ESTEE LAUDER COMPANIES INC
Form 10-K
August 20, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended June 30, 2015

OR

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

For the transition period from to

Commission file number 1-14064

The Estée Lauder Companies Inc.

(Exact name of registrant as specified in its charter)

Delaware	**11-2408943**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
767 Fifth Avenue, New York, New York	**10153**
(Address of principal executive offices)	(Zip Code)

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

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

Title of each class	**Name of each exchange on which registered**
Class A Common Stock, $.01 par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
None

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

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

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

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

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

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

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

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

The aggregate market value of the registrant s voting common equity held by non-affiliates of the registrant was approximately $17.6 billion at December 31, 2014 (the last business day of the registrant s most recently completed second quarter).*

At August 14, 2015, 225,860,753 shares of the registrant s Class A Common Stock, $.01 par value, and 147,046,137 shares of the registrant s Class B Common Stock, $.01 par value, were outstanding.

Documents Incorporated by Reference

Document	**Where Incorporated**
Proxy Statement for Annual Meeting of Stockholders to be held November 12, 2015	Part III

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

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THE ESTÉE LAUDER COMPANIES INC.

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Cautionary Note Regarding Forward-Looking Information and Risk Factors

This Annual Report on Form 10-K includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements include, without limitation, our expectations regarding sales, earnings or other future financial performance and liquidity, our long-term strategy, restructuring and other initiatives, product introductions, entry into new geographic regions, information systems initiatives, new methods of sale, 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, we cannot assure that actual results will not differ materially from our expectations. Factors that could cause actual results to differ from expectations are described herein; in particular, see Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations Cautionary Note Regarding Forward-Looking Information. In addition, there is a discussion of risks associated with an investment in our securities, see Item 1A. Risk Factors.

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

PART I

Item 1. ***Business.***

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

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

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

For segment and geographical area financial information, see *Item 8. Financial Statements and Supplementary Data Note 20 Segment Data and Related Information*.

We have been controlled by the Lauder family since the founding of our Company. Members of the Lauder family, some of whom are directors, executive officers and/or employees, beneficially own, directly or indirectly, as of August 14, 2015, shares of Class A Common Stock and Class B Common Stock having approximately 87% of the outstanding voting power of the Common Stock.

Products

Skin Care - Our broad range of skin care products addresses various skin care needs. These products include moisturizers, serums, cleansers, toners, body care, exfoliators, acne and oil correctors, facial masks, cleansing devices and sun care products. A number of our products are developed for use on particular areas of the body, such as the face or the hands or around the eyes. Skin care products accounted for approximately 42% of our net sales in fiscal 2015.

Makeup - We manufacture, market and sell a full array of makeup products, including those for the face, eyes, lips and nails. Many of the products are offered in an extensive array of shades and colors. We also sell related items such as compacts, brushes and other makeup tools. Makeup products accounted for approximately 40% of our net sales in fiscal 2015.

Fragrance - We offer a variety of fragrance products. The fragrances are sold in various forms, including eau de parfum sprays and colognes, as well as lotions, powders, creams, candles and soaps that are based on a particular fragrance. Fragrance products accounted for approximately 13% of our net sales in fiscal 2015.

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Hair Care - Hair care products are offered mainly in prestige salons and in freestanding stores as well as some department stores and specialty multi-brand retailers, and include shampoos, conditioners, styling products, treatment, finishing sprays and hair color products. Hair care products accounted for approximately 5% of our net sales in fiscal 2015.

Other - We also sell ancillary products and services that accounted for less than 1% of our net sales in fiscal 2015.

Given the personal nature of our products and the wide array of consumer preferences and tastes, as well as competition for the attention of consumers, our strategy has been to market and promote our products through distinctive brands seeking to address broad preferences and tastes. Each brand has a single global image that is promoted with consistent logos, packaging and advertising designed to enhance its image and differentiate it from other brands.

Estée Lauder - Estée Lauder brand products, which have been sold since 1946, are technologically advanced, high performance products with a reputation for innovation, style, glamour and superior quality. Used by women around the world, the broad product line consists of skin care, makeup, and fragrance products that are presented in high quality aspirational packaging.

Aramis and Designer Fragrances - Our Aramis and Designer Fragrances division creates, markets and distributes fragrance and other beauty products, including those sold under the following brand names:

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

- **Tommy Hilfiger** - We have an exclusive global license arrangement for a line of men s and women s fragrances and cosmetics under the Tommy Hilfiger brand name, which we launched in 1995. Today, we manufacture and sell a variety of fragrances and ancillary products for men and women.

- **Donna Karan New York and DKNY** - In 1997, we obtained the exclusive global license for a line of fragrances and other cosmetics under the Donna Karan New York and DKNY brand names. Under this license, fragrances have been expanded to include extensive lines of companion bath and body products.

- **Michael Kors** - In 2003, we entered into an exclusive global license agreement for fragrances and beauty products under the Michael Kors brand name. The fragrances, as well as ancillary beauty products, are sold primarily in department stores, specialty multi-brand retailers and freestanding Michael Kors boutiques.

- **Ermenegildo Zegna** - In 2011, we entered into an exclusive global license arrangement for fragrance and beauty products under the Ermenegildo Zegna brand name and have since created a collection of high-end fragrances. These products are sold in markets across Asia/Pacific, Europe and North America, as well as Ermenegildo Zegna boutiques worldwide.

- **Tory Burch** - In 2011, we entered into an exclusive license to market, develop and sell beauty products under the Tory Burch brand name. These products are sold in North America, the United Kingdom, certain countries in Asia/Pacific and through our travel retail business.

Clinique - Introduced in 1968, Clinique skin care and makeup products are all allergy tested and 100% fragrance free and have been designed to address individual skin types and needs. Clinique also offers select fragrances. The skin care and makeup products are based on the research and related expertise of leading dermatologists. Clinique skin care products are generally marketed as part of the 3-Step System: Cleanse, Exfoliate, Moisturize. Other Clinique skin care products include de-aging solutions to help prevent, halt and diminish the visible effects of sun, wind, stress and pollution and assist in repair to help visibly restore, contour and minimize the look of lines and wrinkles, with products for women and men. Clinique works to develop products and regimens to create great skin at any age.

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

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

M A C - Make-up Art Cosmetics, a leading brand of professional cosmetics, was created in Toronto, Canada in 1984. We completed our acquisition of M A C in 1998. The brand s popularity has grown through a tradition of word-of-mouth endorsement from professional makeup artists and journalists, leadership in social media, trend setting through a connection to pop culture and fashion, product innovation and a broad line of color products that appeal to a diverse consumer base.

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

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La Mer - Acquired in 1995, La Mer products primarily consist of high-end moisturizing creams, lotions, serums and other skin care products. The line, which is available in limited distribution in the United States and many other countries, is an extension of the initial Crème de la Mer product.

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

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

Bumble and bumble - We acquired our initial interest in Bumble and bumble in 2000 and fully acquired the brand in 2006. The New York-based hair care company creates high-quality hair care and styling products distributed through top-tier salons and select prestige retailers. Products are stylist- and salon-tested and found backstage at fashion shows, photo shoots, on television and film sets.

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

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

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

RODIN olio lusso - Acquired in October 2014, RODIN olio lusso provides a highly selective line of premium, sensorial skin care products that appeal to discriminating consumers of all ages and skin types.

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

Editions de Parfums Frédéric Malle - Acquired in January 2015, Editions de Parfums Frédéric Malle is the storied fragrance brand established by the iconic perfumer Frédéric Malle.

