

ESTEE LAUDER COMPANIES INC

FORM 10-Q (Quarterly Report)

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2025

or

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

For the transition period from to

Commission file number 1-14064

The Estée Lauder Companies Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

11-2408943

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

767 Fifth Avenue, New York, New York

(Address of principal executive offices)

10153

(Zip Code)

212-572-4200

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A Common Stock, \$.01 par value	EL	New York Stock Exchange

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

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

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

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

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

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

At April 24, 2025, 234,209,951 shares of the registrant's Class A Common Stock, \$.01 par value, and 125,542,029 shares of the registrant's Class B Common Stock, \$.01 par value, were outstanding.

THE ESTÉE LAUDER COMPANIES INC.

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PART I. FINANCIAL INFORMATION
Item 1. Financial Statements.
THE ESTÉE LAUDER COMPANIES INC.
CONSOLIDATED STATEMENTS OF EARNINGS (LOSS)
(Unaudited)

(In millions, except per share data)	Three Months Ended March 31,		Nine Months Ended March 31,	
	2025	2024	2025	2024
Net sales	\$ 3,550	\$ 3,940	\$ 10,915	\$ 11,737
Cost of sales	889	1,107	2,774	3,331
Gross profit	2,661	2,833	8,141	8,406
Operating expenses				
Selling, general and administrative	2,258	2,284	7,141	7,177
Restructuring and other charges	97	18	375	26
Impairment of goodwill and other intangible assets	—	—	861	—
Talcum litigation settlement agreements	—	—	159	—
Total operating expenses	2,355	2,302	8,536	7,203
Operating income (loss)	306	531	(395)	1,203
Interest expense	87	94	269	287
Interest income and investment income, net	27	45	85	126
Other components of net periodic benefit cost	5	(4)	10	(9)
Earnings (loss) before income taxes	241	486	(589)	1,051
Provision (benefit) for income taxes	82	151	(2)	356
Net earnings (loss)	159	335	(587)	695
Net earnings attributable to redeemable noncontrolling interest	—	(5)	—	(21)
Net earnings (loss) attributable to The Estée Lauder Companies Inc.	\$ 159	\$ 330	\$ (587)	\$ 674
Net earnings (loss) attributable to The Estée Lauder Companies Inc. per common share				
Basic	\$.44	\$.92	\$ (1.63)	\$ 1.88
Diluted	\$.44	\$.91	\$ (1.63)	\$ 1.87
Weighted average common shares outstanding				
Basic	360.3	359.1	359.9	358.8
Diluted	361.4	360.8	359.9	360.4

See notes to consolidated financial statements.

THE ESTÉE LAUDER COMPANIES INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited)

(In millions)	Three Months Ended March 31,		Nine Months Ended March 31,	
	2025	2024	2025	2024
Net earnings (loss)	\$ 159	\$ 335	\$ (587)	\$ 695
Other comprehensive income (loss):				
Net cash flow hedge gain (loss)	(24)	21	(26)	(7)
Cross-currency swap contract - fair value hedge gain (loss)	7	(4)	14	10
Retirement plan and other retiree benefit adjustments	3	24	7	22
Translation adjustments	68	(185)	(133)	(89)
Benefit (provision) for income taxes on components of other comprehensive income	14	(29)	5	(29)
Total other comprehensive income (loss), net of tax	68	(173)	(133)	(93)
Comprehensive income (loss)	227	162	(720)	602
Comprehensive loss (income) attributable to redeemable noncontrolling interest:				
Net earnings	—	(5)	—	(21)
Translation adjustments	—	15	—	13
Total comprehensive loss (income) attributable to redeemable noncontrolling interest	—	10	—	(8)
Comprehensive income (loss) attributable to The Estée Lauder Companies Inc.	\$ 227	\$ 172	\$ (720)	\$ 594

See notes to consolidated financial statements.

THE ESTÉE LAUDER COMPANIES INC.
CONSOLIDATED BALANCE SHEETS
(Unaudited)

(In millions, except share and per share data)

	March 31, 2025	June 30, 2024
ASSETS		
Current assets		
Cash and cash equivalents	\$ 2,631	\$ 3,395
Accounts receivable, net	1,792	1,727
Inventory and promotional merchandise	1,959	2,175
Prepaid expenses and other current assets	635	625
Total current assets	7,017	7,922
Property, plant and equipment, net	3,059	3,136
Other assets		
Operating lease right-of-use assets	1,875	1,833
Goodwill	2,080	2,143
Other intangible assets, net	4,129	5,183
Other assets	1,726	1,460
Total other assets	9,810	10,619
Total assets	\$ 19,886	\$ 21,677
LIABILITIES AND EQUITY		
Current liabilities		
Current debt	\$ 3	\$ 504
Accounts payable	1,214	1,440
Operating lease liabilities	399	354
Other accrued liabilities	3,348	3,404
Total current liabilities	4,964	5,702
Noncurrent liabilities		
Long-term debt	7,298	7,267
Long-term operating lease liabilities	1,682	1,701
Other noncurrent liabilities	1,597	1,693
Total noncurrent liabilities	10,577	10,661
Commitments and contingencies		
Equity		
Common stock, \$.01 par value; Class A shares authorized: 1,300,000,000 at March 31, 2025 and June 30, 2024; shares issued: 472,522,958 at March 31, 2025 and 471,018,569 at June 30, 2024; Class B shares authorized: 304,000,000 at March 31, 2025 and June 30, 2024; shares issued and outstanding: 125,542,029 at March 31, 2025 and June 30, 2024	6	6
Paid-in capital	6,966	6,685
Retained earnings	12,344	13,427
Accumulated other comprehensive loss	(1,273)	(1,140)
	18,043	18,978
Less: Treasury stock, at cost; 238,313,007 Class A shares at March 31, 2025 and 237,871,995 Class A shares at June 30, 2024	(13,698)	(13,664)
Total equity	4,345	5,314
Total liabilities and equity	\$ 19,886	\$ 21,677

See notes to consolidated financial statements.

THE ESTÉE LAUDER COMPANIES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(In millions)	Nine Months Ended March 31,	
	2025	2024
Cash flows from operating activities		
Net earnings (loss)	\$ (587)	\$ 695
Adjustments to reconcile net earnings (loss) to net cash flows from operating activities:		
Depreciation and amortization	619	614
Deferred income taxes	(334)	(165)
Non-cash stock-based compensation	255	276
Net loss on disposal of property, plant and equipment	5	7
Non-cash restructuring and other charges	17	6
Pension and post-retirement benefit expense	58	38
Pension and post-retirement benefit contributions	(69)	(75)
Impairment of goodwill and other intangible assets	861	—
Other non-cash items	11	13
Changes in operating assets and liabilities:		
Increase in accounts receivable, net	(77)	(404)
Decrease in inventory and promotional merchandise	215	653
Decrease (increase) in other assets, net	(33)	19
Decrease in accounts payable	(230)	(289)
Increase (decrease) in other accrued and noncurrent liabilities	(19)	106
Decrease in operating lease assets and liabilities, net	(21)	(23)
Net cash flows provided by operating activities	671	1,471
Cash flows from investing activities		
Capital expenditures	(395)	(702)
Proceeds from sale of property, plant and equipment	3	—
Purchases of investments	(1)	(8)
Settlement of net investment hedges	(15)	(25)
Net cash flows used for investing activities	(408)	(735)
Cash flows from financing activities		
Repayments of current debt, net	—	(215)
Proceeds from issuance of long-term debt, net	—	649
Debt issuance costs	—	(4)
Repayments of commercial paper (maturities after three months)	—	(785)
Repayments of long-term debt	(503)	(7)
Net proceeds from stock-based compensation transactions	15	29
Payments to acquire treasury stock	(35)	(34)
Settlement of cross-currency swaps	20	18
Dividends paid to stockholders	(492)	(710)
Payment for acquisition of noncontrolling interest	(21)	—
Net cash flows used for financing activities	(1,016)	(1,059)
Effect of exchange rate changes on Cash and cash equivalents	(11)	(5)
Net decrease in Cash and cash equivalents	(764)	(328)
Cash and cash equivalents at beginning of period	3,395	4,029
Cash and cash equivalents at end of period	\$ 2,631	\$ 3,701

See notes to consolidated financial statements.

THE ESTÉE LAUDER COMPANIES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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.

The unaudited interim consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”) for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. The unaudited interim consolidated financial statements furnished reflect all normal and recurring adjustments which are, in the opinion of management, necessary for a fair statement of the results for the interim periods presented. The results of operations of any interim period are not necessarily indicative of the results of operations to be expected for the full fiscal year. The interim consolidated financial statements should be read in conjunction with the consolidated financial statements and accompanying footnotes included in the Company’s Annual Report on Form 10-K for the fiscal year ended June 30, 2024.

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

Management Estimates

The preparation of financial statements and related disclosures in conformity with 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. Descriptions of the Company’s significant accounting policies are discussed in the notes to consolidated financial statements in the Company’s Annual Report on Form 10-K for the fiscal year ended June 30, 2024. Management evaluates the related 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 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 period-end rates of exchange, while revenue and expenses are translated at monthly average rates of exchange for the period. Unrealized translation gains (losses), net of tax, reported as translation adjustments through other comprehensive income (loss) (“OCI”) attributable to The Estée Lauder Companies Inc. were \$78 million and \$(192) million, net of tax, during the three months ended March 31, 2025 and 2024, respectively, and \$(130) million and \$(103) million, net of tax, during the nine months ended March 31, 2025 and 2024, respectively. For the Company’s subsidiaries operating in highly inflationary economies, the U.S. dollar is the functional currency, and these subsidiaries are not material to the Company’s consolidated financial statements or liquidity. Remeasurement adjustments in financial statements in a highly inflationary economy and other transactional gains and losses are reflected in earnings (loss).

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. The Company also uses cross-currency swap contracts to hedge the impact of foreign currency changes on certain intercompany foreign currency denominated debt. Additionally, the Company enters into foreign currency forward contracts and cross-currency swap contracts to hedge a portion of its net investment in certain foreign operations, which are designated as net investment hedges. See *Note 4 – Derivative Financial Instruments* for further discussion. The Company categorizes these instruments as entered into for purposes other than trading.

The accompanying consolidated statements of earnings (loss) include net exchange gains on foreign currency transactions of \$11 million and \$23 million during the three months ended March 31, 2025 and 2024, respectively, and \$55 million and \$52 million during the nine months ended March 31, 2025 and 2024, respectively.

THE ESTÉE LAUDER COMPANIES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Concentration of Credit Risk

The Company is a worldwide manufacturer, marketer and seller of skin care, makeup, fragrance and hair care products. The Company's sales subject to credit risk are made primarily to retailers in its travel retail business, department stores, specialty multi-brand retailers and perfumeries. The Company grants credit to qualified customers. While the Company does not believe it is exposed significantly to any undue concentration of credit risk at this time, it continues to monitor its customers' abilities, individually and collectively, to make timely payments.

The Company's largest customer for the three and nine months ended March 31, 2025 sells products primarily in China travel retail. This customer accounted for \$218 million, or 12%, and \$206 million, or 12%, of the Company's accounts receivable at March 31, 2025 and June 30, 2024, respectively.

Inventory and Promotional Merchandise

Inventory and promotional merchandise consists of the following:

(In millions)	March 31, 2025	June 30, 2024
Raw materials	\$ 617	\$ 696
Work in process	277	308
Finished goods	846	903
Promotional merchandise	219	268
Total inventory and promotional merchandise	<u>\$ 1,959</u>	<u>\$ 2,175</u>

Property, Plant and Equipment

Property, plant and equipment consists of the following:

(In millions)	March 31, 2025	June 30, 2024
Assets (Useful Life)		
Land and improvements ⁽¹⁾	\$ 71	\$ 68
Buildings and improvements (10 to 40 years)	998	929
Machinery and equipment (3 to 20 years)	1,354	1,253
Computer hardware and software (4 to 10 years)	1,911	1,861
Furniture and fixtures (5 to 10 years)	138	137
Leasehold improvements	2,534	2,418
Construction in progress	418	500
Total property, plant and equipment, gross	<u>7,424</u>	<u>7,166</u>
Less accumulated depreciation and amortization	<u>(4,365)</u>	<u>(4,030)</u>
Total property, plant and equipment, net	<u>\$ 3,059</u>	<u>\$ 3,136</u>

⁽¹⁾ Land improvements are depreciated over a 10 year useful life.

Depreciation and amortization of property, plant and equipment was \$167 million and \$166 million during the three months ended March 31, 2025 and 2024, respectively, and \$503 million and \$491 million during the nine months ended March 31, 2025 and 2024, 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 (loss).

THE ESTÉE LAUDER COMPANIES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Income Taxes

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2025	2024	2025	2024
Effective rate for income taxes	34.0 %	31.1 %	0.3 %	33.9 %
Basis-point change from the prior-year period	290		(3,360)	

For the three months ended March 31, 2025, the increase in the effective tax rate was primarily attributable to a higher effective tax rate on the Company's foreign operations due to the Company's full year geographical mix of earnings in the current and prior-year periods, as well as an unfavorable impact associated with previously issued stock-based compensation.

For the nine months ended March 31, 2025, the decrease in the effective tax rate was primarily attributable to the impact of the discrete treatment of charges associated with restructuring and other activities, the impairment of goodwill and other intangible assets, the charge associated with the talcum litigation settlement agreements (See *Note 8 - Commitments and Contingencies* for further discussion) and an unfavorable impact associated with previously issued stock-based compensation.

On August 16, 2022, the U.S. federal government enacted the Inflation Reduction Act, including a tax provision implementing a 15% corporate alternative minimum tax based on global adjusted financial statement income. The corporate alternative minimum tax did not have an impact on the Company's consolidated financial statements for the three and nine months ended March 31, 2025 and 2024.

On August 26, 2024, the U.S. Tax Court issued a decision in *Varian Medical Systems, Inc. v. Commissioner*. The decision related to the Tax Cuts and Jobs Act deduction for certain deemed foreign dividends otherwise subject to the Transition Tax on unrepatriated earnings of applicable foreign subsidiaries. Based on the Company's evaluation of the technical merits of this decision, the Company intends to timely file a protective refund claim with the U.S. Internal Revenue Service in fiscal 2025 claiming a Transition Tax payable reduction of approximately \$73 million. Although the Company has accrued the \$73 million estimated tax benefit in the provision for income taxes and reduced the Transition Tax payable in the fiscal 2025 first quarter by \$73 million, at this time the Company believes it is more-likely-than-not that the intended Transition Tax payable reduction claim will not be sustained. As such, in the fiscal 2025 first quarter the Company correspondingly increased the provision for income taxes for the estimated \$73 million tax benefit to establish an uncertain tax position reserve accrual for the estimated \$73 million Transition Tax at issue. As a result, there was no net impact from this development in the provision for income taxes and accompanying consolidated statement of earnings (loss) for the three and nine months ended March 31, 2025. In the accompanying consolidated balance sheet as of March 31, 2025, the \$73 million Transition Tax payable reduction and offsetting \$73 million uncertain tax position reserve accrual are included in Other noncurrent liabilities.

In December 2021, the Organization for Economic Cooperation and Development issued "Pillar Two" Global Anti-Base Erosion model rules for countries to enact into domestic law that would establish a 15% global minimum tax applied on a country-by-country basis for multinational companies. In certain countries that have enacted legislation incorporating the global minimum tax, it became effective for the Company at the beginning of fiscal 2025. The estimated tax impact of such legislation has been included in the provision for income taxes for the three and nine months ended March 31, 2025 and was not material. We are continuing to monitor and evaluate the potential impact of newly enacted legislation incorporating the global minimum tax in additional countries.

As of March 31, 2025 and June 30, 2024, the gross amount of unrecognized tax benefits, exclusive of interest and penalties, totaled \$139 million and \$65 million, respectively. The total amount of unrecognized tax benefits at March 31, 2025 that, if recognized, would affect the effective tax rate was \$129 million. The significant increase in the gross amount of unrecognized tax benefits as of March 31, 2025 as compared to June 30, 2024 was attributable to having established an uncertain tax position reserve accrual for the Transition Tax payable reduction position determined in the fiscal 2025 first quarter based on the August 26, 2024 U.S. Tax Court decision in *Varian Medical Systems v. Commissioner*, as discussed above. The total gross interest and penalties accrued related to unrecognized tax benefits during the three and nine months ended March 31, 2025 in the accompanying consolidated statements of earnings (loss) was \$1 million and \$4 million, respectively. The total gross accrued interest and penalties in the accompanying consolidated balance sheets at March 31, 2025 and June 30, 2024, was \$21 million and \$17 million, respectively. On the basis of the information available as of March 31, 2025, the Company does not expect significant changes to the total amount of unrecognized tax benefits within the next twelve months.

THE ESTÉE LAUDER COMPANIES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

During the fiscal 2025 second quarter, the Company received notification of the formal conclusion of the compliance process with respect to its fiscal 2023 income tax return under the U.S. Internal Revenue Service (“IRS”) Compliance Assurance Program (“CAP”), which had no impact on the Company’s consolidated financial statements for the three and nine months ended March 31, 2025.

At March 31, 2025 and June 30, 2024, total Other assets of \$1,726 million and \$1,460 million included \$1,298 million and \$1,018 million of deferred tax assets, respectively.

Supplier Finance Programs

Under the Company's supplier finance programs, the Company agrees to pay the banks the stated amount of confirmed invoices from its designated suppliers on the due dates of the invoices. The Company may terminate the agreements upon written notice (with notice periods ranging from 30 to 60 days) or immediately upon a breach. The supplier invoices that have been confirmed as valid under the programs require payment in full within 90 days of the invoice date.

Outstanding obligations confirmed as valid totaling \$67 million and \$58 million as of March 31, 2025 and June 30, 2024, respectively, are included in Accounts payable in the accompanying consolidated balance sheets.

Other Accrued Liabilities

Other accrued liabilities consist of the following:

(In millions)	March 31, 2025	June 30, 2024
Advertising, merchandising and sampling	\$ 306	\$ 276
Employee compensation	492	576
Accrued sales incentives	328	426
Accrued restructuring	257	86
Deferred revenue	276	327
Payroll and other non-income taxes	328	333
Accrued income taxes	203	335
Sales return accrual	258	248
Other	900	797
Total other accrued liabilities	<u>\$ 3,348</u>	<u>\$ 3,404</u>

Recently Adopted Accounting Standards

FASB ASU No. 2022-04 – Liabilities—Supplier Finance Programs (Subtopic 405-50): Disclosure of Supplier Finance Program Obligations

In September 2022, the FASB issued authoritative guidance which is intended to enhance the transparency surrounding the use of supplier finance programs. The guidance requires companies that use supplier finance programs to make annual disclosures about the program’s key terms, the balance sheet presentation of related amounts, the confirmed amount outstanding at the end of the period and associated rollforward information. Only the amount outstanding at the end of the period must be disclosed in interim periods. The guidance does not affect the recognition, measurement or financial statement presentation of supplier finance program obligations.

Effective for the Company – The guidance became effective for the Company’s first quarter fiscal 2024 and has been applied on a retrospective basis, except for the requirement to disclose rollforward information annually which is effective prospectively for the Company beginning in fiscal 2025.

Impact on consolidated financial statements – The Company has supplier financing arrangements and applied the disclosure requirements as required by the amendments. Such information is included in *Supplier Finance Programs* above within *Note 1 – Summary of Significant Accounting Policies*.

THE ESTÉE LAUDER COMPANIES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Recently Issued Accounting Standards

FASB ASU No. 2024-03 and 2025-01 – Disaggregation of Income Statement Expenses (Subtopic 220-40)

In November 2024 and January 2025, the FASB issued authoritative guidance requiring disclosures, in a tabular format in the notes to the consolidated financial statements, on the disaggregation of relevant expense captions that are included on the face of the consolidated statement of earnings (loss) within continuing operations. The relevant expense captions are required to be disaggregated into natural expense categories including purchases of inventory, employee compensation, depreciation and intangible asset amortization. The guidance also requires certain expenses, gains or losses that require disclosure under existing U.S. GAAP, and that are recorded in a relevant expense caption on the face of the consolidated statement of earnings (loss), to be presented in the same tabular disclosure. Qualitative disclosures about any remaining amounts in relevant expense line items are required as well. In addition, companies are required to disclose the total amount of selling expenses and, on an annual basis, how it defines selling expenses.

Effective for the Company: The guidance is effective for the Company's fiscal year ending June 30, 2028 Form 10-K and then in interim periods beginning in the Company's first quarter of fiscal 2029. Early adoption is permitted. The guidance should be applied on a prospective basis; however, retrospective application is permitted.

Impact on the consolidated financial statements: The Company is currently evaluating the impact that this guidance will have on its consolidated financial statement disclosures.

FASB ASU No. 2023-07 – Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures

In November 2023, the FASB issued authoritative guidance to improve reportable segment disclosure requirements. Companies are required to disclose significant segment expenses by reportable segment if they are regularly provided to the chief operating decision maker (CODM). Companies are also required to disclose other segment items by reportable segment. The guidance clarifies that companies may disclose more than one measure of segment profit or loss used by the CODM, provided that at least one of the reported measures includes the segment profit or loss measure that is most consistent with U.S. GAAP measurement principles. All existing annual disclosures about segment profit or loss, as well as the new requirements, must now be provided on an interim basis. Additionally, on an annual basis, the CODM's title and position is required, as well as an explanation of how the CODM uses the reported measure(s) and other disclosures. The guidance does not change how companies identify their operating segments, aggregate those operating segments, or apply the quantitative thresholds to determine their reportable segments.

Effective for the Company – The guidance is effective for the Company's fiscal year ending June 30, 2025 Form 10-K and then in interim periods beginning in the Company's first quarter of fiscal 2026. Early adoption is permitted. The guidance should be applied retrospectively unless impracticable.

Impact on consolidated financial statements – The Company is currently evaluating the impact that this guidance will have on its consolidated financial statement disclosures.

