

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended **December 31, 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)

767 Fifth Avenue, New York, New York

(Address of principal executive offices)

11-2408943

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

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 January 29, 2026, 247,219,699 shares of the registrant's Class A Common Stock, \$.01 par value, and 114,507,344 shares of the registrant's Class B Common Stock, \$.01 par value, were outstanding.

THE ESTÉE LAUDER COMPANIES INC.

INDEX

Page

Part I. Financial Information

Item 1. Financial Statements (Unaudited)

Consolidated Statements of Earnings (Loss) — Three and Six Months Ended December 31, 2025 and 2024 2

Consolidated Statements of Comprehensive Income (Loss) — Three and Six Months Ended December 31, 2025 and 2024 3

Consolidated Balance Sheets — December 31, 2025 and June 30, 2025 4

Consolidated Statements of Cash Flows — Six Months Ended December 31, 2025 and 2024 5

Notes to Consolidated Financial Statements 6

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations 40

Item 3. Quantitative and Qualitative Disclosures About Market Risk 67

Item 4. Controls and Procedures 67

Part II. Other Information

Item 1. Legal Proceedings 67

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds 68

Item 5. Other Information 68

Item 6. Exhibits 68

Signatures 69

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 December 31,		Six Months Ended December 31,	
	2025	2024	2025	2024
Net sales	\$ 4,229	\$ 4,004	\$ 7,710	\$ 7,365
Cost of sales	994	957	1,921	1,885
Gross profit	3,235	3,047	5,789	5,480
Operating expenses				
Selling, general and administrative	2,627	2,585	4,923	4,883
Restructuring and other charges	207	181	296	278
Impairment of goodwill and other intangible assets	—	861	—	861
Talcum litigation settlement agreements	—	—	—	159
Total operating expenses	2,834	3,627	5,219	6,181
Operating income (loss)	401	(580)	570	(701)
Interest expense	85	90	171	182
Interest income and investment income, net	21	23	51	58
Other components of net periodic benefit cost	4	3	8	5
Earnings (loss) before income taxes	333	(650)	442	(830)
Provision (benefit) for income taxes	171	(60)	233	(84)
Net earnings (loss)	\$ 162	\$ (590)	\$ 209	\$ (746)
Net earnings (loss) per common share				
Basic	\$.45	\$ (1.64)	\$.58	\$ (2.07)
Diluted	\$.44	\$ (1.64)	\$.57	\$ (2.07)
Weighted average common shares outstanding				
Basic	362.1	360.0	361.7	359.8
Diluted	364.8	360.0	364.2	359.8

See notes to consolidated financial statements.

THE ESTÉE LAUDER COMPANIES INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited)

(In millions)	Three Months Ended December 31,		Six Months Ended December 31,	
	2025	2024	2025	2024
Net earnings (loss)	\$ 162	\$ (590)	\$ 209	\$ (746)
Other comprehensive income (loss):				
Net cash flow hedge gain (loss)	8	55	24	(2)
Cross-currency swap contract - fair value hedge gain (loss)	2	(5)	5	7
Retirement plan and other retiree benefit adjustments	3	2	7	4
Translation adjustments	56	(309)	29	(201)
Provision for income taxes on components of other comprehensive income (loss)	(8)	(27)	(18)	(9)
Total other comprehensive income (loss), net of tax	<u>61</u>	<u>(284)</u>	<u>47</u>	<u>(201)</u>
Comprehensive income (loss)	<u>\$ 223</u>	<u>\$ (874)</u>	<u>\$ 256</u>	<u>\$ (947)</u>

See notes to consolidated financial statements.

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

(In millions, except share and per share data)

	December 31, 2025	June 30, 2025
ASSETS		
Current assets		
Cash and cash equivalents	\$ 3,082	\$ 2,921
Accounts receivable, net	1,657	1,530
Inventory and promotional merchandise	1,895	2,074
Prepaid expenses and other current assets	524	544
Total current assets	7,158	7,069
Property, plant and equipment, net	2,966	3,172
Other assets		
Operating lease right-of-use assets	1,860	1,952
Goodwill	2,137	2,135
Other intangible assets, net	3,696	3,759
Other assets	1,817	1,805
Total other assets	9,510	9,651
Total assets	\$ 19,634	\$ 19,892
LIABILITIES AND EQUITY		
Current liabilities		
Current debt	\$ 3	\$ 3
Accounts payable	1,260	1,497
Operating lease liabilities	413	406
Other accrued liabilities	3,595	3,529
Total current liabilities	5,271	5,435
Noncurrent liabilities		
Long-term debt	7,319	7,314
Long-term operating lease liabilities	1,655	1,744
Other noncurrent liabilities	1,358	1,534
Total noncurrent liabilities	10,332	10,592
Commitments and contingencies		
Equity		
Common stock, \$.01 par value; Class A shares authorized: 1,300,000,000 at December 31, 2025 and June 30, 2025; shares issued: 486,114,024 at December 31, 2025 and 472,541,563 at June 30, 2025; Class B shares authorized: 304,000,000 at December 31, 2025 and June 30, 2025; shares issued and outstanding: 114,507,344 at December 31, 2025 and 125,542,029 at June 30, 2025	6	6
Paid-in capital	7,245	7,012
Retained earnings	11,624	11,672
Accumulated other comprehensive loss	(1,080)	(1,127)
	17,795	17,563
Less: Treasury stock, at cost; 238,960,893 Class A shares at December 31, 2025 and 238,316,738 Class A shares at June 30, 2025	(13,764)	(13,698)
Total equity	4,031	3,865
Total liabilities and equity	\$ 19,634	\$ 19,892

See notes to consolidated financial statements.

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

(In millions)	Six Months Ended December 31,	
	2025	2024
Cash flows from operating activities		
Net earnings (loss)	\$ 209	\$ (746)
Adjustments to reconcile net earnings (loss) to net cash flows from operating activities:		
Depreciation and amortization	397	415
Deferred income taxes	11	(292)
Non-cash stock-based compensation	182	180
Net loss on disposal of property, plant and equipment	3	2
Non-cash restructuring and other charges	18	17
Pension and post-retirement benefit expense	40	37
Pension and post-retirement benefit contributions	(39)	(50)
Impairment of goodwill and other intangible assets	—	861
Other adjustments and non-cash items	(12)	7
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable, net	(126)	79
Decrease in inventory and promotional merchandise	179	132
Decrease (increase) in other assets, net	25	(47)
Decrease in accounts payable	(239)	(298)
Increase in other accrued and noncurrent liabilities	133	102
Increase (decrease) in operating lease assets and liabilities, net	4	(12)
Net cash flows provided by operating activities	785	387
Cash flows from investing activities		
Capital expenditures	(204)	(273)
Proceeds from property, plant and equipment insurance recoveries	10	—
Purchases of investments	—	(1)
Proceeds from the disposition of investments	3	—
Settlement of net investment hedges	(17)	(20)
Net cash flows used for investing activities	(208)	(294)
Cash flows from financing activities		
Repayments of long-term debt	(2)	(502)
Payment of deferred consideration	(150)	—
Settlement of cross-currency swaps	9	10
Net proceeds from stock-based compensation transactions	46	15
Dividends paid to stockholders	(255)	(366)
Payments to acquire treasury stock	(67)	(35)
Net cash flows used for financing activities	(419)	(878)
Effect of exchange rate changes on Cash and cash equivalents	3	(24)
Net increase (decrease) in Cash and cash equivalents	161	(809)
Cash and cash equivalents at beginning of period	2,921	3,395
Cash and cash equivalents at end of period	\$ 3,082	\$ 2,586

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 in annual financial statements. The unaudited interim consolidated financial statements 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, 2025.

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, 2025. Management evaluates the related estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment, as relevant, 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”) were \$52 million and \$(323) million, net of tax, for the three months ended December 31, 2025 and 2024, respectively, and \$20 million and \$(208) million, net of tax, for the six months ended December 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 as of and for the three and six months ended December 31, 2025 and 2024. Remeasurement adjustments in financial statements in a highly inflationary economy and other transactional gains and losses are reflected in earnings.

The Company enters into foreign currency forward 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 (losses) gains on foreign currency transactions of less than \$(1) million and \$25 million for the three months ended December 31, 2025 and 2024, respectively, and \$(6) million and \$44 million for the six months ended December 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 department stores, duty-free retailers, specialty multi retailers, online pure players, perfumeries and pharmacies, and salons and spas. 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.

Inventory and Promotional Merchandise

Inventory and promotional merchandise consists of the following:

(In millions)	December 31, 2025	June 30, 2025
Raw materials	\$ 534	\$ 631
Work in process	217	283
Finished goods	1,015	996
Promotional merchandise	129	164
Total inventory and promotional merchandise	\$ 1,895	\$ 2,074

Property, Plant and Equipment

Property, plant and equipment consists of the following:

(\$ in millions)	December 31, 2025	June 30, 2025
Assets (Useful Life)		
Land and improvements ⁽¹⁾	\$ 72	\$ 75
Buildings and improvements (10 to 40 years)	1,030	1,057
Machinery and equipment (3 to 20 years)	1,446	1,429
Computer hardware and software (4 to 10 years)	2,084	1,926
Furniture and fixtures (5 to 10 years)	145	145
Leasehold improvements	2,675	2,631
Construction in progress	316	462
Total property, plant and equipment, gross	7,768	7,725
Less accumulated depreciation and amortization	(4,802)	(4,553)
Total property, plant and equipment, net	\$ 2,966	\$ 3,172

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

Depreciation and amortization of property, plant and equipment was \$168 million for the three months ended December 31, 2025 and 2024, and \$338 million and \$336 million for the six months ended December 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 December 31,		Six Months Ended December 31,	
	2025	2024	2025	2024
Effective rate for income taxes	51.40 %	9.20 %	52.70 %	10.10 %
Basis-point change from the prior-year period	4,220		4,260	

For the three months ended December 31, 2025, the increase in effective tax rate was primarily attributable to the loss before income taxes and the impact of the discrete treatment of the impairment of goodwill and other intangible assets, both during the fiscal 2025 second quarter. Further contributing to the increase in the effective tax rate was the estimated unfavorable impact of the recently enacted U.S. tax legislation known as the "One Big Beautiful Bill Act", and a higher effective tax rate on the Company's foreign operations due to an unfavorable impact associated with the establishment of valuation allowances against certain net deferred tax assets, partially offset by the year-over-year favorable impact associated with previously issued stock-based compensation.

For the six months ended December 31, 2025, the increase in effective tax rate was primarily attributable to the loss before income taxes, the impact of the discrete treatment of charges associated with restructuring and other activities, the impairment of goodwill and other intangible assets, and the charge associated with the talcum litigation settlement agreements, each during the six months ended December 31, 2024. Further contributing to the increase in the effective tax rate was the estimated unfavorable impact of the recently enacted One Big Beautiful Bill Act, a higher effective tax rate on the Company's foreign operations due to an unfavorable impact associated with the establishment of valuation allowances against certain net deferred tax assets, partially offset by the year-over-year favorable impact associated with previously issued stock-based compensation.

On July 4, 2025, the One Big Beautiful Bill Act was enacted. This legislation includes significant provisions, such as the permanent extension of certain expiring provisions of the Tax Cuts and Jobs Act, modifications to the international tax framework and the restoration of certain business tax provisions. The legislation has multiple effective dates, with certain provisions becoming effective in fiscal 2026. The most impactful provision effective beginning in fiscal 2026 relates to the expansion of the business interest expense deduction limitation. The resulting increase in tax deductible interest expense reduced U.S. taxable income and increased the excess foreign tax credits generated which require a valuation allowance. The estimated unfavorable fiscal 2026 impact of the One Big Beautiful Bill Act has been included in the provision for income taxes, and the impact for the three and six months ended December 31, 2025 was \$20 million and \$28 million, respectively.

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 six months ended December 31, 2025 and was not material.

During the fiscal 2026 second quarter, the Company received notification of the formal conclusion of the compliance process with respect to its fiscal 2024 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 six months ended December 31, 2025.

As of December 31, 2025 and June 30, 2025, the gross amount of unrecognized tax benefits, exclusive of interest and penalties, totaled \$144 million and \$140 million, respectively. The total amount of unrecognized tax benefits at December 31, 2025 that, if recognized, would affect the effective tax rate was \$137 million. The total gross interest and penalties accrued related to unrecognized tax benefits for the three and six months ended December 31, 2025 in the accompanying consolidated statements of earnings (loss) was \$1 million and \$3 million, respectively. The total gross accrued interest and penalties in the accompanying consolidated balance sheets at December 31, 2025 and June 30, 2025, was \$22 million and \$19 million, respectively. On the basis of the information available as of December 31, 2025, the Company does not expect significant changes to the total amount of unrecognized tax benefits within the next twelve months.