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

In addition, we manufacture and sell products under the Prescriptives, GoodSkin Labs, Ojon and Osiao brands. We also develop and sell products under a license from Kiton and hold licenses to develop and sell fragrances and other beauty products for the Marni and AERIN brands. Our license agreement with Coach, under which our Aramis and Designer Fragrances division created fragrances and related bath and body products, expired in June 2015, and we have certain rights after such expiration to continue selling Coach products for a limited time.

Our heritage brands are Estée Lauder, Clinique and Origins. M A C and Bobbi Brown are our makeup artist brands, and our luxury brands are La Mer, Jo Malone London, Tom Ford, RODIN olio lusso, Le Labo and Editions de Parfums Frédéric Malle.

Distribution

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

As part of our strategy, we have been selectively opening new freestanding stores that we or authorized third parties operate, with M A C, Jo Malone London and Bobbi Brown as the brands leading this expansion, and we are also evaluating opportunities to open freestanding stores for certain of our other brands. As of June 30, 2015, we operated approximately 1,060 freestanding stores, and approximately 360 freestanding stores are operated around the world by authorized third parties. We expect the number of freestanding stores to increase over the next several years.

We currently sell products from most of our brands directly to consumers online through Company-owned and operated e-commerce and m-commerce sites in approximately 30 countries. While today a majority of our online sales are generated in the United States and the United Kingdom, we have ample opportunity for expansion of online sales growth globally. Additionally, our products are sold through various websites operated by authorized retailers.

We maintain dedicated sales teams that manage our retail accounts. We have wholly-owned operations in over 50 countries, and a controlling interest in a joint venture that operates in three countries, through which we market, sell and distribute our products. In certain countries, we sell our products through carefully selected distributors that share our commitment to protecting the image and position of our brands. In addition, we sell certain products in select domestic and international U.S. military exchanges. For information regarding our net sales and long-lived assets by geographic region, see *Item 8. Financial Statements and Supplementary Data Note 20 Segment Data and Related Information*.

Customers

Our strategy is to build strong relationships with selected retailers globally. Senior management works with executives of our major retail accounts on a regular basis, and we believe we are viewed as an important supplier to these customers. Our largest customer, Macy s Inc., sells products primarily within the United States and accounted for 10% of our consolidated net sales for fiscal 2015 and fiscal 2014 and 11% for fiscal 2013, and 12% and 11% of our accounts receivable as of June 30, 2015 and 2014, respectively.

Marketing

Our strategy to market and promote our products begins with our well-diversified portfolio of more than 25 distinctive brands across four product categories. We strive to be locally relevant with the marketing and visual merchandising of our products and services across an array of developed and emerging markets within the channels of distribution in which we operate. This strategy is built around Bringing the Best to Everyone We Touch. Mrs. Estée Lauder formulated this unique marketing philosophy to provide High-Touch service and high quality products as the foundation for a solid and loyal consumer base. Our High-Touch approach is demonstrated through our integrated consumer engagement models that leverage our product specialists and technology to provide the consumer with a distinct experience that can include personal consultations with beauty advisors, in person or online, who demonstrate and educate the consumer on product usage and application.

Our marketing strategies vary by brand and local market. Our diverse portfolio of brands employ different engagement models suited to each brand s equity, distribution, product focus and understanding of the core consumer. This enables us to elevate the consumer experience as we attract new customers, build loyalty and drive advocacy. Our marketing planning approach leverages local insights to optimize allocation of resources across different media outlets and retail touch points to resonate with our most discerning consumers most effectively. Most of our creative marketing work is done by in-house creative teams that design and produce the sales materials, advertisements and packaging for products in each brand. We build brand equity and drive traffic to retail locations and to our websites through magazines and newspapers, digital and social media, television, billboards in cities and airports, and direct mail and email. In addition, we seek editorial coverage for our brands and products not only in publications and other traditional media, but increasingly in digital and social media, leveraging significant opportunities for amplification.

We are increasing our brand awareness and sales by expanding our digital presence encompassing e-commerce and m-commerce, as well as digital and social media. In order to continue to offer unparalleled service and set the standard for prestige beauty shopping online, we continue to innovate to better meet consumer online shopping preferences (e.g., how-to videos, ratings and reviews and mobile phone and tablet applications), support e-commerce and m-commerce businesses via digital and social marketing activities designed to build brand equity and consumer engagement, and support our authorized retailers to strengthen their e-commerce businesses and drive sales of our brands on their websites. We have opportunities to expand our balanced brand portfolio online around the world, and we are in the early stages of developing and testing omnichannel concepts to better serve consumers as they shop across channels. We have dedicated resources to implement coordinated, brand-enhancing strategies across all online activities to increase our direct access to consumers.

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

Information Systems

Information systems support business processes including product development, marketing, sales, order processing, production, distribution and finance. We continue to maintain and enhance these systems in alignment with our long-term strategy. Certain elements of our information technology infrastructure are managed by third-party providers. In fiscal 2015, we completed the last major wave of our multi-year Strategic Modernization Initiative (SMI), and most of our locations are currently enabled with SAP-based technologies (SAP). The SMI program is delivering benefits and efficiencies in process standardization and has positioned us to achieve additional capabilities to drive value in the future.

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We are leveraging our SMI foundation by implementing initiatives that are focused on global efficiencies. We continue to explore additional opportunities that we expect will bring incremental savings, innovation and value creation to the business through new capabilities. In addition, we continue to develop and invest in new data insight and analytic capabilities to allow us to more effectively utilize the information provided by SAP and strategic sources of both internal and external data.

As we continue to modernize our key processes, related systems and infrastructure, we are also developing upgraded capabilities to support our human resource (HR) operations, and we plan to progressively and strategically develop and deploy key systems globally over the next few years that will provide managers and employees with self-service HR capabilities. During fiscal 2015, we completed the deployment of our core HR transformation program in North America, and in fiscal 2016 we will focus on other geographical regions. In addition, we are making investments to upgrade our retail systems and retail capabilities globally. The retail system upgrades are expected to enhance the effectiveness of store operations, and support our omnichannel objectives. Over the next few years, we will continue to implement upgraded point of sale, retail merchandising, and retail workforce management solutions in certain key markets globally.

Research and Development

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

Our research and development costs totaled $178.1 million, $157.9 million and $146.8 million in fiscal 2015, 2014 and 2013, respectively. Research and development costs are expensed as incurred. As of June 30, 2015, we had approximately 750 employees engaged in research and development activities. We maintain research and development programs at certain of our principal facilities and facilities dedicated to performing research and development, see *Item 2. Properties.*

We do not conduct animal testing on our products or ingredients, nor ask others to test on our behalf, except when required by law.

Manufacturing, Warehousing and Raw Materials

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

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

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

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

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Competition

There is vigorous competition within each market where our skin care, makeup, fragrance and hair care products are sold. Brand recognition, quality, performance, availability and price are some of the factors that impact consumers choices among competing products and brands. Advertising, promotion, merchandising, the pace and timing of new product introductions, line extensions and the quality of in-store demonstrations also have a significant impact on consumers buying decisions. With our numerous brands, sold in various channels, we are one of the world s leading manufacturers and marketers of skin care, makeup, fragrance and hair care products. We compete against a number of companies, some of which have substantially greater resources than we do.

