45 million, combined. The higher results in Korea were due to lower spending on advertising, merchandising and sampling and the higher results in Japan primarily reflected the impact of the accelerated orders. The higher results in the region were partially offset by lower operating results of approximately $11 million in China and Thailand, combined. The lower results from China were primarily driven by an increase in investment spending as a result of new product introductions and increased distribution. Adjusting for the impact of the accelerated orders, operating income in Asia/Pacific would have increased 7%.

INTEREST EXPENSE

Interest expense decreased to $59.4 million as compared with $63.1 million in fiscal 2013, primarily due to the refinancing of debt at lower rates in fiscal 2013.

INTEREST EXPENSE ON DEBT EXTINGUISHMENT

During the first quarter of fiscal 2013, we redeemed the $230.1 million principal amount of our 7.75% Senior Notes due 2013 at a price of 108% of the principal amount. We recorded a pre-tax expense on the extinguishment of debt of $19.1 million representing the call premium of $18.6 million and the pro-rata write-off of $0.5 million of issuance costs and debt discount.

INTEREST INCOME AND INVESTMENT INCOME, NET

Interest income and investment income, net increased to $8.6 million, which remained relatively unchanged compared with $8.3 million in fiscal 2013.

OTHER INCOME

We recognized $23.1 million as other income during fiscal 2013, primarily reflecting the amended agreement related to the August 2007 sale of Rodan + Fields (a brand then owned by us).

PROVISION FOR INCOME TAXES

The provision for income taxes represents U.S. federal, foreign, state and local income taxes. The effective rate differs from the federal statutory rate primarily due to the effect of state and local income taxes, the taxation of foreign income and income tax reserve adjustments, which represent changes in our net liability for unrecognized tax benefits including tax settlements and lapses of the applicable statutes of limitations. Our effective tax rate will change from year to year based on recurring and nonrecurring 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 period of change.

The effective rate for income taxes was 32.0% and 30.6% for fiscal 2014 and 2013, respectively. The increase in the rate of 140 basis points was principally attributable to a higher effective tax rate related to the Company's foreign operations, which included the impact of the Venezuela remeasurement charge for which no tax benefit has been provided, as well as slightly higher favorable income tax reserve adjustments recorded in fiscal 2013.

NET EARNINGS ATTRIBUTABLE TO THE ESTĒE LAUDER COMPANIES INC.

Net earnings attributable to The Estée Lauder Companies Inc. as compared with fiscal 2013 increased 18%, or $184.3 million, to $1,204.1 million and diluted net earnings per common share increased 19% from $2.58 to $3.06.

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 these items that are not comparable from period to period helps investors and others compare operating performance between two 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. The following tables present Net Sales, Operating Income and Diluted net earnings per common share adjusted to exclude the impact of accelerated orders associated with the July 2014 SMI rollout, the Venezuela fiscal 2014 remeasurement charge, returns and charges (adjustments) associated with restructuring activities and the fiscal 2013 interest expense on debt extinguishment. The tables provide reconciliations between these non-GAAP financial measures and the most directly comparable U.S. GAAP measures.

	Year Ended June 30				
	2014	2013	Variance	% Change	% Change in Constant Currency
($ in millions)					
Net Sales, as reported	$10,968.8	$10,181.7	$ 787.1	8%	8%
Accelerated orders associated with SMI rollout	(178.3)	—	(178.3)		
Returns (adjustments) associated with restructuring activities	(0.1)	1.5	(1.6)		
Net Sales, as adjusted	$10,790.4	$10,183.2	$ 607.2	6%	7%

	Year Ended June 30			
	2014	2013	Variance	% Change
($ in millions)				
Operating Income, as reported	$1,827.6	$1,526.0	$ 301.6	20%
Accelerated orders associated with SMI rollout	(127.2)	—	(127.2)	
Venezuela fiscal 2014 remeasurement charge	38.3	—	38.3	
Total charges (adjustments) associated with restructuring activities	(2.9)	17.8	(20.7)	
Operating Income, as adjusted	$1,735.8	$1,543.8	$ 192.0	12%

	Year Ended June 30			
	2014	2013	Variance	% Change
Diluted net earnings per common share, as reported	$3.06	$2.58	$ .48	19%
Accelerated orders associated with SMI rollout	(.21)	—	(.21)	
Venezuela fiscal 2014 remeasurement charge	.10	—	.10	
Total charges (adjustments) associated with restructuring activities	(.00)	.03	(.03)	
Interest expense on debt extinguishment	—	.03	(.03)	
Diluted net earnings per common share, as adjusted	$2.95	$2.64	$ .31	12%

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, 2015, we had cash and cash equivalents of $1,021.4 million compared with $1,629.1 million at June 30, 2014. 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 perform ongoing evaluations of these institutions to limit our concentration risk exposure.

The decline in cash balances reflects the change in our cash investment strategy that we implemented in the fiscal 2015 second quarter, to invest a portion of our cash and cash equivalents in short- and long-term investments. 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 $917.8 million at June 30, 2015.

During fiscal 2015, we acquired RODIN olio lusso, a skin care brand, Le Labo, a fragrance brand, Editions de Parfums Frédéric Malle, a fragrance brand, and GLAMGLOW, a skin care brand. The purchase price related to each of these acquisitions includes cash paid at closing plus additional amounts to be paid in the future, a portion of which is contingent on the achievement of certain future operating results. The amounts paid at closing, amounting to $237.2 million, were funded by cash on hand and through the issuance of commercial paper. The additional amounts are expected to be paid from fiscal 2018 through fiscal 2020 with the exception of working capital adjustments that were paid during fiscal 2015 and additional working capital adjustments and a purchase price true-up payment that are expected to be paid in the first quarter of fiscal 2016. The aggregate acquisition-date fair value of these transactions was approximately $437 million.

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, 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, 2015 include approximately $1,694 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 as discussed below. Downgrades in our credit ratings may reduce our ability to issue commercial paper and/or long-term debt and would likely increase the relative costs of borrowing. A credit rating is not a recommendation to buy, sell, or hold securities, is subject to revision or withdrawal at any time by the assigning rating organization, and should be evaluated independently of any other rating. As of August 14, 2015, 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

At June 30, 2015, our outstanding borrowings were as follows:

($ in millions)	Long-term Debt	Current Debt	Total Debt
4.375% Senior Notes, due June 15, 2045 ("2045 Senior Notes")(1), (7)	$ 294.0	$ —	$ 294.0
3.70% Senior Notes, due August 15, 2042 ("2042 Senior Notes")(2), (7)	249.0	—	249.0
6.00% Senior Notes, due May 15, 2037 ("2037 Senior Notes")(3), (7)	296.6	—	296.6
5.75% Senior Notes, due October 15, 2033 ("2033 Senior Notes")(4)	197.9	—	197.9
2.35% Senior Notes, due August 15, 2022 ("2022 Senior Notes")(5), (7)	249.6	—	249.6
5.55% Senior Notes, due May 15, 2017 ("2017 Senior Notes")(6), (7)	313.9	—	313.9
Other borrowings	6.5	29.8	36.3
	$1,607.5	$29.8	$1,637.3

(1) Consists of $300.0 million principal and unamortized debt discount of $6.0 million

(2) Consists of $250.0 million principal and unamortized debt discount of $1.0 million.

(3) Consists of $300.0 million principal and unamortized debt discount of $3.4 million.

(4) Consists of $200.0 million principal and unamortized debt discount of $2.1 million.

(5) Consists of $250.0 million principal, unamortized debt discount of $0.2 million and a $(0.2) million adjustment to reflect the fair value of interest rate swaps.

(6) Consists of $300.0 million principal, unamortized debt discount of $0.1 million and a $14.0 million adjustment to reflect the termination value of interest rate swaps.

(7) The Senior Notes contain certain customary incurrence-based covenants, including limitations on indebtedness secured by liens.

In June 2015, we issued the 2045 Senior Notes in a public offering, priced at 97.999% with a yield of 4.497%. Interest payments are required to be made semi-annually on June 15th and December 15th. For further information, see *"Note 10–Debt"* of Notes to Consolidated Financial Statements.

We have a $1.0 billion commercial paper program under which we may issue commercial paper in the United States. As of June 30, 2015, we had no commercial paper outstanding. At August 14, 2015, we had $220.0 million of commercial paper outstanding, which we may refinance on a periodic basis as it matures at then-prevailing market interest rates.

We have a $1.0 billion senior unsecured revolving credit facility (the "Facility") that we extended by one year and is currently set to expire on July 15, 2020. We have a remaining option to extend the Facility one more year. At June 30, 2015, no borrowings were outstanding under the Facility. The Facility may be used for general corporate purposes. Up to the equivalent of $350 million of the Facility is available for multi-currency loans. The interest rate on borrowings under the Facility is based on LIBOR or on the higher of prime, which is the rate of interest publicly announced by the administrative agent, or ½% plus the Federal funds rate. We incurred costs of approximately $1.0 million to establish the Facility, which costs are being amortized over the term of the Facility. The Facility has an annual fee of $0.6 million, payable quarterly, based on our current credit ratings. The Facility also contains a cross-default provision whereby a failure to pay other material financial obligations in excess of $150.0 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 the Facility.

Total debt as a percent of total capitalization (excluding noncontrolling interests) increased to 31% at June 30, 2015 from 26% at June 30, 2014, primarily due to the issuance of the 2045 Senior Notes.

Cash Flows

Net cash provided by operating activities was $1,943.3 million, $1,535.2 million and $1,226.3 million in fiscal 2015, 2014 and 2013, respectively. The fiscal 2015 increase in cash flows provided by operating activities as compared with fiscal 2014 primarily reflected a favorable change in accounts receivable, reflecting the timing of shipments and improved collections, a favorable change in inventory, reflecting our initiative to better align supply levels with forecasted demand and other supply chain improvements, and a favorable change in accounts payable, primarily due to the timing of payments. The accelerated orders in connection with our July 2014 SMI implementation also contributed to the favorable changes in these working capital components and the decrease in net earnings as compared to fiscal 2014. The increase in cash flows provided by operating activities during fiscal 2014 as compared with fiscal 2013 was primarily driven by an increase in net earnings, an increase in accrued income taxes as a result of the level and timing of tax payments, and an increase in accounts payable, primarily due to the timing of payments. These changes were partially offset by an increase in accounts receivable, which primarily reflected accelerated orders in connection with our July 2014 SMI implementation.

Net cash used for investing activities was $1,616.2 million, $511.6 million and $465.5 million in fiscal 2015, 2014 and 2013, respectively. The fiscal 2015 increase as compared with fiscal 2014 primarily reflected purchases of investments in connection with the implementation of our cash investment strategy, as previously discussed. Also contributing to the increase was cash paid in connection with the acquisitions of RODIN olio lusso, Le Labo, Editions de Parfums Frédéric Malle and GLAMGLOW. Partially offsetting cash used for investing activities were proceeds from the disposition of investments and, to a lesser extent, lower capital expenditure activity. The increase in cash flows used for investing activities during fiscal 2014 as compared with fiscal 2013 primarily reflected higher capital expenditure activity related to leasehold improvements and counters.

Net cash used for financing activities was $894.8 million, $856.9 million and $611.5 million in fiscal 2015, 2014 and 2013, respectively. The fiscal 2015 increase in cash used for financing activities as compared with fiscal 2014 primarily reflected an increase in treasury stock purchases and higher dividend payments, partially offset by the proceeds from the issuance of the 2045 Senior Notes. The increase in cash used for financing activities during fiscal 2014 as compared with fiscal 2013 primarily reflected an increase in treasury stock purchases which were partially offset by lower dividend payments that resulted from the transition to quarterly dividends in the third quarter of fiscal 2013 and the final annual dividend payment made that year. In addition, fiscal 2013 reflected the proceeds from the issuance of the 2022 Senior Notes and 2042 Senior Notes, which was partially offset by the redemption of the 2013 Senior Notes and repayment of commercial paper.

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, 2015, see *"Note 15—Common Stock"* of Notes to Consolidated Financial Statements.

Pension and Post-retirement Plan Funding

Several factors influence the annual funding requirements for our pension plans. For the 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 *"Management's Discussion and Analysis of Financial Condition and Results of Operations—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. During fiscal 2015, we made a cash contribution to the U.S. Qualified Plan of $25.0 million. For fiscal 2015 and 2014, we met or exceeded all contribution requirements under ERISA regulations for the U.S. Qualified Plan. As we continue to monitor the funded status, we may decide to make cash contributions to the U.S. Qualified Plan or our post-retirement medical plan in the United States during fiscal 2016.

For fiscal 2015 and 2014, we made benefit payments under our non-qualified domestic noncontributory pension plan of $4.9 million and $7.2 million, respectively. We expect to make benefit payments under this plan during fiscal 2016 of approximately $15 million. For fiscal 2015 and 2014, we made benefit payments under our post-retirement plans of $6.3 million and $6.2 million, respectively. We expect to make benefit payments under these plans during fiscal 2016 of approximately $6 million. For fiscal 2015 and 2014, we made cash contributions to our international defined benefit pension plans of $22.8 million and $27.9 million, respectively. We expect to make contributions under these plans during fiscal 2016 of approximately $23 million.

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 *"Note 14—Commitments and Contingencies (Contractual Obligations)"* of Notes to Consolidated Financial Statements.