FASB ASU No. 2023-09 – Income Taxes (Topic 740): Improvements to Income Tax Disclosures

In December 2023, the FASB issued authoritative guidance to amend and enhance existing annual income tax disclosures primarily focusing on two reporting areas: (1) greater disaggregation of information in the effective tax rate reconciliations and (2) disclosure of income taxes paid, disaggregated by applicable jurisdiction.

Companies are required to use specific categories to prepare and disclose a tabular rate reconciliation (using both percentages and reporting currency amounts) of:

- the reported income tax expense (or benefit) from continuing operations and the product of the income (or loss) from continuing operations before income taxes and the applicable statutory federal income tax rate of the jurisdiction of domicile; and
- reconciling items within certain categories that are equal to or greater than a specified quantitative threshold, including the nature, effect, and underlying causes of the reconciling items and the judgment used in categorizing the reconciling items.

The guidance also requires companies to disclose the amount of income taxes paid (net of refunds received) disaggregated by federal, state, and foreign jurisdictions including individual jurisdictions with amounts paid equal to or greater than a specified quantitative threshold. The guidance also codifies existing SEC rules that require companies to disclose income (or loss) from continuing operations before income tax expense (or benefit) disaggregated between domestic and foreign as well as income tax expense (or benefit) from continuing operations disaggregated by federal, state, and foreign jurisdictions.

THE ESTÉE LAUDER COMPANIES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Effective for the Company – The guidance is effective for the Company’s fiscal year ending June 30, 2026 Form 10-K. Early adoption is permitted. The guidance should be applied on a prospective basis with the option to apply the standard retrospectively.

Impact on consolidated financial statements – The Company is currently evaluating the impact that this guidance will have on its consolidated financial statement disclosures.

SEC Final Rule Release No. 33-11275 – The Enhancement and Standardization of Climate-Related Disclosures for Investors

In March 2024, the SEC adopted rules intended to enhance and standardize climate-related disclosures in registration statements and annual reports. The rules require significant effects of severe weather events and other natural conditions, amounts related to carbon offsets and renewable energy credits or certificates, as well as material impacts on financial estimates and assumptions that are due to severe weather events and other natural conditions or disclosed climate-related targets or transition plans to be disclosed in the annual financial statements in certain circumstances.

Effective for the Company – On April 4, 2024, the SEC issued an order staying the final rule on climate-related disclosures pending certain legal challenges. Under the rule as currently issued, the disclosure requirements related to the annual financial statements are expected to be effective for the Company’s fiscal year ending June 30, 2026 Form 10-K. The Company is not required to provide comparative information in the year of adoption.

Impact on consolidated financial statements – The Company is currently evaluating the impact that this guidance will have on its annual consolidated financial statement disclosures.

NOTE 2 – GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill

The following table presents goodwill by product category and the related change in the carrying amount:

(In millions)	Skin Care	Makeup	Fragrance	Hair Care	Total
<u>Balance as of June 30, 2024</u>					
Goodwill, gross carrying amount	\$ 1,612	\$ 1,116	\$ 253	\$ 353	\$ 3,334
Accumulated impairments	(429)	(732)	(30)	—	(1,191)
Total goodwill	1,183	384	223	353	2,143
Impairment charges	—	(13)	—	—	(13)
Translation adjustments, goodwill	(67)	—	—	—	(67)
Translation adjustments, accumulated impairments	17	—	—	—	17
	(50)	(13)	—	—	(63)
<u>Balance as of March 31, 2025</u>					
Goodwill, gross carrying amount	1,545	1,116	253	353	3,267
Accumulated impairments	(412)	(745)	(30)	—	(1,187)
Total goodwill	<u>\$ 1,133</u>	<u>\$ 371</u>	<u>\$ 223</u>	<u>\$ 353</u>	<u>\$ 2,080</u>

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Other Intangible Assets

Other intangible assets consist of the following:

(In millions)	March 31, 2025			June 30, 2024		
	Gross Carrying Value	Accumulated Amortization	Total Net Book Value	Gross Carrying Value	Accumulated Amortization	Total Net Book Value
<u>Amortizable intangible assets:</u>						
Customer lists and other	\$ 1,899	\$ 976	\$ 923	\$ 1,971	\$ 895	\$ 1,076
<u>Non-amortizable intangible assets:</u>						
Trademarks			3,206			4,107
Total other intangible assets, net			\$ 4,129			\$ 5,183

The aggregate amortization expense related to amortizable intangible assets was \$34 million and \$36 million for the three months ended March 31, 2025 and 2024, respectively, and \$105 million and \$109 million for the nine months ended March 31, 2025 and 2024, respectively.

The estimated aggregate amortization expense for the remainder of fiscal 2025 and for each of the next four fiscal years is as follows:

(In millions)	Fiscal				
	2025	2026	2027	2028	2029
Estimated aggregate amortization expense	\$ 31	\$ 136	\$ 119	\$ 94	\$ 93

Impairment Analysis During the Nine Months Ended March 31, 2025

During the fiscal 2025 second quarter, the TOM FORD brand experienced lower-than-expected growth within key geographic regions and channels, including in mainland China, Asia travel retail and Hong Kong SAR. Also during the fiscal 2025 second quarter, the Too Faced reporting unit experienced lower-than-expected results in key geographic regions and channels. As a result, the Company made revisions to the internal forecasts relating to its TOM FORD brand and Too Faced reporting unit. Additionally, there were increases in the weighted average cost of capital for both the TOM FORD brand and Too Faced reporting unit as compared to the prior-year annual goodwill and other indefinite-lived intangible asset impairment testing as of April 1, 2024.

The Company concluded that the changes in circumstances in the TOM FORD brand and Too Faced reporting unit, along with increases in the weighted average cost of capital, triggered the need for interim impairment reviews of the TOM FORD trademark and the Too Faced trademark and goodwill. These changes in circumstances were also an indicator that the carrying amounts of Too Faced's long-lived assets, including customer lists, may not be recoverable. Accordingly, the Company performed interim impairment tests for the TOM FORD and Too Faced trademarks and Too Faced goodwill as well as a recoverability test for the Too Faced long-lived assets as of December 31, 2024. The Company concluded that the carrying value of the trademark intangible assets exceeded their estimated fair values, which were determined utilizing the relief-from-royalty method, and recorded an impairment charge of \$773 million for TOM FORD and \$75 million for Too Faced. The Company concluded that the carrying amounts of the long-lived assets for Too Faced were recoverable. Additionally, as a result of the interim impairment review, the remaining carrying value of Too Faced's goodwill was not recoverable and the Company recorded an impairment charge of \$13 million, reducing the carrying value to zero. The significant assumptions used in the relief-from-royalty method include revenue growth rates and profit margins, terminal values, weighted average cost of capital used to discount future cash flows and royalty rates. The most significant unobservable input used to estimate the fair value of the TOM FORD and Too Faced trademark intangible assets was the weighted average cost of capital, which was 11.5% and 14%, respectively.

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A summary of the impairment charges for the nine months ended March 31, 2025 and the remaining trademark and goodwill carrying values as of March 31, 2025, for the TOM FORD brand and Too Faced reporting unit, are as follows:

(In millions)		Impairment Charges ⁽¹⁾		Carrying Value	
		Nine Months Ended March 31, 2025		As of March 31, 2025	
Brand/Reporting Unit	Geographic Region	Trademark	Goodwill	Trademark ⁽²⁾	Goodwill
TOM FORD	The Americas	\$ 773	\$ —	\$ 1,805	\$ —
Too Faced	The Americas	75	13	112	—
Total		\$ 848	\$ 13	\$ 1,917	\$ —

⁽¹⁾ The date of the fair value measurement for the TOM FORD and Too Faced trademark intangible assets and Too Faced reporting unit was December 31, 2024.

⁽²⁾ The carrying values of the trademark intangible assets, immediately subsequent to the impairment charges, are equal to their fair values.

The impairment charge related to the TOM FORD trademark intangible asset for the nine months ended March 31, 2025 of \$773 million was reflected in the fragrance, makeup and other product categories of \$549 million, \$170 million and \$54 million, respectively. The trademark and goodwill impairment charges related to Too Faced were reflected in the makeup product category.

NOTE 3 – CHARGES ASSOCIATED WITH RESTRUCTURING AND OTHER ACTIVITIES

Restructuring Program Component of the Profit Recovery and Growth Plan

As announced on November 1, 2023, the Company launched the Profit Recovery and Growth Plan ("PRGP") to help progressively rebuild its profit margins in fiscal years 2025 and 2026.

The PRGP is focused on rebuilding stronger, more sustainable profitability, supporting sales growth acceleration and increasing speed and agility. The plan is designed to improve gross margin, lower the cost base and reduce overhead expenses, while increasing investments in key consumer-facing activities. Upon completion of this plan, the Company expects to have improved its gross margin and expense base to drive greater operating leverage for the future.

As a component of the PRGP, on February 5, 2024, the Company announced a two-year restructuring program. The restructuring program's main focus included the reorganization and rightsizing of certain areas of the Company as well as simplification and acceleration of processes. The Company committed to this course of action on February 1, 2024.

In connection with the restructuring program, the Company estimated a net reduction in the range of approximately 1,800 to 3,000 positions globally, which was about 3-5% of its positions including temporary and part-time employees as of June 30, 2023. This reduction took into account the elimination of some positions as well as retraining and redeployment of certain employees in select areas.

The Company planned to substantially complete specific initiatives under the restructuring program through fiscal 2026. The Company expected that the restructuring program would result in restructuring and other charges totaling between \$500 million and \$700 million, before taxes, consisting of employee-related costs, contract terminations, asset write-offs and other costs associated with implementing these initiatives.

After reviewing additional potential initiatives and the progress of previously approved initiatives, on February 3, 2025, the Company committed to the expansion of the PRGP, including an expansion of the restructuring program.

The expansion of the overall PRGP is focused on three key areas. First, the Company plans to adopt a more competitive approach to procurement, a key pillar of savings, by further consolidating spending and strategically re-evaluating key supplier relationships. Second, the Company plans to further improve efficiencies within its supply chain network through a zero-waste approach, aiming to improve demand forecasting and innovation planning to minimize excess inventory and product destruction. Third, the Company is outsourcing select services to proven global partners.

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The expanded component of the restructuring program began during the Company's fiscal 2025 third quarter with all initiatives to be approved by the end of fiscal 2026. Specific initiatives under the expanded component of the restructuring program are expected to be substantially completed by the end of fiscal 2027. The focus of the now expanded restructuring program (now, collectively the "Restructuring Program") includes (i) reorganization and rightsizing of certain areas and (ii) simplification and acceleration of processes, along with the newly added focus on (i) outsourcing of select services and (ii) evolution of go-to-market footprint and selling models.

In connection with the Restructuring Program, the Company now estimates a net reduction in the range of approximately 5,800 to 7,000 positions globally, which is about 9-11% of its positions including temporary and part-time employees as of June 30, 2023. This net reduction takes into account the elimination of positions after retraining and redeployment of certain employees in select areas.

The Company now expects that the Restructuring Program will result in restructuring and other charges totaling between \$1,200 million and \$1,600 million, before taxes, consisting of employee-related costs, contract terminations, asset write-offs and other costs associated with implementing these initiatives, which other than the non-cash charges, are expected to result in future cash expenditures funded from cash provided by operations.

Restructuring Program Component of the Profit Recovery and Growth Plan Approvals

Cumulative charges for initiatives approved by the Company in connection with the Restructuring Program as of March 31, 2025 and through April 24, 2025 were:

(In millions)	Sales Returns (included in Net Sales)	Cost of Sales	Operating Expenses		Total
			Restructuring Charges	Other Charges	
Total Charges Approved					
Cumulative charges approved through June 30, 2024	\$ —	\$ —	\$ 109	\$ 78	\$ 187
Nine months ended March 31, 2025	5	10	351	42	408
Cumulative charges approved through March 31, 2025	5	10	460	120	595
April 1, 2025 - April 24, 2025	—	—	28	—	28
Cumulative charges approved through April 24, 2025	\$ 5	\$ 10	\$ 488	\$ 120	\$ 623

Included in the above table, cumulative restructuring charges for initiatives approved by the Company in connection with the Restructuring Program as of March 31, 2025 and through April 24, 2025 were:

(In millions)	Employee-Related Costs	Asset-Related Costs	Contract Terminations	Other Exit Costs	Total
Restructuring Charges Approved					
Cumulative charges approved through June 30, 2024	\$ 93	\$ 7	\$ —	\$ 9	\$ 109
Nine months ended March 31, 2025	330	6	3	12	351
Cumulative charges approved through March 31, 2025	423	13	3	21	460
April 1, 2025 - April 24, 2025	26	—	—	2	28
Cumulative charges approved through April 24, 2025	\$ 449	\$ 13	\$ 3	\$ 23	\$ 488

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Specific actions taken since the Restructuring Program inception to drive future sales growth and productivity to rebuild gross and operating margin profitability include:

- Value Chain Optimization – The Company approved initiatives to reduce spans and layers and right-size organizational capability within its supply chain and research and development functions. These actions will primarily result in employee severance through a net reduction in workforce, as well as costs to decommission and relocate activities, and asset write-offs.
- Enabling Function Re-Invention – The Company approved initiatives to reorganize and right-size various corporate functions. These activities will primarily result in employee severance through a net reduction in workforce.
- Future of Brand-led Model – The Company approved initiatives to redesign spans and layers in its marketing and creative organization to make it leaner, faster, and more agile. These activities will primarily result in employee severance through a net reduction in workforce.
- Go-to-Market Operating Model Acceleration – The Company approved initiatives to optimize and right-size the organizational structure within its geographic regions to drive greater efficiency and effectiveness, as well as exit unprofitable brands from specific markets and distribution channels. These activities will result in employee severance through a net reduction in workforce, inventory write-offs, as well as costs associated with sales returns.
- Digital Organization Transformation – The Company approved initiatives to begin to reorganize and right-size its technology functions, which support its internal enterprise and commercial capabilities, to create a leaner, faster, more effective and more agile technology organization. These activities will primarily result in employee severance through a net reduction in workforce.

Once the relevant accounting criteria have been met, the Company expects to record restructuring and other charges of approximately \$623 million (before tax) in connection with these initiatives, which other than the non-cash charges, are expected to result in future cash expenditures funded from cash provided by operations.

Restructuring Program Restructuring and Other Charges

The Company classifies restructuring charges as follows:

Employee-Related Costs – Employee-related costs are primarily comprised of severance and other post-employment benefit costs, calculated based on salary levels, prior service and other statutory minimum benefits, if applicable.

Asset-Related Costs – Asset-related costs primarily consist of asset write-offs or accelerated depreciation related to long-lived assets (including rights associated with commercial operating leases and operating lease right-of-use assets) that will be taken out of service prior to their existing useful life as a direct result of a restructuring initiative.

Contract Terminations – Costs related to contract terminations include continuing payments to a third party after the Company has ceased benefiting from the rights conveyed in the contract, or a payment made to terminate a contract prior to its expiration.

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

The Company classifies other charges associated with restructuring activities as follows:

Sales Returns and Cost of Sales – Product returns (offset by the related cost of sales) and inventory write-offs or write-downs as a direct result of an approved restructuring initiative to exit certain businesses or locations will be recorded as a component of Net sales and/or Cost of sales when estimable and reasonably assured.

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Other Charges – Other charges related to the design and implementation of approved initiatives, which are charged to Operating expenses as incurred and primarily include the following:

- Consulting and other professional services for organizational design of the future structures and processes as well as the implementation thereof;
- Temporary labor backfill;
- Costs to establish and maintain a Project Management Office for the duration of the Restructuring Program, including internal costs for employees dedicated solely to project management activities, and consulting services to assist with business case development; and
- Recruitment and training costs for new and reskilled employees to acquire and apply the capabilities needed to perform responsibilities as a direct result of an approved restructuring initiative.

The Company records approved charges associated with restructuring and other activities once the relevant accounting criteria have been met.

Total cumulative charges recorded associated with restructuring and other activities for the Restructuring Program were:

(In millions)	Sales Returns (included in Net Sales)	Cost of Sales	Operating Expenses		Total
			Restructuring Charges	Other Charges	
Total Cumulative Charges					
Cumulative charges through June 30, 2024	\$ —	\$ —	\$ 92	\$ 23	\$ 115
Six months ended December 31, 2024	—	9	256	23	288
Three months ended March 31, 2025	—	—	81	14	95
Cumulative charges through March 31, 2025	\$ —	\$ 9	\$ 429	\$ 60	\$ 498

(In millions)	Employee-Related Costs	Asset-Related Costs	Contract Terminations	Other Exit Costs	Total
Restructuring Charges					
Cumulative charges through June 30, 2024	\$ 90	\$ 2	\$ —	\$ —	\$ 92
Six months ended December 31, 2024	247	7	—	2	256
Three months ended March 31, 2025	78	—	3	—	81
Cumulative charges through March 31, 2025	\$ 415	\$ 9	\$ 3	\$ 2	\$ 429

For the three and nine months ended March 31, 2024, charges recorded associated with restructuring and other activities for the Restructuring Program were \$17 million.

Changes in accrued restructuring charges from the Restructuring Program for the nine months ended March 31, 2025 were:

(In millions)	Employee- Related Costs	Asset- Related Costs	Contract Terminations	Other Exit Costs	Total
Balance at June 30, 2024	\$ 88	\$ —	\$ —	\$ —	\$ 88
Charges	325	7	3	2	337
Cash payments	(70)	—	—	(2)	(72)
Non-cash asset write-offs	—	(7)	—	—	(7)
Translation and other adjustments	(8)	—	—	—	(8)
Balance at March 31, 2025	<u>\$ 335</u>	<u>\$ —</u>	<u>\$ 3</u>	<u>\$ —</u>	<u>\$ 338</u>

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Accrued restructuring charges at March 31, 2025 relating to the Restructuring Program are expected to result in cash expenditures funded from cash provided by operations of approximately \$122 million, \$150 million, \$61 million and \$5 million for the remainder of fiscal 2025 and for fiscal 2026, 2027 and 2028, respectively.

Charges associated with restructuring and other activities are not allocated to the Company's product categories or geographic regions because they are centrally directed and controlled, are not included in internal measures of product category or geographic region performance and result from activities that are deemed Company-wide initiatives to redesign, resize and reorganize select areas of the business.

Post-COVID Business Acceleration Program

The Company approved specific initiatives under the Post-COVID Business Acceleration Program (the "PCBA Program") through fiscal 2022 and has substantially completed those initiatives. Additional information about the PCBA Program is included in the notes to consolidated financial statements in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2024.

NOTE 4 – DERIVATIVE FINANCIAL INSTRUMENTS

The Company addresses certain financial exposures through a controlled program of risk management that includes the use of derivative financial instruments. The Company does not utilize derivative financial instruments for trading or speculative purposes. Costs associated with entering into derivative financial instruments have not been material to the Company's consolidated financial results. At March 31, 2025, the notional amount of derivatives not designated as hedging instruments was \$3,704 million.

Fair Value Hedges

The Company enters into interest rate derivative contracts to manage the exposure to interest rate fluctuations on its funded indebtedness. At March 31, 2025, the Company has interest rate swap agreements, with notional amounts totaling \$700 million and \$300 million to effectively convert the fixed rate interest on its 2030 Senior Notes and 2031 Senior Notes, respectively, to variable interest rates based on the three-month fallback Secured Overnight Financing Rate ("SOFR") plus a margin. These interest rate swap agreements are designated as fair value hedges of the related long-term debt, and the changes in the fair value of the interest rate swap agreements are exactly offset by the change in the fair value of the underlying long-term debt.

The Company enters into cross-currency swap contracts to manage the exposure of foreign exchange rate fluctuations on its intercompany foreign currency denominated debt. At March 31, 2025, the Company has cross-currency swap contracts with notional amounts totaling \$491 million, to hedge the impact of foreign currency changes on certain intercompany foreign currency denominated debt. The cross-currency swap contracts are designated as fair value hedges of the related intercompany debt, and the gains and losses representing hedge components included in the assessment of effectiveness are presented in the same line item as the earnings effect of the hedged transaction in the consolidated statements of earnings (loss). Gains and losses on the derivative representing hedge components excluded from the assessment of effectiveness are recognized over the life of the hedge on a systematic and rational basis. The earnings recognition of excluded components is presented in the same line item as the earnings effect of the hedged transaction in the consolidated statements of earnings (loss). Any difference between the changes in the fair value of the excluded components and amounts recognized in earnings (loss) will be recognized in Accumulated Other Comprehensive Loss ("AOCI").

The estimated net gain on the Company's derivative instruments designated as fair value hedges as of March 31, 2025 that is expected to be reclassified from AOCI into earnings (loss), net of tax, within the next twelve months is \$14 million. The accumulated net gain (loss) on derivative instruments designated as fair value hedges in AOCI was \$7 million and \$(7) million as of March 31, 2025 and June 30, 2024, respectively.

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Cash Flow Hedges

The Company enters into foreign currency forward contracts, and may enter into foreign currency option contracts, to hedge anticipated transactions and receivables and payables denominated in foreign currencies, for periods consistent with the Company's identified exposures. The purpose of the hedging activities is to minimize the effect of foreign exchange rate movements on the cash flows that the Company receives from foreign subsidiaries. The foreign currency forward contracts entered into to hedge anticipated transactions have been designated as cash flow hedges and have varying maturities through the end of December 2026. Hedge effectiveness of the foreign currency forward contracts is based on the forward method, which includes forward points in the effectiveness assessment. At March 31, 2025, the Company had cash flow hedges outstanding with a notional amount totaling \$2,129 million.

For foreign currency hedge contracts that are no longer deemed highly effective, hedge accounting is discontinued and gains and losses in AOCI are reclassified to Net sales when the underlying forecasted transaction occurs. If it is probable that the forecasted transaction will no longer occur, then any gains or losses in AOCI are reclassified to current-period Net sales. As of March 31, 2025, the Company's foreign currency cash flow hedges were highly effective.