Our principal competitors consist of large, well-known, multinational manufacturers and marketers of skin care, makeup, fragrance and hair care products, most of which market and sell their products under multiple brand names. They include, among others, L Oreal S.A.; Shiseido Company, Ltd.; Beiersdorf AG; LVMH Moët Hennessey Louis Vuitton; Coty, Inc.; The Procter & Gamble Company; Avon Products, Inc.; Chanel S.A.; Groupe Clarins; and Amorepacific. We also face competition from a number of independent brands, as well as some retailers that have developed their own beauty brands. Certain of our competitors also have ownership interests in retailers that are customers of ours.

Trademarks, Patents and Copyrights

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

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

Employees

At June 30, 2015, we had approximately 44,000 full-time employees worldwide (including demonstrators at points of sale who are employed by us). We have no employees in the United States that are covered by a collective bargaining agreement. A limited number of employees outside of the United States are covered by a works council agreement or other syndicate arrangements.

Government Regulation

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

Seasonality

Our results of operations in total, by region and by product category, are subject to seasonal fluctuations, with net sales in the first half of the fiscal year typically being slightly higher than in the second half of the fiscal year. The higher net sales in the first half of the fiscal year are attributable to the increased levels of purchasing by retailers for the holiday selling season. Many of our customers that are retailers follow a 4-4-5 retail calendar which may influence the amount and timing of their order placement and receipt of goods in any fiscal quarter. In a traditional 4-4-5 retail calendar, each fiscal quarter is comprised of two 4-week periods and one 5-week period, with one extra week in one quarter every seven years. As a result, our customers   retail quarter-end and our fiscal quarter-end may be different by up to six days. Fluctuations in net sales and operating income in total and by geographic region and product category in any fiscal quarter may be attributable to the level and scope of new product introductions. Additionally, gross margins and operating expenses are impacted on a quarter-by-quarter basis by variations in our launch calendar and the timing of promotions, including purchase with purchase and gift with purchase promotions.

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Availability of Reports

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

Corporate Governance Guidelines and Code of Conduct

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

Executive Officers

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

[redacted]

John Demsey was appointed Group President in July 2006. In this role, he is responsible for the Estée Lauder, M·A·C, Prescriptives, Smashbox, Tom Ford Beauty, Bobbi Brown, Jo Malone London, La Mer, Aramis and Designer Fragrances and Bumble and bumble brands. In January 2005, Mr. Demsey became Global Brand President of Estée Lauder after serving as President and Managing Director of M A C since 1998. From 1991 to 1998, he held several positions with Estée Lauder, including Senior Vice President of Sales and Education for Estée Lauder USA and Canada. Before joining us, Mr. Demsey worked in sales and marketing for Revlon, Borghese, Alexandra de Markoff Cosmetics, and Lancaster Cosmetics. He also held various executive retail positions at Bloomingdale s, Macy s, Benetton and Saks Fifth Avenue. Mr. Demsey serves as Chairman of the M A C AIDS Fund and is on the Board of Directors of Baccarat S.A. He is also active in many cultural organizations.

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

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

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

Ronald S. Lauder has served as Chairman of Clinique Laboratories, LLC since returning from government service in 1987 and was Chairman of Estee Lauder International, Inc. from 1987 through 2002. He was a member of the Board of Directors of the Company from 1968 to 1986 and again from 1988 to July 2009. Mr. Lauder joined the Company in 1964 and has served in various capacities. From 1983 to 1986, Mr. Lauder served as Deputy Assistant Secretary of Defense for European and NATO Affairs. From 1986 to 1987, he was U.S. Ambassador to Austria. He is also an Honorary Chairman of the Board of Trustees of the Museum of Modern Art and President of the Neue Galerie.

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

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

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

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

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

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

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

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

Item 1A. Risk Factors.

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

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

We face vigorous competition from companies throughout the world, including multinational consumer product companies. Some of these competitors have greater resources than we do and may be able to respond to changing business and economic conditions more quickly than us. Competition in the beauty business is based on pricing of products, innovation, perceived value, service to the consumer, promotional activities, advertising, special events, new product introductions, e-commerce and m-commerce initiatives and other activities. It is difficult for us to predict the timing and scale of our competitors actions in these areas. A consolidation in the retail trade may result in us becoming increasingly dependent on key retailers. This could result in an increased risk related to the concentration of our customers. A severe adverse impact on the business operations of our customers could have a corresponding material adverse effect on us. If one or more of our largest customers change their strategies (including pricing or promotional activities) or change or terminate their relationship with us, there could be a material adverse effect on our business. Our ability to compete also depends on the continued strength of our brands, our ability to attract and retain key talent and other personnel, the efficiency of our manufacturing facilities and distribution network, and our ability to maintain and protect our intellectual property and those other rights used in our business. In addition, certain of our key retailers around the world market and sell competing brands or are owned or otherwise affiliated with companies that market and sell competing brands. Our inability to continue to compete effectively in key countries around the world could have an adverse impact on our business.

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

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

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

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

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Acquisitions may expose us to additional risks.

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

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

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

Our failure to successfully complete the integration of any acquired business, and any adverse consequences associated with our acquisition activities, could have a material adverse effect on our business, financial condition and operating results.

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

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

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

In addition, sudden disruptions in business conditions, for example, as a consequence of events such as a pandemic or local or international conflicts around the world, or as a result of a terrorist attack, retaliation and the threat of further attacks or retaliation, or as a result of adverse weather conditions or climate changes or seismic events, can have a short-term and, sometimes, long-term impact on consumer spending.

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

A downturn in the economies of, or continuing recessions in, the countries where we sell our products or a sudden disruption of business conditions in those countries could adversely affect consumer confidence, the financial strength of our retailers and our sales and profitability. We 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.

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

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

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

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

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

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

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

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

Our success depends, in part, on the quality, efficacy and safety of our products. If our products are found to be defective or unsafe, our product claims are found to be deceptive, or our products otherwise fail to meet our consumers expectations, our relationships with customers or consumers could suffer, the appeal of one or more of our brands could be diminished, and we could lose sales and/or become subject to liability or claims, any of which could result in a material adverse effect on our business, results of operations and financial condition.

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

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

We are subject to risks related to our foreign operations.

We operate on a global basis, with a majority of our fiscal 2015 net sales and operating income generated outside the United States. We intend to reinvest these earnings in our foreign operations indefinitely, except where we are able to repatriate these earnings to the United States without material incremental tax provision. A majority of our cash and cash equivalents that result from these earnings remain outside the United States. If these indefinitely reinvested earnings were repatriated into the United States as dividends, we would be subject to additional taxes.

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

- fluctuations in foreign currency exchange rates and the relative costs of operating in different places, which can affect our results of operations, the value of our foreign assets, the relative prices at which we and competitors sell products in the same markets, the cost of certain inventory and non-inventory items required in our operations, and the relative prices at which we sell our products in different markets;

- foreign laws, regulations and policies, including restrictions on trade, import and export license requirements, and tariffs and taxes, as well as United States laws and regulations relating to foreign trade, operations and investment;

- lack of well-established or reliable legal and administrative systems in certain countries in which we operate; and

- adverse weather conditions, currency exchange controls, and social, economic and geopolitical conditions, such as terrorist attacks, war or other military action.

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

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

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

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

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

We have information systems that support our business processes, including product development, marketing, sales, order processing, production, distribution, finance and intracompany communications throughout the world. We have e-commerce, m-commerce and other Internet websites in the United States and many other countries. These systems may be susceptible to outages due to fire, floods, power loss, telecommunications failures, break-ins and other events. Despite the implementation of network security measures, our systems may be vulnerable to cybersecurity breaches such as computer viruses, break-ins and similar disruptions from unauthorized tampering. The occurrence of these or other events could disrupt or damage our information systems and adversely affect our business and results of operations.