At December 31, 2025 and June 30, 2025, total Other assets of \$1,817 million and \$1,805 million included \$1,318 million and \$1,339 million of deferred tax assets, respectively.

THE ESTÉE LAUDER COMPANIES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Supplier Finance Programs

Under its 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 \$77 million and \$82 million as of December 31, 2025 and June 30, 2025, respectively, are included in Accounts payable in the accompanying consolidated balance sheets.

Other Accrued Liabilities

Other accrued liabilities consist of the following:

(In millions)	December 31, 2025	June 30, 2025
Accrued employee compensation	\$ 481	\$ 551
Accrued income taxes	185	282
Accrued payroll and other non-income taxes	372	307
Accrued restructuring	362	279
Accrued sales incentives	343	321
Accrued selling, advertising, marketing, promotion and product development	333	287
Deferred revenue	327	314
Sales return accrual	283	255
Other	909	933
Total other accrued liabilities	<u>\$ 3,595</u>	<u>\$ 3,529</u>

Recently Issued Accounting Standards**FASB ASU No. 2025-10 – Accounting for Government Grants Received by Business Entities (Topic 832)**

In December 2025, the FASB issued authoritative guidance on the recognition, measurement, and presentation of government grants received by business entities. A government grant is defined as a transfer of a monetary asset or a tangible nonmonetary asset, other than in an exchange transaction, from a government to an entity. Government grants are recognized in earnings in the same periods that the costs for which the grant was intended to compensate are recognized. A government grant can be recognized once it is probable that both of the following conditions are met: (1) the company will comply with the conditions attached to the grant and (2) the grant will be received. The guidance differentiates between a grant related to an asset and a grant related to income, which is based on the purpose and conditions of the grant. A grant related to an asset is a government grant that is conditioned on the purchase, construction, or acquisition of an asset and is recognized on the balance sheet once the probable threshold is met and the related costs are incurred. The guidance allows companies to make an accounting policy election to use either a deferred income approach or a cost accumulation approach for recognition of a grant of an asset. A grant related to income is a government grant that does not meet the definition of a grant related to an asset and is recognized in earnings on a systematic and rational basis over the periods the related costs are recognized as expenses. The guidance allows alternative accounting policies for the financial statement presentation of a government grant, depending on the type of grant as well as new disclosure requirements for grants related to an asset and grants of tangible nonmonetary assets.

Effective for the Company: The guidance becomes effective for the Company's first quarter of fiscal 2030. The guidance can be applied on a modified prospective basis, modified retrospective basis or a full retrospective basis. Early adoption is permitted.

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

THE ESTÉE LAUDER COMPANIES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FASB ASU No. 2025-06 – Targeted Improvements to the Accounting for Internal-Use Software (Subtopic 350-40)

In September 2025, the FASB issued authoritative guidance to modernize the accounting for the costs to develop software for internal use to align better with current software development methods, such as agile programming. Capitalization of eligible costs will begin when (1) management has authorized and committed to funding the software project, and (2) it is probable that the project will be completed and the software will be used to perform the function intended. In evaluating whether it is probable the project will be completed, entities are required to consider whether there is significant uncertainty associated with the development activities of the software. The new standard does not change the types of costs that are capitalizable once the threshold for capitalization is met. Capitalization ceases when the software project is substantially complete and ready for its intended use, which typically occurs after all substantial testing is completed. Furthermore, the guidance supersedes website development costs guidance and incorporates the recognition requirements for website-specific development costs into Subtopic 350-40. The guidance clarifies that existing disclosure requirements under ASC 360 for property, plant and equipment apply to capitalized costs under the new standard, regardless of how the internal-use software is classified on the balance sheet or how it was acquired.

Effective for the Company: The guidance becomes effective for the Company's first quarter of fiscal 2029. The guidance can be applied prospectively, retrospectively or through a modified transition approach. Early adoption is permitted.

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

FASB ASU No. 2025-05 – Measurement of Credit Losses for Accounts Receivable and Contract Assets (Topic 326)

In July 2025, the FASB issued authoritative guidance related to the estimation of expected credit losses for current accounts receivable and current contract assets. The guidance allows entities to elect a practical expedient to assume that current conditions as of the balance sheet date do not change for the remaining life of the asset in the development of a reasonable and supportable forecast as part of estimating expected credit losses. Entities electing the practical expedient are still required to adjust historical loss information to reflect current conditions to the extent that historical loss information does not reflect current conditions. An entity that elects to use the practical expedient is required to disclose that fact.

Effective for the Company: The guidance becomes effective for the Company's first quarter of fiscal 2027 and is applied prospectively. Early adoption is permitted.

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

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 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 – Improvements to Income Tax Disclosures (Topic 740)

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.

THE ESTÉE LAUDER COMPANIES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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.

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.

NOTE 2 – GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill

The Company assigns goodwill at the time of acquisition to a reporting unit, which is one level below the Company's operating segments. The skin care, makeup, fragrance and hair care product categories are the Company's operating segments.

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

(In millions)	Skin Care	Makeup	Fragrance	Hair Care	Total
Balance as of June 30, 2025					
Goodwill	\$ 1,616	\$ 1,116	\$ 260	\$ 353	\$ 3,345
Accumulated impairments	(435)	(745)	(30)	—	(1,210)
	<u>1,181</u>	<u>371</u>	<u>230</u>	<u>353</u>	<u>2,135</u>
Translation adjustments, goodwill	(14)	—	—	—	(14)
Translation adjustments, accumulated impairments	16	—	—	—	16
	<u>2</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2</u>
Balance as of December 31, 2025					
Goodwill	1,602	1,116	260	353	3,331
Accumulated impairments	(419)	(745)	(30)	—	(1,194)
Total goodwill	<u>\$ 1,183</u>	<u>\$ 371</u>	<u>\$ 230</u>	<u>\$ 353</u>	<u>\$ 2,137</u>

THE ESTÉE LAUDER COMPANIES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Other Intangible Assets

Other intangible assets consist of the following:

(In millions)	December 31, 2025			June 30, 2025		
	Gross Carrying Value	Accumulated Amortization	Total Net Book Value	Gross Carrying Value	Accumulated Amortization	Total Net Book Value
Amortizable intangible assets:						
Customer lists and other	\$ 1,942	\$ 1,369	\$ 573	\$ 1,984	\$ 1,348	\$ 636
Non-amortizable intangible assets:						
Trademarks			3,123			3,123
Total other intangible assets, net			<u>\$ 3,696</u>			<u>\$ 3,759</u>

The aggregate amortization expense related to amortizable intangible assets was \$27 million and \$35 million for the three months ended December 31, 2025 and 2024, respectively, and \$53 million and \$71 million for the six months ended December 31, 2025 and 2024, respectively.

The estimated aggregate amortization expense for the remainder of fiscal 2026 and for each of the next four fiscal years is as follows:

(In millions)	Fiscal				
	2026	2027	2028	2029	2030
Estimated aggregate amortization expense	\$ 51	\$ 87	\$ 70	\$ 69	\$ 67

Impairment Analysis During the Six Months Ended December 31, 2024

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.

THE ESTÉE LAUDER COMPANIES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A summary of the impairment charges for the three and six months ended December 31, 2024 and the remaining trademark and goodwill carrying values as of December 31, 2024, for the TOM FORD brand and Too Faced reporting unit, are as follows:

(In millions)	Brand/Reporting Unit	Geographic Region	Impairment Charges ⁽¹⁾		Carrying Value	
			Three and Six Months Ended		As of December 31, 2024	
			December 31, 2024		Trademark ⁽²⁾	Goodwill
			Trademark	Goodwill	Trademark	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, subsequent to the impairment charges, are equal to their fair values.

The impairment charge related to the TOM FORD trademark intangible asset for the three and six months ended December 31, 2024 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.

As a component of the PRGP, on February 5, 2024, the Company announced a two-year restructuring program. The Company committed to this course of action on February 1, 2024.

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

In connection with the Restructuring Program, as of December 31, 2025, the Company 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 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, asset-related costs, contract terminations 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.

Additional information relating to the Company's Profit Recovery and Growth Plan and related Restructuring Program is included in *Notes to Consolidated Financial Statements, Note 8 – Charges Associated with Restructuring and Other Activities* in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2025.

THE ESTÉE LAUDER COMPANIES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Restructuring Program Approvals

Cumulative charges for initiatives approved by the Company in connection with the Restructuring Program as of December 31, 2025 and through January 30, 2026, were:

(In millions)	Sales Returns (included in Net Sales)	Cost of Sales	Operating Expenses		Total
			Restructuring Charges	Other Charges	
Total Charges (Adjustments) Approved					
Cumulative charges approved through June 30, 2025	\$ 4	\$ 10	\$ 552	\$ 114	\$ 680
Six months ended December 31, 2025	(1)	—	291	258	548
Cumulative charges approved through December 31, 2025	3	10	843	372	1,228
January 1, 2026 - January 30, 2026	2	(1)	22	(2)	21
Cumulative charges approved through January 30, 2026	\$ 5	\$ 9	\$ 865	\$ 370	\$ 1,249

Included in the above table, cumulative restructuring charges for initiatives approved by the Company in connection with the Restructuring Program as of December 31, 2025 and through January 30, 2026, by major cost type were:

(In millions)	Employee- Related Costs	Asset- Related Costs	Contract Terminations	Other Exit Costs	Total
Restructuring Charges (Adjustments) Approved					
Cumulative charges approved through June 30, 2025	\$ 512	\$ 14	\$ 3	\$ 23	\$ 552
Six months ended December 31, 2025	187	74	23	7	291
Cumulative charges approved through December 31, 2025	699	88	26	30	843
January 1, 2026 - January 30, 2026	22	1	—	(1)	22
Cumulative charges approved through January 30, 2026	\$ 721	\$ 89	\$ 26	\$ 29	\$ 865

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

- **Enterprise Business Services** – The Company approved an initiative in connection with the transformation of its global operating model to (i) consolidate certain service providers, (ii) expand outsourced services, and (iii) redesign and standardize the related end-to-end business processes, leveraging advanced technology to improve productivity. These actions will primarily result in other charges, including professional services related to the design, implementation and execution of the initiative. These charges include transition and transformation support, process design, and costs to support the global project management office for this initiative. These actions will also result in employee severance through a net reduction in workforce and contract termination charges.
- **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 asset-related costs and costs to decommission and relocate activities.
- **Enabling Function Re-Invention** – The Company approved initiatives to reorganize and right-size various corporate functions. Additionally, as a result of the reorganization and right-sizing of various areas of the organization as previously approved under the Restructuring Program, the Company approved an initiative to exit an office lease. These activities will primarily result in employee severance through a net reduction in workforce and asset-related costs.
- **Future of Brand-led Model** – The Company approved initiatives to redesign spans and layers in its marketing, creative and other functions within the brand and product category structures to make them leaner, faster and more agile. These activities will primarily result in employee severance through a net reduction in workforce.

THE ESTÉE LAUDER COMPANIES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

- **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 optimize the selling model and exit unprofitable brands from specific markets and distribution channels. These activities will primarily 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 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, as well as asset-related costs.

Once the relevant accounting criteria have been met, the Company expects to record cumulative restructuring and other charges of approximately \$1,249 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 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.

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 transition support, transformational organization design of the future structures and processes, as well as the implementation and execution 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 execution; 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.

THE ESTÉE LAUDER COMPANIES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 Charges					
Cumulative charges through June 30, 2025	\$ —	\$ 9	\$ 524	\$ 77	\$ 610
Three months ended September 30, 2025	—	(2)	72	17	87
Three months ended December 31, 2025	—	—	152	55	207
Cumulative charges through December 31, 2025	<u>\$ —</u>	<u>\$ 7</u>	<u>\$ 748</u>	<u>\$ 149</u>	<u>\$ 904</u>

Included in the above table, cumulative restructuring charges recorded by the Company in connection with the Restructuring Program as of December 31, 2025, by major cost type were:

(In millions)	Employee- Related Costs	Asset- Related Costs	Contract Terminations	Other Exit Costs	Total
Cumulative charges through June 30, 2025	\$ 503	\$ 13	\$ 3	\$ 5	\$ 524
Three months ended September 30, 2025	66	5	—	1	72
Three months ended December 31, 2025	114	15	21	2	152
Cumulative charges through December 31, 2025	<u>\$ 683</u>	<u>\$ 33</u>	<u>\$ 24</u>	<u>\$ 8</u>	<u>\$ 748</u>

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

(In millions)	Employee- Related Costs	Asset- Related Costs	Contract Terminations	Other Exit Costs	Total
Balance at June 30, 2025	\$ 369	\$ —	\$ 2	\$ —	\$ 371
Charges	180	20	21	3	224
Cash payments	(133)	—	(1)	(3)	(137)
Non-cash asset-related costs	—	(20)	—	—	(20)
Translation and other adjustments	(3)	—	1	—	(2)
Balance at December 31, 2025	<u>\$ 413</u>	<u>\$ —</u>	<u>\$ 23</u>	<u>\$ —</u>	<u>\$ 436</u>

Accrued restructuring charges at December 31, 2025 relating to the Restructuring Program are expected to result in cash expenditures funded from cash provided by operations of approximately \$214 million, \$197 million and \$25 million for the remainder of fiscal 2026 and for fiscal 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.