Contractual Obligations

For a discussion of our contractual obligations, see *"Note 14—Commitments and Contingencies (Contractual Obligations)"* of Notes to Consolidated Financial Statements.

Derivative Financial Instruments and Hedging Activities

For a discussion of our derivative financial instruments and hedging activities, see *"Note 11—Derivative Financial Instruments"* of Notes to Consolidated Financial Statements.

Foreign Exchange Risk Management

For a discussion of foreign exchange risk management, see *"Note 11—Derivative Financial Instruments (Cash-Flow Hedges)"* of Notes to Consolidated Financial Statements.

Credit Risk

For a discussion of credit risk, see *"Note 11—Derivative Financial Instruments (Credit Risk)"* of Notes to Consolidated Financial Statements.

Market Risk

We use a value-at-risk model to assess the market risk of our derivative financial instruments. Value-at-risk represents the potential losses for an instrument or portfolio from adverse changes in market factors for a specified time period and confidence level. We estimate value-at-risk across all of our derivative financial instruments using a model with historical volatilities and correlations calculated over the past 250-day period. The high, low and average measured value-at-risk during fiscal 2015 and 2014 related to our derivative financial instruments is as follows:

	JUNE 30, 2015			JUNE 30, 2014		
	High	Low	Average	High	Low	Average
(In millions)						
Foreign exchange contracts	**$28.6**	**$7.4**	**$17.8**	$27.4	$7.4	$18.9
Interest rate contracts	**16.1**	**16.1**	**16.1**	—	—	—

The model estimates were made assuming normal market conditions and a 95 percent confidence level. We used a statistical simulation model that valued our derivative financial instruments against one thousand randomly generated market price paths. Our calculated value-at-risk exposure represents an estimate of reasonably possible net losses that would be recognized on our portfolio of derivative financial instruments assuming hypothetical movements in future market rates and is not necessarily indicative of actual results, which may or may not occur. It does not represent the maximum possible loss or any expected loss that may occur, since actual future gains and losses will differ from those estimated, based upon actual fluctuations in market rates, operating exposures, and the timing thereof, and changes in our portfolio of derivative financial instruments during the year. We believe, however, that any such loss incurred would be offset by the effects of market rate movements on the respective underlying transactions for which the derivative financial instrument was intended.

OFF-BALANCE SHEET ARRANGEMENTS

We do not maintain any off-balance sheet arrangements, transactions, obligations or other relationships with unconsolidated entities, 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 *"Note 2—Summary of Significant Accounting Policies"* of Notes to Consolidated Financial Statements for discussion regarding the impact of accounting standards that were recently issued but not yet effective, on our consolidated financial statements.

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, without limitation, 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, without limitation:

(1) increased competitive activity from companies in the skin care, makeup, fragrance and hair care businesses, some of which have greater resources than we do;

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

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

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

(5) the success, or changes in timing or scope, of new product launches and the success, or changes in 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 for the types of products and services we sell;

(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, 2015.

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

YEAR ENDED JUNE 30	**2015**	2014	2013
(In millions, except per share data)			
Net Sales	**$10,780.4**	$10,968.8	$10,181.7
Cost of Sales	**2,100.6**	2,158.2	2,025.9
Gross Profit	**8,679.8**	8,810.6	8,155.8
Operating expenses			
Selling, general and administrative	**7,073.5**	6,985.9	6,597.0
Restructuring and other charges	**—**	(2.9)	15.1
Goodwill impairment	**—**	—	9.6
Impairment of other intangible assets	**—**	—	8.1
Total operating expenses	**7,073.5**	6,983.0	6,629.8
Operating Income	**1,606.3**	1,827.6	1,526.0
Interest expense	**60.0**	59.4	63.1
Interest expense on debt extinguishment	**—**	—	19.1
Interest income and investment income, net	**14.3**	8.6	8.3
Other income	**—**	—	23.1
Earnings before Income Taxes	**1,560.6**	1,776.8	1,475.2
Provision for income taxes	**467.2**	567.7	451.4
Net Earnings	**1,093.4**	1,209.1	1,023.8
Net earnings attributable to noncontrolling interests	**(4.5)**	(5.0)	(4.0)
Net Earnings Attributable to The Estée Lauder Companies Inc.	**$ 1,088.9**	$ 1,204.1	$ 1,019.8
Net earnings attributable to The Estée Lauder Companies Inc. per common share			
Basic	**$ 2.87**	$ 3.12	$ 2.63
Diluted	**$ 2.82**	$ 3.06	$ 2.58
Weighted-average common shares outstanding			
Basic	**379.3**	386.2	387.6
Diluted	**385.7**	393.1	394.9
Cash dividends declared per common share	**$ .92**	$ .78	$ 1.08

See notes to consolidated financial statements.

YEAR ENDED JUNE 30	**2015**	2014	2013
(In millions)			
Net earnings	**$1,093.4**	$1,209.1	$1,023.8
Other comprehensive income (loss):			
Net unrealized investment gain (loss)	**(1.9)**	0.9	0.4
Net derivative instrument gain (loss)	**69.6**	(29.7)	1.2
Amounts included in net periodic benefit cost	**(23.8)**	(13.0)	125.9
Translation adjustments	**(306.0)**	87.2	(20.1)
Benefit (provision) for deferred income taxes on components of other comprehensive income	**(21.2)**	12.5	(51.1)
Total other comprehensive income (loss)	**(283.3)**	57.9	56.3
Comprehensive income (loss)	**810.1**	1,267.0	1,080.1
Comprehensive (income) loss attributable to noncontrolling interests:			
Net earnings	**(4.5)**	(5.0)	(4.0)
Translation adjustments	**2.1**	(0.7)	(0.9)
	(2.4)	(5.7)	(4.9)
Comprehensive income (loss) attributable to The Estée Lauder Companies Inc.	**$ 807.7**	$1,261.3	$1,075.2

See notes to consolidated financial statements.

JUNE 30	**2015**	2014
($ in millions)		
ASSETS		
Current Assets		
Cash and cash equivalents	**$1,021.4**	$1,629.1
Short-term investments	**503.7**	—
Accounts receivable, net	**1,174.5**	1,379.3
Inventory and promotional merchandise, net	**1,215.8**	1,294.0
Prepaid expenses and other current assets	**553.1**	522.8
Total current assets	**4,468.5**	4,825.2
Property, Plant and Equipment, net	**1,490.2**	1,502.6
Other Assets		
Long-term investments	**420.3**	13.6
Goodwill	**1,144.8**	893.2
Other intangible assets, net	**326.6**	157.3
Other assets	**388.8**	476.9
Total other assets	**2,280.5**	1,541.0
Total assets	**$8,239.2**	$7,868.8
LIABILITIES AND EQUITY		
Current Liabilities		
Current debt	**$ 29.8**	$ 18.4
Accounts payable	**635.4**	524.5
Other accrued liabilities	**1,470.4**	1,513.8
Total current liabilities	**2,135.6**	2,056.7
Noncurrent Liabilities		
Long-term debt	**1,607.5**	1,324.7
Other noncurrent liabilities	**841.8**	618.0
Total noncurrent liabilities	**2,449.3**	1,942.7
Commitments and Contingencies		
Equity		
Common stock, $.01 par value; Class A shares authorized: 1,300,000,000 at June 30, 2015 and June 30, 2014; shares issued: 418,530,857 at June 30, 2015 and 412,590,913 at June 30, 2014; Class B shares authorized: 304,000,000 at June 30, 2015 and June 30, 2014; shares issued and outstanding: 147,046,137 at June 30, 2015 and 148,728,082 at June 30, 2014	**5.7**	5.6
Paid-in capital	**2,871.6**	2,562.7
Retained earnings	**7,004.1**	6,265.8
Accumulated other comprehensive loss	**(381.5)**	(100.3)
	9,499.9	8,733.8
Less: Treasury stock, at cost; 190,694,630 Class A shares at June 30, 2015 and 178,434,483 Class A shares at June 30, 2014	**(5,856.7)**	(4,878.9)
Total stockholders' equity—The Estée Lauder Companies Inc.	**3,643.2**	3,854.9
Noncontrolling interests	**11.1**	14.5
Total equity	**3,654.3**	3,869.4
Total liabilities and equity	**$8,239.2**	$7,868.8

See notes to consolidated financial statements.

YEAR ENDED JUNE 30	2015	2014	2013
(In millions)			
Common stock, beginning of year	**$ 5.6**	$ 5.6	$ 5.5
Stock-based compensation	**0.1**	—	0.1
Common stock, end of year	**5.7**	5.6	5.6
Paid-in capital, beginning of year	**2,562.7**	2,289.9	2,006.1
Stock-based compensation	**308.9**	272.8	283.8
Paid-in capital, end of year	**2,871.6**	2,562.7	2,289.9
Retained earnings, beginning of year	**6,265.8**	5,364.1	4,764.9
Common stock dividends	**(350.6)**	(302.4)	(420.6)
Net earnings attributable to The Estée Lauder Companies Inc.	**1,088.9**	1,204.1	1,019.8
Retained earnings, end of year	**7,004.1**	6,265.8	5,364.1
Accumulated other comprehensive income (loss), beginning of year	**(100.3)**	(157.5)	(212.9)
Other comprehensive income (loss)	**(281.2)**	57.2	55.4
Accumulated other comprehensive income (loss), end of year	**(381.5)**	(100.3)	(157.5)
Treasury stock, beginning of year	**(4,878.9)**	(4,215.2)	(3,830.4)
Acquisition of treasury stock	**(927.7)**	(617.1)	(342.6)
Stock-based compensation	**(50.1)**	(46.6)	(42.2)
Treasury stock, end of year	**(5,856.7)**	(4,878.9)	(4,215.2)
Total stockholders' equity—The Estée Lauder Companies Inc.	**3,643.2**	3,854.9	3,286.9
Noncontrolling interests, beginning of year	**14.5**	15.0	14.3
Net earnings attributable to noncontrolling interests	**4.5**	5.0	4.0
Distributions to noncontrolling interest holders	**(5.8)**	(6.2)	(4.2)
Other comprehensive income (loss)	**(2.1)**	0.7	0.9
Noncontrolling interests, end of year	**11.1**	14.5	15.0
Total equity	**$ 3,654.3**	$ 3,869.4	$ 3,301.9

See notes to consolidated financial statements.

YEAR ENDED JUNE 30	2015	2014	2013
(In millions)			
Cash Flows from Operating Activities			
Net earnings	**$ 1,093.4**	$1,209.1	$1,023.8
Adjustments to reconcile net earnings to net cash flows from operating activities:			
Depreciation and amortization	**409.3**	384.6	336.9
Deferred income taxes	**(52.6)**	(56.4)	(76.1)
Non-cash stock-based compensation	**165.0**	152.6	145.8
Excess tax benefits from stock-based compensation arrangements	**(47.6)**	(40.2)	(53.9)
Loss on disposal of property, plant and equipment	**14.5**	13.4	15.2
Goodwill and other intangible asset impairments	**0.5**	—	17.7
Non-cash charges associated with restructuring activities	**—**	—	3.5
Pension and post-retirement benefit expense	**64.5**	70.9	83.1
Pension and post-retirement benefit contributions	**(59.0)**	(41.3)	(38.3)
Loss on Venezuela remeasurement	**5.3**	38.3	2.8
Change in fair value of contingent consideration	**7.3**	—	—
Other non-cash items	**(5.5)**	(0.5)	(25.9)
Changes in operating assets and liabilities:			
Decrease (increase) in accounts receivable, net	**103.2**	(196.2)	(113.0)
Increase in inventory and promotional merchandise, net	**(26.2)**	(156.8)	(134.5)
Decrease (increase) in other assets, net	**7.8**	(45.2)	(3.2)
Increase (decrease) in accounts payable	**146.5**	34.0	(8.7)
Increase in other accrued and noncurrent liabilities	**116.9**	168.9	51.1
Net cash flows provided by operating activities	**1,943.3**	1,535.2	1,226.3
Cash Flows from Investing Activities			
Capital expenditures	**(473.0)**	(510.2)	(461.0)
Acquisition of businesses and other intangible assets, net of cash acquired	**(241.0)**	(9.2)	(8.7)
Proceeds from the disposition of investments	**305.0**	8.4	7.0
Purchases of investments	**(1,207.2)**	(0.6)	(2.8)
Net cash flows used for investing activities	**(1,616.2)**	(511.6)	(465.5)
Cash Flows from Financing Activities			
Proceeds (repayments) of current debt, net	**13.5**	5.1	(198.5)
Proceeds from issuance of long-term debt, net	**294.0**	—	498.7
Debt issuance costs	**(4.5)**	—	(4.1)
Repayments and redemptions of long-term debt	**(8.3)**	(11.8)	(241.5)
Net proceeds from stock-based compensation transactions	**101.4**	84.8	91.1
Excess tax benefits from stock-based compensation arrangements	**47.6**	40.2	53.9
Payments to acquire treasury stock	**(982.8)**	(667.2)	(387.7)
Dividends paid to stockholders	**(349.9)**	(301.8)	(419.2)
Payments to noncontrolling interest holders for dividends	**(5.8)**	(6.2)	(4.2)
Net cash flows used for financing activities	**(894.8)**	(856.9)	(611.5)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	**(40.0)**	(33.3)	(1.3)
Net Increase (Decrease) in Cash and Cash Equivalents	**(607.7)**	133.4	148.0
Cash and Cash Equivalents at Beginning of Year	**1,629.1**	1,495.7	1,347.7
Cash and Cash Equivalents at End of Year	**$ 1,021.4**	$1,629.1	$1,495.7

See 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 and GLAMGLOW. 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, Marni 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 $(322.5) million, $95.1 million and $(25.6) million, net of tax, in fiscal 2015, 2014 and 2013, respectively.