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

The estimated net gain on the Company's derivative instruments designated as cash flow hedges as of March 31, 2025 that is expected to be reclassified from AOCI into earnings (loss), net of tax, within the next twelve months is \$13 million. The accumulated net gain on derivative instruments designated as cash flow hedges in AOCI was \$50 million and \$76 million as of March 31, 2025 and June 30, 2024, respectively.

Net Investment Hedges

The Company enters into foreign currency forward contracts and cross-currency swap contracts, designated as net investment hedges, to hedge a portion of its net investment in certain foreign operations. Forward points and cross-currency basis spreads, respectively, are excluded from the effectiveness assessment and are recognized under a systematic and rational method over the life of the hedging instrument in Selling, general and administrative expenses. The purpose of the hedging activities is to minimize the effect of foreign exchange rate movements on the Company's net investment in these foreign operations. The net investment hedge contracts have varying maturities through the end of September 2025. Hedge effectiveness of the net investment hedge contracts is based on the spot method. At March 31, 2025, the Company had net investment hedges outstanding with a notional amount totaling \$1,296 million.

Credit Risk

As a matter of policy, the Company enters into derivative contracts only with counterparties that have a long-term credit rating of at least A- or higher by at least two nationally recognized rating agencies. The counterparties to these contracts are major financial institutions. Exposure to credit risk in the event of nonperformance by any of the counterparties is limited to the gross fair value of contracts in asset positions, which totaled \$119 million at March 31, 2025. To manage this risk, the Company has strict counterparty credit guidelines that are continually monitored. Accordingly, management believes risk of loss under these hedging contracts is remote.

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

(In millions)	Asset Derivatives				Liability Derivatives			
	Balance Sheet Location	Fair Value ⁽¹⁾		Balance Sheet Location	Fair Value ⁽¹⁾			
		March 31, 2025	June 30, 2024		March 31, 2025	June 30, 2024		
Derivatives Designated as Hedging Instruments:								
Foreign currency forward contracts ⁽²⁾	Prepaid expenses and other current assets; Other assets	\$ 49	\$ 49	Other accrued liabilities	\$ 17	\$ 4		
Cross-currency swap contracts ⁽³⁾	Prepaid expenses and other current assets; Other assets	64	80	Other accrued liabilities	4			
Interest rate contracts	Prepaid expenses and other current assets	—	—	Other accrued liabilities	118		145	
Total Derivatives Designated as Hedging Instruments		113	129		139		149	
Derivatives Not Designated as Hedging Instruments:								
Foreign currency forward contracts	Prepaid expenses and other current assets	6	19	Other accrued liabilities	32		17	
Total derivatives		\$ 119	\$ 148		\$ 171	\$ 166		

⁽¹⁾ See Note 5 – Fair Value Measurements for further information about how the fair value of derivative assets and liabilities are determined.

⁽²⁾ Included in the asset derivatives for the foreign currency forward contracts at March 31, 2025 and June 30, 2024 is \$2 million, classified within Other assets in the accompanying consolidated balance sheets.

⁽³⁾ Included in the asset derivatives for the cross-currency swap contracts at March 31, 2025 and June 30, 2024 is approximately \$50 million and \$70 million, respectively, classified within Other assets in the accompanying consolidated balance sheets.

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The amounts of the gains and losses related to the Company's derivative financial instruments designated as hedging instruments that are included in the assessment of effectiveness are as follows:

(In millions)	Amount of Gain (Loss) Recognized in OCI on Derivatives		Location of Gain (Loss) Reclassified from AOCI into Earnings (Loss)	Amount of Gain (Loss) Reclassified from AOCI into Earnings (Loss) ⁽¹⁾	
	Three Months Ended March 31,			Three Months Ended March 31,	
	2025	2024		2025	2024
Derivatives in Cash Flow Hedging Relationships:					
Foreign currency forward contracts	\$ (17)	\$ 36	Net sales	\$ 7	\$ 15
Interest rate contracts	—	—	Interest expense	—	—
Total cash flow hedges	(17)	36		7	15
Derivatives in Net Investment Hedging Relationships ⁽²⁾⁽³⁾ :					
Foreign currency forward contracts	(29)	11		—	—
Cross-currency swap contracts	(6)	—		—	—
Total net investment hedges	(35)	11		—	—
Total derivatives	\$ (52)	\$ 47		\$ 7	\$ 15

⁽¹⁾ The amount reclassified into earnings (loss) as a result of the discontinuance of cash flow hedges because it is probable that forecasted transactions will not occur by the end of the original time period was not material.

⁽²⁾ During the three months ended March 31, 2025 and 2024, the gain recognized in earnings (loss) from net investment hedges related to the amount excluded from effectiveness testing was \$7 million and \$3 million, respectively.

⁽³⁾ Included within translation adjustments as a component of AOCI on the Company's consolidated balance sheets.

(In millions)	Amount of Gain (Loss) Recognized in OCI on Derivatives		Location of Gain (Loss) Reclassified from AOCI into Earnings (Loss)	Amount of Gain (Loss) Reclassified from AOCI into Earnings (Loss) ⁽¹⁾	
	Nine Months Ended March 31,			Nine Months Ended March 31,	
	2025	2024		2025	2024
Derivatives in Cash Flow Hedging Relationships:					
Foreign currency forward contracts	\$ 6	\$ 28	Net sales	\$ 31	\$ 36
Interest rate contracts	—	—	Interest expense	1	(1)
Total cash flow hedges	6	28		32	35
Derivatives in Net Investment Hedging Relationships ⁽²⁾⁽³⁾ :					
Foreign currency forward contracts	(7)	(6)		—	—
Cross-currency swap contracts	(4)	—		—	—
Total net investment hedges	(11)	(6)		—	—
Total derivatives	\$ (5)	\$ 22		\$ 32	\$ 35

⁽¹⁾ The amount reclassified into earnings (loss) as a result of the discontinuance of cash flow hedges because it is probable that forecasted transactions will not occur by the end of the original time period was not material.

⁽²⁾ During the nine months ended March 31, 2025 and 2024, the gain recognized in earnings (loss) from net investment hedges related to the amount excluded from effectiveness testing was \$22 million and \$13 million, respectively.

⁽³⁾ Included within translation adjustments as a component of AOCI on the Company's consolidated balance sheets.

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(In millions)	Location of Gain (Loss) Recognized in Earnings (Loss) on Derivatives	Amount of Gain (Loss) Recognized in Earnings (Loss) on Derivatives			
		Three Months Ended March 31,		Nine Months Ended March 31,	
		2025	2024	2025	2024
Derivatives in Fair Value Hedging Relationships:					
Cross-currency swap contracts ⁽¹⁾	Selling, general and administrative	\$ (20)	\$ 30	\$ (29)	\$ 19
Interest rate contracts ⁽²⁾	Interest expense	\$ 21	\$ (17)	\$ 28	\$ 3

- ⁽¹⁾ Changes in the fair value representing hedge components included in the assessment of effectiveness of the cross-currency swap contracts are exactly offset by the change in the fair value of the underlying intercompany foreign currency denominated debt. The gain recognized in earnings (loss) from cross-currency swap contracts related to the amount excluded from effectiveness testing during each of the three months ended March 31, 2025 and 2024 was \$5 million, and during each of the nine months ended March 31, 2025 and 2024 was \$14 million.
- ⁽²⁾ Changes in the fair value of the interest rate contracts are exactly offset by the change in the fair value of the underlying long-term debt.

Additional information regarding the cumulative amount of fair value hedging gain (loss) recognized in earnings (loss) for items designated and qualifying as hedged items in fair value hedges is as follows:

(In millions)	Line Item in the Consolidated Balance Sheets in Which the Hedged Item is Included	Carrying Amount of the Hedged Liabilities		Cumulative Amount of Fair Value Hedging Gain (Loss) Included in the Carrying Amount of the Hedged Liability	
		March 31, 2025		March 31, 2025	
	Long-term debt	\$	877	\$	(118)
	Intercompany debt	\$	—	\$	58

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Additional information regarding the effects of fair value and cash flow hedging relationships for derivatives designated and qualifying as hedging instruments is as follows:

(In millions)	Three Months Ended March 31,					
	2025			2024		
	Net Sales	Selling, General and Administrative	Interest Expense	Net Sales	Selling, General and Administrative	Interest Expense
Total amounts of income and expense line items presented in the consolidated statements of earnings (loss) in which the effects of fair value and cash flow hedges are recorded	\$ 3,550	\$ 2,258	\$ 87	\$ 3,940	\$ 2,284	\$ 94
The effects of fair value and cash flow hedging relationships:						
Gain (loss) on fair value hedge relationships – interest rate contracts:						
Hedged item	N/A	N/A	(21)	N/A	N/A	17
Derivatives designated as hedging instruments	N/A	N/A	21	N/A	N/A	(17)
Gain (loss) on fair value hedge relationships – cross-currency swap contracts:						
Hedged item	N/A	20	N/A	N/A	(30)	N/A
Derivatives designated as hedging instruments	N/A	(20)	N/A	N/A	30	N/A
Gain (loss) on cash flow hedge relationships – interest rate contracts:						
Amount of gain (loss) reclassified from AOCI into earnings (loss)	N/A	N/A	—	N/A	N/A	—
Gain on cash flow hedge relationships – foreign currency forward contracts:						
Amount of gain reclassified from AOCI into earnings (loss)	7	N/A	N/A	15	N/A	N/A

N/A (Not applicable)

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(In millions)	Nine Months Ended March 31,					
	2025			2024		
	Net Sales	Selling, General and Administrative	Interest Expense	Net Sales	Selling, General and Administrative	Interest Expense
Total amounts of income and expense line items presented in the consolidated statements of earnings (loss) in which the effects of fair value and cash flow hedges are recorded	\$ 10,915	\$ 7,141	\$ 269	\$ 11,737	\$ 7,177	\$ 287
The effects of fair value and cash flow hedging relationships:						
Gain (loss) on fair value hedge relationships – interest rate contracts:						
Hedged item	N/A	N/A	(28)	N/A	N/A	(3)
Derivatives designated as hedging instruments	N/A	N/A	28	N/A	N/A	3
Gain (loss) on fair value hedge relationships – cross-currency swap contracts:						
Hedged item	N/A	29	N/A	N/A	(19)	N/A
Derivatives designated as hedging instruments	N/A	(29)	N/A	N/A	19	N/A
Gain (loss) on cash flow hedge relationships – interest rate contracts:						
Amount of gain (loss) reclassified from AOCI into earnings (loss)	N/A	N/A	1	N/A	N/A	(1)
Gain on cash flow hedge relationships – foreign currency forward contracts:						
Amount of gain reclassified from AOCI into earnings (loss)	31	N/A	N/A	36	N/A	N/A

N/A (Not applicable)

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

(In millions)	Location of Gain (Loss) Recognized in Earnings (Loss) on Derivatives	Amount of Gain (Loss) Recognized in Earnings (Loss) on Derivatives			
		Three Months Ended March 31,		Nine Months Ended March 31,	
		2025	2024	2025	2024
Derivatives Not Designated as Hedging Instruments:					
Foreign currency forward contracts	Selling, general and administrative	\$ (6)	\$ 18	\$ (25)	\$ 31

The Company's derivative instruments are subject to enforceable master netting agreements. These agreements permit the net settlement of these contracts on a per-institution basis; however, the Company records the fair value on a gross basis on its consolidated balance sheets based on maturity dates, including those subject to master netting arrangements. The following table provides information as if the Company had elected to offset the asset and liability balances of derivative instruments, netted in accordance with various criteria in the event of default or termination as stipulated by the terms of netting arrangements with each of the counterparties:

(In millions)	As of March 31, 2025			As of June 30, 2024		
	Gross Amounts of Assets / (Liabilities) Presented in Balance Sheet	Contracts Subject to Netting	Net Amounts of Assets / (Liabilities)	Gross Amounts of Assets / (Liabilities) Presented in Balance Sheet	Contracts Subject to Netting	Net Amounts of Assets / (Liabilities)
Derivative Financial Contracts						
Derivative assets	\$ 119	\$ (60)	\$ 59	\$ 148	\$ (49)	\$ 99
Derivative liabilities	(171)	60	(111)	(166)	49	(117)
Total derivatives	<u>\$ (52)</u>	<u>\$ —</u>	<u>\$ (52)</u>	<u>\$ (18)</u>	<u>\$ —</u>	<u>\$ (18)</u>

NOTE 5 – FAIR VALUE MEASUREMENTS

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

- Level 1: Inputs based on quoted market prices for identical assets or liabilities in active markets at the measurement date.
- Level 2: Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3: Inputs reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. The inputs are unobservable in the market and significant to the instrument's valuation.

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The following table presents the Company's hierarchy for its financial assets and liabilities measured at fair value on a recurring basis as of March 31, 2025:

(In millions)	Level 1	Level 2	Level 3	Total
Assets:				
Money market funds	\$ 961	\$ —	\$ —	\$ 961
Foreign currency forward contracts	—	55	—	55
Cross-currency swap contracts	—	64	—	64
Total	<u>\$ 961</u>	<u>\$ 119</u>	<u>\$ —</u>	<u>\$ 1,080</u>
Liabilities:				
Foreign currency forward contracts	\$ —	\$ 49	\$ —	\$ 49
Interest rate contracts	—	118	—	118
Cross-currency swap contracts	—	4	—	4
Total	<u>\$ —</u>	<u>\$ 171</u>	<u>\$ —</u>	<u>\$ 171</u>

The following table presents the Company's hierarchy for its financial assets and liabilities measured at fair value on a recurring basis as of June 30, 2024:

(In millions)	Level 1	Level 2	Level 3	Total
Assets:				
Money market funds	\$ 1,507	\$ —	\$ —	\$ 1,507
Foreign currency forward contracts	—	68	—	68
Cross-currency swap contracts	—	80	—	80
Total	<u>\$ 1,507</u>	<u>\$ 148</u>	<u>\$ —</u>	<u>\$ 1,655</u>
Liabilities:				
Foreign currency forward contracts	\$ —	\$ 21	\$ —	\$ 21
Interest rate contracts	—	145	—	145
Total	<u>\$ —</u>	<u>\$ 166</u>	<u>\$ —</u>	<u>\$ 166</u>

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

(In millions)	March 31, 2025		June 30, 2024	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Nonderivatives				
Cash and cash equivalents	\$ 2,631	\$ 2,631	\$ 3,395	\$ 3,395
Current and long-term debt	7,301	6,728	7,771	7,174
Deferred consideration payable	321	322	341	340
Derivatives				
Foreign currency forward contracts – asset (liability), net	6	6	47	47
Cross-currency swap contracts - asset (liability), net	60	60	80	80
Interest rate contracts – liability	(118)	(118)	(145)	(145)

THE ESTÉE LAUDER COMPANIES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Cash and cash equivalents – Cash and all highly-liquid securities with original maturities of three months or less are classified as cash and cash equivalents, primarily consisting of cash deposits in interest bearing accounts, time deposits and money market funds (classified within Level 1 of the valuation hierarchy). Cash deposits in interest bearing accounts and time deposits are carried at cost, which approximates fair value, due to the short maturity of cash equivalent instruments.

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

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

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

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

Deferred consideration payable – The deferred consideration payable consists primarily of deferred payments associated with the fiscal 2023 fourth quarter acquisition of TOM FORD. The fair value of the payments treated as deferred consideration payable are calculated based on the net present value of cash payments using an estimated borrowing rate based on quoted prices for a similar liability. The Company's deferred consideration payable is classified within Level 2 of the valuation hierarchy.

Nonfinancial assets measured at fair value on a nonrecurring basis

In connection with its interim goodwill and other indefinite-lived intangible asset impairment testing, the Company has measured certain nonfinancial assets at fair value on a nonrecurring basis, classified as Level 3 of the fair value hierarchy. Refer to *Note 2 – Goodwill and Other Intangible Assets* for discussion of the valuation techniques used to measure fair value, the description of the inputs and information used to develop those inputs.

NOTE 6 – REVENUE RECOGNITION

Accounts Receivable

Accounts receivable, net is stated net of the allowance for doubtful accounts, including credit losses, and customer deductions totaling \$37 million and \$26 million as of March 31, 2025 and June 30, 2024, respectively. Payment terms are short-term in nature and are generally less than one year.

Changes in the allowance for credit losses are as follows:

(In millions)	March 31, 2025
Balance at June 30, 2024	\$ 14
Provision for expected credit losses	12
Write-offs, net & other	(1)
Balance at March 31, 2025	\$ 25

THE ESTÉE LAUDER COMPANIES INC.
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The remaining balance of the allowance for doubtful accounts and customer deductions of \$12 million as of March 31, 2025 and June 30, 2024 relates to non-credit losses, which are primarily due to customer deductions.

Deferred Revenue

Changes in deferred revenue during the period are as follows:

(In millions)	Three Months Ended March 31,		Nine Months Ended March 31,	
	2025	2024	2025	2024
Deferred revenue, beginning of period	\$ 562	\$ 610	\$ 560	\$ 572
Revenue recognized that was included in the deferred revenue balance at the beginning of the period	(38)	(26)	(293)	(275)
Revenue deferred (released) during the period	(29)	(38)	229	255
Other	1	(4)	—	(10)
Deferred revenue, end of period	<u>\$ 496</u>	<u>\$ 542</u>	<u>\$ 496</u>	<u>\$ 542</u>

Transaction Price Allocated to the Remaining Performance Obligations

At March 31, 2025, the combined estimated revenue expected to be recognized in the next twelve months related to performance obligations for customer loyalty programs, gift with purchase promotions, purchase with purchase promotions, gift card liabilities and the Marcolin license arrangement related to TOM FORD that are unsatisfied (or partially unsatisfied) is \$276 million. The remaining balance of deferred revenue at March 31, 2025 will be recognized beyond the next twelve months, of which \$214 million relates to the non-refundable upfront payment received as part of the Marcolin licensing arrangement that is being recognized on a straight-line basis over the estimated economic life of the license, which is 20 years.

Royalty Revenue – License Arrangements

The Company's contractually guaranteed minimum royalty amounts due during future periods under its existing license arrangements is disclosed in the notes to consolidated financial statements in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2024.

NOTE 7 – PENSION AND POST-RETIREMENT BENEFIT PLANS

The Company maintains pension plans covering substantially all of its full-time employees for its U.S. operations and a majority of its international operations. The Company also maintains post-retirement benefit plans that provide certain medical and dental benefits to eligible employees. Descriptions of these plans are included in the notes to consolidated financial statements in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2024.

The components of net periodic benefit cost for the three months ended March 31, 2025 and 2024 consisted of the following:

(In millions)	Pension Plans				Other than Pension Plans	
	U.S.		International		Post-retirement	
	2025	2024	2025	2024	2025	2024
Service cost	\$ 8	\$ 9	\$ 6	\$ 7	\$ 1	\$ —
Interest cost	13	12	5	5	1	2
Expected return on plan assets	(13)	(14)	(6)	(7)	—	—
Amortization of:						
Actuarial loss (gain)	5	1	(1)	(2)	—	—
Prior service cost	—	—	—	(1)	(1)	(1)
Special termination benefits	—	—	3	—	—	—
Net periodic benefit cost	<u>\$ 13</u>	<u>\$ 8</u>	<u>\$ 7</u>	<u>\$ 2</u>	<u>\$ 1</u>	<u>\$ 1</u>

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The components of net periodic benefit cost for the nine months ended March 31, 2025 and 2024 consisted of the following:

(In millions)	Pension Plans				Other than Pension Plans	
	U.S.		International		Post-retirement	
	2025	2024	2025	2024	2025	2024
Service cost	\$ 26	\$ 27	\$ 20	\$ 20	\$ 1	\$ 1
Interest cost	38	35	14	14	5	6
Expected return on plan assets	(38)	(41)	(19)	(19)	—	—
Amortization of:						
Actuarial loss (gain)	15	3	(4)	(6)	—	—
Prior service cost	—	—	—	(1)	(4)	(1)
Special termination benefits	—	—	4	—	—	—
Net periodic benefit cost	<u>\$ 41</u>	<u>\$ 24</u>	<u>\$ 15</u>	<u>\$ 8</u>	<u>\$ 2</u>	<u>\$ 6</u>

The amounts recognized in the consolidated balance sheets related to the Company's pension and post-retirement benefit plans consist of the following:

(In millions)	March 31, 2025	June 30, 2024
Other assets	\$ 127	\$ 125
Other accrued liabilities	(44)	(44)
Other noncurrent liabilities	(320)	(339)
Funded status	(237)	(258)
Accumulated other comprehensive loss	236	243
Net amount recognized	<u>\$ (1)</u>	<u>\$ (15)</u>

NOTE 8 – COMMITMENTS AND CONTINGENCIES

Legal Proceedings

The Company is involved, from time to time, in litigation and other legal proceedings incidental to its business, including product liability matters (including asbestos-related claims), advertising, regulatory, employment, intellectual property, real estate, environmental, trade relations, securities, tax, and privacy. Management believes that the outcome of current litigation and legal proceedings will not have a material adverse effect upon the Company's business, results of operations, financial condition or cash flows. However, management's assessment of the Company's current litigation and other legal proceedings could change in light of the discovery of facts with respect to legal actions or other proceedings pending against the Company not presently known to the Company or determinations by judges, juries or other finders of fact which are not in accord with management's evaluation of the possible liability or outcome of such litigation or proceedings.

The Company establishes accruals for loss contingencies when it has determined that a loss is probable and that the amount of loss, or range of loss, can be reasonably estimated. Amounts accrued for legal contingencies often result from a complex series of judgments about future events and uncertainties that rely on estimates and assumptions including timing of related payments. Any such accruals are adjusted thereafter as appropriate to reflect changes in circumstances. The Company also determines estimates of reasonably possible losses or ranges of reasonably possible losses in excess of related accrued liabilities, if any, when it has determined that a loss is reasonably possible, and it is able to determine such estimates. Legal defense costs are recognized as incurred when the legal services are provided.

Reasonably possible losses in addition to the amounts accrued for such litigation and legal proceedings are not expected to be material to the Company's consolidated financial statements (refer below for the Company's Securities Class Action and Derivative Matters and Cosmetic Talcum Powder Matters and related assessment of these loss contingencies).