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. At December 31, 2025, the notional amount of derivatives not designated as hedging instruments was \$3,010 million.

THE ESTÉE LAUDER COMPANIES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Fair Value Hedges

The Company enters into interest rate contracts to manage the exposure to interest rate fluctuations on its funded indebtedness. At December 31, 2025, the Company has interest rate swap contracts, with notional amounts totaling \$700 million, \$300 million and \$600 million, to effectively convert the fixed rate interest on its 2030 Senior Notes, 2031 Senior Notes and 2034 Senior Notes, respectively, to variable interest rates based on the 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 December 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 income statement 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 income statement 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") in the accompanying consolidated balance sheet.

The estimated net gain on the Company's derivative instruments designated as fair value hedges as of December 31, 2025 that is expected to be reclassified from AOCI into earnings, net of tax, within the next twelve months is \$14 million. The accumulated net gain on derivative instruments designated as fair value hedges in AOCI was \$12 million and \$7 million as of December 31, 2025 and June 30, 2025, respectively.

Cash Flow Hedges

The Company enters into foreign currency forward 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 and receivables and payables denominated in foreign currencies have been designated as cash flow hedges and have varying maturities through the end of June 2027. Hedge effectiveness of the foreign currency forward contracts is based on the forward method, which includes forward points in the effectiveness assessment. At December 31, 2025, the Company had cash flow hedges outstanding with a notional amount totaling \$1,025 million.

For foreign currency forward 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 December 31, 2025, the Company's foreign currency forward contracts 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 loss on the Company's derivative instruments designated as cash flow hedges as of December 31, 2025 that is expected to be reclassified from AOCI into earnings, net of tax, within the next twelve months is \$18 million. The accumulated net gain (loss) on derivative instruments designated as cash flow hedges in AOCI was \$11 million and \$(13) million as of December 31, 2025 and June 30, 2025, respectively.

THE ESTÉE LAUDER COMPANIES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 November 2029. Hedge effectiveness of the net investment hedge contracts is based on the spot method. At December 31, 2025, the Company had net investment hedges outstanding with notional amounts totaling \$1,077 million.

Credit Risk

As a matter of policy, the Company only enters into derivative contracts 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 \$118 million at December 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.

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

(In millions)	Balance Sheet Location	Asset Derivatives		Liability Derivatives	
		Fair Value ⁽¹⁾		Fair Value ⁽¹⁾	
		December 31, 2025	June 30, 2025	December 31, 2025	June 30, 2025
Derivatives Designated as Hedging Instruments:					
Foreign currency forward contracts ⁽²⁾	Prepaid expenses and other current assets; Other assets	\$ 7	\$ 7	Other accrued liabilities	\$ 30
Cross-currency swap contracts ⁽³⁾	Prepaid expenses and other current assets; Other assets	107	50	Other accrued liabilities	—
Interest rate contracts	Prepaid expenses and other current assets	—	—	Other accrued liabilities	102
Total Derivatives Designated as Hedging Instruments		114	57		132
Derivatives Not Designated as Hedging Instruments:					
Foreign currency forward contracts	Prepaid expenses and other current assets	4	25	Other accrued liabilities	13
Total derivatives		\$ 118	\$ 82		\$ 145
					\$ 216

⁽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 December 31, 2025 is \$1 million, classified within Other assets in the accompanying consolidated balance sheets. There were no amounts classified in Other assets at June 30, 2025.

⁽³⁾ Included in the asset derivatives for the cross-currency swap contracts at December 31, 2025 and June 30, 2025 is approximately \$87 million and \$40 million, respectively, classified within Other assets in the accompanying consolidated balance sheets.

THE ESTÉE LAUDER COMPANIES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 December 31,			Three Months Ended December 31,	
	2025	2024		2025	2024
Derivatives in Cash Flow Hedging Relationships:					
Foreign currency forward contracts	\$ —	\$ 70	Net sales	\$ (9)	\$ 14
Interest rate contracts	—	—	Interest expense	1	1
Total cash flow hedges	—	70		(8)	15
Derivatives in Net Investment Hedging Relationships⁽²⁾:					
Foreign currency forward contracts ⁽³⁾	(2)	86		—	—
Cross-currency swap contracts ⁽⁴⁾	20	2		—	—
Total net investment hedges	18	88		—	—
Total derivatives	\$ 18	\$ 158		\$ (8)	\$ 15

⁽¹⁾ There was no amount reclassified into the accompanying consolidated statements of 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.

⁽²⁾ Included within translation adjustments as a component of AOCI on the Company's consolidated balance sheets.

⁽³⁾ For the three months ended December 31, 2025 and 2024, the gain recognized in the accompanying consolidated statements of earnings (loss) from foreign currency forward contracts related to the amount excluded from effectiveness testing was \$3 million and \$7 million, respectively.

⁽⁴⁾ For the three months ended December 31, 2025 and 2024, the gain recognized in the accompanying consolidated statements of earnings (loss) from cross-currency swap contracts related to the amount excluded from effectiveness testing was \$3 million and \$1 million, respectively.

THE ESTÉE LAUDER COMPANIES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(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⁾	
	Six Months Ended December 31,			Six Months Ended December 31,	
	2025	2024		2025	2024
Derivatives in Cash Flow Hedging Relationships:					
Foreign currency forward contracts	\$ 16	\$ 23	Net sales	\$ (9)	\$ 24
Interest rate contracts	—	—	Interest expense	1	1
Total cash flow hedges	16	23		(8)	25
Derivatives in Net Investment Hedging Relationships⁽²⁾:					
Foreign currency forward contracts ⁽³⁾	(2)	22		—	—
Cross-currency swap contracts ⁽⁴⁾	35	2		—	—
Total net investment hedges	33	24		—	—
Total derivatives	\$ 49	\$ 47		\$ (8)	\$ 25

- ⁽¹⁾ There was no amount reclassified into the accompanying consolidated statements of 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.
- ⁽²⁾ Included within translation adjustments as a component of AOCI on the Company's consolidated balance sheets.
- ⁽³⁾ For the six months ended December 31, 2025 and 2024, the gain recognized in the accompanying consolidated statements of earnings (loss) from foreign currency forward contracts related to the amount excluded from effectiveness testing was \$6 million and \$14 million, respectively.
- ⁽⁴⁾ For the six months ended December 31, 2025 and 2024, the gain recognized in the accompanying consolidated statements of earnings (loss) from cross-currency swap contracts related to the amount excluded from effectiveness testing was \$6 million and \$1 million, respectively.

(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 December 31,		Six Months Ended December 31,	
		2025	2024	2025	2024
Derivatives in Fair Value Hedging Relationships:					
Cross-currency swap contracts ⁽¹⁾	Selling, general and administrative	\$ 22	\$ 43	\$ 34	\$ (9)
Interest rate contracts ⁽²⁾	Interest expense	\$ (3)	\$ (34)	\$ 1	\$ 7

- ⁽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 the accompanying consolidated statements of earnings (loss) from cross-currency swap contracts related to the amount excluded from effectiveness testing for the three months ended December 31, 2025 and 2024 was \$4 million and \$5 million, respectively, and for each of the six months ended December 31, 2025 and 2024 was \$9 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.

THE ESTÉE LAUDER COMPANIES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Additional information regarding the cumulative amount of fair value hedging gain (loss) recognized in the accompanying consolidated statements of 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
	December 31, 2025	December 31, 2025
Long-term debt	\$ 1,488	\$ (102)
Intercompany debt	\$ —	\$ 76

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

Three Months Ended December 31,

(In millions)	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 accompanying consolidated statements of earnings (loss) in which the effects of fair value and cash flow hedges are recorded	\$ 4,229	\$ 2,627	\$ 85	\$ 4,004	\$ 2,585	\$ 90
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	3	N/A	N/A	34
Derivatives designated as hedging instruments	N/A	N/A	(3)	N/A	N/A	(34)
Gain (loss) on fair value hedge relationships – cross-currency swap contracts:						
Hedged item	N/A	(22)	N/A	N/A	(43)	N/A
Derivatives designated as hedging instruments	N/A	22	N/A	N/A	43	N/A
Gain on cash flow hedge relationships – interest rate contracts:						
Amount of gain reclassified from AOCI	N/A	N/A	1	N/A	N/A	1
Gain (loss) on cash flow hedge relationships – foreign currency forward contracts:						
Amount of (loss) gain reclassified from AOCI	(9)	N/A	N/A	14	N/A	N/A

N/A (Not applicable)

THE ESTÉE LAUDER COMPANIES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In millions)	Six Months Ended December 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 accompanying consolidated statements of earnings (loss) in which the effects of fair value and cash flow hedges are recorded	\$ 7,710	\$ 4,923	\$ 171	\$ 7,365	\$ 4,883	\$ 182
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	(1)	N/A	N/A	(7)
Derivatives designated as hedging instruments	N/A	N/A	1	N/A	N/A	7
Gain (loss) on fair value hedge relationships – cross-currency swap contracts:						
Hedged item	N/A	(34)	N/A	N/A	9	N/A
Derivatives designated as hedging instruments	N/A	34	N/A	N/A	(9)	N/A
Gain on cash flow hedge relationships – interest rate contracts:						
Amount of gain reclassified from AOCI	N/A	N/A	1	N/A	N/A	1
Gain (loss) on cash flow hedge relationships – foreign currency forward contracts:						
Amount of (loss) gain reclassified from AOCI	(9)	N/A	N/A	24	N/A	N/A

N/A (Not applicable)

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 December 31,		Six Months Ended December 31,	
		2025	2024	2025	2024
Derivatives Not Designated as Hedging Instruments:					
Foreign currency forward contracts	Selling, general and administrative	\$ 5	\$ 31	\$ 21	\$ (19)

THE ESTÉE LAUDER COMPANIES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 December 31, 2025			As of June 30, 2025		
	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 Instruments						
Derivative assets	\$ 118	\$ (34)	\$ 84	\$ 82	\$ (60)	\$ 22
Derivative liabilities	(145)	34	(111)	(216)	60	(156)
Total derivatives	\$ (27)	\$ —	\$ (27)	\$ (134)	\$ —	\$ (134)

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.

THE ESTÉE LAUDER COMPANIES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

(In millions)	Level 1	Level 2	Level 3	Total
Assets:				
Money market funds	\$ 647	\$ —	\$ —	\$ 647
Foreign currency forward contracts	—	11	—	11
Cross-currency swap contracts	—	107	—	107
Total	<u>\$ 647</u>	<u>\$ 118</u>	<u>\$ —</u>	<u>\$ 765</u>
Liabilities:				
Foreign currency forward contracts	\$ —	\$ 43	\$ —	\$ 43
Interest rate contracts	—	102	—	102
Total	<u>\$ —</u>	<u>\$ 145</u>	<u>\$ —</u>	<u>\$ 145</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, 2025:

(In millions)	Level 1	Level 2	Level 3	Total
Assets:				
Money market funds	\$ 727	\$ —	\$ —	\$ 727
Foreign currency forward contracts	—	32	—	32
Cross-currency swap contracts	—	50	—	50
Total	<u>\$ 727</u>	<u>\$ 82</u>	<u>\$ —</u>	<u>\$ 809</u>
Liabilities:				
Foreign currency forward contracts	\$ —	\$ 97	\$ —	\$ 97
Interest rate contracts	—	104	—	104
Cross-currency swap contracts	—	15	—	15
Total	<u>\$ —</u>	<u>\$ 216</u>	<u>\$ —</u>	<u>\$ 216</u>

The estimated fair values of the Company's financial instruments not measured at fair value on a recurring basis are as follows:

(In millions)	December 31, 2025		June 30, 2025	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Current and long-term debt	\$ 7,322	\$ 6,902	\$ 7,317	\$ 6,794
Deferred consideration payable	\$ 172	\$ 174	\$ 322	\$ 323

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 these 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.