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

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

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

Our implementation of global information systems, including supply chain and finance systems, human resource management systems and retail operating systems, involves risks and uncertainties. Failure to implement and maintain these and other systems as planned, in terms of timing, specifications, costs, or otherwise, could have an adverse impact on our business and results of operations.

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

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

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

Our business planning process is designed to maximize our long-term strength, growth and profitability, not to achieve an earnings target in any particular fiscal quarter. We believe that this longer-term focus is in the best interests of the Company and our stockholders. At the same time, however, we recognize that it may be helpful to provide investors with guidance as to our forecast of net sales, earnings per share and other financial metrics or projections. Accordingly, when we announced our year-end financial results for fiscal 2015, we provided guidance as to certain assumptions, including ranges for our expected net sales and earnings per share for the quarter ending September 30, 2015 and the fiscal year ending June 30, 2016. While we generally expect to provide updates to our guidance when we report our results each fiscal quarter, we assume no responsibility to update any of our forward-looking statements at such times or otherwise. In addition, the longer-term guidance we provide is based on goals that we believe, at the time guidance is given, are reasonably attainable for growth and performance over a number of years. Such targets are more difficult to predict than our current quarter and fiscal year expectations.

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

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

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

As of August 14, 2015, members of the Lauder family beneficially own, directly or indirectly, shares of the Company s Class A Common Stock (with one vote per share) and Class B Common Stock (with 10 votes per share) having approximately 87% of the outstanding voting power of the Common Stock. In addition, there are four members of the Lauder family who are employees, including three who are members of our Board of Directors. Another family member is on our board and is a party to a consulting agreement and a license agreement with us. As a result of the stock ownership and their positions at the Company, the Lauder family has the ability to exercise significant control and influence over our business, including, without limitation, all matters requiring stockholder approval, including the election of directors, amendments to the certificate of incorporation and significant corporate transactions, such as a merger or other sale of our Company or its assets, for the foreseeable future.

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

The Lauder family and their related entities own more than 50% of the total voting power of our common shares and, as a result, we are a controlled company under the New York Stock Exchange corporate governance standards. As a controlled company, we are exempt under the New York Stock Exchange standards from the obligation to comply with certain New York Stock Exchange corporate governance requirements, including the requirements:

- that a majority of our board of directors consists of independent directors;
- that we have a nominating committee that is composed entirely of independent directors with a written charter addressing the committee s purpose and responsibilities; and
- that we have a compensation committee that is composed entirely of independent directors with a written charter addressing the committee s purpose and responsibilities.

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

Item 1B. ***Unresolved Staff Comments.***

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

Item 2. ***Properties*****.**

The following table sets forth our principal owned and leased manufacturing, assembly, research and development and distribution facilities as of August 14, 2015. The leases expire at various times through 2029 subject to certain renewal options.

[redacted]

[redacted]

We own, lease and occupy numerous offices, assembly and distribution facilities and warehouses in the United States and abroad. We consider our properties to be generally in good condition and believe that our facilities are adequate for our operations and provide sufficient capacity to meet anticipated requirements. We lease approximately 739,000 square feet of rentable space for our principal offices in New York, New York. We own a building of approximately 57,000 square feet of office space in Melville, New York. As of June 30, 2015, we directly operated approximately 1,060 retail stores.

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Item 3. ***Legal Proceedings*****.**

For a discussion of legal proceedings, see *Item 8. Financial Statements and Supplementary Data - Notes to Consolidated Financial Statements, Note 14 Commitments and Contingencies.*

Item 4. ***Mine Safety Disclosures.***

Not applicable.

PART II

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

Market for Registrant s Common Equity and Related Stockholder Matters

Our Class A Common Stock is publicly traded on the New York Stock Exchange under the symbol EL. The following table shows the high and low per share sales prices as reported on the New York Stock Exchange Composite Tape and the cash dividends per share declared in fiscal 2015 and fiscal 2014:

[redacted]

We expect to continue the payment of cash dividends in the future, but there can be no assurance that the Board of Directors will continue to declare them. On August 14, 2015, a dividend was declared in the amount of $.24 per share on our 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.

As of August 14, 2015, there were 8,658 record holders of Class A Common Stock and 16 record holders of Class B Common Stock.

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Share Repurchase Program

We are authorized by the Board of Directors to repurchase up to 216.0 million shares of our 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. During fiscal 2015, we purchased approximately 11.7 million shares pursuant to the authorization for $927.7 million as outlined in the following table:

[redacted]

(1) The initial program covering the repurchase of 16.0 million shares was announced in September 1998 and increased by 40.0 million shares each in November 2012, November 2007, February 2007 and May 2005 and 20.0 million shares in both May 2004 and October 2002.

(2) Includes shares that were repurchased by the Company in connection with shares withheld to satisfy tax obligations upon the vesting of stock-based compensation.

Subsequent to June 30, 2015 and as of August 14, 2015, we purchased approximately 2.0 million additional shares of Class A Common Stock for $175.0 million pursuant to our share repurchase program.

Sales of Unregistered Securities

Shares of Class B Common Stock may be converted immediately into Class A Common Stock on a one-for-one basis by the holder and are automatically converted into Class A Common Stock on a one-for-one basis upon transfer to a person or entity that is not a Permitted Transferee or soon after a record date for a meeting of stockholders where the outstanding Class B Common Stock constitutes less than 10% of the outstanding shares of Common Stock of the Company. There is no cash or other consideration paid by the holder converting the shares and, accordingly, there is no cash or other consideration received by the Company. The shares of Class A Common Stock issued by the Company in such conversions are exempt from registration under the Securities Act of 1933, as amended, pursuant to Section 3(a)(9) thereof.

During the year ended June 30, 2015, the stockholders set forth in the table below converted shares of Class B Common Stock into Class A Common Stock on the dates set forth below:

[redacted]

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Item 6. ***Selected Financial Data*****.**

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

[redacted]

(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.

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

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.

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The discount rate for each plan used for determining future net periodic benefit cost is based on a review of highly rated long-term bonds. For fiscal 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 *Item 8. Financial Statements and Supplementary Data Note 13 Pension, Deferred Compensation and Post-retirement Benefit Plans* for details regarding the nature of our pension and post-retirement plan investments. The difference between actual and expected return on plan assets is reported as a component of accumulated other comprehensive income. Those gains/losses that are subject to amortization over future periods will be recognized as a component of the net periodic benefit cost in such future periods. For fiscal 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:

[redacted]

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:

[redacted]

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.

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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.

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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.

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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 *Item 8. Financial Statements and Supplementary Data Note 2 Summary of Significant Accounting Policies* and *Note 20 Segment Data* and *Related Information* for all periods presented. Products and services that do not meet our definition of skin care, makeup, fragrance and hair care have been included in the other category.

[redacted]

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

[redacted]

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.

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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.

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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:

[redacted]

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.

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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%.

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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.

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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.

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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 ESTÉE 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.

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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.

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

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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.

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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.

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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).

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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 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 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 ESTÉE 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.

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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.

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Debt

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

[redacted]

(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 *Item 8. Financial Statements and Supplementary Data Note 10 Debt.*

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.