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Securities Class Action and Derivative Matters

On December 7, 2023 and January 22, 2024, the Company and its then Chief Executive Officer and Chief Financial Officer were named as defendants in separate purported securities class action complaints filed in the United States District Court for the Southern District of New York. On February 20, 2024, those two purported securities class actions were consolidated into one action. On March 22, 2024, plaintiffs filed their consolidated amended class action complaint, which alleges that defendants made materially false and misleading statements during the period February 3, 2022 to October 31, 2023 in press releases, the Company's public filings and during conference calls with analysts that artificially inflated the price of the Company's stock in violation of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934. On March 31, 2025, the Court denied defendants' motion to dismiss. Defendants intend to defend the action vigorously.

On February 1, 2024 and March 15, 2024, stockholder derivative action complaints were filed against certain of the Company's officers, all the Company's directors as of those dates and certain of the Company's former directors as of those dates in the United States District Court for the Southern District of New York. In April 2024, both complaints were voluntarily dismissed without prejudice. Subsequently, the Company's Board of Directors ("the Board") received stockholder litigation demands, requesting, among other things, that the Board investigate potential claims on behalf of the Company based on the same alleged course of conduct identified in the securities case complaint (which were also the subject of the voluntarily dismissed stockholder derivative actions complaints) described above. A committee of the Board has been formed to review the stockholder demands and make recommendations, as appropriate in its discretion, to the Board.

As of March 31, 2025, the Company does not believe it is probable that it will incur losses as a result of the securities class action and derivative matters, and cannot reasonably estimate the loss or range of losses that are reasonably possible to be incurred in connection with these matters.

Cosmetic Talcum Powder Matters

The Company has been named as a defendant in civil actions alleging that certain cosmetic talcum powder products sold by the Company were contaminated with asbestos. Most of these actions involve a number of co-defendants from a variety of different industries. As of March 31, 2025, there were 84 individual cases pending against the Company in state and federal courts throughout the United States, as compared to 273 cases as of June 30, 2024. During the nine months ended March 31, 2025, 57 new cases were filed and 246 cases were resolved by settlement or voluntary dismissal (including pursuant to the cases that were settled in the talcum litigation settlement agreements described below).

Due to the rising number of cases against the Company, as well as the evolving litigation landscape, there is an expectation that claims may increase in the future. In order to mitigate our future exposure, from the end of August 2024 through October 2024, the Company reached agreements with certain plaintiff law firms (collectively, the "talcum litigation settlement agreements") for: (i) the resolution of over 200 pending cosmetic talcum powder matters handled by those firms as well as (ii) a process for resolving potential future cosmetic talcum powder claims expected to be brought on behalf of plaintiffs by those firms from January 1, 2025 through December 31, 2029, with annual capped amounts per year for each participating law firm.

To account for the talcum litigation settlement agreements, the Company recorded a charge of \$159 million during the fiscal 2025 first quarter for the amount agreed to settle the current and potential future claims (amounts recorded for potential future claims is based on the best estimate of the probable loss and a reasonably possible loss beyond the amounts recorded is not expected to be material). As of March 31, 2025, \$23 million is recorded in Other accrued liabilities and \$89 million is recorded in Other noncurrent liabilities in the accompanying consolidated balance sheet related to the talcum litigation settlement agreements.

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There are and could be other plaintiff law firms outside of those included in the talcum litigation settlement agreements that bring claims against the Company. The value of other settlements outside of the talcum litigation settlement agreements, either individually or in the aggregate, for the three and nine months ended March 31, 2025 and 2024 was not material. Given the inherent uncertainties of litigation, it is not possible to predict the outcome of all individual cases pending against the Company or potential unasserted claims, and therefore a specific estimate and associated provision is made for a small number of individual cases that have advanced to the later stages of legal proceedings. For the remaining filed cases, we record an estimate of exposure loss on an aggregated and ongoing basis, which takes into account the historical outcomes of cases we have resolved to date. Any adverse outcomes, either in an individual case or in the aggregate, could be material. While the Company and its legal counsel intend to continue to defend these cases vigorously, there can be no assurances regarding the ultimate resolution of these matters. The amounts recorded during the three and nine months ended March 31, 2025 for such litigation, outside of the talcum litigation settlement agreements, are not material to the Company's consolidated financial statements. The range of reasonably possible losses in excess of accrued liabilities currently cannot be reasonably estimated.

The Company believes that a portion of its costs incurred in defending and resolving these claims may be covered by insurance policies issued by several insurance carriers, subject to deductibles, exclusions, retentions and policy limits.

NOTE 9 – STOCK PROGRAMS

Additional information relating to the Company's stock programs are included in the notes to consolidated financial statements in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2024.

Total net stock-based compensation expense is attributable to the granting of, and the remaining requisite service periods of stock options, restricted stock units ("RSUs"), performance share units ("PSUs"), long-term PSUs, including long-term price-vested units and share units. Compensation expense attributable to net stock-based compensation was \$75 million and \$87 million for the three months ended March 31, 2025 and 2024, respectively, and was \$255 million and \$276 million for the nine months ended March 31, 2025 and 2024, respectively.

Stock Options

During the nine months ended March 31, 2025, the Company granted stock options in respect of approximately 0.9 million shares of Class A Common Stock with a weighted average exercise price per share of \$90.93 and a weighted average grant date fair value per share of \$29.24. The fair value of each option grant was estimated on the date of grant using the Black-Scholes option-pricing model.

Restricted Stock Units

During the nine months ended March 31, 2025, the Company granted RSUs in respect of approximately 3.4 million shares of Class A Common Stock with a weighted average grant date fair value per share of \$91.82 that, at the time of grant, are scheduled to vest at 1.2 million, 1.2 million, and 1.0 million shares per year, in fiscal 2026, fiscal 2027 and fiscal 2028, respectively. Vesting of RSUs is generally subject to the continued employment or the retirement of the grantees. The RSUs are generally accompanied by dividend equivalent rights, payable upon settlement of the RSUs either in cash or shares (based on the terms of the particular award) and, as such, were generally valued at the closing market price of the Company's Class A Common Stock on the date of grant.

Performance Share Units

During the nine months ended March 31, 2025, the Company granted PSUs with a target payout of approximately 0.4 million shares of Class A Common Stock with a grant date fair value per share of \$92.02, which will be settled in stock subject to the achievement of the Company's net sales, diluted net earnings per common share and return on invested capital goals for the three fiscal years ending June 30, 2027, all subject to continued employment or the retirement of the grantees. For PSUs granted, no settlement will occur for results below the applicable minimum threshold. PSUs are accompanied by dividend equivalent rights that will be payable in cash upon settlement of the PSUs and, as such, were valued at the closing market value of the Company's Class A Common Stock on the date of grant.

For the PSUs with a performance period ended June 30, 2024, the target goals set at the time of issuance were not achieved, resulting in no shares of the Company's Class A Common Stock issued related to these awards.

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Long-term Performance Share Units

On September 3, 2024, the Company issued 195,940 shares of the Company’s Class A Common Stock to its then Chief Executive Officer in accordance with the terms of PSUs granted in February 2018. At the time of issuance, the total fair value of PSUs was \$18 million.

NOTE 10 – NET EARNINGS (LOSS) ATTRIBUTABLE TO THE ESTÉE LAUDER COMPANIES INC. PER COMMON SHARE

Net earnings (loss) attributable to The Estée Lauder Companies Inc. per common share (“basic EPS”) is computed by dividing net earnings (loss) attributable to The Estée Lauder Companies Inc. by the weighted average number of common shares outstanding and shares underlying PSUs and RSUs where the vesting conditions have been met. Net earnings (loss) attributable to The Estée Lauder Companies Inc. per common share assuming dilution (“diluted EPS”) is computed by reflecting potential dilution from stock-based awards using the treasury stock method. For the nine months ended March 31, 2025, the effects of potentially dilutive stock options, PSUs and RSUs were excluded from the computation of diluted EPS as they were anti-dilutive due to the net loss incurred during the period.

A reconciliation between the numerator and denominator of the basic and diluted EPS computations is as follows:

(In millions, except per share data)	Three Months Ended March 31,		Nine Months Ended March 31,	
	2025	2024	2025	2024
Numerator:				
Net earnings (loss) attributable to The Estée Lauder Companies Inc.	\$ 159	\$ 330	\$ (587)	\$ 674
Denominator:				
Weighted average common shares outstanding – Basic	360.3	359.1	359.9	358.8
Effect of dilutive stock options	—	0.8	—	0.9
Effect of PSUs	0.2	0.2	—	0.1
Effect of RSUs	0.9	0.7	—	0.6
Weighted average common shares outstanding – Diluted	361.4	360.8	359.9	360.4
Net earnings (loss) attributable to The Estée Lauder Companies Inc. per common share:				
Basic	\$.44	\$.92	\$ (1.63)	\$ 1.88
Diluted	\$.44	\$.91	\$ (1.63)	\$ 1.87

The shares of Class A Common Stock underlying stock options, RSUs and PSUs that were excluded in the computation of diluted EPS because their inclusion would be anti-dilutive were as follows:

(In millions)	Three Months Ended March 31,		Nine Months Ended March 31,	
	2025	2024	2025	2024
Stock options	8.9	5.8	8.4	5.7
RSUs and PSUs	0.2	0.1	1.8	0.5

As of March 31, 2025 and 2024, 0.6 million and 0.4 million shares, respectively, of Class A Common Stock underlying PSUs have been excluded from the computation of diluted EPS as the number of shares ultimately issued is contingent on the achievement of applicable performance targets of the Company, as discussed in *Note 9 – Stock Programs*.

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NOTE 11 – EQUITY AND REDEEMABLE NONCONTROLLING INTEREST

Total Stockholders' Equity – The Estée Lauder Companies Inc.

(In millions, except per share data)	Three Months Ended March 31,		Nine Months Ended March 31,	
	2025	2024	2025	2024
Common stock, beginning of the period	\$ 6	\$ 6	\$ 6	\$ 6
Stock-based compensation	—	—	—	—
Common stock, end of the period	<u>6</u>	<u>6</u>	<u>6</u>	<u>6</u>
Paid-in capital, beginning of the period	6,889	6,367	6,685	6,153
Common stock dividends	2	2	6	5
Stock-based compensation	75	96	275	307
Paid-in capital, end of the period	<u>6,966</u>	<u>6,465</u>	<u>6,966</u>	<u>6,465</u>
Retained earnings, beginning of the period	12,313	13,858	13,427	13,991
Common stock dividends	(128)	(238)	(496)	(715)
Net earnings (loss) attributable to The Estée Lauder Companies Inc.	159	330	(587)	674
Retained earnings, end of the period	<u>12,344</u>	<u>13,950</u>	<u>12,344</u>	<u>13,950</u>
Accumulated other comprehensive loss, beginning of the period	(1,341)	(856)	(1,140)	(934)
Other comprehensive earnings (loss) attributable to The Estée Lauder Companies Inc.	68	(158)	(133)	(80)
Accumulated other comprehensive loss, end of the period	<u>(1,273)</u>	<u>(1,014)</u>	<u>(1,273)</u>	<u>(1,014)</u>
Treasury stock, beginning of the period	(13,698)	(13,663)	(13,664)	(13,631)
Stock-based compensation	—	—	(34)	(32)
Treasury stock, end of the period	<u>(13,698)</u>	<u>(13,663)</u>	<u>(13,698)</u>	<u>(13,663)</u>
Total equity	<u>\$ 4,345</u>	<u>\$ 5,744</u>	<u>\$ 4,345</u>	<u>\$ 5,744</u>
Redeemable noncontrolling interest, beginning of the period	\$ —	\$ 850	\$ —	\$ 832
Net earnings attributable to redeemable noncontrolling interest	—	5	—	21
Translation adjustments	—	(15)	—	(13)
Redeemable noncontrolling interest, end of the period	<u>\$ —</u>	<u>\$ 840</u>	<u>\$ —</u>	<u>\$ 840</u>
Cash dividends declared per common share	<u>\$.35</u>	<u>\$.66</u>	<u>\$ 1.36</u>	<u>\$ 1.98</u>

THE ESTÉE LAUDER COMPANIES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following is a summary of quarterly cash dividends declared per share on the Company's Class A and Class B Common Stock during the nine months ended March 31, 2025:

Date Declared	Record Date	Payable Date	Amount per Share
August 16, 2024	August 30, 2024	September 16, 2024	\$.66
October 30, 2024	November 29, 2024	December 16, 2024	\$.35
February 3, 2025	February 28, 2025	March 17, 2025	\$.35

On April 30, 2025, a dividend was declared in the amount of \$.35 per share on the Company's Class A and Class B Common Stock. The dividend is payable in cash on June 16, 2025 to stockholders of record at the close of business on May 30, 2025.

Common Stock

Beginning in December 2022, the Company suspended the repurchase of shares of its Class A Common Stock under its publicly announced program. The Company may resume repurchases in the future.

Accumulated Other Comprehensive Loss

The following table represents changes in accumulated other comprehensive loss, net of tax, by component for the nine months ended March 31, 2025:

(In millions)	Net Cash Flow Hedge Gain (Loss)	Cross-Currency Swap Contracts - Fair Value Hedge⁽²⁾	Amounts Included in Net Periodic Benefit Cost	Translation Adjustments	Total
Balance at June 30, 2024	\$ 57	\$ (5)	\$ (183)	\$ (1,009)	\$ (1,140)
OCI before reclassifications ⁽³⁾	5	22	—	(130) ⁽¹⁾	(103)
Amounts reclassified to Net loss	(25)	(11)	6	—	(30)
Net current-period OCI	(20)	11	6	(130)	(133)
Balance at March 31, 2025	\$ 37	\$ 6	\$ (177)	\$ (1,139)	\$ (1,273)

⁽¹⁾ See Note 4 – *Derivative Financial Instruments* for gains (losses) relating to net investment hedges.

⁽²⁾ The gain recognized in AOCI, net of tax from cross-currency swap contracts represents the amount excluded from effectiveness testing.

⁽³⁾ The tax provision (benefit) included in Net Cash Flow Hedge Gain (Loss), Cross-Currency Swap Contracts - Fair Value Hedge and Translation Adjustments are \$1 million, \$6 million, and \$(3) million, respectively.

THE ESTÉE LAUDER COMPANIES INC.
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The following table represents the effects of reclassification adjustments from AOCI into net earnings (loss) for the three and nine months ended March 31, 2025 and 2024:

	Amount Reclassified from AOCI				
	Three Months Ended March 31,		Nine Months Ended March 31,		
(In millions)	2025	2024	2025	2024	Affected Line Item in Consolidated Statements of Earnings (Loss)
Gain on Cash Flow Hedges					
Foreign currency forward contracts	\$ 7	\$ 15	\$ 31	\$ 36	Net sales
Interest rate contracts	—	—	1	(1)	Interest expense
Total gain on cash flow hedges, before tax	7	15	32	35	
Provision for income taxes	(1)	(5)	(7)	(9)	Provision (benefit) for income taxes
Total gain on cash flow hedges, net of tax	6	10	25	26	Net earnings (loss)
Cross-Currency Swap Contracts - Fair Value Hedge					
Gain on cross-currency swap contracts, before tax	5	5	14	14	Selling, general and administrative
Provision for income taxes	(1)	(1)	(3)	(3)	Provision (benefit) for income taxes
Total gain on cross-currency swap contracts - fair value hedge, net of tax	4	4	11	11	Net earnings (loss)
Retirement Plan and Other Retiree Benefit Adjustments					
Amortization of prior service cost	1	2	4	2	Other components of net periodic benefit cost
Amortization of actuarial gain (loss)	(4)	1	(11)	3	Other components of net periodic benefit cost
Total retirement plan and other retiree benefit adjustments, before tax	(3)	3	(7)	5	
Benefit (provision) for income taxes	—	(1)	1	(2)	Provision (benefit) for income taxes
Total retirement plan and other retiree benefit adjustments, net of tax	(3)	2	(6)	3	Net earnings (loss)
Total reclassification adjustments, net of tax	\$ 7	\$ 16	\$ 30	\$ 40	Net earnings (loss)

THE ESTÉE LAUDER COMPANIES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12 – STATEMENT OF CASH FLOWS

Supplemental cash flow information for the nine months ended March 31, 2025 and 2024 is as follows:

(In millions)	2025	2024
Cash:		
Cash paid during the period for interest	\$ 243	\$ 244
Cash paid during the period for income taxes	\$ 468	\$ 441
Non-cash investing and financing activities:		
Property, plant and equipment accrued but unpaid	\$ 26	\$ 35
Right-of-use assets obtained in exchange for new/modified operating lease liabilities	\$ 401	\$ 351

NOTE 13 – SEGMENT DATA AND RELATED INFORMATION

Reportable operating segments include components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker (the “Chief Executive”) in deciding how to allocate resources and in assessing performance. Although the Company operates in one business segment, beauty products, management also evaluates performance on a product category basis. Product category performance is measured based upon net sales before returns associated with restructuring and other activities, and operating income (loss) before charges associated with restructuring and other activities. Returns and charges associated with restructuring and other activities are not allocated to the Company's product categories or geographic regions because they are centrally directed and controlled, are not included in internal measures of product category or geographic region performance, and result from activities that are deemed Company-wide initiatives to redesign, resize and reorganize select areas of the business.

The accounting policies for the Company’s reportable segments are substantially the same as those for the consolidated financial statements, as described in the notes to consolidated financial statements in the Company’s Annual Report on Form 10-K for the fiscal year ended June 30, 2024. The assets and liabilities of the Company are managed centrally and are reported internally in the same manner as the consolidated financial statements; thus, no additional information is produced for the Chief Executive or included herein.

THE ESTÉE LAUDER COMPANIES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In millions)	Three Months Ended March 31,		Nine Months Ended March 31,	
	2025	2024	2025	2024
PRODUCT CATEGORY DATA				
Net sales:				
Skin Care	\$ 1,807	\$ 2,060	\$ 5,257	\$ 5,873
Makeup	1,035	1,136	3,223	3,365
Fragrance	557	575	1,931	1,948
Hair Care	126	143	424	464
Other	25	26	80	88
	3,550	3,940	10,915	11,738
Returns associated with restructuring and other activities	—	—	—	(1)
Net sales	\$ 3,550	\$ 3,940	\$ 10,915	\$ 11,737
Operating income (loss) before charges associated with restructuring and other activities:				
Skin Care	\$ 361	\$ 468	\$ 784	\$ 920
Makeup	14	66	(382)	56
Fragrance	32	29	(354)	267
Hair Care	(13)	(25)	(34)	(50)
Other	9	11	(25)	38
	403	549	(11)	1,231
Reconciliation:				
Charges associated with restructuring and other activities	(97)	(18)	(384)	(28)
Interest expense	(87)	(94)	(269)	(287)
Interest income and investment income, net	27	45	85	126
Other components of net periodic benefit cost	(5)	4	(10)	9
Earnings (loss) before income taxes	\$ 241	\$ 486	\$ (589)	\$ 1,051
GEOGRAPHIC DATA⁽¹⁾				
Net sales:				
The Americas	\$ 1,052	\$ 1,117	\$ 3,462	\$ 3,567
Europe, the Middle East & Africa	1,358	1,647	4,082	4,488
Asia/Pacific	1,140	1,176	3,371	3,683
	3,550	3,940	10,915	11,738
Returns associated with restructuring and other activities	—	—	—	(1)
Net sales	\$ 3,550	\$ 3,940	\$ 10,915	\$ 11,737
Operating income (loss):				
The Americas	\$ 8	\$ (6)	\$ (983)	\$ (243)
Europe, the Middle East & Africa	239	302	645	825
Asia/Pacific	156	253	327	649
	403	549	(11)	1,231
Charges associated with restructuring and other activities	(97)	(18)	(384)	(28)
Operating income (loss)	\$ 306	\$ 531	\$ (395)	\$ 1,203

⁽¹⁾ The net sales from the Company's travel retail business are included in the Europe, the Middle East & Africa region, and operating income attributable to these net sales are included in that region and in The Americas. The exception is for net sales and operating income of Dr.Jart+ in the travel retail channel in Korea that are reflected in Korea in the Asia/Pacific region. During the fiscal 2025 second quarter, the Company exited Dr.Jart+ from the travel retail channel in Korea.

THE ESTÉE LAUDER COMPANIES INC.

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

RESULTS OF OPERATIONS

We manufacture, market and sell beauty products including those in the skin care, makeup, fragrance and hair care categories, which are distributed in approximately 150 countries and territories. The following table is a comparative summary of operating results for the three and nine months ended March 31, 2025 and 2024, and reflects the basis of presentation described in *Notes to Consolidated Financial Statements, Note 1 – Summary of Significant Accounting Policies* 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.

(In millions)	Three Months Ended March 31,		Nine Months Ended March 31,	
	2025	2024	2025	2024
NET SALES				
By Product Category:				
Skin Care	\$ 1,807	\$ 2,060	\$ 5,257	\$ 5,873
Makeup	1,035	1,136	3,223	3,365
Fragrance	557	575	1,931	1,948
Hair Care	126	143	424	464
Other	25	26	80	88
	3,550	3,940	10,915	11,738
Returns associated with restructuring and other activities	—	—	—	(1)
Net sales	\$ 3,550	\$ 3,940	\$ 10,915	\$ 11,737
By Region⁽¹⁾:				
The Americas	\$ 1,052	\$ 1,117	\$ 3,462	\$ 3,567
Europe, the Middle East & Africa	1,358	1,647	4,082	4,488
Asia/Pacific	1,140	1,176	3,371	3,683
	3,550	3,940	10,915	11,738
Returns associated with restructuring and other activities	—	—	—	(1)
Net sales	\$ 3,550	\$ 3,940	\$ 10,915	\$ 11,737
OPERATING INCOME (LOSS)				
By Product Category:				
Skin Care	\$ 361	\$ 468	\$ 784	\$ 920
Makeup	14	66	(382)	56
Fragrance	32	29	(354)	267
Hair Care	(13)	(25)	(34)	(50)
Other	9	11	(25)	38
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By Region⁽¹⁾:				
The Americas	\$ 8	\$ (6)	\$ (983)	\$ (243)
Europe, the Middle East & Africa	239	302	645	825
Asia/Pacific	156	253	327	649
	403	549	(11)	1,231
Charges associated with restructuring and other activities	(97)	(18)	(384)	(28)
Operating income (loss)	\$ 306	\$ 531	\$ (395)	\$ 1,203

⁽¹⁾ The net sales from the Company's travel retail business are included in the Europe, the Middle East & Africa region, and operating income attributable to these net sales are included in that region and in The Americas. The exception is for net sales and operating income of Dr.Jart+ in the travel retail channel in Korea that are reflected in Korea in the Asia/Pacific region. During the fiscal 2025 second quarter, the Company exited Dr.Jart+ from the travel retail channel in Korea.