NOTE 6 – REVENUE RECOGNITION

Disaggregation of net sales by the Company's geographic regions⁽¹⁾ are as follows:

(In millions)	Three Months Ended December 31,		Six Months Ended December 31,	
	2025	2024	2025	2024
The Americas	\$ 1,218	\$ 1,209	\$ 2,392	\$ 2,406
Europe, United Kingdom and Ireland and Emerging Markets ("EUKEM")	1,183	1,085	2,084	1,953
Asia/Pacific ⁽²⁾	900	888	1,773	1,694
Mainland China	928	822	1,460	1,312
	4,229	4,004	7,709	7,365
Returns associated with restructuring and other activities	—	—	1	—
Net sales	\$ 4,229	\$ 4,004	\$ 7,710	\$ 7,365

⁽¹⁾ The Company has reorganized its geographic regions, effective July 1, 2025 and has presented the information for the three and six months ended December 31, 2025 and 2024 under this new basis.

⁽²⁾ The net sales from the Company's travel retail business are included in the Asia/Pacific region.

THE ESTÉE LAUDER COMPANIES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Accounts Receivable

Accounts receivable, net is stated net of the allowance for doubtful accounts, including credit losses, and customer deductions totaling \$53 million and \$38 million as of December 31, 2025 and June 30, 2025, 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)	December 31, 2025	
Balance at June 30, 2025	\$	26
Provision for expected credit losses		14
Write-offs, net & other		—
Balance at December 31, 2025	\$	40

The remaining balance of the allowance for doubtful accounts and customer deductions of \$13 million and \$12 million as of December 31, 2025 and June 30, 2025, respectively, relates to non-credit losses, which are primarily due to customer deductions.

Deferred Revenue

Changes in deferred revenue are as follows:

(In millions)	Three Months Ended December 31,		Six Months Ended December 31,	
	2025	2024	2025	2024
Deferred revenue, beginning of period	\$ 548	\$ 567	\$ 533	\$ 560
Revenue recognized that was included in the deferred revenue balance at the beginning of the period	(103)	(107)	(230)	(255)
Revenue deferred during the period	93	104	234	258
Other	1	(2)	2	(1)
Deferred revenue, end of period	\$ 539	\$ 562	\$ 539	\$ 562

Transaction Price Allocated to the Remaining Performance Obligations

At December 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 \$327 million. The remaining balance of deferred revenue at December 31, 2025 will be recognized beyond the next twelve months, of which \$204 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 ending in fiscal 2043.

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, 2025.

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, 2025.

THE ESTÉE LAUDER COMPANIES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The components of net periodic benefit cost for the three months ended December 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	\$ 9	\$ 9	\$ 7	\$ 7	\$ —	\$ —
Interest cost	13	12	5	4	2	2
Expected return on plan assets	(13)	(12)	(6)	(6)	—	—
Amortization of:						
Actuarial loss (gain)	5	5	—	(2)	—	—
Prior service cost	—	—	(1)	—	(1)	(1)
Special termination benefits	—	—	(1)	1	—	—
Net periodic benefit cost	<u>\$ 14</u>	<u>\$ 14</u>	<u>\$ 4</u>	<u>\$ 4</u>	<u>\$ 1</u>	<u>\$ 1</u>

The components of net periodic benefit cost for the six months ended December 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	\$ 18	\$ 18	\$ 14	\$ 14	\$ —	\$ —
Interest cost	27	25	9	9	4	4
Expected return on plan assets	(26)	(25)	(13)	(13)	—	—
Amortization of:						
Actuarial loss (gain)	10	10	—	(3)	—	—
Prior service cost	—	—	(1)	—	(2)	(3)
Special termination benefits	—	—	—	1	—	—
Net periodic benefit cost	<u>\$ 29</u>	<u>\$ 28</u>	<u>\$ 9</u>	<u>\$ 8</u>	<u>\$ 2</u>	<u>\$ 1</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)	December 31, 2025	June 30, 2025
Other assets	\$ 128	\$ 128
Other accrued liabilities	(44)	(44)
Other noncurrent liabilities	(346)	(349)
Funded status	(262)	(265)
Accumulated other comprehensive loss	259	268
Net amount recognized	<u>\$ (3)</u>	<u>\$ 3</u>

THE ESTÉE LAUDER COMPANIES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8 – COMMITMENTS AND CONTINGENCIES

Contractual Obligations

During the fiscal 2026 second quarter, the Company entered into a contract in connection with the transformation of its operating model, as part of its PRGP Enterprise Business Services initiative, as further described in *Note 3 – Charges Associated with Restructuring and Other Activities*. This contract is intended to drive productivity and savings. As of December 31, 2025, this contract is expected to increase our unconditional purchase obligations through fiscal 2033 by approximately \$1,600 million. The amounts expected to be paid under the contract may vary from this amount based on future variability in the pricing model and performance by the vendor under the contract.

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.

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.

Refer below for the assessment of loss contingencies associated with the Company's Securities Class Action and Derivative Matters and Cosmetic Talcum Powder Matters.

Management believes that the outcome of all remaining current litigation and other legal proceedings will not have a material adverse effect upon the Company's business, results of operations, financial condition or cash flows. Reasonably possible losses in addition to the amounts accrued for the Company's remaining litigation and legal proceedings are not expected to be material to the Company's consolidated financial statements. However, management's assessment of the Company's current litigation and other legal proceedings, including the Securities Class Action and Derivative Matters and Cosmetic Talcum Powder Matters, 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.

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 as of those dates, 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.

THE ESTÉE LAUDER COMPANIES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In fiscal 2025, on May 8, 2025, two additional stockholder derivative action complaints were filed in the United States District Court for the Southern District of New York against certain of the Company's current and former officers and directors alleging breach of fiduciary duty and unjust enrichment from the sale of stock by certain individual defendants during the time period surrounding the allegations of false and misleading statements in the purported securities class action described above. Then, on June 23, 2025, another stockholder derivative action complaint was filed in the Supreme Court of the State of New York in Kings County against certain of the Company's current and former officers and directors, also alleging breach of fiduciary duty and unjust enrichment as well as claims of waste, gross mismanagement and insider trading.

In fiscal 2026, on September 15, 2025 and September 26, 2025, two additional stockholder derivative action complaints were filed in Delaware Chancery Court against certain of the Company's current and former officers and directors, also alleging breach of fiduciary duty and unjust enrichment as well as claims of waste, gross mismanagement and insider trading. One of those complaints was voluntarily dismissed and refiled on November 11, 2025, by the proper shareholder. On November 11, 2025 and November 12, 2025, two additional stockholder derivative action complaints were filed in Delaware Chancery Court against certain of the Company's current and former officers and directors, also alleging breach of fiduciary duty and unjust enrichment as well as claims of waste, gross mismanagement and insider trading.

The Company believes that it is not possible at this time to reasonably assess the outcome of these matters or to estimate the loss or range of losses, if any.

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 December 31, 2025, there were 105 individual cases pending against the Company in state and federal courts throughout the United States, as compared to 84 cases as of June 30, 2025. During the six months ended December 31, 2025, 41 new cases were filed and 20 cases were resolved by settlement or voluntary dismissal.

In view of the number of cases pending against the Company at June 30, 2024, as well as the evolution of the litigation landscape and expectations regarding future claims at that time, the Company took action from the end of August 2024 through October 2024 to mitigate its future exposure. During that period, 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 were based on the best estimate of the probable loss at that time, and actual additional charges and any further reasonably possible losses beyond the amounts recorded during the three months ended September 30, 2024 has not been and is not expected to be material). As of December 31, 2025, \$24 million is recorded in Other accrued liabilities and \$73 million is recorded in Other noncurrent liabilities in the accompanying consolidated balance sheet related to the talcum litigation settlement agreements.

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 six months ended December 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, as needed, for a small number of individual cases that have advanced to the later stages of legal proceedings. For the remaining filed cases, the Company records an estimate of exposure loss on an aggregated and ongoing basis, which takes into account the historical outcomes of cases the Company has 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 six months ended December 31, 2025 and 2024 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 for cosmetic talcum matters, outside of the talcum litigation settlement agreements.

THE ESTÉE LAUDER COMPANIES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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. Amounts received to date have not been material.

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, 2025.

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") and performance share units ("PSUs"). Compensation expense attributable to net stock-based compensation was \$94 million and \$106 million for the three months ended December 31, 2025 and 2024, respectively, and was \$182 million and \$180 million for the six months ended December 31, 2025 and 2024, respectively.

Stock Options

During the six months ended December 31, 2025, the Company granted stock options in respect of approximately 1.2 million shares of Class A Common Stock with a weighted average exercise price per share of \$91.71 and a weighted average grant date fair value per share of \$34.84. 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 six months ended December 31, 2025, the Company granted RSUs in respect of approximately 3.5 million shares of Class A Common Stock with a weighted average grant date fair value per share of \$91.66 that, at the time of grant, are scheduled to vest at 1.2 million, 1.5 million and 0.8 million shares per year, in fiscal 2027, fiscal 2028 and fiscal 2029, 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.

Included in the above are one-time awards granted in the first quarter of fiscal 2026, in respect of approximately 0.5 million shares of Class A Common Stock scheduled to cliff vest in fiscal 2028 with a weighted average grant-date fair value per share of \$91.77 made under the PRGP Incentive Program which was implemented in an effort to incentivize and retain leaders who are critical to the success of the PRGP.

Performance Share Units

For the PSUs granted in fiscal 2023 with a performance period ended June 30, 2025, 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.

Long-term Performance Share Units

On September 2, 2025, the Company issued 68,578 shares of the Company's Class A Common Stock to its former Chief Executive Officer in accordance with the terms of PSUs granted in March 2021. The total fair value of PSUs at the time of issuance was \$6.2 million.

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

Long-term Price-Vested Units

On September 2, 2025, the Company issued 85,927 shares of the Company's Class A Common Stock to its former Chief Executive Officer in accordance with the terms of price-vested unit awards ("PVUs") granted in March 2021. The total fair value of PVUs at the time of issuance was \$7.7 million.

THE ESTÉE LAUDER COMPANIES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10 – NET EARNINGS (LOSS) PER COMMON SHARE

Net earnings (loss) per common share (“basic EPS”) is computed by dividing net earnings (loss) 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) per common share assuming dilution (“diluted EPS”) is computed by reflecting potential dilution from stock-based awards using the treasury stock method. For the three and six months ended December 31, 2024, 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 December 31,		Six Months Ended December 31,	
	2025	2024	2025	2024
Numerator:				
Net earnings (loss)	\$ 162	\$ (590)	\$ 209	\$ (746)
Denominator:				
Weighted average common shares outstanding – Basic	362.1	360.0	361.7	359.8
Effect of dilutive stock options	0.1	—	0.1	—
Effect of PSUs	—	—	—	—
Effect of RSUs	2.6	—	2.4	—
Weighted average common shares outstanding – Diluted	364.8	360.0	364.2	359.8
Net earnings (loss) per common share:				
Basic	\$.45	\$ (1.64)	\$.58	\$ (2.07)
Diluted	\$.44	\$ (1.64)	\$.57	\$ (2.07)

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 December 31,		Six Months Ended December 31,	
	2025	2024	2025	2024
Stock options	7.9	8.5	8.2	8.1
RSUs and PSUs	—	2.9	0.4	2.1

As of December 31, 2025 and 2024, 0.5 million and 0.6 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 19 – Stock Programs* in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2025.

THE ESTÉE LAUDER COMPANIES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11 – EQUITY*Total Stockholders' Equity*

	Three Months Ended December 31,		Six Months Ended December 31,	
	2025	2024	2025	2024
(In millions, except per share data)				
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	7,141	6,778	7,012	6,685
Common stock dividends	1	1	4	4
Stock-based compensation	103	110	229	200
Paid-in capital, end of the period	<u>7,245</u>	<u>6,889</u>	<u>7,245</u>	<u>6,889</u>
Retained earnings, beginning of the period	11,591	13,031	11,672	13,427
Common stock dividends	(129)	(128)	(257)	(368)
Net earnings (loss)	162	(590)	209	(746)
Retained earnings, end of the period	<u>11,624</u>	<u>12,313</u>	<u>11,624</u>	<u>12,313</u>
Accumulated other comprehensive loss, beginning of the period	(1,141)	(1,057)	(1,127)	(1,140)
Other comprehensive earnings (loss)	61	(284)	47	(201)
Accumulated other comprehensive loss, end of the period	<u>(1,080)</u>	<u>(1,341)</u>	<u>(1,080)</u>	<u>(1,341)</u>
Treasury stock, beginning of the period	(13,707)	(13,674)	(13,698)	(13,664)
Stock-based compensation	(57)	(24)	(66)	(34)
Treasury stock, end of the period	<u>(13,764)</u>	<u>(13,698)</u>	<u>(13,764)</u>	<u>(13,698)</u>
Total equity	<u>\$ 4,031</u>	<u>\$ 4,169</u>	<u>\$ 4,031</u>	<u>\$ 4,169</u>
Cash dividends declared per common share	<u>\$.35</u>	<u>\$.35</u>	<u>\$.70</u>	<u>\$ 1.01</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 six months ended December 31, 2025:

Date Declared	Record Date	Payable Date	Amount per Share	
August 19, 2025	September 2, 2025	September 16, 2025	\$.35
October 29, 2025	November 28, 2025	December 15, 2025	\$.35

On February 4, 2026, 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 March 16, 2026 to stockholders of record at the close of business on February 27, 2026.