For the Company's Venezuelan subsidiary operating in a highly inflationary economy, 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. During the third quarter of fiscal 2014, the Venezuelan government enacted changes to the foreign exchange controls that expanded the use of its then-existing exchange mechanisms and created another exchange control mechanism ("SICAD II"), which allowed companies to apply for the purchase of foreign currency and foreign currency denominated securities for any legal use or purpose. The Company considered its specific facts and circumstances in determining the appropriate remeasurement rate and determined the SICAD II rate was the most appropriate rate that reflected the economics of its Venezuelan subsidiary's business as of March 24, 2014, when the SICAD II mechanism became operational. As a result, the Company changed the exchange rate used to remeasure the monetary assets and liabilities of its Venezuelan subsidiary from 6.3 to the SICAD II rate, which was 49.98 as of June 30, 2014. Accordingly, a remeasurement charge of $38.3 million, on a before and after tax basis, was reflected in Selling, general and administrative expenses in the Company's consolidated statement of earnings for the year ended June 30, 2014.

On February 12, 2015, the Venezuelan government introduced a new open market foreign exchange system ("SIMADI"), which effectively replaced the SICAD II mechanism. As the SIMADI is the only mechanism legally available at this time for the Company's highest priority transactions, which are the import of goods, the Company changed the exchange rate used to remeasure the monetary assets and liabilities of its Venezuelan subsidiary to the SIMADI rate during the third quarter of fiscal 2015. Accordingly, a remeasurement charge of $5.3 million, on a before and after tax basis, was reflected in Selling, general and administrative expenses in the Company's consolidated statement of earnings for the year ended June 30, 2015. The net monetary assets of the Company's Venezuelan subsidiary were not material as of June 30, 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) losses on foreign currency transactions, including the effect of the Venezuela remeasurement charges, of $(4.1) million, $46.7 million and $3.5 million in fiscal 2015, 2014 and 2013, respectively.

Cash and Cash Equivalents

Cash and cash equivalents include $373.4 million and $971.9 million of short-term time deposits at June 30, 2015 and 2014, respectively. The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Investments

During the fiscal 2015 second quarter, the Company modified its cash investment strategy to invest a portion of its cash and cash equivalents in short- and long-term 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 12—Fair Value Measurements for further information about how the fair values of investments are determined.

Investments in privately-held companies in which the Company has significant influence, but less than a controlling financial interest, are generally accounted for under the equity method of accounting. These investments were not material to the Company's consolidated financial statements as of June 30, 2015 and 2014 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 $20.6 million and $23.9 million as of June 30, 2015 and 2014, 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 2015, the Company elected to perform the qualitative assessment for all 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 fiscal 2014, the Company tested its reporting units for impairment using the two-step approach and its other indefinite-lived intangible assets for impairment by comparing their fair values to their carrying values.

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 $1,060.4 million, or 10%, $1,142.7 million, or 10%, and $1,078.8 million, or 11%, of the Company's consolidated net sales in fiscal 2015, 2014 and 2013, respectively. This customer accounted for $139.1 million, or 12%, and $158.5 million, or 11%, of the Company's accounts receivable at June 30, 2015 and 2014, 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 3.4% in fiscal 2015 and 2014 and 3.3% in fiscal 2013.

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 cost 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 $1,378 million, $1,410 million and $1,412 million in fiscal 2015, 2014 and 2013, respectively.

Advertising and Promotion

Global net expenses for advertising, merchandising, sampling, promotion and product development were $2,771.5 million, $2,840.0 million and $2,754.8 million in fiscal 2015, 2014 and 2013, respectively, and are expensed as incurred. Excluding the impact of purchase with purchase and gift with purchase promotions, costs for advertising, merchandising, sampling, promotion and product development included in Selling, general and administrative expenses in the accompanying consolidated statements of earnings were $2,558.6 million, $2,618.1 million and $2,541.0 million in fiscal 2015, 2014 and 2013, respectively.

Research and Development

Research and development costs of $178.1 million, $157.9 million and $146.8 million in fiscal 2015, 2014 and 2013, 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 $363.6 million, $373.6 million and $337.9 million in fiscal 2015, 2014 and 2013, 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. The licenses typically have an initial term of approximately 5 years to 11 years, and are renewable subject to the Company's compliance with the license agreement provisions. The remaining terms, including the potential renewal periods, range from approximately 5 years to 26 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 market 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. Based on the Company's assessments, no additional valuation allowance is required during the current year. 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 Adopted Accounting Standards

In July 2013, the Financial Accounting Standards Board ("FASB") issued authoritative guidance that requires an entity to present an unrecognized tax benefit, or a portion of an unrecognized tax benefit, in the financial statements as a reduction to a deferred tax asset for a net operating loss ("NOL") carryforward, a similar tax loss, or a tax credit carryforward. If either (i) an NOL carryforward, a similar tax loss, or tax credit carryforward is not available as of the reporting date under the governing tax law to settle taxes that would result from the disallowance of the tax position or (ii) the entity does not intend to use the deferred tax asset for this purpose (provided that the tax law permits a choice), an entity should present an unrecognized tax benefit in the financial statements as a liability and should not net the unrecognized tax benefit with a deferred tax asset. This guidance became effective for unrecognized tax benefits that existed as of the Company's fiscal 2015 first quarter. The adoption of this guidance did not have a significant impact on the Company's consolidated financial statements.

In March 2013, the FASB issued authoritative guidance to resolve the diversity in practice concerning the release of the cumulative translation adjustment ("CTA") into net income (i) when a parent sells a part or all of its investment in a foreign entity or no longer holds a controlling financial interest in a subsidiary or group of assets within a foreign entity, and (ii) in connection with a step acquisition of a foreign entity. This amended guidance requires that CTA be released in net income only if the sale or transfer results in the complete or substantially complete liquidation of the foreign entity in which the subsidiary or group of assets had resided, and that a pro rata portion of the CTA be released into net income upon a partial sale of an equity method investment in a foreign entity only. In addition, the amended guidance clarifies the definition of a sale of an investment in a foreign entity to include both, events that result in the loss of a controlling financial interest in a foreign entity and events that result in an acquirer obtaining control of an acquiree in which it held an equity interest immediately prior to the date of acquisition. The CTA should be released into net income upon the occurrence of such events. This guidance became effective prospectively for the Company's fiscal 2015 first quarter. The adoption of this guidance did not have an impact on the Company's consolidated financial statements.

Recently Issued Accounting Standards

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 August 2015, the FASB deferred the effective date of the new revenue standard by one year. As a result, the new standard would not be effective for the Company until fiscal 2019. In addition, the FASB is allowing companies to early adopt this guidance for the Company's fiscal 2018. The guidance permits an entity to apply the standard retrospectively to all prior periods presented, with certain practical expedients, or apply the requirements in the year of adoption, through a cumulative adjustment. The Company will apply this new guidance when it becomes effective and has not yet selected a transition method. The Company is currently evaluating the impact of adoption on its consolidated financial statements.

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

NOTE 3 — INVESTMENTS

Gains and losses recorded in AOCI related to the Company's available-for-sale investments as of June 30, 2015 were as follows:

(In millions)	Cost	Gross Unealized Gains	Gross Unrealized Losses	Fair Value
U.S. government and agency securities	$265.8	$0.1	$(0.1)	$265.8
Foreign government and agency securities	23.9	—	—	23.9
Corporate notes and bonds	182.7	0.1	(0.4)	182.4
Time deposits	410.8	—	—	410.8
Other securities	34.8	0.1	—	34.9
Total	$918.0	$0.3	$(0.5)	$917.8

Gross unrealized investment gains recorded in AOCI related to the Company's available-for-sale investments as of June 30, 2014 were $2.1 million.

The following table presents the Company's available-for-sale securities by contractual maturity as of June 30, 2015:

	Cost	Fair Value
(In millions)		
Due within one year	$503.7	$503.7
Due after one through five years	414.3	414.1
	$918.0	$917.8

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, 2015:

	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
(In millions)				
Available-for-sale securities	$263.2	$(0.5)	$—	$—

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

YEAR ENDED JUNE 30	**2015**	2014
(In millions)		
Gross realized gains	**$2.5**	$ —
Gross realized losses	**(0.1)**	—
Total	**$2.4**	$ —

The Company utilizes the first-in, first-out method to determine the cost of the security sold.

NOTE 4—INVENTORY AND PROMOTIONAL MERCHANDISE

JUNE 30	**2015**	2014
(In millions)		
Inventory and promotional merchandise, net consists of:		
Raw materials	**$ 306.9**	$ 317.5
Work in process	**168.7**	192.4
Finished goods	**581.3**	599.5
Promotional merchandise	**158.9**	184.6
	$1,215.8	$1,294.0

NOTE 5—PROPERTY, PLANT AND EQUIPMENT

JUNE 30	**2015**	2014
(In millions)		
Asset (Useful Life)		
Land	**$ 15.4**	$ 15.4
Buildings and improvements (10 to 40 years)	**184.9**	205.0
Machinery and equipment (3 to 10 years)	**671.3**	673.9
Computer hardware and software (4 to 10 years)	**1,012.4**	994.8
Furniture and fixtures (5 to 10 years)	**73.7**	75.1
Leasehold improvements	**1,621.9**	1,565.7
	3,579.6	3,529.9
Less accumulated depreciation and amortization	**2,089.4**	2,027.3
	$1,490.2	$1,502.6

The cost of assets related to projects in progress of $192.0 million and $229.9 million as of June 30, 2015 and 2014, respectively, is included in their respective asset categories above. Depreciation and amortization of property, plant and equipment was $400.0 million, $378.1 million and $329.8 million in fiscal 2015, 2014 and 2013, 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

The Company acquired RODIN olio lusso, a skin care brand, in October 2014, Le Labo, a fragrance brand, in November 2014, and in January 2015, Editions de Parfums Frédéric Malle, a fragrance brand, and GLAMGLOW, a skin care brand. The results of operations of these businesses are included in the accompanying consolidated financial statements commencing with the date they were acquired. The purchase price related to each of these acquisitions includes cash paid at closing plus additional amounts to be paid in the future, a portion of which is contingent on the achievement of certain future operating results. The amounts paid at closing were funded by cash on hand and through the issuance of commercial paper. The additional amounts are expected to be paid from fiscal 2018 through fiscal 2020 with the exception of working capital adjustments that were paid during fiscal 2015 and additional working capital adjustments and a purchase price true-up payment that are expected to be paid in the first quarter of fiscal 2016. The aggregate acquisition-date fair value of these transactions was approximately $437 million.

These fiscal 2015 acquisitions were not material, individually or in the aggregate, to the Company's consolidated financial statements. Pro forma results of operations of the prior year 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

Goodwill

During the year ended June 30, 2015, the Company acquired RODIN olio lusso, Le Labo, Editions de Parfums Frédéric Malle and GLAMGLOW, which included the addition of goodwill of $246.9 million, amortizable intangible assets of $28.0 million (with a weighted-average amortization period of approximately 9 years) and non-amortizable intangible assets of $154.8 million related to the Company's fragrance and skin care product categories. Approximately $152 million of goodwill recorded in connection with certain of these acquisitions is expected to be deductible for tax purposes. During the year ended June 30, 2015, the Company recognized $9.4 million of goodwill associated with the continuing earn-out obligations related to the acquisition of the Bobbi Brown brand.

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:

(In millions)	Skin Care	Makeup	Fragrance	Hair Care	Total
Balance as of June 30, 2013					
Goodwill	$ 67.7	$430.4	$ 54.8	$401.6	$ 954.5
Accumulated impairments	(32.5)	—	—	(40.5)	(73.0)
	35.2	430.4	54.8	361.1	881.5
Goodwill acquired during the year	—	10.3	—	—	10.3
Translation and other adjustments	0.1	—	—	1.3	1.4
	0.1	10.3	—	1.3	11.7
Balance as of June 30, 2014					
Goodwill	68.9	440.7	54.8	402.3	966.7
Accumulated impairments	(33.6)	—	—	(39.9)	(73.5)
	35.3	440.7	54.8	362.4	893.2
Goodwill acquired during the year	120.1	9.4	126.8	—	256.3
Translation and other adjustments	(0.6)	(0.4)	(0.3)	(3.4)	(4.7)
	119.5	9.0	126.5	(3.4)	251.6
Balance as of June 30, 2015					
Goodwill	183.9	449.7	181.3	394.7	1,209.6
Accumulated impairments	(29.1)	—	—	(35.7)	(64.8)
	$154.8	$449.7	$181.3	$359.0	$1,144.8

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 2015 and 2014 were not significant to the Company's results of operations.