THE ESTÉE LAUDER COMPANIES INC.

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

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2025	2024	2025	2024
Net sales	100.0 %	100.0 %	100.0 %	100.0 %
Cost of sales	25.0	28.1	25.4	28.4
Gross profit	75.0	71.9	74.6	71.6
Operating expenses:				
Selling, general and administrative	63.6	58.0	65.4	61.1
Restructuring and other charges	2.7	0.5	3.4	0.2
Impairment of goodwill and other intangible assets	—	—	7.9	—
Talcum litigation settlement agreements	—	—	1.5	—
Total operating expenses	66.3	58.4	78.2	61.4
Operating income (loss)	8.6	13.5	(3.6)	10.2
Interest expense	2.5	2.4	2.5	2.4
Interest income and investment income, net	0.8	1.1	0.8	1.1
Other components of net periodic benefit cost	0.1	(0.1)	0.1	(0.1)
Earnings (loss) before income taxes	6.8	12.3	(5.4)	9.0
Provision (benefit) for income taxes	2.3	3.8	—	3.0
Net earnings (loss)	4.5	8.5	(5.4)	5.9
Net earnings attributable to redeemable noncontrolling interest	—	(0.1)	—	(0.2)
Net earnings (loss) attributable to The Estée Lauder Companies Inc.	4.5 %	8.4 %	(5.4)%	5.7 %

Not adjusted for differences caused by rounding

Period-over-period changes in our net sales are generally attributable to the impacts from (i) pricing on our base portfolio, including changes in mix and those due to strategic pricing actions, (ii) volume, including changes driven by the impact of new product innovation, (iii) acquisitions and/or divestitures, and/or (iv) foreign currency translation. The percentages disclosed for these impacts are calculated on an individual basis.

The net sales impact from pricing consists of changes in list prices, due to strategic pricing actions, and mix shifts within and among product categories, geographic regions, brands and distribution channels. The prices at which we sell our products vary by brand, distribution channel (e.g., wholesale or direct-to-consumer) and may also vary by country. Our brands and products cover a broad array of pricing tiers. Prices of skin care and fragrance products are typically higher than makeup and hair care products.

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New product innovation includes the introduction of new products, as well as changes related to existing products or where they are sold, including reformulations, regional expansion, repackaging and sets. A product is considered "new innovation" for the twelve-month period following the initial shipment date. Our innovation is launched at different price points than existing products and value derived from innovation may vary from year-to-year. 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 often has some cannibalizing effect on sales of existing products, which we take into account in our business planning. The impact of new product introductions, including timing compared to introductions in prior periods, also affects our results.

Non-GAAP Financial Measures

We use certain non-GAAP financial measures, among other financial measures, to evaluate our operating performance, which represent the manner in which we conduct and view our business. Management believes that excluding certain items that are not comparable from period-to-period helps investors and others compare operating performance between periods. While we consider the non-GAAP measures useful in analyzing our results, they are not intended to replace, or act as a substitute for, any presentation included in the consolidated financial statements prepared in conformity with U.S. GAAP. See *Reconciliations of Non-GAAP Financial Measures* beginning on page 59 for reconciliations between non-GAAP financial measures and the most directly comparable U.S. GAAP measures.

We operate on a global basis, with the majority of our net sales generated outside the United States. Accordingly, fluctuations in foreign currency exchange rates affect our results of operations. Therefore, we present certain net sales, operating results and diluted net earnings (loss) 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-period results using monthly average foreign currency exchange rates and adjusting for the period-over-period impact of foreign currency cash flow hedging activities.

Overview

We are a leader in prestige beauty, which combines the repeat purchase and relative affordability of consumer goods with high quality products and services. Within prestige beauty, we are diversified by product category, geography, brand, product sub-category, channel, consumer segment and price point. We also leverage consumer analytics and insights by deploying our brands to grow sales and pursue profitable opportunities. These analytics and insights, combined with our creativity, inform our innovation to provide a broad, locally-relevant and inclusive range of prestige products with the aim of competing effectively for a greater share of a consumer's beauty routine. Elements of our strategy are described below, as well as in the *Overview* on page 31 of our Annual Report on Form 10-K for the year ended June 30, 2024.

- Our skin care net sales decreased 12% for the three months ended March 31, 2025, primarily driven by lower net sales from Estée Lauder and La Mer. The decrease in net sales from Estée Lauder and La Mer was primarily driven by our Asia travel retail business, reflecting the ongoing subdued sentiment and lower conversion from Chinese consumers, the difficult comparison to the prior-year period due to our resumption of replenishment orders in the fiscal 2024 third quarter and our strategic decision to reduce our exposure to reseller activity, as well as retailer shifts in strategies toward more profitable duty-free business models in both Korea and mainland China, which led to lower replenishment orders.
- Our makeup net sales decreased 9% for the three months ended March 31, 2025, primarily reflecting lower net sales from M·A·C and Estée Lauder. The decrease in net sales from M·A·C was primarily driven by lower net sales in the face and eye subcategories and reflected softness in the brand's retail sales which led to elevated levels of inventory, resulting in retailer destocking. Net sales from Estée Lauder decreased, primarily driven by lower net sales in the face subcategory.

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- Our fragrance net sales decreased 3% for the three months ended March 31, 2025, reflecting lower net sales from Jo Malone London, Clinique, TOM FORD and Estée Lauder. The decrease in net sales from Jo Malone London was primarily driven by lower net sales in the cologne and home subcategories. Net sales from Clinique decreased, primarily driven by lower net sales from the Clinique Happy franchise line of products. The decrease in net sales from TOM FORD was primarily driven by lower net sales in North America, reflecting softness in the brand's retail sales which led to elevated levels of inventory, resulting in retailer destocking, and an unfavorable year-over-year impact of prior-year launches. Net sales from Estée Lauder decreased across the fragrance portfolio, led by lower net sales from the Beautiful franchise. Partially offsetting the fragrance net sales decrease were higher net sales from Le Labo, primarily reflecting growth of hero products, including growth through targeted expanded consumer reach, and new product launches.
- Our hair care net sales decreased 12% for the three months ended March 31, 2025 primarily attributable to lower net sales from Aveda, reflecting our softness in the Europe, the Middle East & Africa and North America salon channels, as well as softness in our direct-to-consumer business.

Our global distribution capability and operations allow us to focus on targeted expanded consumer reach wherever consumer demographics and trends are attractive. Our regional organizations, and the expertise of our people there, enable our brands to be more locally and culturally relevant in both product assortment and communications. We are continually evolving the way we connect with our consumers in stores, online and where they travel, including by expanding our digital and social media presence and the engagement of global and local influencers to amplify brand or product stories. We tailor implementation of our strategy by market to drive consumer engagement, recruitment and loyalty. We strive to strengthen our presence in large, image-building core markets, while broadening our presence in emerging markets.

- Net sales in The Americas decreased 6% for the three months ended March 31, 2025, primarily driven by lower net sales in North America, reflecting ongoing retail softness for some brands and declines in consumer confidence and sentiment, which led to elevated inventory levels and destocking at certain retailers, as well as operational challenges at certain retailers and the timing of shipments, which further pressured net sales compared to the prior-year period. Partially offsetting the net sales decline for North America was the impact from the launch of nine brands to-date in Amazon's U.S. Premium Beauty store.
- Net sales in Europe, the Middle East & Africa decreased 18% for the three months ended March 31, 2025, primarily driven by lower net sales in our Asia travel retail business, reflecting the ongoing subdued sentiment and lower conversion from Chinese consumers, the difficult comparison to the prior-year period due to our resumption of replenishment orders in the fiscal 2024 third quarter and our strategic decision to reduce our exposure to reseller activity, as well as retailer shifts in strategies toward more profitable duty-free business models in both Korea and mainland China, which led to lower replenishment orders.
- Net sales in Asia/Pacific decreased 3% for the three months ended March 31, 2025, primarily driven by lower net sales from Korea, Hong Kong SAR, Singapore, Taiwan and Australia, partially offset by higher net sales from mainland China and Japan. The decrease in net sales from Korea reflected the impact of political and social unrest, which reduced retail traffic and dampened retail sales, as well as the exit of Dr.Jart+ from the travel retail channel in Korea during the fiscal 2025 second quarter. Net sales from Hong Kong SAR and Singapore decreased, reflecting our strategic decision to reduce our exposure to reseller activity. The net sales decline from Taiwan reflected the temporary closure of a key retailer during the fiscal 2025 third quarter. Net sales from Australia decreased, reflecting lower net sales across all product categories. The increase in net sales in mainland China reflected the favorable timing of key shopping moments compared to the prior-year period, which contributed to prestige beauty stabilization, the partial recapture of consumer demand in mainland China from Asia travel retail, Hong Kong SAR and Singapore, as well as online net sales growth and the success of new product launches from La Mer. Partially offsetting the increase in net sales in mainland China, were lower shipments to some retailers due to retail softness, reflecting subdued consumer sentiment, and their efforts to manage working capital. The net sales increase from Japan reflected higher net sales in fragrance, driven by Le Labo and in skin care, driven by Estée Lauder and La Mer, including growth through tourism demand.

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Outlook

We have experienced challenges within our business and we expect volatility and uncertainty to continue, including from ongoing, subdued consumer sentiment in China and the United States and the impact of political and social unrest in Korea. In addition, in our Asia travel retail business, the pressures from changes in strategies by certain retailers have impacted, and are expected to continue to impact, our business. These challenges are collectively expected to impact net sales and profitability, including impacts to our effective tax rate from changes to our geographical mix of earnings.

We are continuing to monitor and assess the potential effects of new and existing tariffs in the United States as well as in other markets in which we operate. These tariffs have led to significant volatility and uncertainty in global markets and difficulty in forecasting demand. We are implementing and considering additional mitigation measures. We do not anticipate a material impact to fiscal 2025 profitability, however, even if we can minimize some of the impacts, and unless meaningful resolution of trade negotiations is achieved, we anticipate a high rate of tariffs to have a material adverse effect on fiscal 2026 profitability and cash flows.

We continue to believe that the best way to increase long-term stockholder value is to provide superior products and services in the most efficient and effective manner while recognizing shifts in consumers' behaviors and shopping practices. Accordingly, our long-term strategy has numerous initiatives across geographic regions, product categories, brands, channels of distribution and functions designed to grow our sales, provide cost efficiencies, leverage our strengths, such as our history of outstanding creativity and innovation, high quality products and services, and engaging communications, and make us more productive and profitable. With the transition of leadership in the second and third quarters of fiscal 2025, we have embarked on "Beauty Reimagined," a strategic vision that aims to accelerate best-in-class consumer coverage, create transformative innovation, boost consumer-facing investments and enable growth through more efficiencies expected through the expansion of the Profit Recovery and Growth Plan ("PRGP"), as discussed below.

We continue to monitor the effects of the global macro environment, including the risk of recession; currency volatility; inflationary pressures; supply chain challenges; social and political issues; competitive pressures; legal and regulatory matters, including the imposition of tariffs and sanctions; geopolitical tensions; and global security issues. We are also mindful of inflationary pressures (including those caused by tariffs) on our cost base and are monitoring the impact on consumer preferences, the impact of changes being made in the organization, including those related to Beauty Reimagined and the PRGP, as well as the potential impact of changes expected to be made as part of the PRGP on suppliers, retailers and others, and challenges relating to successfully outsourcing select services. In our outlook, we have made assumptions regarding these internal and external factors and challenges. Declines in net sales and profitability have, and may continue to, adversely impact the goodwill and other intangible assets associated with our brands, as well as long-lived assets, potentially resulting in impairments.

Restructuring Program Component of the Profit Recovery and Growth Plan

As announced on November 1, 2023, we launched the PRGP to help progressively rebuild our profit margins in fiscal years 2025 and 2026.

The PRGP is focused on rebuilding stronger, more sustainable profitability, supporting sales growth acceleration and increasing speed and agility. The plan is designed to improve gross margin, lower the cost base and reduce overhead expenses, while increasing investments in key consumer-facing activities. Upon completion of this plan, we expect to have improved our gross margin and expense base to drive greater operating leverage for the future.

As a component of the PRGP, on February 5, 2024, we announced a two-year restructuring program. The restructuring program's main focus included the reorganization and rightsizing of certain areas of our business as well as simplification and acceleration of processes. We committed to this course of action on February 1, 2024.

In connection with the restructuring program, we estimated a net reduction in the range of approximately 1,800 to 3,000 positions globally, which was about 3-5% of our positions including temporary and part-time employees as of June 30, 2023. This reduction took into account the elimination of some positions as well as retraining and redeployment of certain employees in select areas.

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We planned to substantially complete specific initiatives under the restructuring program through fiscal 2026. We expected that the restructuring program would result in restructuring and other charges totaling between \$500 million and \$700 million, before taxes, consisting of employee-related costs, contract terminations, asset write-offs and other costs associated with implementing these initiatives.

After reviewing additional potential initiatives and the progress of previously approved initiatives, on February 3, 2025, we committed to the expansion of the PRGP, including an expansion of the restructuring program.

The expansion of the overall PRGP is focused on three key areas. First, we plan to adopt a more competitive approach to procurement, a key pillar of savings, by further consolidating spending and strategically re-evaluating key supplier relationships. Second, we plan to further improve efficiencies within our supply chain network through a zero-waste approach, aiming to improve demand forecasting and innovation planning to minimize excess inventory and product destruction. Third, we are outsourcing select services to proven global partners.

The expanded component of the restructuring program began during our fiscal 2025 third quarter with all initiatives to be approved by the end of fiscal 2026. Specific initiatives under the expanded component of the restructuring program are expected to be substantially completed by the end of fiscal 2027. The focus of the now expanded restructuring program (now, collectively the “Restructuring Program”) includes (i) reorganization and rightsizing of certain areas and (ii) simplification and acceleration of processes, along with the newly added focus on (i) outsourcing of select services and (ii) evolution of go-to-market footprint and selling models.

In connection with the Restructuring Program, we now estimate a net reduction in the range of approximately 5,800 to 7,000 positions globally, which is about 9-11% of our positions including temporary and part-time employees as of June 30, 2023. This net reduction takes into account the elimination of positions after retraining and redeployment of certain employees in select areas.

We now expect that the Restructuring Program will result in restructuring and other charges totaling between \$1,200 million and \$1,600 million, before taxes, consisting of employee-related costs, contract terminations, asset write-offs and other costs associated with implementing these initiatives, which other than the non-cash charges, are expected to result in future cash expenditures funded from cash provided by operations.

Once fully implemented, we now expect the Restructuring Program to yield annual target gross benefits of between \$800 million and \$1,000 million, before taxes, a portion of which is expected to be reinvested in consumer-facing activities. The net benefits of the PRGP, which includes the Restructuring Program, are expected to enable a return to a double-digit operating margin over the next few years.

Further information about the Restructuring Program Component of the Profit Recovery and Growth Plan, is described in *Notes to Consolidated Financial Statements, Note 3 – Charges Associated with Restructuring and Other Activities* herein.

Talcum Litigation Settlement Agreements

From the end of August 2024 through October 2024, we reached agreements with certain plaintiff law firms (collectively, the “talcum litigation settlement agreements”) for: (i) the resolution of pending cosmetic talcum powder matters handled by those firms as well as (ii) a process for resolving potential future cosmetic talcum powder claims expected to be brought on behalf of plaintiffs by those firms from January 1, 2025 through December 31, 2029, with annual capped amounts per year for each participating law firm. To account for the talcum litigation settlement agreements, we recorded a charge of \$159 million during the fiscal 2025 first quarter for the amount agreed to settle the current claims and an estimated amount for potential future claims. Further information about the talcum litigation settlement agreements, is described in *Notes to Consolidated Financial Statements, Note 8 – Commitments and Contingencies* herein.

THE ESTÉE LAUDER COMPANIES INC.

Impairment Analysis During the Nine Months Ended March 31, 2025

During the fiscal 2025 second quarter, the TOM FORD brand experienced lower-than-expected growth within key geographic regions and channels, including in mainland China, Asia travel retail and Hong Kong SAR. Also during the fiscal 2025 second quarter, the Too Faced reporting unit experienced lower-than-expected results in key geographic regions and channels. As a result, we made revisions to the internal forecasts relating to our TOM FORD brand and Too Faced reporting unit. Additionally, there were increases in the weighted average cost of capital for both the TOM FORD brand and Too Faced reporting unit as compared to the prior-year annual goodwill and other indefinite-lived intangible asset impairment testing as of April 1, 2024.

We concluded that the changes in circumstances in the TOM FORD brand and Too Faced reporting unit, along with increases in the weighted average cost of capital, triggered the need for interim impairment reviews of the TOM FORD trademark and the Too Faced trademark and goodwill. These changes in circumstances were also an indicator that the carrying amounts of Too Faced's long-lived assets, including customer lists, may not be recoverable. Accordingly, we performed interim impairment tests for the TOM FORD and Too Faced trademarks and Too Faced goodwill as well as a recoverability test for the Too Faced long-lived assets as of December 31, 2024. We concluded that the carrying value of the trademark intangible assets exceeded their estimated fair values, which were determined utilizing the relief-from-royalty method, and recorded an impairment charge of \$773 million for TOM FORD and \$75 million for Too Faced. We concluded that the carrying amounts of the long-lived assets for Too Faced were recoverable. Additionally, as a result of the interim impairment review, the remaining carrying value of Too Faced's goodwill was not recoverable and we recorded an impairment charge of \$13 million, reducing the carrying value to zero. The significant assumptions used in the relief-from-royalty method include revenue growth rates and profit margins, terminal values, weighted-average cost of capital used to discount future cash flows and royalty rates. The most significant unobservable input used to estimate the fair value of the TOM FORD and Too Faced trademark intangible assets was the weighted average cost of capital, which was 11.5% and 14%, respectively.

A summary of the impairment charges for the nine months ended March 31, 2025 and the remaining trademark and goodwill carrying values as of March 31, 2025, for the TOM FORD brand and Too Faced reporting unit, are as follows:

(In millions)		Impairment Charges ⁽¹⁾		Carrying Value	
		Nine Months Ended March 31, 2025		As of March 31, 2025	
Brand/Reporting Unit	Geographic Region	Trademark	Goodwill	Trademark ⁽²⁾	Goodwill
TOM FORD	The Americas	\$ 773	\$ —	\$ 1,805	\$ —
Too Faced	The Americas	75	13	112	—
Total		\$ 848	\$ 13	\$ 1,917	\$ —

⁽¹⁾ The date of the fair value measurement for the TOM FORD and Too Faced trademark intangible assets and Too Faced reporting unit was December 31, 2024.

⁽²⁾ The carrying values of the trademark intangible assets, immediately subsequent to the impairment charges, are equal to their fair values.

The impairment charge related to the TOM FORD trademark intangible asset for the nine months ended March 31, 2025 of \$773 million was reflected in the fragrance, makeup and other product categories of \$549 million, \$170 million and \$54 million, respectively. The trademark and goodwill impairment charges related to Too Faced were reflected in the makeup product category.

The fair value of the TOM FORD and Too Faced trademarks were equal to their carrying values subsequent to the impairment charges taken as of December 31, 2024. The key assumptions used to determine the estimated fair value of the trademarks are primarily predicated on the success of future new product launches, the ability to secure strategic price increases, the achievement of distribution expansion plans, and the realization of cost reduction and other efficiency efforts. If such plans do not materialize, or if there are further challenges in the business environments in which the TOM FORD brand or Too Faced reporting unit operates, resulting changes in the key assumptions could have negative impacts on the estimated fair value of the trademarks, and it is possible we could recognize additional impairment charges in the future.

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NET SALES

(\$ in millions)	Three Months Ended March 31,		Nine Months Ended March 31,	
	2025	2024	2025	2024
As Reported:				
Net sales	\$ 3,550	\$ 3,940	\$ 10,915	\$ 11,737
\$ Change from prior-year period	(390)		(822)	
% Change from prior-year period	(10)%		(7)%	
Non-GAAP Financial Measure⁽¹⁾:				
% Change from prior-year period in constant currency	(8)%		(7)%	

⁽¹⁾ See “Reconciliations of Non-GAAP Financial Measures” beginning on page 59 for reconciliations between non-GAAP financial measures and the most directly comparable U.S. GAAP measures.

Reported net sales decreased for the three and nine months ended March 31, 2025, driven by a decrease across all product categories, primarily reflecting lower net sales in skin care and makeup.

By geographic region, reported net sales decreased for the three and nine months ended March 31, 2025, reflecting lower net sales across all geographic regions, primarily driven by Europe, the Middle East & Africa for the three-month period, reflecting lower net sales in our Asia travel retail business, and for the nine months ended March 31, 2025, primarily driven by Europe, the Middle East & Africa, reflecting lower net sales in our Asia travel retail business, and Asia/Pacific, reflecting lower net sales in mainland China, Hong Kong SAR and Korea.

Reported net sales decreased 10% for the three months ended March 31, 2025, driven by the decrease from volume of 9% and the unfavorable impact from foreign currency translation of 1%. Partially offsetting these decreases was an increase from pricing of 1% due to the favorable impact from strategic pricing actions, partially offset by changes in mix.