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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 *Item 8. Financial Statements and Supplementary Data Note 15 Common Stock.*

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 *Item 7. 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 *Item 8. Financial Statements and Supplementary Data Note 14 Commitments and Contingencies (Contractual Obligations).*

Contractual Obligations

For a discussion of our contractual obligations, see *Item 8. Financial Statements and Supplementary Data Note 14 Commitments and Contingencies (Contractual Obligations).*

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Derivative Financial Instruments and Hedging Activities

For a discussion of our derivative financial instruments and hedging activities, see *Item 8. Financial Statements and Supplementary Data Note 11 Derivative Financial Instruments*.

Foreign Exchange Risk Management

For a discussion of foreign exchange risk management, see *Item 8. Financial Statements and Supplementary Data Note 11 Derivative Financial Instruments (Cash-Flow Hedges).*

Credit Risk

For a discussion of credit risk, see *Item 8. Financial Statements and Supplementary Data Note 11 Derivative Financial Instruments (Credit Risk).*

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:

[redacted]

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

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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 a 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;

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(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.

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

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

Item 8. ***Financial Statements and Supplementary Data.***

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

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

None.

Item 9A. ***Controls and Procedures.***

Our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)) are designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission and to ensure that information required to be disclosed is accumulated and communicated to management, including our principal executive and financial officers, to allow timely decisions regarding disclosure. The Chief Executive Officer and the Chief Financial Officer, with assistance from other members of management, have reviewed the effectiveness of our disclosure controls and procedures as of June 30, 2015 and, based on their evaluation, have concluded that the disclosure controls and procedures were effective as of such date.

There have been no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) that occurred during the fourth quarter of fiscal 2015 that have materially affected, or are reasonably likely to materially affect, the Company s internal control over financial reporting.

Management s report on internal control over financial reporting and the report of independent registered public accounting firm on our internal control over financial reporting are incorporated herein from pages F-2 and F-3, respectively.

Item 9B. ***Other Information.***

None.

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PART III

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

The information required by this Item, not already provided herein under *Item 1. Business Executive Officers,* will be included in our Proxy Statement for the 2015 Annual Meeting of Stockholders (the 2015 Proxy Statement). The 2015 Proxy Statement will be filed within 120 days after the close of the fiscal year ended June 30, 2015 and such information is incorporated herein by reference.

Item 11. ***Executive Compensation.***

The information required by this Item will be included in the 2015 Proxy Statement. The 2015 Proxy Statement will be filed within 120 days after the close of the fiscal year ended June 30, 2015 and such information is incorporated herein by reference.

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

The information required by this Item will be included in the 2015 Proxy Statement. The 2015 Proxy Statement will be filed within 120 days after the close of the fiscal year ended June 30, 2015 and such information is incorporated herein by reference.

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

The information required by this Item will be included in the 2015 Proxy Statement. The 2015 Proxy Statement will be filed within 120 days after the close of the fiscal year ended June 30, 2015 and such information is incorporated herein by reference.

Item 14. ***Principal Accounting Fees and Services.***

The information required by this Item will be included in the 2015 Proxy Statement. The 2015 Proxy Statement will be filed within 120 days after the close of the fiscal year ended June 30, 2015 and such information is incorporated herein by reference.

PART IV

Item 15. ***Exhibits, Financial Statement Schedules.***

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

3. Exhibits:

Exhibit Number	Description
3.1	Restated Certificate of Incorporation, dated November 16, 1995 (filed as Exhibit 3.1 to our Annual Report on Form 10-K filed on September 15, 2003) (SEC File No. 1-14064).*
3.1a	Certificate of Amendment of the Restated Certificate of Incorporation of The Estee Lauder Companies Inc. (filed as Exhibit 3.1 to our Current Report on Form 8-K filed on November 14, 2012) (SEC File No. 1-14064).*
3.2	Certificate of Amendment to Restated Certificate of Incorporation (filed as Exhibit 3.1 to our Quarterly Report on Form 10-Q filed on January 27, 2000) (SEC File No. 1-14064).*
3.3	Certificate of Retirement of $6.50 Cumulative Redeemable Preferred Stock (filed as Exhibit 3.2 to our Current Report on Form 8-K filed on July 19, 2012) (SEC File No.1-14064).*
3.4	Amended and Restated Bylaws (filed as Exhibit 3.1 to our Current Report on Form 8-K filed on May 23, 2012) (SEC File No. 1-14064).*
4.1	Indenture, dated November 5, 1999, between the Company and State Street Bank and Trust Company, N.A. (filed as Exhibit 4 to Amendment No. 1 to our Registration Statement on Form S-3 (No. 333-85947) filed on November 5, 1999) (SEC File No. 1-14064).*
4.2	Officers Certificate, dated September 29, 2003, defining certain terms of the 5.75% Senior Notes due 2033 (filed as Exhibit 4.2 to our Current Report on Form 8-K filed on September 29, 2003) (SEC File No. 1-14064).*
4.3	Global Note for 5.75% Senior Notes due 2033 (filed as Exhibit 4.3 to our Current Report on Form 8-K filed on September 29, 2003) (SEC File No. 1-14064).*
4.4	Officers Certificate, dated May 1, 2007, defining certain terms of the 5.550% Senior Notes due 2017 (filed as Exhibit 4.1 to our Current Report on Form 8-K filed on May 1, 2007) (SEC File No. 1-14064).*
4.5	Global Note for 5.550% Senior Notes due 2017 (filed as Exhibit 4.3 to our Current Report on Form 8-K filed on May 1, 2007) (SEC File No. 1-14064).*

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Exhibit Number	Description
4.6	Officers Certificate, dated May 1, 2007, defining certain terms of the 6.000% Senior Notes due 2037 (filed as Exhibit 4.2 to our Current Report on Form 8-K filed on May 1, 2007) (SEC File No. 1-14064).*
4.7	Global Note for 6.000% Senior Notes due 2037 (filed as Exhibit 4.4 to our Current Report on Form 8-K filed on May 1, 2007) (SEC File No. 1-14064).*
4.8	Officers Certificate, dated August 2, 2012, defining certain terms of the 2.350% Senior Notes due 2022 (filed as Exhibit 4.1 to our Current Report on Form 8-K filed on August 2, 2012) (SEC File No. 1-14064).*
4.9	Global Note for the 2.350% Senior Notes due 2022 (filed as Exhibit 4.3 to our Current Report on Form 8-K filed on August 2, 2012) (SEC File No. 1-14064).*
4.10	Officers Certificate, dated August 2, 2012, defining certain terms of the 3.700% Senior Notes due 2042 (filed as Exhibit 4.2 to our Current Report on Form 8-K filed on August 2, 2012) (SEC File No. 1-14064).*
4.11	Global Note for the 3.700% Senior Notes due 2042 (filed as Exhibit 4.4 to our Current Report on Form 8-K filed on August 2, 2012) (SEC File No. 1-14064).*
4.12	Officers Certificate, dated June 4, 2015, defining certain terms of the 4.375% Senior Notes due 2045 (filed as Exhibit 4.1 to our Current Report on Form 8-K filed on June 4, 2015) (SEC File No. 1-14064).*
4.13	Global Note for the 4.375% Senior Notes due 2045 (filed as Exhibit 4.2 to our Current Report on Form 8-K filed on June 4, 2015) (SEC File No. 1-14064).*
10.1	Stockholders Agreement, dated November 22, 1995 (filed as Exhibit 10.1 to our Annual Report on Form 10-K filed on September 15, 2003) (SEC File No. 1-14064).*
10.1a	Amendment No. 1 to Stockholders Agreement (filed as Exhibit 10.1 to our Quarterly Report on Form 10-Q filed on October 30, 1996) (SEC File No. 1-14064).*
10.1b	Amendment No. 2 to Stockholders Agreement (filed as Exhibit 10.2 to our Quarterly Report on Form 10-Q filed on January 28, 1997) (SEC File No. 1-14064).*
10.1c	Amendment No. 3 to Stockholders Agreement (filed as Exhibit 10.2 to our Quarterly Report on Form 10-Q filed on April 29, 1997) (SEC File No. 1-14064).*
10.1d	Amendment No. 4 to Stockholders Agreement (filed as Exhibit 10.1d to our Annual Report on Form 10-K filed on September 18, 2000) (SEC File No. 1-14064).*
10.1e	Amendment No. 5 to Stockholders Agreement (filed as Exhibit 10.1e to our Annual Report on Form 10-K filed on September 17, 2002) (SEC File No. 1-14064).*
10.1f	Amendment No. 6 to Stockholders Agreement (filed as Exhibit 10.2 to our Quarterly Report on Form 10-Q filed on January 27, 2005) (SEC File No. 1-14064).*
10.1g	Amendment No. 7 to Stockholders Agreement (filed as Exhibit 10.7 to our Quarterly Report on Form 10-Q filed on October 30, 2009) (SEC File No. 1-14064).*
10.2	Registration Rights Agreement, dated November 22, 1995 (filed as Exhibit 10.2 to our Annual Report on Form 10-K filed on September 15, 2003) (SEC File No. 1-14064).*
10.2a	First Amendment to Registration Rights Agreement (filed as Exhibit 10.3 to our Annual Report on Form 10-K filed on September 10, 1996) (SEC File No. 1-14064).*