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.

During the six months ended December 31, 2025, 11.0 million shares of the Company's Class B Common Stock were converted into the same amount of shares of the Company's Class A Common Stock.

Accumulated Other Comprehensive Loss

The following table represents changes in accumulated other comprehensive loss, net of tax, by component for the three and six months ended December 31, 2025:

(In millions)	Net Cash Flow Hedge Gain (Loss)	Cross-Currency Swap Contracts - Fair Value Hedge Gain⁽¹⁾	Amounts Included in Net Periodic Benefit Cost	Translation Adjustments	Total
Balance at June 30, 2025	\$ (11)	\$ 6	\$ (204)	\$ (918)	\$ (1,127)
OCI before reclassifications ⁽²⁾	13	6	—	(32)	(13)
Amounts reclassified to Net earnings	—	(4)	3	—	(1)
Net current-period OCI	13	2	3	(32)	(14)
Balance at September 30, 2025	2	8	(201)	(950)	(1,141)
OCI before reclassifications ⁽²⁾	(1)	5	1	50 ⁽³⁾	55
Amounts reclassified to Net earnings	6	(3)	3	—	6
Net current-period OCI	5	2	4	50	61
Balance at December 31, 2025	\$ 7	\$ 10	\$ (197)	\$ (900)	\$ (1,080)

⁽¹⁾ The gain recognized in AOCI, net of tax from cross-currency swap contracts represents the amount excluded from effectiveness testing.

⁽²⁾ The tax provision included in Net Cash Flow Hedge Gain (Loss), Cross-Currency Swap Contracts - Fair Value Hedge Gain and Translation Adjustments for the three months ended September 30, 2025 was \$3 million, \$2 million and \$5 million, respectively. For the three months ended December 31, 2025, the tax provision included in Net Cash Flow Hedge Gain (Loss), Cross-Currency Swap Contracts - Fair Value Hedge Gain, Amounts Included in Net Periodic Benefit Cost and Translation Adjustments was \$1 million, \$1 million, \$1 million and \$4 million, respectively.

⁽³⁾ See Note 4 – Derivative Financial Instruments for gains (losses) relating to net investment hedges.

THE ESTÉE LAUDER COMPANIES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following table represents the effects of reclassification adjustments from AOCI into net earnings (loss) for the three and six months ended December 31, 2025 and 2024:

(In millions)	Amount Reclassified from AOCI				Affected Line Item in Consolidated Statements of Earnings (Loss)
	Three Months Ended December 31,		Six Months Ended December 31,		
	2025	2024	2025	2024	
(Loss) Gain on Cash Flow Hedges					
Foreign currency forward contracts	\$ (9)	\$ 14	\$ (9)	\$ 24	Net sales
Interest rate contracts	1	1	1	1	Interest expense
Total (loss) gain on cash flow hedges, before tax	(8)	15	(8)	25	
Benefit (provision) for income taxes	2	(3)	2	(6)	Provision (benefit) for income taxes
Total (loss) gain on cash flow hedges, net of tax	(6)	12	(6)	19	Net earnings (loss)
Gain on Cross-Currency Swap Contracts - Fair Value Hedge					
Cross-currency swap contracts	4	5	9	9	Selling, general and administrative
Provision for income taxes	(1)	(1)	(2)	(2)	Provision (benefit) for income taxes
Total gain on cross-currency swap contracts - fair value hedge, net of tax	3	4	7	7	Net earnings (loss)
Retirement Plan and Other Retiree Benefit Adjustments					
Amortization of prior service cost	2	1	3	3	Other components of net periodic benefit cost
Amortization of actuarial loss	(5)	(3)	(10)	(7)	Other components of net periodic benefit cost
Total retirement plan and other retiree benefit adjustments, before tax	(3)	(2)	(7)	(4)	Other components of net periodic benefit cost
Benefit for income taxes	—	1	1	1	Provision (benefit) for income taxes
Total retirement plan and other retiree benefit adjustments, net of tax	(3)	(1)	(6)	(3)	Net earnings (loss)
Total reclassification adjustments, net	\$ (6)	\$ 15	\$ (5)	\$ 23	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 six months ended December 31, 2025 and 2024 is as follows:

(In millions)	2025	2024
Cash:		
Cash paid during the period for interest	\$ 168	\$ 179
Cash paid during the period for income taxes	\$ 295	\$ 327
Non-cash investing and financing activities:		
Property, plant and equipment accrued but unpaid	\$ 25	\$ 24
Right-of-use assets obtained in exchange for new/modified operating lease liabilities	\$ 226	\$ 311

NOTE 13 – SEGMENT DATA AND RELATED INFORMATION

Operating segments include components of an enterprise for which separate financial information is available that are regularly reviewed by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Although the Company operates in one business segment, beauty products, the chief operating decision maker evaluates performance based on its four major product categories: skin care, makeup, fragrance and hair care. These product categories meet the definition of operating and reportable segments and, accordingly, additional financial data is provided below. Royalty revenue associated with the license of the TOM FORD trademark as well as sales and related results of ancillary products and services that do not fit within the Company's definitions of skin care, makeup, fragrance and hair care are included in the other category.

Segment net sales and operating income (loss) is before the impacts of restructuring and other activities and the impacts from the other category described above. Returns and charges associated with restructuring and other activities are not allocated to the Company's segments because they are centrally directed and controlled, are not included in internal measures of segment performance and result from activities that are deemed Company-wide initiatives to redesign, resize and reorganize select areas of the business.

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 operating decision maker or included herein.

THE ESTÉE LAUDER COMPANIES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Information about the Company's four operating segments for the three and six months ended December 31, 2025 and 2024 is as follows:

(In millions)	Three Months Ended December 31, 2025				Total
	Skin Care	Makeup	Fragrance	Hair Care	
Net sales					\$ 4,229
Less: Other category net sales					31
Less: Returns associated with restructuring and other activities					—
Segment net sales	\$ 2,054	\$ 1,164	\$ 812	\$ 168	\$ 4,198
Cost of sales	471	296	173	39	979
Selling, general and administrative expenses	1,129	850	534	111	2,624
Segment operating income	\$ 454	\$ 18	\$ 105	\$ 18	\$ 595
Other category operating income					13
Charges associated with restructuring and other activities					(207)
Operating income					401
Reconciliation to earnings before income taxes:					
Interest expense					(85)
Interest income and investment income, net					21
Other components of net periodic benefit cost					(4)
Earnings before income taxes					\$ 333
Segment depreciation and amortization	\$ 96	\$ 54	\$ 38	\$ 8	\$ 196
Other category					1
Depreciation and amortization					\$ 197

THE ESTÉE LAUDER COMPANIES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In millions)	Three Months Ended December 31, 2024				
	Skin Care	Makeup	Fragrance	Hair Care	Total
Net sales					\$ 4,004
Less: Other category net sales					30
Less: Returns associated with restructuring and other activities					—
Segment net sales	\$ 1,921	\$ 1,150	\$ 744	\$ 159	\$ 3,974
Cost of sales	462	280	159	41	942
Selling, general and administrative expenses	1,153	823	482	121	2,579
Impairment of goodwill and other intangible assets	—	258	549	—	807
Segment operating income (loss)	\$ 306	\$ (211)	\$ (446)	\$ (3)	\$ (354)
Other category operating loss					(45)
Charges associated with restructuring and other activities					(181)
Operating loss					(580)
Reconciliation to loss before income taxes:					
Interest expense					(90)
Interest income and investment income, net					23
Other components of net periodic benefit cost					(3)
Loss before income taxes					<u>\$ (650)</u>
Segment depreciation and amortization	\$ 99	\$ 59	\$ 39	\$ 8	\$ 205
Other category					2
Depreciation and amortization					<u>\$ 207</u>

THE ESTÉE LAUDER COMPANIES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In millions)	Six Months Ended December 31, 2025				
	Skin Care	Makeup	Fragrance	Hair Care	Total
Net sales					\$ 7,710
Less: Other category net sales					56
Less: Returns associated with restructuring and other activities					1
Segment net sales	\$ 3,629	\$ 2,194	\$ 1,533	\$ 297	\$ 7,653
Cost of sales	890	576	353	75	1,894
Selling, general and administrative expenses	2,098	1,615	989	216	4,918
Segment operating income	\$ 641	\$ 3	\$ 191	\$ 6	\$ 841
Other category operating income					22
Charges associated with restructuring and other activities					(293)
Operating income					570
Reconciliation to earnings before income taxes:					
Interest expense					(171)
Interest income and investment income, net					51
Other components of net periodic benefit cost					(8)
Earnings before income taxes					\$ 442
Segment depreciation and amortization	\$ 187	\$ 113	\$ 79	\$ 15	\$ 394
Other category					3
Depreciation and amortization					\$ 397

THE ESTÉE LAUDER COMPANIES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In millions)	Six Months Ended December 31, 2024				
	Skin Care	Makeup	Fragrance	Hair Care	Total
Net sales					\$ 7,365
Less: Other category net sales					55
Less: Returns associated with restructuring and other activities					—
Segment net sales	\$ 3,450	\$ 2,188	\$ 1,374	\$ 298	\$ 7,310
Cost of sales	886	575	308	81	1,850
Selling, general and administrative expenses	2,141	1,592	903	238	4,874
Impairment of goodwill and other intangible assets	—	258	549	—	807
Other segment items⁽¹⁾	—	159	—	—	159
Segment operating income (loss)	\$ 423	\$ (396)	\$ (386)	\$ (21)	\$ (380)
Other category operating loss					(34)
Charges associated with restructuring and other activities					(287)
Operating loss					(701)
Reconciliation to loss before income taxes:					
Interest expense					(182)
Interest income and investment income, net					58
Other components of net periodic benefit cost					(5)
Loss before income taxes					\$ (830)
Segment depreciation and amortization	\$ 195	\$ 123	\$ 77	\$ 17	\$ 412
Other category					3
Depreciation and amortization					\$ 415

⁽¹⁾ Other segment items include Talcum litigation settlement agreements

THE ESTÉE LAUDER COMPANIES INC.
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.
RESULTS OF OPERATIONS

The Estée Lauder Companies Inc. is one of the world's leading manufacturers, marketers and sellers of quality skin care, makeup, fragrance and hair care products. We are a steward of over 20 luxury and prestige brands globally. Our products are sold in approximately 150 countries and territories. We operate as a wholesaler, with our products sold in brick-and-mortar locations and on various e-commerce platforms, including those operated by department stores, duty-free retailers, specialty-multi retailers, online pure players, upscale perfumeries and pharmacies, and top-tier salons and spas. Additionally, we operate a direct-to-consumer business across freestanding stores, our brands' websites and third-party online platforms.