Reported net sales decreased 7% for the nine months ended March 31, 2025, driven by the decrease from volume of 9%. Partially offsetting this decrease was an increase from pricing of 3% due to the favorable impact from strategic pricing actions, partially offset by changes in mix.

Returns associated with restructuring and other activities are not allocated to our product categories or geographic regions because they are centrally directed and controlled, are not included in internal measures of product category or geographic region performance and result from activities that are deemed Company-wide initiatives to redesign, resize and reorganize select areas of the business. For the three and nine months ended March 31, 2025, and for the three months ended March 31, 2024, there were no returns associated with restructuring and other activities. For the nine months ended March 31, 2024, there were \$1 million in returns associated with restructuring and other activities.

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Product Categories

Skin Care

(\$ in millions)	Three Months Ended March 31,		Nine Months Ended March 31,	
	2025	2024	2025	2024
As Reported:				
Net sales	\$ 1,807	\$ 2,060	\$ 5,257	\$ 5,873
\$ Change from prior-year period	(253)		(616)	
% Change from prior-year period	(12)%		(10)%	
Non-GAAP Financial Measure⁽¹⁾:				
% Change from prior-year period in constant currency	(11)%		(10)%	

⁽¹⁾ See “Reconciliations of Non-GAAP Financial Measures” beginning on page 59 for reconciliations between non-GAAP financial measures and the most directly comparable U.S. GAAP measures.

Reported skin care net sales decreased for the three and nine months ended March 31, 2025, reflecting lower net sales from Estée Lauder and La Mer, combined, of approximately \$215 million and \$533 million, respectively, primarily driven by declines in our Asia travel retail business.

The decrease in net sales from our Asia travel retail business in both periods reflected the ongoing subdued sentiment and lower conversion from Chinese consumers, the difficult comparison to the prior-year period due to our resumption of replenishment orders in the fiscal 2024 third quarter and our strategic decision to reduce our exposure to reseller activity, as well as retailer shifts in strategies toward more profitable duty-free business models in both Korea and mainland China, which led to lower replenishment orders.

The decrease in net sales from Estée Lauder for the nine months ended March 31, 2025 also included lower net sales in mainland China, reflecting the overall challenging retail environment, including the ongoing pressure from subdued consumer sentiment.

Skin care net sales were impacted by approximately \$24 million and \$13 million of unfavorable foreign currency translation for the three and nine months ended March 31, 2025, respectively.

Reported skin care net sales decreased 12% for the three months ended March 31, 2025, driven by the decrease from volume of 10%, a decrease from pricing of 1%, due to changes in mix, partially offset by the favorable impact from strategic pricing actions, and the unfavorable impact from foreign currency translation of 1%.

Reported skin care net sales decreased 10% for the nine months ended March 31, 2025, driven by the decrease from volume of 11%. Partially offsetting this decrease was an increase from pricing of 1% due to the favorable impact from strategic pricing actions, partially offset by changes in mix.

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Makeup

(\$ in millions)	Three Months Ended March 31,		Nine Months Ended March 31,	
	2025	2024	2025	2024
As Reported:				
Net sales	\$ 1,035	\$ 1,136	\$ 3,223	\$ 3,365
\$ Change from prior-year period	(101)		(142)	
% Change from prior-year period	(9)%		(4)%	
Non-GAAP Financial Measure⁽¹⁾:				
% Change from prior-year period in constant currency	(7)%		(3)%	

⁽¹⁾ See “Reconciliations of Non-GAAP Financial Measures” beginning on page 59 for reconciliations between non-GAAP financial measures and the most directly comparable U.S. GAAP measures.

Reported makeup net sales decreased for the three months ended March 31, 2025, primarily driven by lower net sales from M·A·C and Estée Lauder, combined, of approximately \$85 million. The decrease in net sales from M·A·C was primarily driven by lower net sales in the face and eye subcategories and reflected softness in the brand's retail sales which led to elevated levels of inventory, resulting in retailer destocking. Net sales from Estée Lauder decreased, primarily driven by lower net sales in the face subcategory.

Reported makeup net sales decreased for the nine months ended March 31, 2025, reflecting lower net sales from M·A·C, and to a lesser extent, Estée Lauder, Smashbox and Bobbi Brown, combined, of approximately \$158 million. The decrease in net sales from M·A·C was primarily driven by lower net sales in the face and eye subcategories and reflected softness in the brand's retail sales which led to elevated levels of inventory, resulting in retailer destocking. The decrease in net sales from Estée Lauder was primarily driven by lower net sales in the face subcategory. Net sales from Smashbox decreased, primarily reflecting lower net sales in the face and, to a lesser extent, eye subcategories. The decrease in net sales from Bobbi Brown was driven by lower net sales in the face subcategory.

Partially offsetting the makeup net sales decrease for the nine months ended March 31, 2025 were higher net sales from Clinique across all geographic regions, led by North America, reflecting higher net sales associated with the fiscal 2024 third quarter launch in Amazon's U.S. Premium Beauty store, as well as the success of hero products and new product launches.

Makeup net sales were impacted by approximately \$19 million and \$28 million of unfavorable foreign currency translation for the three and nine months ended March 31, 2025, respectively.

Reported makeup net sales decreased 9% for the three months ended March 31, 2025, driven by the decrease from volume of 10% and the unfavorable impact from foreign currency translation of 2%. Partially offsetting these decreases was an increase from pricing of 2% due to the favorable impact from strategic pricing actions, partially offset by changes in mix.

Reported makeup net sales decreased 4% for the nine months ended March 31, 2025, driven by the decrease from volume of 8% and the unfavorable impact from foreign currency translation of 1%. Partially offsetting these decreases was an increase from pricing of 5% due to the favorable impact from strategic pricing actions and changes in mix.

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Fragrance

(\$ in millions)	Three Months Ended March 31,		Nine Months Ended March 31,	
	2025	2024	2025	2024
As Reported:				
Net sales	\$ 557	\$ 575	\$ 1,931	\$ 1,948
\$ Change from prior-year period	(18)		(17)	
% Change from prior-year period	(3)%		(1)%	
Non-GAAP Financial Measure⁽¹⁾:				
% Change from prior-year period in constant currency	(1)%		— %	

⁽¹⁾ See “Reconciliations of Non-GAAP Financial Measures” beginning on page 59 for reconciliations between non-GAAP financial measures and the most directly comparable U.S. GAAP measures.

Reported fragrance net sales decreased for the three months ended March 31, 2025, reflecting lower net sales from Jo Malone London, Clinique, TOM FORD and Estée Lauder, combined, of approximately \$30 million, and decreased for the nine months ended March 31, 2025, reflecting lower net sales from TOM FORD, Estée Lauder and Clinique, combined, of approximately \$71 million.

The decrease in net sales from Jo Malone London for the three months ended March 31, 2025 was primarily driven by lower net sales in the cologne and home subcategories. Net sales from Clinique decreased in both periods, primarily driven by lower net sales from the Clinique Happy franchise line of products. The decrease in net sales from TOM FORD in both periods was primarily driven by lower net sales in North America, reflecting softness in the brand's retail sales which led to elevated levels of inventory, resulting in retailer destocking, and an unfavorable year-over-year impact of prior-year launches. In both periods, net sales from Estée Lauder decreased across the fragrance portfolio, led by lower net sales from the Beautiful franchise.

Partially offsetting the decrease in reported fragrance net sales for the three and nine months ended March 31, 2025 were higher net sales from Le Labo, primarily reflecting growth of hero products, including growth through targeted expanded consumer reach, and new product launches.

Fragrance net sales were impacted by approximately \$10 million and \$12 million of unfavorable foreign currency translation for the three and nine months ended March 31, 2025, respectively.

Reported fragrance net sales decreased 3% for the three months ended March 31, 2025, driven by the decrease from volume of 7% and the unfavorable impact from foreign currency translation of 2%. Partially offsetting these decreases was an increase from pricing of 6% due to the favorable impact from strategic pricing actions and changes in mix.

Reported fragrance net sales decreased 1% for the nine months ended March 31, 2025, driven by the decrease from volume of 6% and the unfavorable impact from foreign currency translation of 1%. Partially offsetting these decreases was an increase from pricing of 6% due to the favorable impact from strategic pricing actions and changes in mix.

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Hair Care

(\$ in millions)	Three Months Ended March 31,		Nine Months Ended March 31,	
	2025	2024	2025	2024
As Reported:				
Net sales	\$ 126	\$ 143	\$ 424	\$ 464
\$ Change from prior-year period	(17)		(40)	
% Change from prior-year period	(12)%		(9)%	
Non-GAAP Financial Measure⁽¹⁾:				
% Change from prior-year period in constant currency	(10)%		(8)%	

⁽¹⁾ See “Reconciliations of Non-GAAP Financial Measures” beginning on page 59 for reconciliations between non-GAAP financial measures and the most directly comparable U.S. GAAP measures.

Reported hair care net sales decreased for the three and nine months ended March 31, 2025, driven by lower net sales from Aveda, primarily reflecting our softness in the Europe, the Middle East & Africa and North America salon channels, as well as softness in our direct-to-consumer business. Also contributing to the decrease in net sales for Aveda for the nine months ended March 31, 2025 was the unfavorable impact of timing of shipments compared to the prior-year period.

Hair care net sales were impacted by approximately \$2 million of unfavorable foreign currency translation in each of the three and nine months ended March 31, 2025.

Reported hair care net sales decreased 12% for the three months ended March 31, 2025, driven by the decrease from volume of 10% and the unfavorable impact from foreign currency translation of 1%. The impact of pricing was flat period-over-period.

Reported hair care net sales decreased 9% for the nine months ended March 31, 2025, driven by the decrease from volume of 7% and a decrease from pricing of 1%, due to changes in mix, partially offset by the favorable impact from strategic pricing actions.

Geographic Regions

The Americas

(\$ in millions)	Three Months Ended March 31,		Nine Months Ended March 31,	
	2025	2024	2025	2024
As Reported:				
Net sales	\$ 1,052	\$ 1,117	\$ 3,462	\$ 3,567
\$ Change from prior-year period	(65)		(105)	
% Change from prior-year period	(6)%		(3)%	
Non-GAAP Financial Measure⁽¹⁾:				
% Change from prior-year period in constant currency	(5)%		(2)%	

⁽¹⁾ See “Reconciliations of Non-GAAP Financial Measures” beginning on page 59 for reconciliations between non-GAAP financial measures and the most directly comparable U.S. GAAP measures.

Reported net sales in The Americas decreased for the three and nine months ended March 31, 2025, primarily driven by lower net sales in North America. For the three and nine months ended March 31, 2025, the lower net sales in North America reflected ongoing retail softness for some brands and declines in consumer confidence and sentiment, which led to elevated inventory levels and destocking at certain retailers, as well as operational challenges at certain retailers and the timing of shipments, which further pressured net sales compared to the prior-year periods. Partially offsetting the net sales decline for North America for the three and nine months ended March 31, 2025 was the impact from the launch of nine brands to-date in Amazon's U.S. Premium Beauty store.

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Net sales in The Americas were impacted by approximately \$12 million and \$36 million of unfavorable foreign currency translation for the three and nine months ended March 31, 2025, respectively.

Reported net sales in The Americas decreased 6% for the three months ended March 31, 2025, driven by the decrease from volume of 9% and the unfavorable impact from foreign currency translation of 1%. These decreases were partially offset by an increase from pricing of 4%, due to the favorable impact of strategic pricing actions and changes in mix.

Reported net sales in The Americas decreased 3% for the nine months ended March 31, 2025, driven by the decrease from volume of 9% and the unfavorable impact from foreign currency translation of 1%. These decreases were partially offset by an increase from pricing of 7%, due to the favorable impact of strategic pricing actions and changes in mix.

Europe, the Middle East & Africa

(\$ in millions)	Three Months Ended March 31,		Nine Months Ended March 31,	
	2025	2024	2025	2024
As Reported:				
Net sales	\$ 1,358	\$ 1,647	\$ 4,082	\$ 4,488
\$ Change from prior-year period	(289)		(406)	
% Change from prior-year period	(18)%		(9)%	
Non-GAAP Financial Measure⁽¹⁾:				
% Change from prior-year period in constant currency	(16)%		(9)%	

⁽¹⁾ See “Reconciliations of Non-GAAP Financial Measures” beginning on page 59 for reconciliations between non-GAAP financial measures and the most directly comparable U.S. GAAP measures.

Reported net sales decreased in Europe, the Middle East & Africa for the three and nine months ended March 31, 2025, primarily driven by lower net sales in our Asia travel retail business, reflecting the ongoing subdued sentiment and lower conversion from Chinese consumers, the difficult comparison to the prior-year period due to our resumption of replenishment orders in the fiscal 2024 third quarter and our strategic decision to reduce our exposure to reseller activity, as well as retailer shifts in strategies toward more profitable duty-free business models in both Korea and mainland China, which led to lower replenishment orders.

Net sales in Europe, the Middle East & Africa were impacted by approximately \$22 million and \$3 million of unfavorable foreign currency translation for the three and nine months ended March 31, 2025, respectively.

Reported net sales in Europe, the Middle East & Africa decreased 18% for the three months ended March 31, 2025, driven by the decrease from volume of 12%, a decrease from pricing of 4%, due to changes in mix, partially offset by the favorable impact from strategic pricing actions, and the unfavorable impact from foreign currency translation of 1%.

Reported net sales in Europe, the Middle East & Africa decreased 9% for the nine months ended March 31, 2025, driven by the decrease from volume of 8% and a decrease from pricing of 1%, due to changes in mix, partially offset by the favorable impact from strategic pricing actions.

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Asia/Pacific

(\$ in millions)	Three Months Ended March 31,		Nine Months Ended March 31,	
	2025	2024	2025	2024
As Reported:				
Net sales	\$ 1,140	\$ 1,176	\$ 3,371	\$ 3,683
\$ Change from prior-year period	(36)		(312)	
% Change from prior-year period	(3)%		(8)%	
Non-GAAP Financial Measure⁽¹⁾:				
% Change from prior-year period in constant currency	(1)%		(8)%	

⁽¹⁾ See “Reconciliations of Non-GAAP Financial Measures” beginning on page 59 for reconciliations between non-GAAP financial measures and the most directly comparable U.S. GAAP measures.

Reported net sales decreased in Asia/Pacific for the three months ended March 31, 2025, primarily driven by lower net sales from Korea, Hong Kong SAR, Singapore, Taiwan and Australia, combined, of approximately \$69 million.

The decrease in net sales from Korea reflected the impact of political and social unrest, which reduced retail traffic and dampened retail sales, as well as the exit of Dr.Jart+ from the travel retail channel in Korea during the fiscal 2025 second quarter. Net sales from Hong Kong SAR and Singapore decreased, reflecting our strategic decision to reduce our exposure to reseller activity. The net sales decline from Taiwan reflected the temporary closure of a key retailer during the fiscal 2025 third quarter. Net sales from Australia decreased, reflecting lower net sales across all product categories.

Partially offsetting the reported net sales decrease in Asia/Pacific for the three months ended March 31, 2025 were higher net sales from mainland China and Japan, combined, of approximately \$37 million. The increase in net sales in mainland China reflected the favorable timing of key shopping moments compared to the prior-year period, which contributed to prestige beauty stabilization, the partial recapture of consumer demand in mainland China from Asia travel retail, Hong Kong SAR and Singapore, as well as online net sales growth and the success of new product launches from La Mer. Partially offsetting the increase in net sales in mainland China, were lower shipments to some retailers due to retail softness, reflecting subdued consumer sentiment, and their efforts to manage working capital. The net sales increase from Japan reflected higher net sales in fragrance, driven by Le Labo and in skin care, driven by Estée Lauder and La Mer, including growth through tourism demand.

Reported net sales decreased in Asia/Pacific for the nine months ended March 31, 2025, primarily driven by lower net sales from mainland China, Hong Kong SAR, Korea and Singapore, combined, of approximately \$332 million. The decrease in net sales from mainland China and Hong Kong SAR both reflected the overall challenging retail environments, including the ongoing pressure from subdued consumer sentiment. Additionally, the decline in net sales in Hong Kong SAR, as well as the decrease in net sales in Singapore reflected our strategic decision to reduce our exposure to reseller activity. The net sales decline in Korea reflects the impact of political and social unrest, which reduced retail traffic and dampened retail sales, as well as the exit of Dr.Jart+ from the travel retail channel in Korea during the fiscal 2025 second quarter.

Partially offsetting the reported net sales decrease in Asia/Pacific for the nine months ended March 31, 2025 were higher net sales from Japan, reflecting higher net sales in fragrance, driven by Le Labo and Jo Malone London, and in skin care, driven by La Mer, including growth through tourism demand.

Net sales in Asia/Pacific were impacted by approximately \$21 million and \$16 million of unfavorable foreign currency translation for the three and nine months ended March 31, 2025, respectively.

Reported net sales in Asia/Pacific decreased 3% for the three months ended March 31, 2025, driven by the decrease from volume of 6% and the unfavorable impact from foreign currency translation of 2%. Partially offsetting these decreases was an increase from pricing of 4% due to the favorable impact from strategic pricing actions and changes in mix.

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Reported net sales in Asia/Pacific decreased 8% for the nine months ended March 31, 2025, driven by the decrease from volume of 12%. Partially offsetting this decrease was an increase from pricing of 4% due to the favorable impact from strategic pricing actions and changes in mix.

GROSS MARGIN

Gross margin increased to 75.0% and 74.6% for the three and nine months ended March 31, 2025, as compared with 71.9% and 71.6% in the prior-year periods.

	Favorable (Unfavorable) Basis Points	
	March 31, 2025	
	Three Months Ended	Nine Months Ended
As Reported:		
Mix of business	(95)	(5)
Obsolescence charges	90	145
Manufacturing costs and other	305	175
Foreign exchange transactions	10	(5)
Charges associated with restructuring and other activities	—	(10)
As Reported Gross Margin Basis Point Variance	310	300
Non-GAAP Financial Measure Adjustments		
Charges associated with restructuring and other activities	—	10
Non-GAAP Gross Margin Basis Point Variance	310	310

The increase in gross margin for the three and nine months ended March 31, 2025 was driven by the impact from manufacturing costs and other, reflecting the favorable impact of the recognition of manufacturing variances associated with reduced manufacturing volumes on our standard cost within cost of sales in the fiscal 2024 third quarter, partially offset by the impact of a similar charge recorded in the fiscal 2025 third quarter, as well as the favorable impact of cost efficiencies within our global supply chain network. Also contributing to the increase in gross margin in both periods was lower obsolescence charges, due to a reduction in excess inventory. Partially offsetting the increase in gross margin for the three months ended March 31, 2025 was the unfavorable impact from our mix of business, reflecting the impact of lower net sales, partially offset by the benefit of net strategic pricing.

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OPERATING EXPENSES

Operating expenses as a percentage of net sales were 66.3% and 78.2% for the three and nine months ended March 31, 2025, as compared with 58.4% and 61.4% in the prior-year periods.

	Favorable (Unfavorable) Basis Points	
	March 31, 2025	
	Three Months Ended	Nine Months Ended
As Reported:		
General and administrative expenses	(160)	(150)
Advertising, merchandising, sampling and product development	(280)	(180)
Selling	(110)	(120)
Shipping	20	20
Store operating costs	(70)	(30)
Stock-based compensation	20	10
Foreign exchange transactions	—	20
Charges associated with restructuring and other activities	(220)	(320)
Goodwill and other intangible asset impairments	—	(790)
Talcum litigation settlement agreements	—	(150)
Changes in fair value of DECIEM acquisition-related stock options	10	10
As Reported Operating Expense Margin Basis Point Variance	(790)	(1,680)
Non-GAAP Financial Measure Adjustments:		
Impact of restructuring and other activities	220	320
Goodwill and other intangible asset impairments	—	790
Talcum litigation settlement agreements	—	150
Changes in fair value of DECIEM acquisition-related stock options	(10)	(10)
Non-GAAP Operating Expense Margin Basis Point Variance	(580)	(430)

The unfavorable change in operating expense margin for the three and nine months ended March 31, 2025 reflects the impact of the decrease in net sales. Also contributing to the unfavorable change in operating expense margin for the three months ended March 31, 2025 was higher advertising, merchandising, sampling and product development expenses, reflecting investments to support sales, including through key shopping moments, campaigns and launches, and higher store operating costs, to support targeted expanded consumer reach. General and administrative expenses increased for the three and nine months ended March 31, 2025, reflecting the year-over-year unfavorable impact of a change in policy related to local government subsidies in China. Also contributing to the unfavorable change in operating expense margin for the nine-month period was higher selling expenses, reflecting higher staffing costs to support sales, targeted expanded consumer reach and key campaigns. As a result of our net sales performance, we were disciplined in our overall expense strategy across the business to manage profitability, which partially offset the unfavorable change in operating expense margin for the three and nine months ended March 31, 2025.

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OPERATING RESULTS

(\$ in millions)	Three Months Ended March 31,		Nine Months Ended March 31,	
	2025	2024	2025	2024
As Reported:				
Operating income (loss)	\$ 306	\$ 531	\$ (395)	\$ 1,203
\$ Change from prior-year period	(225)		(1,598)	
% Change from prior-year period	(42)%		(100+)%	
Operating margin	8.6 %	13.5 %	(3.6)%	10.2 %
Non-GAAP Financial Measure⁽¹⁾:				
% Change in operating income (loss) from the prior-year period adjusting for the impact of charges associated with restructuring and other activities, the impact of goodwill and other intangible asset impairments, talcum litigation settlement agreements and the change in fair value of DECIEM acquisition-related stock options	(27)%		(19)%	

⁽¹⁾ See “Reconciliations of Non-GAAP Financial Measures” beginning on page 59 for reconciliations between non-GAAP financial measures and the most directly comparable U.S. GAAP measures.

The decrease in reported operating margin for the three and nine months ended March 31, 2025 primarily reflects a decrease in net sales and an increase in operating expense margin, which for the nine months ended March 31, 2025 was driven by goodwill and other intangible asset impairments relating to TOM FORD and Too Faced, combined, of \$861 million, included in the makeup, fragrance and other product categories, partially offset by an increase in gross margin, as discussed above.