10.2b	Second Amendment to Registration Rights Agreement (filed as Exhibit 10.1 to our Quarterly Report on Form 10-Q filed on April 29, 1997) (SEC File No. 1-14064).*
10.2c	Third Amendment to Registration Rights Agreement (filed as Exhibit 10.2c to our Annual Report on Form 10-K filed on September 17, 2001) (SEC File No. 1-14064).*
10.2d	Fourth Amendment to Registration Rights Agreement (filed as Exhibit 10.2 to our Quarterly Report on Form 10-Q filed on January 29, 2004) (SEC File No. 1-14064).*
10.3	Employment Agreement with Tracey T. Travis (filed as Exhibit 10.1 to our Current Report on Form 8-K filed on July 20, 2012) (SEC File No. 1-14064).*

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Exhibit Number	Description
10.4	The Estee Lauder Companies Retirement Growth Account Plan, as amended (filed as Exhibit 10.4 to our Annual Report on Form 10-K filed on August 23, 2013) (SEC File No. 1-14064). *
10.5	The Estee Lauder Inc. Retirement Benefits Restoration Plan (filed as Exhibit 10.5 to our Annual Report on Form 10-K filed on August 20, 2010) (SEC File No. 1-14064).*
10.6	Executive Annual Incentive Plan (filed as Exhibit 10.1 to our Current Report on Form 8-K filed on November 14, 2013) (SEC File No. 1-14064).*
10.7	Employment Agreement with Leonard A. Lauder (filed as Exhibit 10.8 to our Annual Report on Form 10-K filed on September 17, 2001) (SEC File No. 1-14064).*
10.7a	Amendment to Employment Agreement with Leonard A. Lauder (filed as Exhibit 10.8a to our Annual Report on Form 10-K filed on September 17, 2002) (SEC File No. 1-14064).*
10.7b	Amendment to Employment Agreement with Leonard A. Lauder (filed as Exhibit 10.2 to our Current Report on Form 8-K filed on November 10, 2005) (SEC File No. 1-14064).*
10.7c	Amendment to Employment Agreement with Leonard A. Lauder (filed as Exhibit 10.1 to our Quarterly Report on Form 10-Q filed on February 5, 2009) (SEC File No. 1-14064).*
10.7d	Amendment to Employment Agreement with Leonard A. Lauder (filed as Exhibit 10.8 to our Quarterly Report on Form 10-Q filed on October 30, 2009) (SEC File No. 1-14064).*
10.7e	Amendment to Employment Agreement with Leonard A. Lauder (filed as Exhibit 10.6 to our Quarterly Report on Form 10-Q filed on November 1, 2010) (SEC File No. 1-14064).*
10.7f	Amendment to Employment Agreement with Leonard A. Lauder dated as of May 13, 2015.
10.8	Employment Agreement with William P. Lauder (filed as Exhibit 10.1 to our Current Report on Form 8-K filed on September 17, 2010) (SEC File No. 1-14064).*
10.8a	Amendment to Employment Agreement with William P. Lauder (filed as Exhibit 10.1 to our Current Report on Form 8-K filed on February 26, 2013) (SEC File No. 1-14064).*
10.9	Employment Agreement with Fabrizio Freda (filed as Exhibit 10.1 to our Current Report on Form 8-K filed on February 11, 2011) (SEC File No. 1-14064).*
10.9a	Amendment to Employment Agreement with Fabrizio Freda and Stock Option Agreements (filed as Exhibit 10.2 to our Current Report on Form 8-K filed on February 26, 2013) (SEC File No. 1-14064).*
10.10	Employment Agreement with John Demsey (filed as Exhibit 10.1 to our Current Report on Form 8-K filed on September 24, 2010) (SEC File No. 1-14064).*
10.10a	Amendment to Employment Agreement with John Demsey (filed as Exhibit 10.3 to our Current Report on Form 8-K filed on February 26, 2013) (SEC File No. 1-14064).*
10.11	Employment Agreement with Cedric Prouvé (filed as Exhibit 10.1 to our Current Report on Form 8-K filed on September 20, 2011) (SEC File No. 1-14064).*
10.11a	Amendment to Employment Agreement with Cedric Prouvé (filed as Exhibit 10.4 to our Current Report on Form 8-K filed on February 26, 2013) (SEC File No. 1-14064).*
10.12	

	Form of Deferred Compensation Agreement (interest-based) with Outside Directors (filed as Exhibit 10.14 to our Annual Report on Form 10-K filed on September 17, 2001) (SEC File No. 1-14064).*
10.13	Form of Deferred Compensation Agreement (stock-based) with Outside Directors (filed as Exhibit 10.15 to our Annual Report on Form 10-K filed on September 17, 2001) (SEC File No. 1-14064).*
10.14	The Estee Lauder Companies Inc. Non-Employee Director Share Incentive Plan (as amended and restated on November 9, 2007) (filed as Exhibit 99.1 to our Registration Statement on Form S-8 filed on November 9, 2007) (SEC File No. 1-14064).*