	Three Months Ended December 31,				Six Months Ended December 31,			
	2025		2024		2025		2024	
	\$	%	\$	%	\$	%	\$	%
Net sales	\$ 4,229	100.0 %	\$ 4,004	100.0 %	\$ 7,710	100.0 %	\$ 7,365	100.0 %
Cost of sales	994	23.5	957	23.9	1,921	24.9	1,885	25.6
Gross profit	3,235	76.5	3,047	76.1	5,789	75.1	5,480	74.4
Operating expenses:								
Selling, general and administrative	2,627	62.1	2,585	64.6	4,923	63.9	4,883	66.3
Restructuring and other charges	207	4.9	181	4.5	296	3.8	278	3.8
Impairment of goodwill and other intangible assets	—	—	861	21.5	—	—	861	11.7
Talcum litigation settlement agreements	—	—	—	—	—	—	159	2.2
Total operating expenses	2,834	67.0	3,627	90.6	5,219	67.7	6,181	83.9
Operating income (loss)	401	9.5	(580)	(14.5)	570	7.4	(701)	(9.5)
Interest expense	85	2.0	90	2.2	171	2.2	182	2.5
Interest income and investment income, net	21	0.5	23	0.6	51	0.7	58	0.8
Other components of net periodic benefit cost	4	0.1	3	0.1	8	0.1	5	0.1
Earnings (loss) before income taxes	333	7.9	(650)	(16.2)	442	5.7	(830)	(11.3)
Provision (benefit) for income taxes	171	4.0	(60)	(1.5)	233	3.0	(84)	(1.1)
Net earnings (loss)	\$ 162	3.8 %	\$ (590)	(14.7)%	\$ 209	2.7 %	\$ (746)	(10.1)%

Not adjusted for differences caused by rounding

The following table is a comparative summary of operating results for the three and six months ended December 31, 2025 and 2024, for our product categories and geographic regions and reflects the basis of presentation described in *Notes to Consolidated Financial Statements, Note 1 – Summary of Significant Accounting Policies* and *Note 13 – Segment Data and Related Information*, for our product categories that meet the definition of reportable segments, for all periods presented. Royalty revenue from license arrangements, and products and services that do not fit within our definitions of skin care, makeup, fragrance and hair care have been included in the “other” category.

THE ESTÉE LAUDER COMPANIES INC.

(In millions)	Three Months Ended December 31,		Six Months Ended December 31,	
	2025	2024	2025	2024
NET SALES				
By Product Category:				
Skin Care	\$ 2,054	\$ 1,921	\$ 3,629	\$ 3,450
Makeup	1,164	1,150	2,194	2,188
Fragrance	812	744	1,533	1,374
Hair Care	168	159	297	298
Other	31	30	56	55
	<u>4,229</u>	<u>4,004</u>	<u>7,709</u>	<u>7,365</u>
Returns associated with restructuring and other activities	—	—	1	—
Net sales	<u>\$ 4,229</u>	<u>\$ 4,004</u>	<u>\$ 7,710</u>	<u>\$ 7,365</u>
By Geographic Region⁽¹⁾:				
The Americas	\$ 1,218	\$ 1,209	\$ 2,392	\$ 2,406
Europe, United Kingdom and Ireland and Emerging Markets ("EUKEM")	1,183	1,085	2,084	1,953
Asia/Pacific	900	888	1,773	1,694
Mainland China	928	822	1,460	1,312
	<u>4,229</u>	<u>4,004</u>	<u>7,709</u>	<u>7,365</u>
Returns associated with restructuring and other activities	—	—	1	—
Net sales	<u>\$ 4,229</u>	<u>\$ 4,004</u>	<u>\$ 7,710</u>	<u>\$ 7,365</u>
OPERATING INCOME (LOSS)				
By Product Category:				
Skin Care	\$ 454	\$ 306	\$ 641	\$ 423
Makeup	18	(211)	3	(396)
Fragrance	105	(446)	191	(386)
Hair Care	18	(3)	6	(21)
Other	13	(45)	22	(34)
	<u>608</u>	<u>(399)</u>	<u>863</u>	<u>(414)</u>
Charges associated with restructuring and other activities	(207)	(181)	(293)	(287)
Operating income (loss)	<u>\$ 401</u>	<u>\$ (580)</u>	<u>\$ 570</u>	<u>\$ (701)</u>
By Geographic Region⁽¹⁾⁽²⁾:				
The Americas	\$ 104	\$ (771)	\$ 191	\$ (856)
EUKEM	156	145	162	155
Asia/Pacific	200	152	350	228
Mainland China	148	75	160	59
	<u>608</u>	<u>(399)</u>	<u>863</u>	<u>(414)</u>
Charges associated with restructuring and other activities	(207)	(181)	(293)	(287)
Operating income (loss)	<u>\$ 401</u>	<u>\$ (580)</u>	<u>\$ 570</u>	<u>\$ (701)</u>

⁽¹⁾ The net sales and operating results from the Company's travel retail business are included in the Asia/Pacific region.

⁽²⁾ Operating results by geographic region for the fiscal 2025 second quarter (quarter-to-date period) have been adjusted to reflect the correction of a regional misclassification in the amounts furnished in the Form 8-K on October 2, 2025 related to a one-time charge during the fiscal 2025 first quarter. The misclassification was offset in the fiscal 2025 first quarter furnished amounts, and the adjusted amounts were reflected in the fiscal 2026 first quarter Form 10-Q. No other periods were impacted and there is no impact on the consolidated financial results or results by product category.

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 ESTÉE LAUDER COMPANIES INC.

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.

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, inclusive of potential sales returns, 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 56 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 prior-year monthly average foreign currency exchange rates and adjusting for the period-over-period impact of foreign currency cash flow hedging activities.

Outlook

We have experienced challenges within our business and we expect volatility and uncertainty to continue. Although there are signs of stabilization in Mainland China, challenges persist in Western Europe, including subdued sentiment. Within our Asia travel retail business, we continue to experience volatility, including the incremental transitory headwind from the change of duty-free retailers servicing the Beijing and Shanghai airports, including the related online businesses. Additionally, within the United States we continue to experience headwinds from challenges in department stores, including the recent announcement of a retailer bankruptcy. We continue to monitor and assess the impact that these challenges may have on 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 have implemented and are continuing to implement and consider additional mitigation measures. Our strategy remains optimizing our global supply chain network, by sourcing and manufacturing in the geography of sale where feasible. We also continue to leverage trade programs where available and monitor for additional opportunities as countries continue to update their trade programs. We continue to anticipate higher tariff rates to have an adverse effect on fiscal 2026 profitability and cash flows, and depending on actual rates and countries imposing tariffs such adverse impacts could be material.

THE ESTÉE LAUDER COMPANIES INC.

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 product categories, brands, geographic regions, 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, as previously announced we have embarked on "Beauty Reimagined," a strategic vision which focuses on accelerating best-in-class consumer coverage, creating transformative innovation, boosting consumer-facing investments, fueling sustainable growth through bold efficiencies and reimagining the way we work, including through the expansion of the Profit Recovery and Growth Plan ("PRGP") during the fiscal 2025 third quarter, 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. 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.

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. We are continuing to monitor and evaluate the potential impact of incorporating the global minimum tax in additional countries that have yet to enact the legislation.

On July 4, 2025, new U.S. tax legislation was enacted known as the "One Big Beautiful Bill Act". This legislation includes significant provisions, such as the permanent extension of certain expiring provisions of the Tax Cuts and Jobs Act, modifications to the international tax framework and the restoration of certain business tax provisions. The legislation has multiple effective dates, and we are continuing to evaluate the potential impact of the provisions that are expected to be effective in future fiscal years.

Our ability to recognize deferred tax assets, inclusive of utilizing net operating loss carryforwards, tax credits, and other carryforwards is dependent on the generation of sufficient taxable income in future periods. Accordingly, there can be no assurance that additional valuation allowances on our deferred tax assets will not be required should our financial performance be negatively impacted in the future. Such valuation allowance could be material.

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.

As a component of the PRGP, on February 5, 2024, we announced a two-year restructuring program. We committed to this course of action on February 1, 2024.

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

THE ESTÉE LAUDER COMPANIES INC.

In connection with the Restructuring Program, as of December 31, 2025 we 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 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, asset-related costs, contract terminations 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 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.

NET SALES

(\$ in millions)	Three Months Ended December 31,		Six Months Ended December 31,	
	2025	2024	2025	2024
As Reported:				
Net sales	\$ 4,229	\$ 4,004	\$ 7,710	\$ 7,365
\$ Change from prior-year period	225		345	
% Change from prior-year period	6 %		5 %	
Non-GAAP Financial Measure⁽¹⁾:				
% Change from prior-year period in constant currency	4 %		3 %	

⁽¹⁾ See “Reconciliations of Non-GAAP Financial Measures” beginning on page 56 for reconciliations between non-GAAP financial measures and the most directly comparable U.S. GAAP measures.

Reported net sales increased across all product categories for the three and six months ended December 31, 2025, with the exception of hair care, which remained virtually flat, for the six months ended December 31, 2025. The increase in net sales in both periods was primarily driven by the skin care and fragrance product categories.

By geographic region, reported net sales increased across all geographic regions for the three and six months ended December 31, 2025, with the exception of The Americas, for the six months ended December 31, 2025. The increase in net sales for the three and six months ended December 31, 2025 was primarily driven by Mainland China and EUKEM, and the increase in net sales for the six months ended December 31, 2025 was also driven by Asia/Pacific.

Reported net sales were impacted by approximately \$74 million and \$99 million of favorable foreign currency translation for the three and six months ended December 31, 2025, respectively.

Reported net sales increased 6% for the three months ended December 31, 2025, driven by the increase from volume of 3%, the favorable impact from foreign currency translation of 2% and the increase from pricing of 1%, reflecting the favorable impact from strategic price actions, partially offset by changes in mix.

Reported net sales increased 5% for the six months ended December 31, 2025, driven by the increase from volume of 2%, the increase from pricing of 1%, reflecting the favorable impact from strategic price actions and changes in mix, and the favorable impact from foreign currency translation of 1%.

THE ESTÉE LAUDER COMPANIES INC.

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 a Company-wide initiative to redesign, resize and reorganize select areas of the business. Accordingly, the following discussions of Net sales by *Product Categories* and *Geographic Regions* exclude the impacts of return adjustments associated with restructuring and other activities of \$1 million for the six months ended December 31, 2025. There were no returns associated with restructuring and other activities for the three months ended December 31, 2025 and the three and six months ended December 31, 2024.

Product Categories

Reported net sales for our product categories for the three and six months ended December 31, 2025 and 2024 were as follows:

(\$ in millions)	Three Months Ended December 31,					Six Months Ended December 31,				
	2025	2024	\$ Change	% Change	% Change in Constant Currency ⁽¹⁾	2025	2024	\$ Change	% Change	% Change in Constant Currency ⁽¹⁾
Skin Care	\$ 2,054	\$ 1,921	\$ 133	7 %	6 %	\$ 3,629	\$ 3,450	\$ 179	5 %	4 %
Makeup	1,164	1,150	14	1	(1)	2,194	2,188	6	—	(1)
Fragrance	812	744	68	9	6	1,533	1,374	159	12	10
Hair Care	168	159	9	6	5	297	298	(1)	—	(1)
Other	31	30	1	3	3	56	55	1	2	2
	4,229	4,004	225	6	4	7,709	7,365	344	5	3
Returns associated with restructuring and other activities	—	—	—	—	—	1	—	1	100	100
Net sales	\$ 4,229	\$ 4,004	\$ 225	6 %	4 %	\$ 7,710	\$ 7,365	\$ 345	5 %	3 %

⁽¹⁾ See “Reconciliations of Non-GAAP Financial Measures” beginning on page 56 for reconciliations between non-GAAP financial measures and the most directly comparable U.S. GAAP measures.

Skin Care

Reported skin care net sales increased \$133 million, or 7%, and \$179 million, or 5%, for the three and six months ended December 31, 2025, respectively, reflecting higher net sales from La Mer, Estée Lauder and The Ordinary, combined, of approximately \$153 million and \$214 million, for the respective periods.

Net sales from La Mer increased in both periods, primarily reflecting higher net sales in Mainland China and in our Asia travel retail business. The increase in net sales in Mainland China was primarily driven by growth attributable to key shopping moments and holiday, reflecting the benefits from key campaigns to drive sales. The increase in net sales in our Asia travel retail business was primarily attributable to the low net sales base in the prior-year periods which reflected (i) the challenging retail environment, including low consumer sentiment and conversion from Chinese consumers, as well as (ii) our prior-year efforts to improve in-trade inventory levels. These increases in our Asia travel retail business were partially offset by impacts associated with the transitory headwind from the change of duty-free retailers servicing the Beijing and Shanghai airports, including the related online businesses.

Net sales from Estée Lauder increased in both periods, primarily driven by higher net sales in Mainland China and in our Asia travel retail business, reflecting the aforementioned growth as discussed above for La Mer. Also contributing to the increase in net sales in Mainland China for Estée Lauder was the impact from new product launches which benefited the growth during key shopping moments and holiday.

The increase in net sales from The Ordinary in both periods primarily reflected targeted expanded consumer reach.

Skin care net sales were impacted by approximately \$27 million and \$34 million of favorable foreign currency translation for the three and six months ended December 31, 2025, respectively.

THE ESTÉE LAUDER COMPANIES INC.

Reported skin care net sales increased 7% for the three months ended December 31, 2025, driven by the increase from volume of 4%, the increase from pricing of 2%, reflecting the favorable impact from strategic pricing actions and changes in mix, and the favorable impact from foreign currency translation of 1%.