Other intangible assets consist of the following:

	JUNE 30, 2015			JUNE 30, 2014		
	Gross Carrying Value	Accumulated Amortization	Total Net Book Value	Gross Carrying Value	Accumulated Amortization	Total Net Book Value
(In millions)						
Amortizable intangible assets:						
Customer lists and other	**$294.4**	**$228.7**	**$ 65.7**	$268.3	$216.7	$ 51.6
License agreements	**43.0**	**43.0**	**—**	43.0	43.0	—
	$337.4	**$271.7**	**65.7**	$311.3	$259.7	51.6
Non-amortizable intangible assets:						
Trademarks and other			**260.9**			105.7
Total intangible assets			**$326.6**			$157.3

The aggregate amortization expense related to amortizable intangible assets for fiscal 2015, 2014 and 2013 was $13.7 million, $12.4 million and $12.5 million, respectively. The estimated aggregate amortization expense for each of the next five fiscal years is as follows:

FISCAL	2016	2017	2018	2019	2020
(In millions)					
Estimated aggregate amortization expense	$15.3	$13.3	$11.8	$11.0	$4.0

Fiscal 2013 Impairment Charges

As of the Company's annual step-one goodwill impairment test on April 1, 2013, the Company determined that the carrying value of the Darphin reporting unit exceeded its fair value. As a result, the Company recorded an impairment charge for the remainder of the goodwill related to the Darphin reporting unit of $9.6 million. The fair value of the reporting unit was based upon the income approach, utilizing estimated cash flows and a terminal value, discounted at a rate of return that reflects the relative risk of cash flows. The Company also determined that the carrying value of the Darphin trademark exceeded its estimated fair value, which was based on the use of a royalty rate to determine discounted projected future cash flows ("relief-from-royalty method"). As a result, the Company recognized an impairment charge of $8.1 million for the remaining carrying value of the related trademark. These impairment charges were reflected in the skin care product category and in the Europe, the Middle East & Africa region.

NOTE 8—INCOME TAXES

The provision for income taxes is comprised of the following:

YEAR ENDED JUNE 30	**2015**	2014	2013
(In millions)			
Current:			
Federal	**$236.8**	$338.2	$261.7
Foreign	**251.2**	265.4	241.5
State and local	**31.8**	20.5	24.3
	519.8	624.1	527.5
Deferred:			
Federal	**(55.5)**	(41.7)	(35.2)
Foreign	**2.1**	(18.6)	(41.3)
State and local	**0.8**	3.9	0.4
	(52.6)	(56.4)	(76.1)
	$467.2	$567.7	$451.4

Earnings before income taxes include amounts contributed by the Company's foreign operations of approximately $1,420 million, $1,384 million and $1,220 million for fiscal 2015, 2014 and 2013, respectively. A portion of these earnings are 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	**2015**	2014	2013
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	**1.1**	1.4	1.3
Taxation of foreign operations	**(6.8)**	(4.0)	(4.9)
Income tax reserve adjustments	**0.5**	(0.5)	(1.0)
Other, net	**0.1**	0.1	0.2
Effective tax rate	**29.9%**	32.0%	30.6%

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

Federal income and foreign withholding taxes have not been provided on approximately $2,918 million of undistributed earnings of foreign subsidiaries at June 30, 2015. 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:

JUNE 30	**2015**	2014
(In millions)		
Deferred tax assets:		
Compensation related expenses	**$ 218.5**	$ 199.1
Inventory obsolescence and other inventory related reserves	**82.2**	80.1
Retirement benefit obligations	**97.4**	94.0
Various accruals not currently deductible	**167.1**	174.5
Net operating loss, credit and other carryforwards	**117.5**	111.3
Unrecognized state tax benefits and accrued interest	**25.8**	19.3
Other differences between tax and financial statement values	**87.0**	83.9
	795.5	762.2
Valuation allowance for deferred tax assets	**(120.9)**	(115.2)
Total deferred tax assets	**674.6**	647.0
Deferred tax liabilities:		
Depreciation and amortization	**(279.6)**	(248.0)
Other differences between tax and financial statement values	**(43.9)**	(18.4)
Total deferred tax liabilities	**(323.5)**	(266.4)
Total net deferred tax assets	**$ 351.1**	$ 380.6

As of June 30, 2015 and 2014, the Company had current net deferred tax assets of $279.0 million and $295.1 million, respectively, substantially all of which are included in Prepaid expenses and other current assets in the accompanying consolidated balance sheets. In addition, the Company had noncurrent net deferred tax assets of $72.1 million and $85.5 million as of June 30, 2015 and 2014, respectively, substantially all of which are included in Other assets in the accompanying consolidated balance sheets.

As of June 30, 2015 and 2014, certain subsidiaries had net operating loss and other carryforwards for tax purposes of approximately $430 million and $424 million, respectively. With the exception of approximately $416 million of net operating loss and other carryforwards with an indefinite carryforward period as of June 30, 2015, these carryforwards expire at various dates through fiscal 2035. Deferred tax assets, net of valuation allowances, in the amount of $4.6 million and $11.1 million as of June 30, 2015 and 2014, 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, 2015 and 2014, the Company had gross unrecognized tax benefits of $77.8 million and $58.1 million, respectively. The total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate was $51.6 million.

The Company classifies applicable interest and penalties related to unrecognized tax benefits as a component of the provision for income taxes. The total gross accrued interest and penalty expense during fiscal 2015 in the accompanying consolidated statement of earnings was $5.9 million. During fiscal 2014, the Company recognized a gross interest and penalty benefit of $1.7 million in the accompanying consolidated statement of earnings. The total gross accrued interest and penalties in the accompanying consolidated balance sheets at June 30, 2015 and 2014 were $16.5 million and $12.5 million, respectively. A reconciliation of the beginning and ending amount of gross unrecognized tax benefits is as follows:

JUNE 30	2015	2014
(In millions)		
Beginning of the year balance of gross unrecognized tax benefits	**$ 58.1**	$ 64.0
Gross amounts of increases as a result of tax positions taken during a prior period	**21.9**	5.1
Gross amounts of decreases as a result of tax positions taken during a prior period	**(8.1)**	(10.5)
Gross amounts of increases as a result of tax positions taken during the current period	**11.2**	10.1
Amounts of decreases in unrecognized tax benefits relating to settlements with taxing authorities	**(3.1)**	(6.4)
Reductions to unrecognized tax benefits as a result of a lapse of the applicable statutes of limitations	**(2.2)**	(4.2)
End of year balance of gross unrecognized tax benefits	**$ 77.8**	$ 58.1

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 first and fourth quarters of fiscal 2015, the Company formally concluded the compliance process with respect to fiscal years 2013 and 2014, respectively, under the IRS CAP. The conclusion of this process did not impact the Company's consolidated financial statements. As of June 30, 2015, the compliance process was ongoing with respect to fiscal year 2015.

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 2015, 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, 2015, it is reasonably possible that the total amount of unrecognized tax benefits could decrease in a range of $5 million to $10 million within 12 months as a result of projected resolutions of global tax examinations and controversies and a potential lapse of the applicable statutes of limitations.

The tax years subject to examination vary depending on the tax jurisdiction. As of June 30, 2015, the following tax years remain subject to examination by the major tax jurisdictions indicated:

Major Jurisdiction	Open Fiscal Years
Belgium	2013–2015
Canada	2008–2015
China	2011–2015
France	2012–2015
Germany	2013—2015
Hong Kong	2009–2015
Japan	2012—2015
Korea	2014–2015
Russia	2013–2015
Spain	2012–2015
Switzerland	2011–2015
United Kingdom	2014–2015
United States	2015
State of California	2012–2015
State and City of New York	2011–2015

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 9—OTHER ACCRUED LIABILITIES

Other accrued liabilities consist of the following:

JUNE 30	**2015**	2014
(In millions)		
Advertising, merchandising and sampling	**$ 293.8**	$ 301.7
Employee compensation	**463.3**	468.2
Payroll and other taxes	**142.0**	161.2
Accrued income taxes	**96.9**	113.6
Other	**474.4**	469.1
	$1,470.4	$1,513.8

NOTE 10—DEBT

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

	Debt at June 30		Available financing at June 30, 2015	
	2015	2014	Committed	Uncommitted
(In millions)				
4.375% Senior Notes, due June 15, 2045 ("2045 Senior Notes")	**$ 294.0**	$ —	$ —	$ —
3.70% Senior Notes, due August 15, 2042 ("2042 Senior Notes")	**249.0**	249.0	—	—
6.00% Senior Notes, due May 15, 2037 ("2037 Senior Notes")	**296.6**	296.6	—	—
5.75% Senior Notes, due October 15, 2033 ("2033 Senior Notes")	**197.9**	197.8	—	—
2.35% Senior Notes, due August 15, 2022 ("2022 Senior Notes")	**249.6**	249.8	—	—
5.55% Senior Notes, due May 15, 2017 ("2017 Senior Notes")	**313.9**	321.1	—	—
Commercial paper	**—**	—	—	1,000.0
Loan participation notes	**—**	—	—	150.0
Other long-term borrowings	**6.5**	10.4	—	—
Other current borrowings	**29.8**	18.4	—	163.0
Revolving credit facility	**—**	—	1,000.0	—
	1,637.3	1,343.1	$1,000.0	$1,313.0
Less current debt including current maturities	**(29.8)**	(18.4)		
	$1,607.5	$1,324.7		

As of June 30, 2015, the Company's long-term debt consisted of the following:

Notes	Issue Date	Price	Yield	Principal	Unamortized Debt Discount	Interest rate swap adjustments	Semi-annual interest payments
($ in millions)							
2045 Senior Notes[(1)]	June 2015	97.999%	4.497%	$300.0	$(6.0)	$ —	June 15 / December 15
2042 Senior Notes[(2)]	August 2012	99.567	3.724	250.0	(1.0)	—	February 15 / August 15
2037 Senior Notes[(3)]	May 2007	98.722	6.093	300.0	(3.4)	—	May 15 / November 15
2033 Senior Notes[(4)]	September 2003	98.645	5.846	200.0	(2.1)	—	April 15 / October 15
2022 Senior Notes[(2)]	August 2012	99.911	2.360	250.0	(0.2)	(0.2)	February 15 / August 15
2017 Senior Notes	May 2007	99.845	5.570	300.0	(0.1)	14.0	May 15 /November 15

(1) In April and May 2015, in anticipation of the issuance of the 2045 Senior Notes, the Company entered into a series of forward-starting interest rate swap agreements on a notional amount totaling $300.0 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 $17.5 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.

(2) In September 2012, the Company used the net proceeds of the 2022 Senior Notes and 2042 Senior Notes to redeem the $230.1 million principal amount of its 7.75% Senior Notes due November 1, 2013 at a price of 108% of the principal amount and recorded a pre-tax expense on the extinguishment of debt of $19.1 million representing the call premium of $18.6 million and the pro-rata write-off of $0.5 million of issuance costs and debt discount. In June 2015, the Company entered into interest rate swap agreements with a notional amount totaling $250.0 million to effectively convert the fixed rate interest on its outstanding 2022 Senior Notes to variable interest rates based on three-month LIBOR plus a margin.

(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 $210.0 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 $0.9 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 $195.0 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 $15.0 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.

The Company has a $1.0 billion commercial paper program under which it may issue commercial paper in the United States. At June 30, 2015, the Company had no commercial paper outstanding. At August 14, 2015, the Company had $220.0 million of commercial paper outstanding, which may be refinanced on a periodic basis as it matures at then-prevailing market interest rates.

The Company has a $1.0 billion senior unsecured revolving credit facility (the "Facility") that the Company extended by one year and is currently set to expire on July 15, 2020. The Company has a remaining option to extend the Facility one more year. At June 30, 2015, no borrowings were outstanding under the Facility. The Facility may be used for general corporate purposes. Up to the equivalent of $350 million of the Facility is available for multi-currency loans. The interest rate on borrowings under the Facility is based on LIBOR or on the higher of prime, which is the rate of interest publicly announced by the administrative agent, or ½% plus the Federal funds rate. The Company incurred costs of approximately $1.0 million to establish the Facility, which costs are being amortized over the term of the Facility. The Facility has an annual fee of $0.6 million, payable quarterly, based on the Company's current credit ratings. The Facility also contains a cross-default provision whereby a failure to pay other material financial obligations in excess of $150.0 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 the Facility.

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 2015 and 2014, the monthly average amount outstanding was approximately $15.4 million and $13.7 million, respectively, and the annualized monthly weighted-average interest rate incurred was approximately 11.3% and 9.2%, respectively.

Refer to Note 14—Commitments and Contingencies for the Company's projected debt service payments, as of June 30, 2015, over the next five fiscal years.

NOTE 11—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:

	Asset Derivatives			Liability Derivatives		
	Balance Sheet Location	Fair Value[(1)]		Balance Sheet Location	Fair Value[(1)]	
		June 30			June 30	
		2015	2014		**2015**	2014
(In millions)						
Derivatives Designated as Hedging Instruments:						
Foreign currency forward contracts	Prepaid expenses and other current assets	**$41.1**	$3.4	Other accrued liabilities	**$4.2**	$18.2
Interest rate swap contracts	Not applicable	**—**	—	Other accrued liabilities	**0.2**	—
Total Derivatives Designated as Hedging Instruments		**41.1**	3.4		**4.4**	18.2
Derivatives Not Designated as Hedging Instruments:						
Foreign currency forward contracts	Prepaid expenses and other current assets	**2.0**	0.8	Other accrued liabilities	**4.1**	0.9
Total Derivatives		**$43.1**	$4.2		**$8.5**	$19.1

(1) See Note 12—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:

	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	
	2015	2014		**2015**	2014
(In millions)					
Derivatives in Cash Flow Hedging Relationships:					
Foreign currency forward contracts	**$ 90.3**	$(22.2)	Cost of sales	**$ 9.1**	$4.5
			Selling, general and administrative	**28.7**	2.7
Settled interest rate-related derivatives	**17.5**	—	Interest expense	**0.4**	0.3
Total derivatives	**$107.8**	$(22.2)		**$38.2**	$7.5

(1) The amount of gain (loss) recognized in earnings related to the amount excluded from effectiveness testing was $(1.5) million and $0.4 million for fiscal 2015 and 2014, respectively. The gain (loss) recognized in earnings related to the ineffective portion of the hedging relationships was $1.8 million and $(0.5) million for fiscal 2015 and 2014, respectively.