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Exhibit Number	Description
10.14a	The Estee Lauder Companies Inc. Non-Employee Director Share Incentive Plan (as amended on July 14, 2011) (filed as exhibit 10.15a to our Annual Report on Form 10-K filed on August 22, 2011) (SEC File No. 1-14064).*
10.15	Form of Stock Option Agreement for Annual Stock Option Grants under Non-Employee Director Share Incentive Plan (filed as Exhibit 99.2 to our Registration Statement on Form S-8 filed on November 9, 2007) (SEC File No. 1-14064).*
10.15a	Form of Stock Option Agreement for Elective Stock Option Grants under Non-Employee Director Share Incentive Plan (filed as Exhibit 99.3 to our Registration Statement on Form S-8 filed on November 9, 2007) (SEC File No. 1-14064).*
10.16	The Estee Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (filed as Exhibit 10.17 to our Annual Report on Form 10-K filed on August 12, 2012) (SEC File No. 1-14064).*
10.16a	Form of Stock Option Agreement under Amended and Restated Fiscal 2002 Share Incentive Plan (filed as Exhibit 10.1 to our Quarterly Report on Form 10-Q filed on May 4, 2006) (SEC File No. 1-14064).*
10.16b	Form of Stock Option Agreement under The Estee Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (including Form of Notice of Grant) (filed as Exhibit 10.3 to our Current Report on Form 8-K filed on September 25, 2007) (SEC File No. 1-14064).*
10.16c	Form of Stock Option Agreement under The Estee Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (including Form of Notice of Grant) (filed as Exhibit 10.1 to our Quarterly Report on Form 10-Q filed on October 28, 2008) (SEC File No. 1-14064).*
10.16d	Form of Stock Option Agreement under The Estee Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (including Form of Notice of Grant) (filed as Exhibit 10.1 to our Quarterly Report on Form 10-Q filed on October 30, 2009) (SEC File No. 1-14064).*
10.16e	Form of Performance Share Unit Award Agreement under The Estee Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan for Executive Officers (including Form of Notice of Grant) (filed as Exhibit 10.2 to our Quarterly Report on Form 10-Q filed on October 30, 2009) (SEC File No. 1-14064).*
10.16f	Form of Stock Option Agreement under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (including Form of Notice of Grant) (filed as Exhibit 10.1 to our Quarterly Report on Form 10-Q filed on November 1, 2010) (SEC File No. 1-14064).*
10.16g	Form of Stock Option Agreement under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (including Form of Notice of Grant) (filed as Exhibit 10.1 to our Quarterly Report on Form 10-Q filed on November 4, 2011) (SEC File No. 1-14064).*
10.16h	Form of Performance Share Unit Award Agreement under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan for Executive Officers (including Form of Notice of Grant) (filed as Exhibit 10.2 to our Quarterly Report on Form 10-Q filed on November 4, 2011) (SEC File No. 1-14064).*
10.16i	Form of Performance Share Unit Award Agreement under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan for Employees other than Executive Officers (including Form of Notice of Grant) (filed as Exhibit 10.3 to our Quarterly Report on Form 10-Q filed on November 4, 2011) (SEC File No. 1-14064).*
10.16j	Form of Restricted Stock Unit Award Agreement under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan for Executive Officers (including Form of Notice of Grant) (filed as Exhibit 10.4 to our Quarterly Report on Form 10-Q filed on November 4, 2011) (SEC File No. 1-14064).*
10.16k	Form of Restricted Stock Unit Award Agreement under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan for Employees other than Executive Officers (including Form of Notice of Grant) (filed as Exhibit 10.5 to our Quarterly Report on Form 10-Q filed on November 4, 2011) (SEC File No. 1-14064).*

10.16l	Form of Stock Option Agreement under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (including Form of Notice of Grant) (filed as Exhibit 10.1 to our Quarterly Report on Form 10-Q filed on November 2, 2012) (SEC File No. 1-14064).*

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Exhibit Number	Description
10.16m	Form of Performance Share Unit Award Agreement under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan for Executive Officers (including Form of Notice of Grant) (filed as Exhibit 10.2 to our Quarterly Report on Form 10-Q filed on November 2, 2012) (SEC File No. 1-14064).*
10.16n	Form of Performance Share Unit Award Agreement under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan for Employees other than Executive Officers (including Form of Notice of Grant) (filed as Exhibit 10.3 to our Quarterly Report on Form 10-Q filed on November 2, 2012) (SEC File No. 1-14064).*
10.16o	Form of Restricted Stock Unit Award Agreement under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan for Executive Officers (including Form of Notice of Grant) (filed as Exhibit 10.4 to our Quarterly Report on Form 10-Q filed on November 2, 2012) (SEC File No. 1-14064).*
10.16p	Form of Restricted Stock Unit Award Agreement under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan for Employees other than Executive Officers (including Form of Notice of Grant) (filed as Exhibit 10.5 to our Quarterly Report on Form 10-Q filed on November 2, 2012) (SEC File No. 1-14064).*
10.16q	Form of Stock Option Agreement with Fabrizio Freda under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (including Form of Notice of Grant) (filed as Exhibit 10.6 to our Quarterly Report on Form 10-Q filed on November 2, 2012) (SEC File No. 1-14064).*
10.16r	Form of Performance Share Unit Award Agreement with Fabrizio Freda under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan for Executive Officers (including Form of Notice of Grant) (filed as Exhibit 10.7 to our Quarterly Report on Form 10-Q filed on November 2, 2012) (SEC File No. 1-14064).*
10.16s	Form of Restricted Stock Unit Award Agreement under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (including Form of Notice of Grant) (filed as Exhibit 10.1 to our Quarterly Report on Form 10-Q filed on February 6, 2013) (SEC File No. 1-14064).*
10.16t	Form of Stock Option Agreement under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (including Form of Notice of Grant) (filed as Exhibit 10.16y to our Annual Report on Form 10-K filed on August 20, 2014) (SEC File No. 1-14064). *
10.16u	Form of Stock Option Agreement with Fabrizio Freda under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (including Form of Notice of Grant) (filed as Exhibit 10.16z to our Annual Report on Form 10-K filed on August 20, 2014) (SEC File No. 1-14064). *
10.16v	Form of Performance Share Unit Award Agreement under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (including Form of Notice of Grant) (filed as Exhibit 10.16aa to our Annual Report on Form 10-K filed on August 20, 2014) (SEC File No. 1-14064). *
10.16w	Form of Restricted Stock Unit Award Agreement for Executive Officers under The Estée Lauder Companies Inc. Amended and Restated Fiscal 2002 Share Incentive Plan (including Form of Notice of Grant) (filed as Exhibit 10.16aa to our Annual Report on Form 10-K filed on August 20, 2014) (SEC File No. 1-14064). *
10.17	Summary of Compensation For Non-Employee Directors of the Company (filed as Exhibit 10.2 to our Quarterly Report on Form 10-Q filed on November 1, 2013) (SEC File No. 1-14064).*
10.18	$1 Billion Credit Agreement, dated as of July 15, 2014, by and among The Estée Lauder Companies Inc. (the Company), the Eligible Subsidiaries of the Company, as defined therein, the lenders listed therein, JPMorgan Chase Bank, N.A., as administrative agent, Citibank, N.A. and BNP Paribas, as syndication agents, and Bank of America, N.A. and The Bank of Tokyo-Mitsubishi UFJ, Ltd., as documentation agents (filed as Exhibit 10.1 to our Current Report on Form 8-K filed on July 17, 2014) (SEC File No. 1-14064).*
10.18a	

Amendment No. 1 dated as of May 28, 2015, to the Credit Agreement, dated as of July 15, 2014 (the Credit Agreement), by and among The Estée Lauder Companies Inc. (the Company), the eligible subsidiaries of the Company as listed in the Credit Agreement, the lenders party to the Credit Agreement and JPMorgan Chase Bank, N.A., as administrative agent, issuing bank and swingline lender.