Reported skin care net sales increased 5% for the six months ended December 31, 2025, driven by the increase from pricing of 2%, reflecting the favorable impact from strategic pricing actions and changes in mix, the increase from volume of 2% and the favorable impact from foreign currency translation of 1%.

Makeup

Reported makeup net sales increased slightly for the three and six months ended December 31, 2025, increasing by \$14 million, or 1%, and \$6 million, or less than 1%, respectively, including the favorable impact of foreign currency translation of 2% in both periods. The increase in makeup net sales reflected higher net sales from M·A·C and Clinique in both periods, combined, of approximately \$50 million and \$53 million, respectively.

The increase in net sales from M·A·C in both periods reflects higher net sales from shipments to support the launch of the brand in select U.S. Sephora locations as well as online and in Sephora at Kohl's expected in the March 2026, as well as higher net sales in the lip subcategory, driven by the success of Lip Pencil and Lipglass Air. Net sales from Clinique increased in both periods, reflecting higher net sales in the face and eye subcategories.

Partially offsetting the makeup net sales increase for the three months ended December 31, 2025 were lower net sales from Estée Lauder, primarily driven by the impact of estimated returns for the existing Double Wear Stay-in-Place Long-Wear Matte Foundation in advance of the February 2026 launch of its next-generation of Double Wear matte innovation.

Partially offsetting the makeup net sales increase for the six months ended December 31, 2025 were lower net sales from Estée Lauder, Bobbi Brown Cosmetics and Too Faced, combined, of approximately \$46 million. The decrease in net sales from Estée Lauder was primarily driven by the aforementioned impact of estimated returns as discussed above. The decrease in net sales from Bobbi Brown was primarily driven by lower net sales in the face subcategory reflecting the unfavorable year-over-year impact of new product launch shipments and lower net sales in the eye subcategory reflecting a reduction in color palettes. Net sales from Too Faced decreased, reflecting lower net sales in the face and eye subcategories.

Makeup net sales were impacted by approximately \$26 million and \$36 million of favorable foreign currency translation for the three and six months ended December 31, 2025, respectively.

Reported makeup net sales increased 1% for the three months ended December 31, 2025, driven by the increase from volume of 4% and the favorable impact from foreign currency translation of 2%. Partially offsetting these increases was the decrease from pricing of 5%, reflecting changes in mix partially offset by the favorable impact from strategic pricing actions.

Reported makeup net sales increased slightly, less than 1%, for the six months ended December 31, 2025, driven by the increase from volume of 2% and the favorable impact from foreign currency translation of 2%. Largely offsetting these increases was the decrease from pricing of 3%, reflecting changes in mix partially offset by the favorable impact from strategic pricing actions.

Fragrance

Reported fragrance net sales increased \$68 million, or 9%, and \$159 million, or 12%, for the three and six months ended December 31, 2025, respectively, primarily driven by higher net sales from TOM FORD and Le Labo, combined, of approximately \$55 million and \$112 million, for the respective periods. Net sales from TOM FORD increased in both periods, primarily driven by growth in the Private Blend and Signature franchises, reflecting the benefit from new product launches which created halo benefits on existing products. Le Labo net sales increased in both periods, led by the Classic Collection, reflecting growth from targeted expanded consumer reach and new product launches.

Fragrance net sales were impacted by approximately \$20 million and \$28 million of favorable foreign currency translation for the three and six months ended December 31, 2025, respectively.

Reported fragrance net sales increased 9% for the three months ended December 31, 2025, driven by the increase from pricing of 5%, reflecting changes in mix and the favorable impact from strategic pricing actions, the favorable impact from foreign currency translation of 3% and the increase from volume of 1%.

THE ESTÉE LAUDER COMPANIES INC.

Reported fragrance net sales increased 12% for the six months ended December 31, 2025, driven by the increase from pricing of 5%, reflecting changes in mix and the favorable impact from strategic pricing actions, the increase from volume of 4% and the favorable impact from foreign currency translation of 2%.

Hair Care

Reported hair care net sales increased \$9 million, or 6%, for the three months ended December 31, 2025, primarily driven by higher net sales from The Ordinary, reflecting the impacts from targeted expanded consumer reach, including the launch in Amazon's U.S. Premium Beauty store during the fiscal 2025 third quarter, and growth from the Multi-Peptide Serum for Hair Density.

Reported hair care net sales decreased slightly, \$1 million, or less than 1%, for the six months ended December 31, 2025, primarily reflecting lower net sales from Aveda and higher net sales from The Ordinary. The decrease in net sales from Aveda reflected the brand's strategies to improve long-term performance, including (i) planned reductions in online promotional activity and (ii) the exit from underperforming doors, including freestanding stores. These declines were partially offset by the impact from its launch in Amazon's U.S. Premium Beauty store during the fiscal 2025 fourth quarter. The increase in net sales from The Ordinary reflected the aforementioned growth as discussed above.

Hair care net sales were impacted by approximately \$1 million of favorable foreign currency translation for each of the three and six months ended December 31, 2025.

Reported hair care net sales increased 6% for the three months ended December 31, 2025, driven by the increase from pricing of 8%, reflecting changes in mix and the favorable impact from strategic pricing actions, and the favorable impact from foreign currency translation of 1%. These increases were partially offset by the decrease from volume of 3%.

Reported hair care net sales decreased slightly, less than 1%, for the six months ended December 31, 2025, driven by the decrease from volume of 8%, largely offset by the increase from pricing of 7%, reflecting changes in mix and the favorable impact from strategic pricing actions.

Geographic Regions

Reported net sales by geographic region for the three and six months ended December 31, 2025 and 2024 were as follows:

(\$ in millions)	Three Months Ended December 31,					Six Months Ended December 31,				
	2025	2024	\$ Change	% Change	% Change in Constant Currency ⁽²⁾	2025	2024	\$ Change	% Change	% Change in Constant Currency ⁽²⁾
The Americas	\$ 1,218	\$ 1,209	\$ 9	1 %	— %	\$ 2,392	\$ 2,406	\$ (14)	(1)%	(1)%
EUKEM	1,183	1,085	98	9	2	2,084	1,953	131	7	1
Asia/Pacific ⁽¹⁾	900	888	12	1	2	1,773	1,694	79	5	5
Mainland China	928	822	106	13	13	1,460	1,312	148	11	11
	4,229	4,004	225	6	4	7,709	7,365	344	5	3
Returns associated with restructuring and other activities	—	—	—	—	—	1	—	1	100	100
Net sales	\$ 4,229	\$ 4,004	\$ 225	6 %	4 %	\$ 7,710	\$ 7,365	\$ 345	5 %	3 %

⁽¹⁾ The net sales from the Company's travel retail business are included in the Asia/Pacific region.

⁽²⁾ See "Reconciliations of Non-GAAP Financial Measures" beginning on page 56 for reconciliations between non-GAAP financial measures and the most directly comparable U.S. GAAP measures.

THE ESTÉE LAUDER COMPANIES INC.

Reported net sales increased for the three months ended December 31, 2025, primarily driven by higher net sales in Mainland China, our Priority Emerging Markets and the United Kingdom, combined, of approximately \$181 million. The increase in net sales in Mainland China was primarily driven by growth attributable to key shopping moments and holiday, reflecting the benefits from key campaigns to drive sales and new product launches. Net sales in our Priority Emerging Markets within The Americas and EUKEM increased collectively, reflecting growth in all product categories, supported by targeted expanded consumer reach, successful campaigns and new product launches. The increase in net sales in the United Kingdom reflected the favorable impact from foreign currency translation and growth from The Ordinary, reflecting targeted expanded consumer reach.

Reported net sales increased for the six months ended December 31, 2025, reflecting higher net sales in Mainland China, primarily driven by the aforementioned growth as discussed above, and higher net sales in our travel retail business, combined, of approximately \$244 million. The increase in net sales in our travel retail business was driven by Asia travel retail, reflecting favorability attributable to the low prior-year period net sales base which reflected (i) the challenging retail environment, including low consumer sentiment and conversion from Chinese consumers, as well as (ii) our prior-year efforts to improve in-trade inventory levels. These increases were partially offset by impacts associated with the transitory headwind from the change of duty-free retailers servicing the Beijing and Shanghai airports, including the related online businesses. Also contributing to the increase in net sales in our travel retail business were higher net sales from our Europe, the Middle East & Africa travel retail business, primarily driven by growth in fragrance.

Reported net sales in The Americas increased 1% for the three months ended December 31, 2025, driven by the increase from volume of 6%, partially offset by the decrease from pricing of 6%, reflecting changes in mix, partially offset by the favorable impact from strategic pricing actions. Reported net sales in EUKEM increased 9% for the three months ended December 31, 2025, driven by the increase from volume of 7% and the favorable impact of foreign currency translation of 7%. These increases were partially offset by the decrease from pricing of 4%, reflecting changes in mix, partially offset by the favorable impact from strategic pricing actions. Reported net sales in Asia/Pacific increased 1% for the three months ended December 31, 2025, driven by the increase from pricing of 9%, reflecting changes in mix and the favorable impact from strategic pricing actions, partially offset by the decrease from volume of 8% and the unfavorable impact from foreign currency translation of 1%. Reported net sales in Mainland China increased 13% for the three months ended December 31, 2025, driven by the increase from pricing of 9%, reflecting changes in mix and the favorable impact from strategic pricing actions, and the increase from volume of 4%.

Reported net sales in The Americas decreased 1% for the six months ended December 31, 2025, driven by the decrease from pricing of 2%, reflecting changes in mix, partially offset by the favorable impact of strategic pricing actions. This decrease was partially offset by the increase from volume of 2%. Reported net sales in EUKEM increased 7% for the six months ended December 31, 2025, driven by the favorable impact of foreign currency translation of 5% and the increase from volume of 2%. These increases were partially offset by the decrease from pricing of 1%, reflecting changes in mix, partially offset by the favorable impact from strategic pricing actions. Reported net sales in Asia/Pacific increased 5% for the six months ended December 31, 2025, driven by an increase from pricing of 7%, reflecting changes in mix and the favorable impact from strategic pricing actions, partially offset by the decrease from volume of 2% and the unfavorable impact of foreign currency translation of 1%. Reported net sales in Mainland China increased 11% for the six months ended December 31, 2025, driven by the increase from volume of 7% and the increase from pricing of 4%, reflecting changes in mix and the favorable impact from strategic pricing actions.

THE ESTÉE LAUDER COMPANIES INC.

GROSS MARGIN

Gross margin increased to 76.5% and 75.1% for the three and six months ended December 31, 2025, as compared with 76.1% and 74.4% in the prior-year periods.

	Favorable (Unfavorable) Basis Points	
	December 31, 2025	
	Three Months Ended	Six Months Ended
As Reported:		
Mix of business	(35)	—
Obsolescence charges	85	60
Manufacturing costs and other	10	25
Foreign exchange transactions	(20)	(25)
Charges associated with restructuring and other activities	—	10
As Reported Gross Margin Basis Point Variance	40	70
Non-GAAP Financial Measure Adjustments		
Charges associated with restructuring and other activities	—	(10)
Non-GAAP Gross Margin Basis Point Variance	40	60

The increase in gross margin for the three and six months ended December 31, 2025 reflected net benefits from the PRGP, largely offset by unfavorable impacts in manufacturing costs and other, reflecting the impact of tariffs and inflation on our costs, as well as changes in our mix of business. The PRGP benefits were driven by the favorable impact of cost efficiencies within our global supply chain network and reductions in excess inventory.

THE ESTÉE LAUDER COMPANIES INC.

OPERATING EXPENSES

Operating expenses as a percentage of net sales was 67.0% and 67.7% for the three and six months ended December 31, 2025, as compared with 90.6% and 83.9% in the prior-year periods.

	Favorable (Unfavorable) Basis Points	
	December 31, 2025	
	Three Months Ended	Six Months Ended
As Reported:		
General and administrative expenses	100	110
Advertising, marketing, promotion and product development	90	110
Selling	40	30
Shipping	10	20
Store operating costs	(10)	(10)
Stock-based compensation	40	—
Foreign exchange transactions	(20)	(30)
Charges associated with restructuring and other activities	(40)	—
Impairment of goodwill and other intangible assets	2,150	1,170
Talcum litigation settlement agreements	—	220
As Reported Operating Expense Margin Basis Point Variance	2,360	1,620
Non-GAAP Financial Measure Adjustments:		
Impact of restructuring and other activities	40	10
Impairment of goodwill and other intangible assets	(2,150)	(1,170)
Talcum litigation settlement agreements	—	(220)
Non-GAAP Operating Expense Margin Basis Point Variance	250	240

The favorability in our operating expense margin for the three and six months ended December 31, 2025 reflected the impact of the increase in net sales, as well as lower expenses within non-consumer-facing areas of the business collectively, primarily within marketing, product development and general and administrative expenses, reflecting lower employee-related costs realized through initiatives as part of the PRGP. The decrease in general and administrative expenses also includes the favorable year-over-year impact of a change in policy related to local government subsidies in China, which negatively impacted the fiscal 2025 second quarter, partially offset by higher employee incentive costs. Partially offsetting these expense reductions were increased investments in consumer-facing areas of the business to drive sales, including advertising, store operating costs, selling and promotion expenses.