Charges associated with restructuring and other activities are not allocated to our product categories or geographic regions because they are centrally directed and controlled, are not included in internal measures of product category or geographic region performance and result from activities that are deemed Company-wide initiatives to redesign, resize and reorganize select areas of the business. Accordingly, the following discussions of Operating income (loss) by *Product Categories* and *Geographic Regions* exclude the impact of charges associated with restructuring and other activities for the three months ended March 31, 2025 and 2024 of \$97 million and \$18 million, respectively, and for the nine months ended March 31, 2025 and 2024 of \$384 million and \$28 million, respectively.

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Product Categories

Skin Care

(\$ in millions)	Three Months Ended March 31,		Nine Months Ended March 31,	
	2025	2024	2025	2024
As Reported:				
Operating income	\$ 361	\$ 468	\$ 784	\$ 920
\$ Change from prior-year period	(107)		(136)	
% Change from prior-year period	(23)%		(15)%	
Non-GAAP Financial Measure⁽¹⁾:				
% Change in operating income from the prior-year period adjusting for the change in fair value of DECIEM acquisition-related stock options	(24)%		(16)%	

⁽¹⁾ See “Reconciliations of Non-GAAP Financial Measures” beginning on page 59 for reconciliations between non-GAAP financial measures and the most directly comparable U.S. GAAP measures.

Reported skin care operating income decreased for the three and nine months ended March 31, 2025, primarily driven by lower operating income from Estée Lauder and La Mer, combined, of approximately \$210 million and \$368 million, respectively. Operating income from Estée Lauder decreased in both periods, primarily driven by a decrease in net sales, partially offset by lower cost of sales. Also partially offsetting the lower operating income from Estée Lauder for the nine months ended March 31, 2025 was disciplined advertising and promotional expense management. Operating income from La Mer decreased in both periods, primarily driven by decreases in net sales and increases in advertising and promotional activities to support key shopping moments and new product launches, partially offset by lower cost of sales. Partially offsetting the decline in skin care operating income for the product category overall in both periods was lower cost of sales.

Makeup

(\$ in millions)	Three Months Ended March 31,		Nine Months Ended March 31,	
	2025	2024	2025	2024
As Reported:				
Operating income (loss)	\$ 14	\$ 66	\$ (382)	\$ 56
\$ Change from prior-year period	(52)		(438)	
% Change from prior-year period	(79)%		(100+)%	
Non-GAAP Financial Measure⁽¹⁾:				
% Change in operating income (loss) from the prior-year period adjusting for the impact of goodwill and other intangible asset impairments and talcum litigation settlement agreements	(79)%		(38)%	

⁽¹⁾ See “Reconciliations of Non-GAAP Financial Measures” beginning on page 59 for reconciliations between non-GAAP financial measures and the most directly comparable U.S. GAAP measures.

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Reported makeup operating income decreased for the three months ended March 31, 2025, primarily driven by lower operating income from Estée Lauder and M·A·C, and to a lesser extent, an increase in operating loss from Bobbi Brown, combined, of approximately \$81 million. The decrease in operating income from Estée Lauder was primarily driven by a decrease in net sales and higher advertising and promotional activities to support key campaigns and key shopping moments, partially offset by lower cost of sales. Operating income from M·A·C decreased, primarily driven by a decrease in net sales, partially offset by lower cost of sales and lower advertising and promotional activities due to disciplined advertising and promotional expense management and a favorable year-over-year impact of increased advertising and promotional activities in the prior-year period to support new product launches. The increase in operating loss from Bobbi Brown was primarily driven by a decrease in net sales, partially offset by disciplined advertising and promotional expense management. Partially offsetting the decline in makeup operating income for the product category overall was lower cost of sales.

Reported makeup operating results decreased for the nine months ended March 31, 2025, primarily driven by the unfavorable year-over-year impacts of other intangible asset impairment charges relating to TOM FORD and Too Faced, combined, of \$245 million and a goodwill impairment charge relating to Too Faced of \$13 million, as well as the charge in the fiscal 2025 first quarter associated with the talcum litigation settlement agreements of \$159 million. Also contributing to the reported makeup operating results decrease for the nine months ended March 31, 2025 was a decrease in operating income from M·A·C, primarily driven by a decrease in net sales, partially offset by lower cost of sales. Partially offsetting the decline in makeup operating results for the product category overall was lower cost of sales.

Fragrance

(\$ in millions)	Three Months Ended March 31,		Nine Months Ended March 31,	
	2025	2024	2025	2024
As Reported:				
Operating income (loss)	\$ 32	\$ 29	\$ (354)	\$ 267
\$ Change from prior-year period	3		(621)	
% Change from prior-year period	10 %		(100+)%	
Non-GAAP Financial Measure⁽¹⁾:				
% Change in operating income (loss) from the prior-year period adjusting for the impact of other intangible asset impairments	10 %		(27)%	

⁽¹⁾ See “Reconciliations of Non-GAAP Financial Measures” beginning on page 59 for reconciliations between non-GAAP financial measures and the most directly comparable U.S. GAAP measures.

Reported fragrance operating income increased slightly for the three months ended March 31, 2025, reflecting favorability in cost of sales for the category overall, as well as higher operating income from Le Labo. The increase in operating income from Le Labo was driven by an increase in net sales, partially offset by an increase in selling costs and store operating costs to support targeted expanded consumer reach, as well as an increase in cost of sales.

Partially offsetting the increase in reported fragrance operating income for the three months ended March 31, 2025 was lower operating income from Jo Malone London, lower operating income from TOM FORD and lower operating results from Clinique, combined, of approximately \$42 million. Operating income from Jo Malone London decreased, primarily driven by a decrease in net sales and higher selling expenses, including higher staffing costs to support targeted expanded consumer reach. The decrease in operating income from TOM FORD was primarily driven by an increase in advertising and promotional activities to support new product launches, a decrease in net sales, and higher selling expenses which included increased demonstration costs, partially offset by lower cost of sales. Operating results from Clinique decreased, primarily driven by a decrease in net sales, partially offset by lower cost of sales.

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Reported fragrance operating results decreased for the nine months ended March 31, 2025, primarily driven by lower operating results from TOM FORD, and to a lesser extent, lower operating income from Jo Malone London, combined, of approximately \$637 million. The decrease in operating results from TOM FORD was primarily driven by an unfavorable year-over-year impact of the other intangible asset impairment charge of \$549 million, as well as a decline in net sales, an increase in advertising and promotional activities to support key campaigns and an increase in selling expenses including to support targeted expanded consumer reach, partially offset by lower cost of sales. The decrease in operating income from Jo Malone London was due to higher selling expenses, including higher staffing costs to support key campaigns and targeted expanded consumer reach, a decrease in net sales, higher advertising and promotional activities to support key campaigns and higher store operating costs to support targeted expanded consumer reach, partially offset by lower cost of sales. Partially offsetting the decline in fragrance operating results for the product category overall for the nine months ended March 31, 2025 was lower cost of sales.

Hair Care

(\$ in millions)	Three Months Ended March 31,		Nine Months Ended March 31,	
	2025	2024	2025	2024
As Reported:				
Operating loss	\$ (13)	\$ (25)	\$ (34)	\$ (50)
\$ Change from prior-year period	12		16	
% Change from prior-year period	48 %		32 %	

Reported hair care operating loss decreased for the three and nine months ended March 31, 2025, primarily reflecting a decrease in operating expenses and lower cost of sales, partially offset by a decrease in net sales.

Geographic Regions

The Americas

(\$ in millions)	Three Months Ended March 31,		Nine Months Ended March 31,	
	2025	2024	2025	2024
As Reported:				
Operating income (loss)	\$ 8	\$ (6)	\$ (983)	\$ (243)
\$ Change from prior-year period	14		(740)	
% Change from prior-year period	100+%		(100+)%	
Non-GAAP Financial Measure⁽¹⁾:				
% Change in operating income (loss) from the prior-year period adjusting for the impact of goodwill and other intangible asset impairments, talcum litigation settlement agreements and change in fair value of DECIEM acquisition-related stock options	100+%		100+%	

⁽¹⁾ See “Reconciliations of Non-GAAP Financial Measures” beginning on page 59 for reconciliations between non-GAAP financial measures and the most directly comparable U.S. GAAP measures.

Reported operating results increased in The Americas for the three months ended March 31, 2025, primarily driven by higher operating results in North America of approximately \$18 million. The higher operating results were primarily driven by lower cost of sales and lower general and administrative expenses, partially offset by the unfavorable year-over-year impact relating to net intercompany activity and a decrease in net sales.

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Reported operating loss increased for the nine months ended March 31, 2025, primarily reflecting an increase in operating loss in North America of approximately \$726 million. The increase in operating loss was primarily driven by the unfavorable year-over-year impacts of other intangible asset impairment charges relating to TOM FORD and Too Faced of \$848 million and a goodwill impairment charge relating to Too Faced of \$13 million, the charge in the fiscal 2025 first quarter associated with the talcum litigation settlement agreements of \$159 million and the unfavorable year-over-year impact relating to net intercompany activity, partially offset by lower cost of sales.

Europe, the Middle East & Africa

(\$ in millions)	Three Months Ended March 31,		Nine Months Ended March 31,	
	2025	2024	2025	2024
As Reported:				
Operating income	\$ 239	\$ 302	\$ 645	\$ 825
\$ Change from prior-year period	(63)		(180)	
% Change from prior-year period	(21)%		(22)%	

Reported operating income decreased in Europe, the Middle East & Africa for the three months ended March 31, 2025, primarily driven by lower operating income in the United Kingdom, in our travel retail business, and in Russia, as well as lower operating results in Italy, combined, of approximately \$47 million. The decrease in operating income in the United Kingdom was primarily driven by a decrease in net sales and higher advertising and promotional activities to support sales, partially offset by lower cost of sales. Operating income decreased in our travel retail business, reflecting a decrease in net sales, partially offset by a favorable year-over-year impact of net intercompany activity, lower cost of sales and lower shipping costs reflecting the decrease in net sales. Operating income decreased in Russia and Italy, primarily driven by decreases in net sales.

Reported operating income decreased in Europe, the Middle East & Africa for the nine months ended March 31, 2025, primarily driven by lower operating income in our travel retail business and in the United Kingdom, combined, of approximately \$144 million. Operating income decreased in our travel retail business, reflecting a decrease in net sales, partially offset by a decrease in cost of sales, a favorable year-over-year impact of net intercompany activity, disciplined advertising and promotional expense management and lower shipping costs reflecting the decrease in net sales. Operating income in the United Kingdom decreased, primarily driven by an unfavorable year-over-year impact of net intercompany activity, a decrease in net sales and an increase in advertising and promotional activities to support sales, partially offset by lower cost of sales.

Asia/Pacific

(\$ in millions)	Three Months Ended March 31,		Nine Months Ended March 31,	
	2025	2024	2025	2024
As Reported:				
Operating income	\$ 156	\$ 253	\$ 327	\$ 649
\$ Change from prior-year period	(97)		(322)	
% Change from prior-year period	(38)%		(50)%	

Reported operating income decreased in Asia/Pacific for the three months ended March 31, 2025, primarily driven by lower operating income from mainland China, reflecting the year-over-year unfavorable impact of a change in policy related to local government subsidies in China, an increase in advertising and promotional activities to support new product launches and key shopping moments and higher cost of sales, partially offset by an increase in net sales.

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Reported operating income decreased in Asia/Pacific for the nine months ended March 31, 2025, primarily driven by lower operating income in mainland China, and to a lesser extent Hong Kong SAR and Korea, combined, of approximately \$276 million. The decrease in operating income from mainland China was primarily driven by a decrease in net sales and the year-over-year unfavorable impact of a change in policy related to local government subsidies in China, partially offset by a year-over-year favorable impact of net intercompany activity, disciplined advertising and promotional expense management and lower cost of sales. Operating income in Hong Kong SAR decreased, primarily driven by a decrease in net sales, partially offset by lower cost of sales and a year-over-year favorable impact of net intercompany activity. The decrease in operating income in Korea was primarily driven by a decrease in net sales, partially offset by lower cost of sales and lower store operating costs relating to the exit of Dr.Jart+ from the travel retail channel during the fiscal 2025 second quarter.

INTEREST AND INVESTMENT INCOME

(In millions)	Three Months Ended March 31,		Nine Months Ended March 31,	
	2025	2024	2025	2024
Interest expense	\$ 87	\$ 94	\$ 269	\$ 287
Interest income and investment income, net	\$ 27	\$ 45	\$ 85	\$ 126

Interest expense decreased for the three and nine months ended March 31, 2025, primarily reflecting a lower average debt balance compared to the prior-year periods. Interest income and investment income, net decreased for the three and nine months ended March 31, 2025, primarily reflecting a lower average cash balance and lower interest rates compared to the prior-year periods.

PROVISION FOR INCOME TAXES

The provision or benefit 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 tax impact of stock-based compensation, 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 the geographical mix of earnings, enacted tax legislation, state and local income taxes, tax reserve adjustments, the tax impact of stock-based compensation, the interaction of various global tax strategies and the impact from certain acquisitions. 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.

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2025	2024	2025	2024
Effective rate for income taxes	34.0 %	31.1 %	0.3 %	33.9 %
Basis-point change from the prior-year period	290		(3,360)	

For the three months ended March 31, 2025, the increase in the effective tax rate was primarily attributable to a higher effective tax rate on our foreign operations due to our full year geographical mix of earnings in the current and prior-year periods, as well as an unfavorable impact associated with previously issued stock-based compensation.

For the nine months ended March 31, 2025, the decrease in the effective tax rate was primarily attributable to the impact of the discrete treatment of charges associated with restructuring and other activities, the impairment of goodwill and other intangible assets, the charge associated with the talcum litigation settlement agreements (See *Note 8 - Commitments and Contingencies* for further discussion) and an unfavorable impact associated with previously issued stock-based compensation.

THE ESTÉE LAUDER COMPANIES INC.

NET EARNINGS (LOSS) ATTRIBUTABLE TO THE ESTÉE LAUDER COMPANIES INC.

(\$ in millions, except per share data)	Three Months Ended March 31,		Nine Months Ended March 31,	
	2025	2024	2025	2024
As Reported:				
Net earnings (loss) attributable to The Estée Lauder Companies Inc.	\$ 159	\$ 330	\$ (587)	\$ 674
\$ Change from prior-year period	(171)		(1,261)	
% Change from prior-year period	(52)%		(100+)%	
Diluted net earnings (loss) per common share	\$.44	\$.91	\$ (1.63)	\$ 1.87
% Change from prior-year period	(52)%		(100+)%	

Non-GAAP Financial Measure⁽¹⁾:

% Change in diluted net earnings per common share from the prior-year period adjusting for the impact of charges associated with restructuring and other activities, goodwill and other intangible asset impairments, talcum litigation settlement agreements and the change in fair value of DECIEM acquisition-related stock options

(33)%

(27)%

⁽¹⁾ See “Reconciliations of Non-GAAP Financial Measures” below for reconciliations between non-GAAP financial measures and the most directly comparable U.S. GAAP measures.

RECONCILIATIONS OF NON-GAAP FINANCIAL MEASURES

We use certain non-GAAP financial measures, among other financial measures, to evaluate our operating performance, which represent the manner in which we conduct and view our business. Management believes that excluding certain items that are not comparable from period-to-period, or do not reflect the Company’s underlying ongoing business, provides transparency for such items and helps investors and others compare and analyze our operating performance from period-to-period. In the future, we expect to incur charges or adjustments similar in nature to those presented below; however, the impact to the Company’s results in a given period may be highly variable and difficult to predict. Our non-GAAP financial measures may not be comparable to similarly titled measures used by, or determined in a manner consistent with, other companies. While we consider the non-GAAP measures useful in analyzing our results, they are not intended to replace, or act as a substitute for, any presentation included in the consolidated financial statements prepared in conformity with U.S. GAAP. The following tables present Net sales, Operating income and Diluted net earnings per common share adjusted to exclude the impact of charges associated with restructuring and other activities; goodwill and other intangible asset impairments; talcum litigation settlement agreements; the change in fair value of DECIEM acquisition-related stock options; and the effects of foreign currency translation.

The following tables provide reconciliations between these non-GAAP financial measures and the most directly comparable U.S. GAAP measures.

THE ESTÉE LAUDER COMPANIES INC.

(\$ in millions, except per share data)	Three Months Ended March 31,		Variance	% Change	% Change in constant currency
	2025	2024			
Net sales, as reported	\$ 3,550	\$ 3,940	\$ (390)	(10)%	(8)%
Returns associated with restructuring and other activities	—	—	—		
Net sales, as adjusted	<u>\$ 3,550</u>	<u>\$ 3,940</u>	<u>\$ (390)</u>	(10)%	(9)%
Operating income, as reported	\$ 306	\$ 531	\$ (225)	(42)%	(40)%
Charges associated with restructuring and other activities	97	18	79		
Change in fair value of DECIEM acquisition-related stock options	—	5	(5)		
Operating income, as adjusted	<u>\$ 403</u>	<u>\$ 554</u>	<u>\$ (151)</u>	(27)%	(24)%
Diluted net earnings per common share, as reported	\$.44	\$.91	\$ (.47)	(52)%	(49)%
Charges associated with restructuring and other activities	.21	.04	.17		
Change in fair value of DECIEM acquisition-related stock options (less portion attributable to redeemable noncontrolling interest)	—	.02	(.02)		
Diluted net earnings per common share, as adjusted	<u>\$.65</u>	<u>\$.97</u>	<u>\$ (.32)</u>	(33)%	(30)%

THE ESTÉE LAUDER COMPANIES INC.

	Nine Months Ended March 31,				% Change in constant currency
(\$ in millions, except per share data)	2025	2024	Variance	% Change	
Net sales, as reported	\$ 10,915	\$ 11,737	\$ (822)	(7)%	(7)%
Returns associated with restructuring and other activities	—	1	(1)		
Net sales, as adjusted	<u>\$ 10,915</u>	<u>\$ 11,738</u>	<u>\$ (823)</u>	(7)%	(7)%
Operating income (loss), as reported	\$ (395)	\$ 1,203	\$ (1,598)	(100+)%	(100+)%
Charges associated with restructuring and other activities	384	28	356		
Goodwill and other intangible asset impairments	861	—	861		
Talcum litigation settlement agreements	159	—	159		
Change in fair value of DECIEM acquisition-related stock options	—	8	(8)		
Operating income, as adjusted	<u>\$ 1,009</u>	<u>\$ 1,239</u>	<u>\$ (230)</u>	(19)%	(18)%
Diluted net earnings (loss) per common share, as reported	\$ (1.63)	\$ 1.87	\$ (3.50)	(100+)%	(100+)%
Charges associated with restructuring and other activities	.83	.06	.77		
Goodwill and other intangible asset impairments	1.88	—	1.88		
Talcum litigation settlement agreements	.34	—	.34		
Change in fair value of DECIEM acquisition-related stock options (less portion attributable to redeemable noncontrolling interest)	—	.02	(.02)		
Diluted net earnings per common share, as adjusted	<u>\$ 1.42</u>	<u>\$ 1.95</u>	<u>\$ (.53)</u>	(27)%	(26)%

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

THE ESTÉE LAUDER COMPANIES INC.

The following tables reconcile 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:

	As Reported						
	Three Months Ended March 31,			Impact of foreign currency translation	Variance, in constant currency	% Change, as reported	% Change, in constant currency
(\$ in millions)	2025	2024	Variance				
By Product Category:							
Skin Care	\$ 1,807	\$ 2,060	\$ (253)	\$ 24	\$ (229)	(12)%	(11)%
Makeup	1,035	1,136	(101)	19	(82)	(9)	(7)
Fragrance	557	575	(18)	10	(8)	(3)	(1)
Hair Care	126	143	(17)	2	(15)	(12)	(10)
Other	25	26	(1)	—	(1)	(4)	(4)
	3,550	3,940	(390)	55	(335)	(10)	(9)
Returns associated with restructuring and other activities	—	—	—	1	1		
Total	\$ 3,550	\$ 3,940	\$ (390)	\$ 56	\$ (334)	(10)%	(8)%
By Region:							
The Americas	\$ 1,052	\$ 1,117	\$ (65)	\$ 12	\$ (53)	(6)%	(5)%
Europe, the Middle East & Africa	1,358	1,647	(289)	22	(267)	(18)	(16)
Asia/Pacific	1,140	1,176	(36)	21	(15)	(3)	(1)
	3,550	3,940	(390)	55	(335)	(10)	(9)
Returns associated with restructuring and other activities	—	—	—	1	1		
Total	\$ 3,550	\$ 3,940	\$ (390)	\$ 56	\$ (334)	(10)%	(8)%

THE ESTÉE LAUDER COMPANIES INC.

(\$ in millions)	As Reported			Impact of foreign currency translation	Variance, in constant currency	% Change, as reported	% Change, in constant currency
	Nine Months Ended March 31,		Variance				
	2025	2024					
By Product Category:							
Skin Care	\$ 5,257	\$ 5,873	\$ (616)	\$ 13	\$ (603)	(10)%	(10)%
Makeup	3,223	3,365	(142)	28	(114)	(4)	(3)
Fragrance	1,931	1,948	(17)	12	(5)	(1)	0
Hair Care	424	464	(40)	2	(38)	(9)	(8)
Other	80	88	(8)	—	(8)	(9)	(9)
	10,915	11,738	(823)	55	(768)	(7)	(7)
Returns associated with restructuring and other activities	—	(1)	1	1	2		
Total	\$ 10,915	\$ 11,737	\$ (822)	\$ 56	\$ (766)	(7)%	(7)%
By Region:							
The Americas	\$ 3,462	\$ 3,567	\$ (105)	\$ 36	\$ (69)	(3)%	(2)%
Europe, the Middle East & Africa	4,082	4,488	(406)	3	(403)	(9)	(9)
Asia/Pacific	3,371	3,683	(312)	16	(296)	(8)	(8)
	10,915	11,738	(823)	55	(768)	(7)	(7)
Returns associated with restructuring and other activities	—	(1)	1	1	2		
Total	\$ 10,915	\$ 11,737	\$ (822)	\$ 56	\$ (766)	(7)%	(7)%

THE ESTÉE LAUDER COMPANIES INC.