(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 2015	2014
Derivatives in Fair Value Hedging Relationships:			
Interest rate swap contracts	Interest expense	**$(0.2)**	$ —

(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 2015	2014
Derivatives Not Designated as Hedging Instruments:			
Foreign currency forward contracts	Selling, general and administrative	**$(2.0)**	$1.9

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 2017. 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 ineffective portion of both foreign currency forward and option contracts 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, 2015, the Company's foreign currency cash-flow hedges were highly effective.

At June 30, 2015, the Company had foreign currency forward contracts in the amount of $2,193.2 million. The foreign currencies included in foreign currency forward contracts (notional value stated in U.S. dollars) are principally the Euro ($418.2 million), British pound ($409.3 million), Chinese yuan ($168.2 million), Swiss franc ($168.1 million), Canadian dollar ($158.4 million), Hong Kong dollar ($137.7 million) and Australian dollar ($123.0 million).

At June 30, 2014, the Company had foreign currency forward contracts in the amount of $1,597.3 million. The foreign currencies included in foreign currency forward contracts (notional value stated in U.S. dollars) are principally the British pound ($267.2 million), Euro ($239.8 million), Swiss franc ($170.4 million), Canadian dollar ($138.6 million), Australian dollar ($111.3 million), Japanese yen ($108.0 million) and Hong Kong dollar ($103.0 million).

In April and May 2015, in anticipation of the issuance of the 2045 Senior Notes, the Company entered into a series of forward-starting interest rate swap agreements, which were designated as cash-flow hedges. See Note 10—Debt for further discussion.

The estimated net gain on the Company's derivative instruments designated as cash-flow hedges as of June 30, 2015 that is expected to be reclassified from AOCI into earnings, net of tax, within the next twelve months is $22.8 million. The accumulated gain (loss) on derivative instruments in AOCI was $68.4 million and $(1.2) million as of June 30, 2015 and 2014, respectively.

Fair-Value Hedges

The Company enters into interest rate derivative contracts to manage the exposure to interest rate fluctuations on its funded indebtedness and anticipated issuance of debt for periods consistent with the identified exposures. The Company has interest rate swap agreements, with a notional amount totaling $250.0 million to effectively convert the fixed rate interest on its 2022 Senior Notes 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 $43.1 million at June 30, 2015. To manage this risk, the Company has established strict counterparty credit guidelines that are continually monitored. Accordingly, management believes risk of loss under these hedging contracts is remote.

During the fourth quarter of fiscal 2015, the Company renegotiated the terms related to certain of its derivative financial instruments that contained credit-risk-related contingent features. As a result, the Company no longer holds instruments that contain such features.

NOTE 12—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 remeasurement 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, 2015:

(In millions)	Level 1	Level 2	Level 3	Total
Assets:				
Foreign currency forward contracts	$ —	$ 43.1	$ —	$ 43.1
Available-for-sale securities:				
U.S. government and agency securities	—	265.8	—	265.8
Foreign government and agency securities	—	23.9	—	23.9
Corporate notes and bonds	—	182.4	—	182.4
Time deposits	—	410.8	—	410.8
Other securities	—	34.9	—	34.9
Total	$ —	$960.9	$ —	$960.9
Liabilities:				
Foreign currency forward contracts	$ —	$ 8.3	$ —	$ 8.3
Interest rate swap contracts	—	0.2	—	0.2
Contingent consideration	—	—	159.3	159.3
Total	$ —	$ 8.5	$159.3	$167.8

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, 2014:

(In millions)	Level 1	Level 2	Level 3	Total
Assets:				
Foreign currency forward contracts	$ —	$ 4.2	$ —	$ 4.2
Available-for-sale securities	7.6	—	—	7.6
Total	$7.6	$ 4.2	$ —	$11.8
Liabilities:				
Foreign currency forward contracts	$ —	$19.1	$ —	$19.1

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

	JUNE 30, 2015		JUNE 30, 2014	
(In millions)	**Carrying Amount**	**Fair Value**	Carrying Amount	Fair Value
Nonderivatives				
Cash and cash equivalents	**$1,021.4**	**$1,021.4**	$1,629.1	$1,629.1
Available-for-sale securities	**917.8**	**917.8**	7.6	7.6
Note receivable	**—**	**—**	8.4	8.5
Current and long-term debt	**1,637.3**	**1,697.5**	1,343.1	1,428.3
Additional purchase price payable	**37.0**	**37.0**	—	—
Contingent consideration	**159.3**	**159.3**	—	—
Derivatives				
Foreign currency forward contracts—asset (liability)	**34.8**	**34.8**	(14.9)	(14.9)
Interest rate swap contracts—asset (liability)	**(0.2)**	**(0.2)**	—	—

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 because of the short maturity of cash equivalent instruments.

Available-for-sale securities—Available-for-sale securities classified within Level 1 of the valuation hierarchy are generally comprised of mutual funds and are valued using quoted market prices on an active exchange. Available-for-sale securities classified within Level 2 of the valuation hierarchy 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.

Note receivable—During the second quarter of fiscal 2013, the Company amended the agreement related to the August 2007 sale of Rodan + Fields (a brand then owned by the Company) to receive a fixed amount in lieu of future contingent consideration and other rights. The fair value of the receivable under the amended agreement was determined by discounting the future cash flows using an implied market rate of 6.1%. This implied market rate reflected the Company's estimate of interest rates prevailing in the market for notes with comparable remaining maturities, the creditworthiness of the counterparty, and an assessment of the ultimate collectability of the instrument. The implied market rate was deemed to be an unobservable input and as such the Company's note receivable was classified within Level 3 of the valuation hierarchy as of June 30, 2014. The remaining $8.4 million principal amount was received in August 2014.

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 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—The fair value of the Company's contingent consideration obligations is measured using Level 3 inputs which include a probability weighted-average cost of capital to discount estimated future cash flows based upon the likelihood of achieving certain future operating results. The fair value of the contingent consideration related to the acquisition earn-outs was determined by discounting the future cash flows using discount rates ranging from 9% to 14%. These rates reflect the relative risk and probability of achieving future operating results with the potential earn-outs on the individual acquisitions. These 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. An increase or decrease in the risk premium of 100 basis points would result in a value that is approximately $6 million higher or lower than the current liability recorded.

Changes in the fair value of the contingent consideration obligations for the fiscal year ended June 30, 2015 were as follows:

(In millions)	Fair Value
Contingent consideration at June 30, 2014	$ —
Acquisitions	152.0
Change in fair value	7.3
Contingent consideration at June 30, 2015	$159.3

NOTE 13—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 these benefits as incurred and to provide discretionary funding for the future liability 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:

	Pension Plans				Other than Pension Plans	
	U.S.		International		Post-retirement	
(In millions)	**2015**	2014	**2015**	2014	**2015**	2014
Change in benefit obligation:						
Benefit obligation at beginning of year	**$ 755.2**	$676.0	**$ 598.7**	$ 508.6	**$ 186.7**	$ 169.7
Service cost	**31.7**	31.6	**23.8**	24.8	**3.3**	3.4
Interest cost	**30.4**	31.2	**17.3**	19.1	**7.6**	8.0
Plan participant contributions	**—**	—	**3.2**	3.5	**0.8**	0.8
Actuarial loss (gain)	**10.0**	51.4	**38.6**	41.4	**(11.9)**	12.3
Foreign currency exchange rate impact	**—**	—	**(65.1)**	34.9	**(4.1)**	(0.5)
Benefits, expenses, taxes and premiums paid	**(32.9)**	(36.8)	**(24.9)**	(21.5)	**(7.1)**	(7.0)
Plan amendments	**—**	1.8	**—**	(8.5)	**—**	—
Settlements and curtailments	**—**	—	**(5.9)**	(3.6)	**—**	—
Special termination benefits	**—**	—	**0.5**	—	**—**	—
Benefit obligation at end of year	**$ 794.4**	$755.2	**$ 586.2**	$ 598.7	**$ 175.3**	$ 186.7
Change in plan assets:						
Fair value of plan assets at beginning of year	**$ 723.0**	$659.7	**$ 513.7**	$ 438.6	**$ 31.7**	$ 27.7
Actual return on plan assets	**1.0**	92.9	**59.5**	35.7	**0.2**	4.0
Foreign currency exchange rate impact	**—**	—	**(51.6)**	33.1	**—**	—
Employer contributions	**29.9**	7.2	**22.8**	27.9	**6.3**	6.2
Plan participant contributions	**—**	—	**3.2**	3.5	**0.8**	0.8
Settlements	**—**	—	**(3.4)**	(3.6)	**—**	—
Benefits, expenses, taxes and premiums paid from plan assets	**(32.9)**	(36.8)	**(24.9)**	(21.5)	**(7.1)**	(7.0)
Fair value of plan assets at end of year	**$ 721.0**	$723.0	**$ 519.3**	$ 513.7	**$ 31.9**	$ 31.7
Funded status	**$ (73.4)**	$ (32.2)	**$ (66.9)**	$ (85.0)	**$(143.4)**	$(155.0)
Amounts recognized in the Balance Sheet consist of:						
Other assets	**$ 44.3**	$ 79.5	**$ 68.8**	$ 55.7	**$ —**	$ —
Other accrued liabilities	**(14.4)**	(14.1)	**(3.3)**	(6.6)	**(6.1)**	(6.2)
Other noncurrent liabilities	**(103.3)**	(97.6)	**(132.4)**	(134.1)	**(137.3)**	(148.8)
Funded status	**(73.4)**	(32.2)	**(66.9)**	(85.0)	**(143.4)**	(155.0)
Accumulated other comprehensive loss	**198.6**	149.8	**125.1**	153.5	**22.5**	34.9
Net amount recognized	**$ 125.2**	$117.6	**$ 58.2**	$ 68.5	**$(120.9)**	$(120.1)

	Pension Plans						Other than Pension Plans		
	U.S.			International			Post-retirement		
	2015	2014	2013	**2015**	2014	2013	**2015**	2014	2013
($ in millions)									
Components of net periodic benefit cost:									
Service cost	**$ 31.7**	$ 31.6	$ 33.8	**$ 23.8**	$ 24.8	$ 24.0	**$ 3.3**	$ 3.4	$ 4.3
Interest cost	**30.4**	31.2	26.6	**17.3**	19.1	17.9	**7.6**	8.0	7.8
Expected return on assets	**(50.1)**	(46.8)	(45.2)	**(21.5)**	(20.8)	(19.2)	**(2.3)**	(2.0)	(2.0)
Amortization of:									
Actuarial loss (gain)	**9.8**	7.4	14.5	**10.4**	9.2	9.3	**1.5**	0.8	4.4
Prior service cost	**0.6**	0.7	0.7	**2.1**	2.9	2.8	**0.8**	0.8	0.8
Transition (asset) obligation	**—**	—	—	**—**	—	(0.1)	**—**	—	—
Settlements	**—**	—	—	**(0.5)**	0.6	0.7	**—**	—	—
Curtailments	**—**	—	—	**(0.9)**	—	(0.2)	**—**	—	—
Special termination benefits	**—**	—	—	**0.5**	—	2.2	**—**	—	—
Net periodic benefit cost	**$ 22.4**	$ 24.1	$ 30.4	**$ 31.2**	$ 35.8	$ 37.4	**$10.9**	$11.0	$15.3
Weighted-average assumptions used to determine benefit obligations at June 30:									
Discount rate	**3.70–4.40%**	3.60–4.30%	4.30–4.90%	**.75–7.00%**	.50–6.75%	1.00–7.25%	**4.25–9.00%**	4.10–9.00%	4.75–8.75%
Rate of compensation increase	**3.00–7.00%**	3.00–7.00%	4.00–12.00%	**0–5.50%**	1.00–5.50%	1.00–5.50%	**N/A**	N/A	N/A
Weighted-average assumptions used to determine net periodic benefit cost for the year ended June 30:									
Discount rate	**3.60–4.30%**	4.30–4.90%	3.90%	**.50–6.75%**	1.00–7.25%	1.00–7.00%	**4.10–9.00%**	4.75–8.75%	3.70–8.65%
Expected return on assets	**7.50%**	7.50%	7.50%	**2.00–6.75%**	2.25–7.25%	2.25–7.00%	**7.50%**	7.50%	7.50%
Rate of compensation increase	**3.00–7.00%**	4.00–12.00%	4.00–12.00%	**1.00–5.50%**	1.00–5.50%	1.00–6.00%	**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 6.85% while the weighted-average ultimate trend rate of 4.54% is expected to be reached in approximately 13 years. A one-percentage-point change in assumed health care cost trend rates for fiscal 2015 would have had the following effects:

	One-Percentage-Point Increase	One-Percentage-Point Decrease
(In millions)		
Effect on total service and interest costs	$ 1.3	$ (1.0)
Effect on post-retirement benefit obligations	$15.1	$(10.1)

Amounts recognized in AOCI (before tax) as of June 30, 2015 are as follows:

	Pension Plans		Other than Pension Plans	
	U.S.	International	Post-retirement	Total
(In millions)				
Net actuarial losses, beginning of year	$145.7	$148.2	$31.6	$325.5
Actuarial (gains) losses recognized	59.2	(1.2)	(9.7)	48.3
Amortization and settlements included in net periodic benefit cost	(9.8)	(9.9)	(1.5)	(21.2)
Translation adjustments	—	(14.9)	(0.4)	(15.3)
Net actuarial losses, end of year	195.1	122.2	20.0	337.3
Net prior service cost (credit), beginning of year	4.1	5.3	3.3	12.7
Amortization and curtailments included in net periodic benefit cost	(0.6)	(1.9)	(0.8)	(3.3)
Translation adjustments	—	(0.5)	—	(0.5)
Net prior service cost, end of year	3.5	2.9	2.5	8.9
Total amounts recognized in AOCI	$198.6	$125.1	$22.5	$346.2

Amounts in AOCI expected to be amortized as components of net periodic benefit cost during fiscal 2016 are as follows:

	Pension Plans		Other than Pension Plans
	U.S.	International	Post-retirement
(In millions)			
Prior service cost	$ 0.6	$ 2.0	$0.8
Net actuarial loss	$11.2	$10.9	$0.4

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:

	Pension Plans					
	Retirement Growth Account		Restoration		International	
	2015	2014	**2015**	2014	**2015**	2014
(In millions)						
Projected benefit obligation	**$676.7**	$643.5	**$117.7**	$111.7	**$586.2**	$598.7
Accumulated benefit obligation	**$632.9**	$598.4	**$103.9**	$ 97.0	**$524.1**	$531.4
Fair value of plan assets	**$721.0**	$723.0	**$ —**	$ —	**$519.3**	$513.7

International pension plans with projected benefit obligations in excess of the plans' assets had aggregate projected benefit obligations of $256.8 million and $270.7 million and aggregate fair value of plan assets of $121.1 million and $129.9 million at June 30, 2015 and 2014, respectively. International pension plans with accumulated benefit obligations in excess of the plans' assets had aggregate accumulated benefit obligations of $201.9 million and $199.1 million and aggregate fair value of plan assets of $94.6 million and $89.2 million at June 30, 2015 and 2014, respectively.

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

	Pension Plans		Other than Pension Plans
	U.S.	International	Post-retirement
(In millions)			
Expected employer contributions for year ending June 30, 2016	$ —	$ 23.3	$ —
Expected benefit payments for year ending June 30,			
2016	64.5	18.9	6.2
2017	62.4	20.3	7.0
2018	61.0	20.4	7.6
2019	56.9	19.9	8.3
2020	59.2	20.0	9.2
Years 2021–2025	306.1	133.3	57.2

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, procedures to monitor overall investment performance, as well as investment manager performance.

The Company's target asset allocation at June 30, 2015 is as follows:

	Pension Plans		Other than Pension Plans
	U.S.	International	Post-retirement
Equity	30%	20%	30%
Debt securities	39%	48%	39%
Other	31%	32%	31%
	100%	100%	100%

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

Cash and Cash Equivalents—Cash and all highly-liquid securities with original maturities of three months or less are classified as cash and cash equivalents, primarily consisting of cash 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. These assets are classified within Level 2 of the valuation hierarchy and the Company has the ability to redeem at the measurement date or within the near term without redemption restrictions.

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. Those investments where the Company has the ability to redeem at the measurement date or within the near term are classified within Level 2 of the valuation hierarchy. When the Company is unable to redeem in the near term, these investments are classified within Level 3.

Insurance contracts—The fair values are based on negotiated value and the underlying investments held in separate account portfolios as well as considering 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 of the partnership/fund. Those investments where the Company has the ability to redeem at the measurement date or within the near term without redemption restrictions are classified within Level 2 of the valuation hierarchy. When the Company is unable to redeem in the near term, these investments are classified within Level 3.

The following table presents the fair values of the Company's pension and post-retirement plan assets by asset category as of June 30, 2015:

	Level 1	Level 2	Level 3	Total
(In millions)				
Cash and cash equivalents	$ 2.8	$ —	$ —	$ 2.8
Short-term investment funds	—	53.1	—	53.1
Government and agency securities	—	30.5	—	30.5
Equity securities	22.8	—	—	22.8
Debt instruments	—	168.9	—	168.9
Commingled funds	247.5	550.4	35.0	832.9
Insurance contracts	—	—	40.4	40.4
Limited partnerships and hedge fund investments	—	106.8	14.0	120.8
Total	$273.1	$909.7	$89.4	$1,272.2

The following table presents the fair values of the Company's pension and post-retirement plan assets by asset category as of June 30, 2014:

	Level 1	Level 2	Level 3	Total
(In millions)				
Short-term investment funds	$ 22.4	$ 28.0	$ —	$ 50.4
Government and agency securities	—	39.7	—	39.7
Equity securities	44.1	—	—	44.1
Debt instruments	—	173.8	—	173.8
Commingled funds	251.2	504.4	34.5	790.1
Insurance contracts	—	—	51.2	51.2
Limited partnerships and hedge fund investments	—	52.2	67.0	119.2
Total	$317.7	$798.1	$152.7	$1,268.5

The following table presents the changes in Level 3 plan assets for fiscal 2015:

	Commingled Funds	Insurance Contracts	Limited Partnerships and Hedge Fund Investments	Total
(In millions)				
Balance as of June 30, 2014	$34.5	$51.2	$67.0	$152.7
Actual return on plan assets:				
Relating to assets still held at the reporting date	3.1	2.4	1.8	7.3
Relating to assets sold during the year	1.1	—	0.1	1.2
Transfers in (out)	—	—	(54.6)	(54.6)
Purchases, sales, issuances and settlements, net	(1.0)	(3.7)	(0.3)	(5.0)
Foreign exchange impact	(2.7)	(9.5)	—	(12.2)
Balance as of June 30, 2015	$35.0	$40.4	$14.0	$ 89.4

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 $35.1 million, $33.3 million and $25.1 million for fiscal 2015, 2014 and 2013, 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 accrues for deferred compensation and interest thereon, and for the change in the value of cash units pursuant to agreements with certain key executives and outside directors. The amounts included in the accompanying consolidated balance sheets under these plans were $74.7 million and $69.0 million as of June 30, 2015 and 2014, respectively. The expense for fiscal 2015, 2014 and 2013 was $8.6 million, $10.6 million and $12.2 million, respectively.

NOTE 14—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, 2015:

		Payments Due in Fiscal					
	Total	2016	2017	2018	2019	2020	Thereafter
(In millions)							
Debt service[1]	$2,970.6	$ 104.4	$ 378.4	$ 59.4	$ 58.4	$ 57.8	$2,312.2
Operating lease commitments[2]	1,927.8	299.8	279.4	252.5	205.7	168.6	721.8
Unconditional purchase obligations[3]	2,871.9	1,338.9	358.4	401.5	288.5	389.5	95.1
Gross unrecognized tax benefits and interest—current[4]	5.2	5.2	—	—	—	—	—
Total contractual obligations	$7,775.5	$1,748.3	$1,016.2	$713.4	$552.6	$615.9	$3,129.1

(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 are projected to be $74.4 million in fiscal 2016 and fiscal 2017, $57.8 million in each of the years from fiscal 2018 through fiscal 2020 and $1,012.2 million thereafter. Projected interest costs on variable rate instruments were calculated using market rates at June 30, 2015. Refer to Note 10—Debt.

(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 $402.2 million, $356.1 million and $332.4 million in fiscal 2015, 2014 and 2013, respectively.

(3) Unconditional purchase obligations primarily include: inventory commitments, additional purchase price payable and contingent consideration which resulted from the fiscal 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, 2015, without consideration for potential renewal periods.

(4) Refer to Note 8—Income Taxes for information regarding unrecognized tax benefits. As of June 30, 2015, the noncurrent portion of the Company's unrecognized tax benefits, including related accrued interest and penalties was $89.1 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.

Other Income

During the fiscal 2013 second quarter, the Company amended the agreement related to the August 2007 sale of Rodan + Fields (a brand then owned by the Company) to receive a fixed amount in lieu of future contingent consideration and other rights. As a result of the original and amended terms of this agreement, the Company recognized $23.1 million as other income in the consolidated statement of earnings during fiscal 2013.

NOTE 15—COMMON STOCK

As of June 30, 2015, 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:

	Class A	Class B
(Shares in thousands)		
Balance at June 30, 2012	237,119.5	151,778.1
Acquisition of treasury stock	(6,718.8)	—
Conversion of Class B to Class A	2,800.0	(2,800.0)
Stock-based compensation	5,815.5	—
Balance at June 30, 2013	239,016.2	148,978.1
Acquisition of treasury stock	(9,602.2)	—
Conversion of Class B to Class A	250.0	(250.0)
Stock-based compensation	4,492.4	—
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

The Company is authorized by the Board of Directors to repurchase up to 216.0 million shares of Class A Common Stock in the open market or in privately negotiated transactions, depending on market conditions and other factors. As of June 30, 2015, the cumulative total of acquired shares pursuant to the authorization was 187.6 million, reducing the remaining authorized share repurchase balance to 28.4 million. Subsequent to June 30, 2015 and as of August 14, 2015, the Company purchased approximately 2.0 million additional shares of Class A Common Stock for $175.0 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, 2015:

Date Declared	Record Date	Payable Date	Amount per Share
August 14, 2014	August 29, 2014	September 15, 2014	$.20
November 3, 2014	November 28, 2014	December 15, 2014	$.24
February 4, 2015	February 27, 2015	March 16, 2015	$.24
May 4, 2015	May 29, 2015	June 15, 2015	$.24

On August 14, 2015, a dividend was declared in the amount of $.24 per share on the Company's Class A and Class B Common Stock. The dividend is payable in cash on September 15, 2015 to stockholders of record at the close of business on August 31, 2015.

NOTE 16—STOCK PROGRAMS

As of June 30, 2015, 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 Non-Employee Director Share Incentive Plan (collectively, the "Plans"). These Plans currently provide for the issuance of 66,206,200 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, 2015, approximately 11,124,800 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, performance share units ("PSU"), restricted stock units ("RSU"), performance share units based on total stockholder return, market share units ("MSU") and share units.

Total stock-based compensation expense is attributable to the granting of, and the remaining requisite service periods of stock options, PSUs, RSUs, PSUs based on total stockholder return, MSUs and share units. Stock-based compensation expense and related income tax benefits are as follows:

YEAR ENDED JUNE 30	**2015**	2014	2013
(In millions)			
Stock-based compensation expense	**$165.0**	$152.6	$145.8
Income tax benefit	**54.1**	50.2	47.6

As of June 30, 2015, the total unrecognized compensation cost related to unvested stock-based awards was $107.7 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, 2015 and changes during the fiscal year then ended:

	Shares	Weighted-Average Exercise Price Per Share	Aggregate Intrinsic Value[1] (in millions)	Weighted-Average Contractual Life Remaining in Years
(Shares in thousands)				
Outstanding at June 30, 2014	14,127.8	$41.51		
Granted at fair value	2,172.0	76.12		
Exercised	(2,710.6)	37.41		
Expired	(33.9)	35.70		
Forfeited	(118.2)	65.79		
Outstanding at June 30, 2015	13,437.1	47.73	$523.1	6.2
Vested and expected to vest at June 30, 2015	13,337.2	47.55	$521.6	6.2
Exercisable at June 30, 2015	9,172.2	37.50	$450.9	5.2

(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:

YEAR ENDED JUNE 30	**2015**	2014	2013
(In millions, except per share data)			
Per-share weighted-average grant date fair value of stock options granted	**$22.44**	$23.13	$20.30
Intrinsic value of stock options exercised	**$114.2**	$104.7	$145.8

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	**2015**	2014	2013
Weighted-average expected stock-price volatility	**28%**	33%	34%
Weighted-average expected option life	**7 years**	7 years	8 years
Average risk-free interest rate	**2.2%**	2.5%	1.2%
Average dividend yield	**1.1%**	1.1%	1.0%

The Company uses a weighted-average expected stock-price volatility assumption that is a combination of both current and historical implied volatilities of the underlying stock. The implied volatilities were obtained from publicly available data sources. For the weighted-average expected option life assumption, the Company considers the exercise behavior of 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.

Performance Share Units

During fiscal 2015, the Company granted approximately 261,700 PSUs, 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, 2017, all subject to the continued employment or retirement of the grantees. Settlement will be made pursuant to a range of opportunities relative to the net sales, diluted net earnings per common share and return on invested capital targets of the Company 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 granted in fiscal 2015 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 272,400 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 249,900 PSUs that vested as of June 30, 2015. In September 2014, approximately 377,300 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 259,700 PSUs which vested as of June 30, 2014.