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Exhibit Number	Description
10.19	Services Agreement, dated January 1, 2003, among Estee Lauder Inc., Melville Management Corp., Leonard A. Lauder, and William P. Lauder (filed as Exhibit 10.2 to our Quarterly Report on Form 10-Q filed on January 28, 2010) (SEC File No. 1-14064).*
10.20	Services Agreement, dated November 22, 1995, between Estee Lauder Inc. and RSL Investment Corp. (filed as Exhibit 10.3 to our Quarterly Report on Form 10-Q filed on January 28, 2010) (SEC File No. 1-14064).*
10.21	Agreement of Sublease and Guarantee of Sublease, dated April 1, 2005, among Aramis Inc., RSL Management Corp., and Ronald S. Lauder (filed as Exhibit 10.4 to our Quarterly Report on Form 10-Q filed on January 28, 2010) (SEC File No. 1-14064).*
10.21a	First Amendment to Sublease, dated February 28, 2007, between Aramis Inc. and RSL Management Corp. (filed as Exhibit 10.5 to our Quarterly Report on Form 10-Q filed on January 28, 2010) (SEC File No. 1-14064).*
10.21b	Second Amendment to Sublease, dated January 27, 2010, between Aramis Inc. and RSL Management Corp. (filed as Exhibit 10.6 to our Quarterly Report on Form 10-Q filed on January 28, 2010) (SEC File No. 1-14064).*
10.21c	Third Amendment to Sublease, dated November 3, 2010, between Aramis Inc., and RSL Management Corp. (filed as Exhibit 10.1 to our Quarterly Report on Form 10-Q filed on February 4, 2011) (SEC File No. 1-14064).*
10.22	Form of Art Loan Agreement between Lender and Estee Lauder Inc. (filed as Exhibit 10.7 to our Quarterly Report on Form 10-Q filed on January 28, 2010) (SEC file No. 1-14064).*
10.23	Creative Consultant Agreement, dated April 6, 2011, between Estee Lauder Inc. and Aerin Lauder Zinterhofer (filed as Exhibit 10.1 to our Current Report on Form 8-K filed on April 8, 2011) (SEC File No. 1-14064).*
10.23a	First Amendment to Creative Consultant Agreement between Estee Lauder Inc. and Aerin Lauder Zinterhofer dated October 28, 2014.
10.24	License Agreement, dated April 6, 2011, by and among Aerin LLC, Aerin Lauder Zinterhofer and Estee Lauder Inc. (filed as Exhibit 10.2 to our Current Report on Form 8-K filed on April 8, 2011) (SEC File No. 1-14064).*
21.1	List of significant subsidiaries.
23.1	Consent of KPMG LLP.
24.1	Power of Attorney.
31.1	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (CEO).
31.2	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (CFO).
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (CEO). (furnished)
32.2	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (CFO). (furnished)
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document

101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document

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* Incorporated herein by reference.

Exhibit is a management contract or compensatory plan or arrangement.

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SIGNATURES

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

THE ESTÉE LAUDER COMPANIES INC.

By /s/ TRACEY T. TRAVIS
Tracey T. Travis
Executive Vice President
and Chief Financial Officer

Date: August 20, 2015

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

Signature	Title (s)	Date
FABRIZIO FREDA* Fabrizio Freda	President, Chief Executive Officer and a Director (Principal Executive Officer)	August 20, 2015
WILLIAM P. LAUDER* William P. Lauder	Executive Chairman and a Director	August 20, 2015
LEONARD A. LAUDER* Leonard A. Lauder	Director	August 20, 2015
CHARLENE BARSHEFSKY* Charlene Barshefsky	Director	August 20, 2015
ROSE MARIE BRAVO* Rose Marie Bravo	Director	August 20, 2015
WEI SUN CHRISTIANSON* Wei Sun Christianson	Director	August 20, 2015
PAUL J. FRIBOURG* Paul J. Fribourg	Director	August 20, 2015
MELLODY HOBSON* Mellody Hobson	Director	August 20, 2015
IRVINE O. HOCKADAY, JR.* Irvine O. Hockaday, Jr.	Director	August 20, 2015
AERIN LAUDER* Aerin Lauder	Director	August 20, 2015
JANE LAUDER* Jane Lauder	Director	August 20, 2015
RICHARD D. PARSONS*	Director	August 20, 2015

Richard D. Parsons

LYNN FORESTER DE ROTHSCHILD* Lynn Forester de Rothschild	Director	August 20, 2015
BARRY S. STERNLICHT* Barry S. Sternlicht	Director	August 20, 2015
RICHARD F. ZANNINO* Richard F. Zannino	Director	August 20, 2015
/s/ TRACEY T. TRAVIS Tracey T. Travis	Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	August 20, 2015

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

By /s/ TRACEY T. TRAVIS
Tracey T. Travis
(Attorney-in-Fact)

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THE ESTÉE LAUDER COMPANIES INC.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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

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Management s Report on Internal Control over Financial Reporting

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

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

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

Under the supervision of and with the participation of the Chief Executive Officer and the Chief Financial Officer, the Company s management conducted an assessment of the effectiveness of the Company s internal control over financial reporting based on the framework and criteria established in *Internal Control Integrated Framework (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.

/s/ Fabrizio Freda	/s/ Tracey T. Travis
Fabrizio Freda	Tracey T. Travis
President and Chief Executive Officer	Executive Vice President and Chief Financial Officer

August 20, 2015

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders

The Estée Lauder Companies Inc.:

We have audited The Estée Lauder Companies Inc. and subsidiaries (the Company) internal control over financial reporting as of June 30, 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.

/s/ KPMG LLP

New York, New York
August 20, 2015

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders

The Estée Lauder Companies Inc.:

We have audited the accompanying consolidated balance sheets of The Estée Lauder Companies Inc. and subsidiaries (the Company) as of June 30, 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. In connection with our audits of the consolidated financial statements, we also have audited the financial statement schedule as listed on the index on page F-1. These consolidated financial statements and financial statement schedule are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule, based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Estée Lauder Companies Inc. and subsidiaries as of June 30, 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. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), The Estée Lauder Companies Inc. and subsidiaries internal control over financial reporting as of June 30, 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.

/s/ KPMG LLP

New York, New York
August 20, 2015

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THE ESTÉE LAUDER COMPANIES INC.

CONSOLIDATED STATEMENTS OF EARNINGS

[redacted]

See notes to consolidated financial statements.

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THE ESTÉE LAUDER COMPANIES INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

[redacted]

See notes to consolidated financial statements.

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THE ESTÉE LAUDER COMPANIES INC.

CONSOLIDATED BALANCE SHEETS

[redacted]

[redacted]

See notes to consolidated financial statements.

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THE ESTÉE LAUDER COMPANIES INC.

CONSOLIDATED STATEMENTS OF EQUITY

[redacted]

See notes to consolidated financial statements.

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THE ESTÉE LAUDER COMPANIES INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

[redacted]

See notes to consolidated financial statements.

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THE ESTÉE LAUDER COMPANIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 DESCRIPTION OF BUSINESS

The Estée Lauder Companies Inc. manufactures, markets and sells skin care, makeup, fragrance and hair care products around the world. Products are marketed under brand names, including: Estée Lauder, Aramis, Clinique, Prescriptives, Lab Series, Origins, M A C, Bobbi Brown, La Mer, Aveda, Jo Malone London, Bumble and bumble, Darphin, Ojon, Smashbox, RODIN olio lusso, Le Labo, Editions de Parfums Frédéric Malle 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 remeasurment 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.

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THE ESTÉE LAUDER COMPANIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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.

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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.

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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.

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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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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:

[redacted]

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.

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

[redacted]

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:

[redacted]

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

[redacted]

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

NOTE 4 INVENTORY AND PROMOTIONAL MERCHANDISE

[redacted]

[redacted]

NOTE 5 PROPERTY, PLANT AND EQUIPMENT

[redacted]

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.

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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 ad