The following tables reconcile the change in operating results by product category and geographic region, as reported, to the change in operating income excluding the change in fair value of DECIEM acquisition-related stock options for the three and nine months ended March 31, 2025, as well as the impact of goodwill and other intangible asset impairments and the talcum litigation settlement agreements for the nine months ended March 31, 2025:

(\$ in millions)	As Reported			Add: Change in fair value of DECIEM acquisition-related stock options	Variance, as adjusted	% Change, as reported	% Change, as adjusted
	Three Months Ended March 31		Variance				
	2025	2024					
By Product Category:							
Skin Care	\$ 361	\$ 468	\$ (107)	\$ (5)	\$ (112)	(23)%	(24)%
Makeup	14	66	(52)	—	(52)	(79)	(79)
Fragrance	32	29	3	—	3	10	10
Hair Care	(13)	(25)	12	—	12	48	48
Other	9	11	(2)	—	(2)	(18)	(18)
	403	549	(146)	<u>\$ (5)</u>	<u>\$ (151)</u>	(27)%	(27)%
Charges associated with restructuring and other activities	(97)	(18)	(79)				
Total	<u>\$ 306</u>	<u>\$ 531</u>	<u>\$ (225)</u>				
By Region:							
The Americas	\$ 8	\$ (6)	\$ 14	\$ (5)	\$ 9	100+%	100+%
Europe, the Middle East & Africa	239	302	(63)	—	(63)	(21)	(21)
Asia/Pacific	156	253	(97)	—	(97)	(38)	(38)
	403	549	(146)	<u>\$ (5)</u>	<u>\$ (151)</u>	(27)%	(27)%
Charges associated with restructuring and other activities	(97)	(18)	(79)				
Total	<u>\$ 306</u>	<u>\$ 531</u>	<u>\$ (225)</u>				

THE ESTÉE LAUDER COMPANIES INC.

	As Reported			Add: Changes in goodwill and other intangible asset impairments	Add: Talcum litigation settlement agreements	Add: Change in fair value of DECIEM acquisition- related stock options	Variance, as adjusted	% Change, as reported	% Change, as adjusted
	Nine Months Ended March 31		Variance						
(\$ in millions)	2025	2024	Variance						
By Product Category:									
Skin Care	\$ 784	\$ 920	\$ (136)	\$ —	\$ —	\$ (8)	\$ (144)	(15)%	(16)%
Makeup	(382)	56	(438)	258	159	—	(21)	(100+)	(38)
Fragrance	(354)	267	(621)	549	—	—	(72)	(100+)	(27)
Hair Care	(34)	(50)	16	—	—	—	16	32	32
Other	(25)	38	(63)	54	—	—	(9)	(100+)	(24)
	(11)	1,231	(1,242)	<u>\$ 861</u>	<u>\$ 159</u>	<u>\$ (8)</u>	<u>\$ (230)</u>	(100+)%	(19)%
Charges associated with restructuring and other activities	(384)	(28)	(356)						
Total	<u>\$ (395)</u>	<u>\$ 1,203</u>	<u>\$ (1,598)</u>						
By Region:									
The Americas	\$ (983)	\$ (243)	\$ (740)	\$ 861	\$ 159	\$ (8)	\$ 272	(100+)%	100+%
Europe, the Middle East & Africa	645	825	(180)	—	—	—	(180)	(22)	(22)
Asia/Pacific	327	649	(322)	—	—	—	(322)	(50)	(50)
	(11)	1,231	(1,242)	<u>\$ 861</u>	<u>\$ 159</u>	<u>\$ (8)</u>	<u>\$ (230)</u>	(100+)%	(19)%
Charges associated with restructuring and other activities	(384)	(28)	(356)						
Total	<u>\$ (395)</u>	<u>\$ 1,203</u>	<u>\$ (1,598)</u>						

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 March 31, 2025, we had cash and cash equivalents of \$2,631 million compared with \$3,395 million at June 30, 2024. Our cash and cash equivalents are maintained at a number of financial institutions. To mitigate the risk of uninsured balances, we select financial institutions based on their credit ratings and financial strength, and we perform ongoing evaluations of these institutions to limit our concentration risk exposure.

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 seasonal working capital needs, currently planned business operations, information technology enhancements, capital expenditures, acquisitions, dividends, stock repurchases, restructuring initiatives, commitments and other contractual obligations on both a near-term and long-term basis.

The Tax Cuts and Jobs Act resulted in the Transition Tax on unrepatriated earnings of our foreign subsidiaries and changed the tax law in ways that present opportunities to repatriate cash without additional U.S. federal income tax. We continue to analyze the indefinite reinvestment assertion on our applicable foreign earnings. We do not believe continuing to reinvest these applicable foreign earnings impairs our ability to meet our domestic debt or working capital obligations. If these reinvested earnings were repatriated into the United States as dividends, we would be subject to state income taxes and applicable foreign taxes in certain jurisdictions.

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Inflation impacted our overall operating results in the fiscal 2025 third quarter and we expect it to continue. Generally, we have plans to introduce new products at higher prices, increase prices and implement other operating efficiencies which we expect to offset some of these cost increases.

Credit Ratings

Changes in our credit ratings will likely result in changes in our borrowing costs. Our credit ratings also impact the cost of our revolving credit facility. Downgrades in our credit ratings may reduce our ability to issue commercial paper and/or long-term debt and would likely increase the relative costs of borrowing. A credit rating is not a recommendation to buy, sell, or hold securities, is subject to revision or withdrawal at any time by the assigning rating organization, and should be evaluated independently of any other rating. As of April 24, 2025, our long-term debt is rated A- with a negative outlook by Standard & Poor's and A2 with a negative outlook by Moody's.

THE ESTÉE LAUDER COMPANIES INC.

Debt

At March 31, 2025, our outstanding borrowings were as follows:

(\$ in millions)	Long-term Debt	Current Debt	Total Debt
5.150% Senior Notes, due May 15, 2053 ("2053 Senior Notes") ^{(1), (15)}	\$ 591	\$ —	\$ 591
3.125% Senior Notes, due December 1, 2049 ("2049 Senior Notes") ^{(2), (15)}	637	—	637
4.150% Senior Notes, due March 15, 2047 ("2047 Senior Notes") ^{(3), (15)}	494	—	494
4.375% Senior Notes, due June 15, 2045 ("2045 Senior Notes") ^{(4), (15)}	454	—	454
3.700% Senior Notes, due August 15, 2042 ("2042 Senior Notes") ^{(5), (15)}	247	—	247
6.000% Senior Notes, due May 15, 2037 ("2037 Senior Notes") ^{(6), (15)}	295	—	295
5.000% Senior Notes, due February 14, 2034 ("2034 Senior Notes") ^{(7), (15)}	644	—	644
5.75% Senior Notes, due October 15, 2033 ("October 2033 Senior Notes") ^{(8), (15)}	198	—	198
4.650% Senior Notes, due May 15, 2033 ("May 2033 Senior Notes") ^{(9), (15)}	696	—	696
1.950% Senior Notes, due March 15, 2031 ("2031 Senior Notes") ^{(10), (15)}	559	—	559
2.600% Senior Notes, due April 15, 2030 ("2030 Senior Notes") ^{(11), (15)}	615	—	615
2.375% Senior Notes, due December 1, 2029 ("2029 Senior Notes") ^{(12), (15)}	645	—	645
4.375% Senior Notes, due May 15, 2028 ("2028 Senior Notes") ^{(13), (15)}	697	—	697
3.150% Senior Notes, due March 15, 2027 ("2027 Senior Notes") ^{(14), (15)}	499	—	499
Other long-term borrowings	27	—	27
Other current borrowings	—	3	3
	<u>\$ 7,298</u>	<u>\$ 3</u>	<u>\$ 7,301</u>

⁽¹⁾ Consists of \$600 million principal, unamortized debt discount of \$3 million and debt issuance costs of \$6 million.

⁽²⁾ Consists of \$650 million principal, unamortized debt discount of \$7 million and debt issuance costs of \$6 million.

⁽³⁾ Consists of \$500 million principal, unamortized debt discount of \$1 million and debt issuance costs of \$5 million.

⁽⁴⁾ Consists of \$450 million principal, net unamortized debt premium of \$8 million and debt issuance costs of \$4 million.

⁽⁵⁾ Consists of \$250 million principal, unamortized debt discount of \$1 million and debt issuance costs of \$2 million.

⁽⁶⁾ Consists of \$300 million principal, unamortized debt discount of \$3 million and debt issuance costs of \$2 million.

⁽⁷⁾ Consists of \$650 million principal, unamortized debt discount of \$2 million and debt issuance costs of \$4 million.

⁽⁸⁾ Consists of \$200 million principal, unamortized debt discount of \$1 million and debt issuance costs of \$1 million.

⁽⁹⁾ Consists of \$700 million principal, unamortized debt discount of \$1 million and debt issuance costs of \$3 million.

⁽¹⁰⁾ Consists of \$600 million principal, unamortized debt discount of \$2 million, debt issuance costs of \$3 million and a \$36 million loss to reflect the fair value of interest rate swaps.

⁽¹¹⁾ Consists of \$700 million principal, unamortized debt discount of \$1 million, debt issuance costs of \$2 million and a \$82 million loss to reflect the fair value of interest rate swaps.

⁽¹²⁾ Consists of \$650 million principal, unamortized debt discount of \$3 million and debt issuance costs of \$2 million.

⁽¹³⁾ Consists of \$700 million principal and debt issuance costs of \$3 million.

⁽¹⁴⁾ Consists of \$500 million principal and debt issuance costs of \$1 million.

⁽¹⁵⁾ The Senior Notes contain certain customary covenants, including limitations on indebtedness secured by liens.

In April 2025, the Company issued commercial paper under its existing commercial paper program, and as of April 24, 2025, \$242 million was outstanding. The notes have maturities ranging from 10 to 17 days with weighted average interest rates between 4.62% to 4.68%. The proceeds from the issuance are intended for general corporate purposes.

In December 2024, the Company repaid the outstanding principal balance of its \$500 million, 2.000% Senior Notes ("2024 Senior Notes") at maturity with cash from operations.

Total debt as a percent of total capitalization was 63% and 59% at March 31, 2025 and June 30, 2024, respectively.

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Cash Flows

(In millions)	Nine Months Ended March 31,	
	2025	2024
Net cash flows provided by operating activities	\$ 671	\$ 1,471
Net cash flows used for investing activities	\$ (408)	\$ (735)
Net cash flows used for financing activities	\$ (1,016)	\$ (1,059)

The change in net cash flows provided by operating activities was primarily driven by lower net earnings for the nine months ended March 31, 2025, excluding non-cash items, and an unfavorable change in operating assets and liabilities variances, including the impact from the significant reduction in inventory in the prior-year period, as compared to the reduction in inventory in the current-year period.

The change in net cash flows used for investing activities was primarily driven by a favorable year-over-year impact from capital expenditure payments made relating to the manufacturing facility in Japan, near Tokyo, in the prior-year period.

The change in net cash flows used for financing activities primarily reflected the favorable year-over-year impact of repayments of commercial paper in the prior-year period and a decrease in dividends paid to stockholders in the current-year period, partially offset by an unfavorable year-over-year impact of the repayment of the outstanding principal balance of our 2024 Senior Notes that matured during the fiscal 2025 second quarter compared to proceeds from the issuance of the 2034 Senior Notes during the fiscal 2024 third quarter.

Dividends

For a summary of quarterly cash dividends declared per share on our Class A and Class B Common Stock during the nine months ended March 31, 2025, see *Notes to Consolidated Financial Statements, Note 11 – Equity and Redeemable Noncontrolling Interest*.

Pension and Post-retirement Plan Funding

There have been no significant changes to our pension and post-retirement funding as discussed in our Annual Report on Form 10-K for the fiscal year ended June 30, 2024.

Commitments, Contractual Obligations and Contingencies

There have been no significant changes to our commitments and contractual obligations as discussed in our Annual Report on Form 10-K for the fiscal year ended June 30, 2024. For a discussion of contingencies, see *Notes to Consolidated Financial Statements, Note 8 – Commitments and Contingencies*.

Derivative Financial Instruments and Hedging Activities

For a discussion of our derivative financial instruments and hedging activities, see *Notes to Consolidated Financial Statements, Note 4 – Derivative Financial Instruments*.

Foreign Exchange Risk Management

For a discussion of foreign exchange risk management, see *Notes to Consolidated Financial Statements, Note 4 – Derivative Financial Instruments (Fair Value Hedges, Cash Flow Hedges and Net Investment Hedges)*.

Credit Risk

For a discussion of credit risk, see *Notes to Consolidated Financial Statements, Note 4 – Derivative Financial Instruments (Credit Risk)*.

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Market Risk

We address certain financial exposures through a controlled program of market risk management that includes the use of foreign currency forward contracts to reduce the effects of fluctuating foreign currency exchange rates and to mitigate the change in fair value of specific assets and liabilities on the balance sheet. To perform a sensitivity analysis of our foreign currency forward contracts, we assess the change in fair values from the impact of hypothetical changes in foreign currency exchange rates. A hypothetical 10% weakening of the U.S. dollar against the foreign exchange rates for the currencies in our portfolio would have resulted in a net decrease in the fair value of our portfolio of approximately \$275 million and \$371 million as of March 31, 2025 and June 30, 2024, respectively. This potential change does not consider our underlying foreign currency exposures.

We also enter into cross-currency swap contracts to hedge the impact of foreign currency changes on certain intercompany foreign currency denominated debt and to hedge a portion of the net investment in certain foreign operations. A hypothetical 10% weakening of the U.S. dollar against the foreign exchange rates for the currencies in our cross-currency swap contracts would have resulted in a net decrease in the fair value of our cross-currency swap contracts of approximately \$85 million and \$49 million as of March 31, 2025 and June 30, 2024, respectively.

In addition, we enter into interest rate derivatives to manage the effects of interest rate movements on our aggregate liability portfolio, including future debt issuances. Based on a hypothetical 100 basis point increase in interest rates, the estimated fair value of our interest rate derivatives would decrease by approximately \$44 million and \$48 million as of March 31, 2025 and June 30, 2024, respectively.

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

OFF-BALANCE SHEET ARRANGEMENTS

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

CRITICAL ACCOUNTING POLICIES

As disclosed in our Annual Report on Form 10-K for the fiscal year ended June 30, 2024, the discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in conformity with 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. Our most critical accounting policies relate to goodwill and other indefinite-lived intangible assets - impairment assessment and income taxes. Since June 30, 2024, there have been no significant changes to the assumptions and estimates related to our critical accounting policies, except as disclosed within the Impairment Analysis During the Nine Months Ended March 31, 2025 section in *Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations* on page 43.

RECENTLY ISSUED ACCOUNTING STANDARDS

For a discussion regarding the impact of accounting standards that were recently issued but not yet effective, on the Company's consolidated financial statements, see *Notes to Consolidated Financial Statements, Note 1 – Summary of Significant Accounting Policies*.

THE ESTÉE LAUDER COMPANIES INC.**CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION**

We and our representatives from time to time make written or oral forward-looking statements, including in this and other filings with the Securities and Exchange Commission, in our press releases and in our reports to stockholders, which may constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements may address our expectations regarding sales, earnings or other future financial performance and liquidity, other performance measures, product introductions, entry into new geographic regions, information technology initiatives, new methods of sale, our long-term strategy, restructuring and other charges and resulting cost savings, and future operations or operating results. These statements may contain words like “expect,” “will,” “will likely result,” “would,” “believe,” “estimate,” “planned,” “plans,” “intends,” “may,” “should,” “could,” “anticipate,” “estimate,” “project,” “projected,” “forecast,” and “forecasted” or similar expressions. 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;
- (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 timing or scope, of advertising, sampling and merchandising programs;
- (6) shifts in the preferences of consumers as to how they perceive value and where and how they shop;
- (7) social, political and economic risks to our foreign or domestic manufacturing, distribution and retail operations, including changes in foreign investment and trade policies and regulations of the host countries and of the United States;
- (8) changes in the laws, regulations and policies (including the interpretations and enforcement thereof) that affect, or will affect, our business, including those relating to our products or distribution networks, changes in accounting standards, tax laws and regulations, environmental or climate change laws, regulations or accords, trade rules and customs regulations, and the outcome and expense of legal or regulatory proceedings, and any action we may take as a result;
- (9) foreign currency fluctuations affecting our results of operations and the value of our foreign assets, the relative prices at which we and our foreign competitors sell products in the same markets and our operating and manufacturing costs outside of the United States;
- (10) changes in global or local conditions, including those due to volatility in the global credit and equity markets, government economic policies, natural or man-made disasters, real or perceived epidemics, supply chain challenges, inflation, or increased energy costs, that could affect consumer purchasing, the willingness or ability of consumers to travel and/or purchase our products while traveling, the financial strength of our customers, suppliers or other contract counterparties, our operations, the cost and availability of capital which we may need for new equipment, facilities or acquisitions, the returns that we are able to generate on our pension assets and the resulting impact on funding obligations, the cost and availability of raw materials and the assumptions underlying our critical accounting estimates;
- (11) shipment delays, commodity pricing, depletion of inventory and increased production costs resulting from disruptions of operations at any of the facilities that manufacture our products or at our distribution or inventory centers, including disruptions that may be caused by the implementation of information technology initiatives, or by restructurings;

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- (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 technology, including operational technology and websites, on a timely basis and within our cost estimates; to maintain continuous operations of our new and existing information technology; and to secure the data and other information that may be stored in such technologies 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 the Annual Report on Form 10-K for the fiscal year ended June 30, 2024.

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

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

The information required by this item is set forth in Item 2 of this Quarterly Report on Form 10-Q under the caption *Liquidity and Capital Resources - Market Risk* and is incorporated herein by reference.

Item 4. *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 March 31, 2025 and, based on their evaluation, have concluded that the disclosure controls and procedures were effective as of such date.

As part of our review of internal control over financial reporting, we make changes to systems and processes to improve such controls and increase efficiencies, while ensuring that we maintain an effective internal control environment. 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 third quarter of fiscal 2025 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. *Legal Proceedings.*

For a discussion of legal proceedings, see *Notes to Consolidated Financial Statements, Note 8 – Commitments and Contingencies*.

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

Share Repurchase Program

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

Period	Total Number of Shares Purchased ⁽¹⁾	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Maximum Number of Shares that May Yet Be Purchased Under the Program ⁽²⁾
January 2025	8,769	\$ 84.30	—	25,073,242
February 2025	1,915	73.40	—	25,073,242
March 2025	—	—	—	25,073,242
	10,684	82.35	—	

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

(2) The Board of Directors has authorized the current repurchase program for up to 256.0 million shares. The total amount was last increased by the Board on October 31, 2018. Our repurchase program does not have an expiration date.

Beginning in December 2022, we suspended the repurchase of shares of our Class A Common Stock under our publicly announced program. We may resume repurchases in the future.

Item 5. Other Information.

Trading Arrangements

During the fiscal 2025 third quarter, none of the Company's directors or officers (as defined in Rule 16a-1(f) under the Exchange Act) adopted or terminated a "Rule 10b5-1 trading arrangement" or a "non-Rule 10b5-1 trading arrangement," each as defined in Item 408(a) of Regulation S-K under the Exchange Act.

Item 6. Exhibits.

Exhibit Number	Description
31.1	Certification pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (CEO).
31.2	Certification pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted 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)
101.1	The following materials from The Estée Lauder Companies Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2025 are formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) the Consolidated Statements of Earnings (Loss), (ii) the Consolidated Statements of Comprehensive Income (Loss), (iii) the Consolidated Balance Sheets, (iv) the Consolidated Statements of Cash Flows and (v) Notes to Consolidated Financial Statements
104	The cover page from The Estée Lauder Companies Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2025 is formatted in iXBRL

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

SIGNATURES

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

THE ESTÉE LAUDER COMPANIES INC.

By: /s/ AKHIL SHRIVASTAVA

Akhil Shrivastava

Executive Vice President and Chief Financial Officer

(Principal Financial and Accounting Officer)

Date: May 1, 2025

Certification

I, Stéphane de La Faverie, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of The Estée Lauder Companies Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 1, 2025

/s/ Stéphane de La Faverie

Stéphane de La Faverie
President and Chief Executive Officer

Certification

I, Akhil Shrivastava, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of The Estée Lauder Companies Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 1, 2025

/s/ Akhil Shrivastava

Akhil Shrivastava
Executive Vice President and Chief Financial Officer

Certification
Pursuant to 18 U.S.C. Section 1350
(as adopted pursuant to Section 906 of the
Sarbanes-Oxley Act of 2002)

Pursuant to 18 U.S.C. Section 1350 (as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002), the undersigned officer of The Estée Lauder Companies Inc., a Delaware corporation (the “Company”), does hereby certify, to such officer’s knowledge, that:

The Quarterly Report on Form 10-Q for the quarter ended March 31, 2025 (the “10-Q”) of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (15 U.S.C. 78m or 78o(d)), and the information contained in the 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 1, 2025

/s/ Stéphane de La Faverie

Stéphane de La Faverie
President and Chief Executive Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 (as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002) and for no other purpose.

Certification
Pursuant to 18 U.S.C. Section 1350
(as adopted pursuant to Section 906 of the
Sarbanes-Oxley Act of 2002)

Pursuant to 18 U.S.C. Section 1350 (as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002), the undersigned officer of The Estée Lauder Companies Inc., a Delaware corporation (the “Company”), does hereby certify, to such officer’s knowledge, that:

The Quarterly Report on Form 10-Q for the quarter ended March 31, 2025 (the “10-Q”) of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (15 U.S.C. 78m or 78o(d)), and the information contained in the 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 1, 2025

/s/ Akhil Shrivastava

Akhil Shrivastava
Executive Vice President and Chief Financial Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 (as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002) and for no other purpose.