The following is a summary of the status of the Company's PSUs as of June 30, 2015 and activity during the fiscal year then ended:

	Shares	Weighted-Average Grant Date Fair Value Per Share
(Shares in thousands)		
Nonvested at June 30, 2014	538.6	$63.53
Granted	261.7	76.23
Vested	(249.9)	59.00
Forfeited	—	—
Nonvested at June 30, 2015	550.4	71.59

Restricted Stock Units

The Company granted approximately 1,434,000 RSUs during fiscal 2015 which, at the time of grant, were scheduled to vest as follows: 502,700 in fiscal 2016, 518,600 in fiscal 2017 and 412,700 in fiscal 2018. All RSUs are subject to the continued employment or retirement of the grantees. The RSUs granted in fiscal 2015 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, 2015 and activity during the fiscal year then ended:

	Shares	Weighted-Average Grant Date Fair Value Per Share
(Shares in thousands)		
Nonvested at June 30, 2014	2,222.1	$62.21
Granted	1,434.0	76.16
Dividend equivalents	11.0	79.70
Vested	(987.3)	60.81
Forfeited	(87.7)	68.80
Nonvested at June 30, 2015	2,592.1	70.31

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, which end June 30, 2015, 2016 and 2017. Such PSUs will be settled 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. No settlement will occur if the Company's TSR falls below a minimum threshold, and up to an aggregate of 260,416 shares of the Company's Class A Common Stock will be issued depending on the extent to which the Company's TSR equals or exceeds the minimum threshold. The PSUs are accompanied by dividend equivalent rights that will be payable in cash upon settlement of the PSU.

The grant date fair value of the PSUs of $11.0 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. At June 30, 2015, the end of the first performance period under the grant, 42,549 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.

Market Share Unit

The Company had one outstanding market share unit, which vested on June 30, 2014. The market share unit had a grant date fair value of $10.6 million that was estimated using a lattice model with a Monte Carlo simulation and the following assumptions: contractual life of 41 months, a weighted-average expected volatility of 29%, a weighted-average risk-free interest rate of 1.6% and a weighted-average dividend yield of 1.0%. The Company used an expected stock-price volatility assumption that is a combination of both current and historical implied volatilities from options on the underlying stock. The implied volatilities were obtained from publicly available data sources. The expected life was equal to the contractual term of the grant. The average risk-free interest rate was based on the U.S. Treasury strip rates over the contractual term of the grant and the average dividend yield was based on historical experience. In accordance with the terms of the grant, the maximum award of 320,000 shares of the Company's Class A Common Stock were issued, and related dividends were paid. The number of shares equaled the maximum payout under the award, because the average closing stock price per share of the Company's Class A Common Stock on the New York Stock Exchange during the last 20 trading days ending on June 30, 2014 exceeded $75.00 per share.

Share Units

The Company grants share units to certain non-employee directors under the 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, 2015 and activity during the fiscal year then ended:

	Shares	Weighted-Average Grant Date Fair Value Per Share
(Shares in thousands)		
Outstanding at June 30, 2014	98.8	$37.67
Granted	10.2	71.33
Dividend equivalents	1.3	78.44
Converted	—	—
Outstanding at June 30, 2015	110.3	41.24

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 $3.4 million, $2.4 million and $3.0 million as compensation expense to reflect additional deferrals and the change in the market value for fiscal 2015, 2014 and 2013, respectively.

NOTE 17—NET EARNINGS ATTRIBUTABLE TO THE ESTĒE 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:

YEAR ENDED JUNE 30	**2015**	2014	2013
(In millions, except per share data)			
Numerator:			
Net earnings attributable to The Estée Lauder Companies Inc.	**$1,088.9**	$1,204.1	$1,019.8
Denominator:			
Weighted-average common shares outstanding—Basic	**379.3**	386.2	387.6
Effect of dilutive stock options	**4.6**	5.0	5.5
Effect of PSUs	**0.1**	0.1	—
Effect of RSUs	**1.6**	1.4	1.4
Effect of performance share units based on TSR	**0.1**	0.1	0.1
Effect of MSU	**—**	0.3	0.3
Weighted-average common shares outstanding—Diluted	**385.7**	393.1	394.9
Net earnings attributable to The Estée Lauder Companies Inc. per common share:			
Basic	**$ 2.87**	$ 3.12	$ 2.63
Diluted	**2.82**	3.06	2.58

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, 2014 and 2013, 0.1 million outstanding stock options were excluded from the computation of diluted EPS because their inclusion would be anti-dilutive. As of June 30, 2015, 2014 and 2013, 0.6 million, 0.5 million and 0.5 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 16—Stock Programs.

NOTE 18—ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The components of AOCI included in the accompanying consolidated balance sheets consist of the following:

YEAR ENDED JUNE 30	**2015**	2014	2013
(In millions)			
Net unrealized investment gains (losses), beginning of year	**$ 1.4**	$ 0.8	$ 0.5
Unrealized investment gains (losses)	**0.5**	0.9	0.4
Benefit (provision) for deferred income taxes	**(0.2)**	(0.3)	(0.1)
Reclassification to earnings during the year[1]	**(2.4)**	—	—
Benefit (provision) for deferred income taxes on reclassification[2]	**0.8**	—	—
Translation adjustments	**(0.2)**	—	—
Net unrealized investment gains (losses), end of year	**(0.1)**	1.4	0.8
Net derivative instruments, beginning of year	**(0.9)**	18.3	17.4
Gain (loss) on derivative instruments	**107.8**	(22.2)	10.3
Benefit (provision) for deferred income taxes	**(38.3)**	7.9	(3.6)
Reclassification to earnings during the year:			
Foreign currency forward contracts[3]	**(37.8)**	(7.2)	(8.8)
Settled interest rate-related derivatives[4]	**(0.4)**	(0.3)	(0.3)
Benefit (provision) for deferred income taxes on reclassification[2]	**13.5**	2.6	3.3
Net derivative instruments, end of year	**43.9**	(0.9)	18.3
Net pension and post-retirement adjustments, beginning of year	**(233.0)**	(213.7)	(293.5)
Changes in plan assets and benefit obligations:			
Net actuarial gains (losses) recognized	**(48.3)**	(42.1)	92.8
Net prior service credit (cost) recognized	**—**	6.7	—
Translation adjustments	**15.8**	(10.2)	3.5
Benefit (provision) for deferred income taxes	**13.2**	10.4	(36.8)
Amortization, settlements and curtailments included in net periodic benefit cost[5]:			
Net actuarial (gains) losses	**21.2**	18.0	28.9
Net prior service cost (credit)	**3.3**	4.4	4.3
Net transition asset (obligation)	**—**	—	(0.1)
Benefit (provision) for deferred income taxes on reclassification	**(7.2)**	(6.5)	(12.8)
Net pension and post-retirement adjustments, end of year	**(235.0)**	(233.0)	(213.7)
Cumulative translation adjustments, beginning of year	**132.2**	37.1	62.7
Translation adjustments	**(319.5)**	96.7	(24.5)
Benefit (provision) for deferred income taxes	**(3.0)**	(1.6)	(1.1)
Cumulative translation adjustments, end of year	**(190.3)**	132.2	37.1
Accumulated other comprehensive income (loss)	**$(381.5)**	$(100.3)	$(157.5)

(1) Amounts recorded in Interest income and investment income, net in the accompanying consolidated statements of earnings.

(2) Amounts recorded in Provision for income taxes in the accompanying consolidated statements of earnings.

(3) For the year ended June 30, 2015, $9.1 million and $28.7 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, 2014, $4.5 million and $2.7 million were recorded in Cost of Sales and Selling, general and administrative expenses, respectively, in the accompanying consolidated statements of earnings.

(4) Amounts recorded in Interest expense in the accompanying consolidated statements of earnings.

(5) See Note 13—Pension, Deferred Compensation and Post-Retirement Benefit Plans for additional information.

NOTE 19 — STATEMENT OF CASH FLOWS

Supplemental cash flow information is as follows:

YEAR ENDED JUNE 30	2015	2014	2013
(In millions)			
Cash:			
Cash paid during the year for interest	**$ 65.5**	$ 66.0	$ 85.4
Cash paid during the year for income taxes	**$417.4**	$534.7	$500.2
Non-cash investing and financing activities:			
Incremental tax benefit from the exercise of stock options	**$ (10.1)**	$ (8.1)	$ (9.8)
Capital lease obligations incurred	**$ 8.7**	$ 12.9	$ 5.0
Pending purchase price true-up payment	**$ 10.6**	$ —	$ —
Property, plant and equipment accrued but unpaid	**$ 28.6**	$ 30.5	$ 28.3
Note receivable	**$ —**	$ —	$ (16.8)

NOTE 20 — 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 activities, and earnings before income taxes, other income, interest expense, interest income and investment income, net, interest expense on debt extinguishment and total charges associated with restructuring activities. Returns and charges associated with restructuring activities are not allocated to the product categories because they result from activities that are deemed a company-wide program to redesign the Company's organizational structure. 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.

YEAR ENDED JUNE 30	2015	2014	2013
(In millions)			
PRODUCT CATEGORY DATA			
Net Sales:			
Skin Care	**$ 4,478.7**	$ 4,769.8	$ 4,465.3
Makeup	**4,304.6**	4,210.2	3,876.9
Fragrance	**1,416.4**	1,425.0	1,310.8
Hair Care	**530.6**	515.6	488.9
Other	**50.1**	48.1	41.3
	10,780.4	10,968.7	10,183.2
(Returns) adjustments associated with restructuring activities	**—**	0.1	(1.5)
	$10,780.4	$10,968.8	$10,181.7
Depreciation and Amortization:			
Skin Care	**$ 158.1**	$ 157.1	$ 139.6
Makeup	**168.4**	166.1	144.6
Fragrance	**54.3**	49.4	42.5
Hair Care	**25.9**	11.1	9.5
Other	**2.6**	0.9	0.7
	$ 409.3	$ 384.6	$ 336.9
Goodwill and Other Intangible Asset Impairments:			
Skin Care	**$ —**	$ —	$ 17.7
Makeup	**—**	—	—
Fragrance	**—**	—	—
Hair Care	**—**	—	—
Other	**—**	—	—
	$ —	$ —	$ 17.7
Operating Income (Loss) before total (charges) adjustments associated with restructuring activities:			
Skin Care	**$ 832.2**	$ 975.8	$ 830.1
Makeup	**659.3**	715.9	580.4
Fragrance	**82.8**	104.1	120.3
Hair Care	**37.9**	33.7	26.7
Other	**(5.9)**	(4.8)	(13.7)
	1,606.3	1,824.7	1,543.8
Reconciliation:			
Total (charges) adjustments associated with restructuring activities	**—**	2.9	(17.8)
Interest expense	**(60.0)**	(59.4)	(63.1)
Interest income and investment income, net	**14.3**	8.6	8.3
Other income	**—**	—	23.1
Interest expense on debt extinguishment	**—**	—	(19.1)
Earnings before income taxes	**$ 1,560.6**	$ 1,776.8	$ 1,475.2

YEAR ENDED OR AT JUNE 30	2015	2014	2013
(In millions)			
GEOGRAPHIC DATA			
Net Sales:			
The Americas	**$ 4,513.8**	$ 4,572.3	$ 4,302.9
Europe, the Middle East & Africa	**4,086.4**	4,163.7	3,758.7
Asia/Pacific	**2,180.2**	2,232.7	2,121.6
	10,780.4	10,968.7	10,183.2
(Returns) adjustments associated with restructuring activities	**—**	0.1	(1.5)
	$10,780.4	$10,968.8	$10,181.7
Operating Income (Loss):			
The Americas	**$ 302.3**	$ 537.3	$ 423.2
Europe, the Middle East & Africa	**943.3**	938.3	813.4
Asia/Pacific	**360.7**	349.1	307.2
	1,606.3	1,824.7	1,543.8
Total (charges) adjustments associated with restructuring activities	**—**	2.9	(17.8)
	$ 1,606.3	$ 1,827.6	$ 1,526.0
Total Assets:			
The Americas	**$ 4,909.9**	$ 4,346.2	$ 3,838.0
Europe, the Middle East & Africa	**2,614.2**	2,657.0	2,610.8
Asia/Pacific	**715.1**	865.6	696.4
	$ 8,239.2	$ 7,868.8	$ 7,145.2
Long-Lived Assets (property, plant and equipment, net):			
The Americas	**$ 956.8**	$ 954.4	$ 887.7
Europe, the Middle East & Africa	**399.9**	410.2	349.7
Asia/Pacific	**133.5**	138.0	113.3
	$ 1,490.2	$ 1,502.6	$ 1,350.7

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 2015, 2014 and 2013 were $3,972.1 million, $3,999.5 million and $3,756.1 million, respectively. The Company's long-lived assets in the United States at June 30, 2015, 2014 and 2013 were $855.9 million, $849.9 million and $805.6 million, respectively.

NOTE 21—UNAUDITED QUARTERLY FINANCIAL DATA

The following summarizes the unaudited quarterly operating results of the Company for fiscal 2015 and 2014:

	Quarter Ended				
	September 30	December 31	March 31	June 30	Total Year
(In millions, except per share data)					
Fiscal 2015					
Net Sales[1]	$2,631.0	$3,044.5	$2,580.5	$2,524.4	$10,780.4
Gross Profit	2,094.4	2,471.4	2,077.6	2,036.4	8,679.8
Operating Income[1] [2]	348.0	632.8	397.2	228.3	1,606.3
Net Earnings Attributable to The Estée Lauder Companies Inc.	228.1	435.7	272.1	153.0	1,088.9
Net earnings attributable to The Estée Lauder Companies Inc. per common share:					
Basic	.60	1.15	.72	.41	2.87
Diluted	.59	1.13	.71	.40	2.82
Fiscal 2014					
Net Sales[1]	$2,675.0	$3,018.7	$2,549.8	$2,725.3	$10,968.8
Gross Profit	2,130.9	2,437.1	2,051.1	2,191.5	8,810.6
Operating Income[1] [2]	449.5	656.3	341.6	380.2	1,827.6
Net Earnings Attributable to The Estée Lauder Companies Inc.	300.7	432.5	213.2	257.7	1,204.1
Net earnings attributable to The Estée Lauder Companies Inc. per common share:					
Basic	.78	1.11	.55	.67	3.12
Diluted	.76	1.09	.54	.66	3.06

(1) As a result of the Company's July 2014 SMI rollout, approximately $178 million of accelerated orders were recorded as net sales (approximately $127 million as operating income or $.21 per diluted common share) in the fiscal 2014 fourth quarter that would have occurred in the fiscal 2015 first quarter.

(2) Fiscal 2015 third quarter results include a charge related to the remeasurement of net monetary assets in Venezuela of $(5.3) million, before and after tax, or $(.01) per diluted common share. Fiscal 2014 third quarter results include a charge related to the remeasurement of net monetary assets in Venezuela of $(38.3) million, before and after tax, or $(.10) per diluted common share.

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 (1992),* 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, 2015, 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, 2015 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 on Internal Control Over Financial Reporting."

Fabrizio Freda
President and Chief Executive Officer

Tracey T. Travis
Executive Vice President and Chief Financial Officer

August 20, 2015

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, 2015, based on criteria established in *Internal Control—Integrated Framework (1992)* 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, 2015, based on criteria established in *Internal Control—Integrated Framework (1992)* issued by 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, 2015 and 2014, 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, 2015, and our report dated August 20, 2015 expressed an unqualified opinion on those consolidated financial statements.

KPMG LLP

New York, New York
August 20, 2015

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, 2015 and 2014, 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, 2015. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We 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, 2015 and 2014, and the results of their operations and their cash flows for each of the years in the three-year period ended June 30, 2015, in conformity with U.S. generally accepted accounting principles.

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, 2015, based on criteria established in *Internal Control—Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated August 20, 2015 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

KPMG LLP

New York, New York
August 20, 2015

Company Headquarters
The Estée Lauder Companies Inc.
767 Fifth Avenue, New York, New York 10153
212-572-4200

Stockholder Information
Stockholders may access Company information, including a summary of the latest financial results, 24 hours a day, by dialing our toll-free information line, 800-308-2334. Company news releases are available online at www.elcompanies.com.

Investor Inquiries
We welcome inquiries from investors, securities analysts and other members of the professional financial community. Please contact the Investor Relations Department in writing at the Company's headquarters or by telephone at 212-572-4384.

Annual Report on Form 10-K
If you would like a copy of the Company's Annual Report on Form 10-K, as filed with the Securities and Exchange Commission, please call the toll-free information line, 800-308-2334, or write to the Investor Relations Department at the Company's headquarters. Our Form 10-K is also available on our website at www.elcompanies.com as well as at the Securities and Exchange Commission website at www.sec.gov.

Common Stock Information
The Class A Common Stock of The Estée Lauder Companies Inc. is listed on the New York Stock Exchange with the symbol EL.

Quarterly Per Share Market Prices and Cash Dividends on Common Stock

Fiscal 2015	Market Price of Common Stock			Cash
Quarter Ended	High	Low	Close	Dividends
September 30	$77.66	$72.83	$74.72	$.20
December 31	77.98	70.18	76.20	.24
March 31	85.28	70.38	83.16	.24
June 30	90.33	81.08	86.66	.24

Dividends
Following the declaration by the Board of Directors, dividends on the common stock are expected to be paid typically in March, June, September and December.

Annual Meeting
The Company's Annual Meeting of Stockholders will be held on Thursday, November 12, 2015, at 10:00 a.m. at:
JW Marriott Essex House New York
160 Central Park South
New York, New York 10019

Attendance at the Annual Meeting will require an admission ticket.

Stockholder Services
Computershare, Inc. is the Company's transfer agent and registrar. Please contact Computershare directly with all inquiries and requests to:

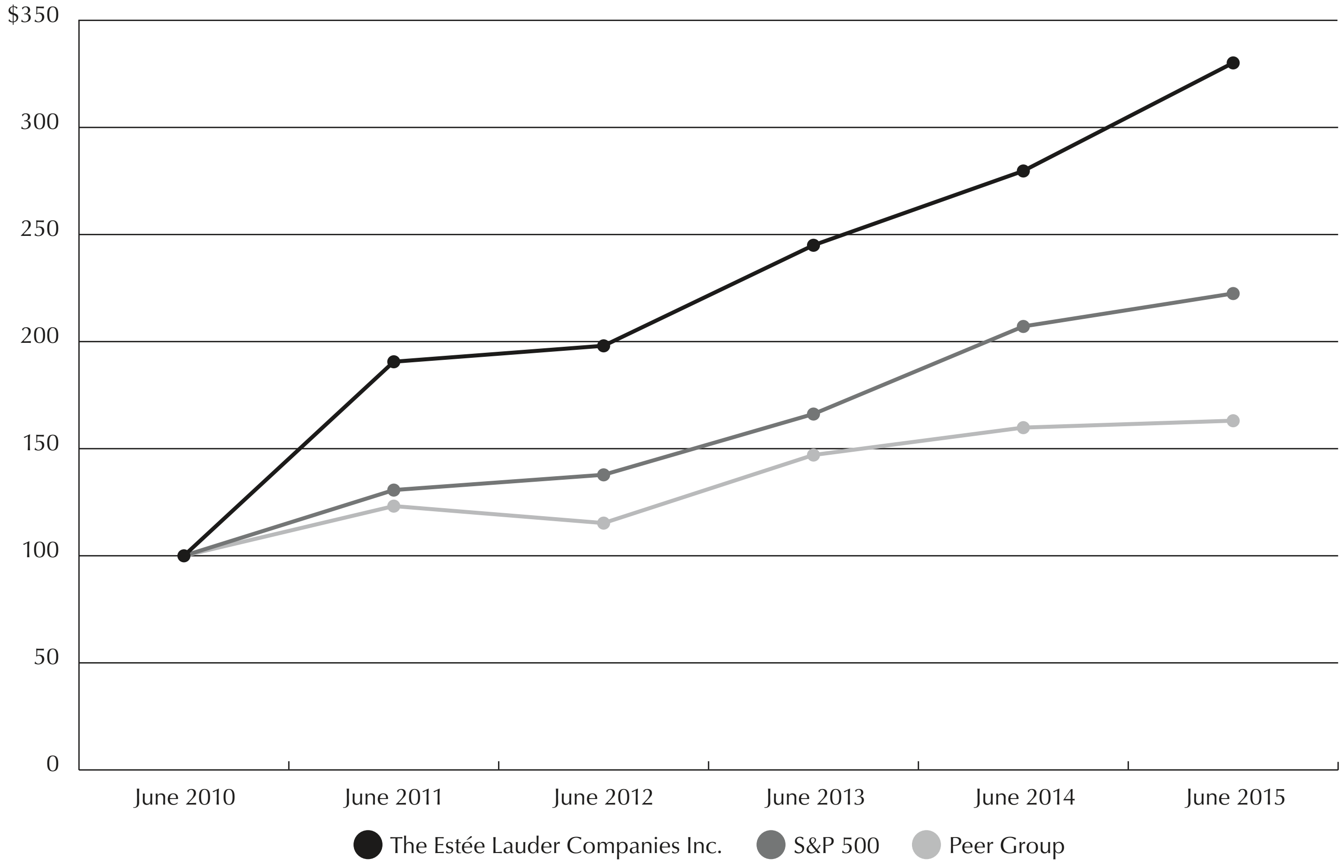
- Change the name, address, or ownership of stock;
- Replace lost certificates or dividend checks;
- Obtain information about dividend reinvestment, direct stock purchase or direct deposit of dividends.

Computershare, Inc.
P.O. Box 30170
College Station, TX 77842-3170
888-860-6295
www.computershare.com/investor

Performance Graph

The following graph compares the cumulative five-year total stockholder return (stock price appreciation plus dividends) on the Company's Class A Common Stock with the cumulative total return of the S&P 500 Index and a market weighted index of a publicly traded peer group. The returns are calculated by assuming an investment of $100 in the Class A Common Stock and in each index on June 30, 2010. The publicly traded companies included in the peer group are: Avon Products, Inc., Beiersdorf AG, L'Oreal S.A., LVMH Moët Hennessy Louis Vuitton S.A., The Procter & Gamble Company and Shiseido Company, Ltd.

Cumulative five-year total stockholder return



Trademarks

The Estée Lauder Companies Inc. and its subsidiaries own numerous trademarks. Those appearing in the text in this report include:

Aveda, Beyond Perfecting, Bobbi Brown, Bumble and bumble, Carnal Flower, Clear Improvement, Clinique, Clinique Pop, Darphin, Frédéric Malle, Exquisage, GLAMGLOW, Hairdresser's Invisible Oil, Jo Malone London, Le Labo, La Mer, M·A·C, M·A·C AIDS Fund, M·A·C Viva Glam, New Dimension, Original Skin, Out of Trouble, Portrait of a Lady, Pure Color Lip Envy, RODIN olio lusso, Santal 33, Smashbox, Soin Visage de La Mer, Step-by-Step Contour Stick, Surf Infusion, #TheEstéeEdit and Youthmud.

AERIN and Rose de Grasse are licensed trademarks from AERIN LLC; Michael Kors is a licensed trademark from Michael Kors LLC; Tom Ford, Lips & Boys, Tom Ford Neroli Portofino and Tom Ford Velvet Orchid are licensed trademarks from 001 Corporation.

THE ESTĒE LAUDER COMPANIES INC. 2015 ANNUAL REPORT ENVIRONMENTAL FIGURES

The Estée Lauder Companies Inc. 2015 Annual Report is printed on paper that is made with certified renewable electricity and is Forest Stewardship Council® (FSC®) Certified, ensuring all papers come from responsibly managed forests. Paper used in the financial section is made with 100% post-consumer recycled fiber (PCRF), Green Seal™ Certified and Carbon Neutral Plus, all of which ensure a reduction in carbon emissions and demonstrate a commitment to conserve the environment.

The coated paper in the Annual Report is Elemental Chlorine Free (ECF), a technique that uses chlorine dioxide for the bleaching of wood pulp. It does not use elemental chlorine gas during the bleaching process and prevents the formation of dioxin. The paper made with 100% PCRF is Processed Chlorine Free (PCF), recycled paper in which the recycled content is unbleached or bleached without chlorine or chlorine derivatives.

Combined savings from using 4,810 lbs of paper made with 100% PCRF and 7,975 lbs of paper made with 20% PCRF to produce this report:

27,519 lbs wood	A total of 84 trees, which supply enough oxygen for 42 people annually.
18 trees	PCRF displaces wood fiber with savings translated as trees. (Assumes a mix of hardwoods and softwoods 6" to 8" in diameter and 40' tall.)
38,798 gal water	Enough water to take 2,320 eight-minute showers.
7,883 gal waste water	PCRF content eliminates wastewater produced by processing equivalent virgin fiber. (Swimming pools—1 Olympic-sized swimming pool holds 660,430 gallons.)
519 lbs solid waste	PCRF content eliminates solid waste generated through the pulp and paper manufacturing process. (Garbage trucks—1 fully loaded garbage truck weighs an average of 28,000 lbs.)
2,339 lbs solid waste	Solid waste trash thrown away by 522 people in a single day.
7.2 million BTU	PCRF content displaces energy used to process equivalent virgin fiber. (Homes per year—The average US household uses 91 million BTUs of energy in a year.)
27 min BTUs energy	Enough energy to power an average American household for 109 days.
8,627 lbs emissions	Carbon sequestered by 68 tree seedlings grown for 5 years.

Reduction of emissions derived from using paper made with 100% renewable energy:

5,914 lbs	Combined amount of CO2, SO2, and NOx not emitted.
7,249 lbs (1 cars/year)	Greenhouse Gas Reduction—PCRF content reduces greenhouse gas emissions (measured in CO2 equivalents) that would be generated by equivalent virgin fiber production. Purchasing green power significantly reduces greenhouse gas emissions, as well. (Cars per year—the average car emits 11,013 pounds of CO2 in a year.)

Savings of these greenhouse gas emissions are equivalent to:

3,061.23 hours	Number of kilowatt-hours of electricity offset by purchase of renewable energy.
784 hours	Total continuous electricity used by a single-family home.
3,659 lbs	Amount of waste recycled instead of disposed in landfills.

FSC® www.fsc.org MIX Paper from responsible sources FSC® C020268

Sandy Alexander Inc., an ISO 14001:2004 certified printer with FSC® Chain-of-Custody Certification, printed this report with the use of 100% certified renewable wind power sources, which benefit the environment by preventing emissions of greenhouse gases.

Reduction of emissions from printing using wind-generated electricity:
3,010.70 lbs of CO2 not emitted.

This amount of wind-generated electricity is equivalent to:
2,612 miles not driven in an automobile or 205 trees being planted.

Sandy Alexander
100% wind energy