THE ESTÉE LAUDER COMPANIES INC.

OPERATING RESULTS

(\$ in millions)	Three Months Ended December 31,		Six Months Ended December 31,	
	2025	2024	2025	2024
As Reported:				
Operating income (loss)	\$ 401	\$ (580)	\$ 570	\$ (701)
\$ Change from prior-year period	981		1,271	
% Change from prior-year period	100+%		100+%	
Operating margin	9.5 %	(14.5)%	7.4 %	(9.5)%
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 impairment of goodwill and other intangible assets and talcum litigation settlement agreements	32 %		42 %	

⁽¹⁾ See “Reconciliations of Non-GAAP Financial Measures” beginning on page 56 for reconciliations between non-GAAP financial measures and the most directly comparable U.S. GAAP measures.

The increase in reported operating margin for the three and six months ended December 31, 2025 was driven by the favorable operating expense margin, which includes the year-over-year impact of the goodwill and other intangible asset impairment charges in the fiscal 2025 second quarter of \$861 million, as well as the increase in net sales and 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 a Company-wide initiative 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 December 31, 2025 and 2024 of \$207 million and \$181 million, respectively, and for the six months ended December 31, 2025 and 2024 of \$293 million and \$287 million, respectively.

THE ESTÉE LAUDER COMPANIES INC.
Product Categories

Reported Operating income (loss) for our product categories for the three and six months ended December 31, 2025 and 2024 were as follows:

(\$ in millions)	Three Months Ended December 31,					
	2025	2024	\$ Change	% Change (As reported)	% Change (Non-GAAP) ⁽¹⁾	Non-GAAP Financial Measure ⁽¹⁾
Skin Care	\$ 454	\$ 306	\$ 148	48 %	48 %	
Makeup	18	(211)	229	100+	(62)	Adjusted for the impact of impairment of goodwill and other intangible assets
Fragrance	105	(446)	551	100+	2	Adjusted for the impact of other intangible asset impairments
Hair Care	18	(3)	21	100+	100+	
Other	13	(45)	58	100+	44	Adjusted for the impact of other intangible asset impairments
	608	(399)	1,007	100+	32	
Charges associated with restructuring and other activities	(207)	(181)	(26)	(14)	80	
Operating income (loss)	\$ 401	\$ (580)	\$ 981	100+%	100+%	

⁽¹⁾ See “Reconciliations of Non-GAAP Financial Measures” beginning on page 56 for reconciliations between non-GAAP financial measures and the most directly comparable U.S. GAAP measures.

(\$ in millions)	Six Months Ended December 31,					
	2025	2024	\$ Change	% Change (As reported)	% Change (Non-GAAP) ⁽¹⁾	Non-GAAP Financial Measure ⁽¹⁾
Skin Care	\$ 641	\$ 423	\$ 218	52 %	52 %	
Makeup	3	(396)	399	100+	(86)	Adjusted for the impact of impairment of goodwill and other intangible assets and talcum litigation settlement agreements
Fragrance	191	(386)	577	100+	17	Adjusted for the impact of other intangible asset impairments
Hair Care	6	(21)	27	100+	100+	
Other	22	(34)	56	100+	10	Adjusted for the impact of other intangible asset impairments
	863	(414)	1,277	100+	42	
Charges associated with restructuring and other activities	(293)	(287)	(6)	(2)	78	
Operating income (loss)	\$ 570	\$ (701)	\$ 1,271	100+%	100+%	

⁽¹⁾ See “Reconciliations of Non-GAAP Financial Measures” beginning on page 56 for reconciliations between non-GAAP financial measures and the most directly comparable U.S. GAAP measures.

Skin Care

Reported skin care operating income increased \$148 million, or 48%, and \$218 million, or 52%, for the three and six months ended December 31, 2025, respectively, reflecting an increase in net sales, as well as lower non-consumer-facing expenses, including the reduction in employee-related costs realized through initiatives as part of the PRGP, partially offset by an increase in investments in consumer-facing areas of the business, including to support key campaigns, new product launches and targeted expanded consumer reach.

THE ESTÉE LAUDER COMPANIES INC.

Makeup

Reported makeup operating results increased \$229 million, or over 100%, and \$399 million, or over 100%, for the three and six months ended December 31, 2025, respectively, primarily reflecting the favorable year-over-year impacts of other intangible asset impairment charges in the prior-year periods relating to TOM FORD and Too Faced, combined, of \$245 million and a goodwill impairment charge relating to Too Faced of \$13 million. Also contributing to the increase in makeup operating results for the six months ended December 31, 2025 was the favorable year-over-year impact of the charge in the fiscal 2025 first quarter associated with the talcum litigation settlement agreements of \$159 million.

Fragrance

Reported fragrance operating results increased \$551 million, or over 100%, and \$577 million, or over 100%, for the three and six months ended December 31, 2025, respectively, reflecting the favorable year-over-year impact of the other intangible asset impairment charge in the prior-year periods of \$549 million relating to TOM FORD and an increase in net sales, partially offset by an increase in investments in consumer-facing areas of the business, including to support key campaigns, new product launches and targeted expanded consumer reach.

Hair Care

Reported hair care operating results increased \$21 million, or over 100%, for the three months ended December 31, 2025, primarily reflecting an increase in net sales and lower non-consumer-facing expenses, including the reduction in employee-related costs realized through initiatives as part of the PRGP.

Reported hair care operating income increased \$27 million, or over 100%, for the six months ended December 31, 2025, primarily reflecting lower non-consumer-facing expenses, including the reduction in employee-related costs realized through initiatives as part of the PRGP, and lower cost of sales.

Geographic Regions

(\$ in millions)	Three Months Ended December 31,					
	2025	2024⁽¹⁾	\$ Change	% Change (As Reported)	% Change (Non-GAAP)⁽²⁾	Non-GAAP Financial Measure⁽²⁾
The Americas	\$ 104	\$ (771)	\$ 875	100+%	15 %	Adjusted for the impact of impairment of goodwill and other intangible assets
EUKEM	156	145	11	8	8	
Asia/Pacific ⁽³⁾	200	152	48	32	32	
Mainland China	148	75	73	97	97	
	608	(399)	1,007	100+	32	
Charges associated with restructuring and other activities	(207)	(181)	(26)	(14)	80	
Operating income (loss)	\$ 401	\$ (580)	\$ 981	100+%	100+%	

⁽¹⁾ Operating results by geographic region for the fiscal 2025 second quarter (quarter-to-date period) have been adjusted to reflect the correction of a regional misclassification in the amounts furnished in the Form 8-K on October 2, 2025 related to a one-time charge during the fiscal 2025 first quarter. The misclassification was offset in the fiscal 2025 first quarter furnished amounts, and the adjusted amounts were reflected in the fiscal 2026 first quarter Form 10-Q. No other periods were impacted and there is no impact on the consolidated financial results or results by product category.

⁽²⁾ See "Reconciliations of Non-GAAP Financial Measures" beginning on page 56 for reconciliations between non-GAAP financial measures and the most directly comparable U.S. GAAP measures.

⁽³⁾ The operating results from the Company's travel retail business are included in the Asia/Pacific region.

THE ESTÉE LAUDER COMPANIES INC.

(\$ in millions)	Six Months Ended December 31,					
	2025	2024	\$ Change	% Change (As Reported)	% Change (Non-GAAP) ⁽¹⁾	Non-GAAP Financial Measure ⁽¹⁾
The Americas	\$ 191	\$ (856)	\$ 1,047	100+%	16 %	Adjusted for the impact of impairment of goodwill and other intangible assets and talcum litigation settlement agreements
EUKEM	162	155	7	5	5	
Asia/Pacific ⁽²⁾	350	228	122	54	54	
Mainland China	160	59	101	100+	100+	
	863	(414)	1,277	100+	42	
Charges associated with restructuring and other activities	(293)	(287)	(6)	(2)	78	
Operating income (loss)	\$ 570	\$ (701)	\$ 1,271	100+%	100+%	

⁽¹⁾ See “Reconciliations of Non-GAAP Financial Measures” beginning on page 56 for reconciliations between non-GAAP financial measures and the most directly comparable U.S. GAAP measures.

⁽²⁾ The operating results from the Company’s travel retail business are included in the Asia/Pacific region.

Reported operating results in The Americas increased \$875 million, or over 100%, and \$1,047 million, or over 100%, for the three and six months ended December 31, 2025, respectively, reflecting the favorable year-over-year impacts of other intangible asset impairment charges in the prior-year periods relating to TOM FORD and Too Faced, combined, of \$848 million and a goodwill impairment charge relating to Too Faced of \$13 million. Also contributing to the increase in The Americas operating results for the six months ended December 31, 2025 was the favorable year-over-year impact of the charge in the fiscal 2025 first quarter associated with the talcum litigation settlement agreements of \$159 million.

Reported operating income in EUKEM increased \$11 million, or 8%, and \$7 million, or 5%, for the three and six months ended December 31, 2025, respectively, including the favorable impact of foreign currency translation of 11% and 12% for the respective periods. The increase in operating income reflected higher net sales, offset in part by higher cost of sales and an increase in investments in consumer-facing areas of the business, including to support targeted expanded consumer reach, key campaigns and new product launches.

Reported operating income in Asia/Pacific increased \$48 million, or 32%, and \$122 million, or 54%, for the three and six months ended December 31, 2025, respectively. For the three months ended December 31, 2025, reported operating income increased, reflecting lower non-consumer-facing expenses, including the reduction in employee-related costs realized through initiatives as part of the PRGP. For the six months ended December 31, 2025, reported operating income increased, reflecting higher net sales and lower non-consumer-facing expenses, including the reduction in employee-related costs realized through initiatives as part of the PRGP.

Reported operating income in Mainland China increased \$73 million, or 97%, and \$101 million, or over 100%, for the three and six months ended December 31, 2025, respectively, reflecting higher net sales, as well as the favorable year-over-year impact of a change in policy related to local government subsidies in China, which negatively impacted the fiscal 2025 second quarter, partially offset by an increase in investments in consumer-facing expenses, including to support key campaigns, new product launches and targeted expanded consumer reach.

THE ESTÉE LAUDER COMPANIES INC.

INTEREST AND INVESTMENT INCOME

(In millions)	Three Months Ended December 31,		Six Months Ended December 31,	
	2025	2024	2025	2024
Interest expense	\$ 85	\$ 90	\$ 171	\$ 182
Interest income and investment income, net	\$ 21	\$ 23	\$ 51	\$ 58

Interest expense decreased for the three and six months ended December 31, 2025, primarily reflecting a lower average debt balance compared to the prior-year period. Interest income and investment income, net decreased for the three and six months ended December 31, 2025, reflecting lower average interest rates compared to the prior-year period, partially offset by the favorable year-over-year impact of cost method investment activity. Also contributing to the decrease in Interest income and investment income, net for the six months ended December 31, 2025 was a lower average cash balance compared to the prior-year period.

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, as well as changes to valuation allowances based on our assessment of the realizability of deferred tax assets. 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, changes to valuation allowances, 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 December 31,		Six Months Ended December 31,	
	2025	2024	2025	2024
Effective rate for income taxes	51.40 %	9.20 %	52.70 %	10.10 %
Basis-point change from the prior-year period	4,220		4,260	

For the three months ended December 31, 2025, the increase in effective tax rate was primarily attributable to the loss before income taxes and the impact of the discrete treatment of the impairment of goodwill and other intangible assets, both during the fiscal 2025 second quarter. Further contributing to the increase in the effective tax rate was the estimated unfavorable impact of the One Big Beautiful Bill Act, and a higher effective tax rate on the Company's foreign operations due to an unfavorable impact associated with the establishment of valuation allowances against certain net deferred tax assets, partially offset by the year-over-year favorable impact associated with previously issued stock-based compensation.

For the six months ended December 31, 2025, the increase in effective tax rate was primarily attributable to the loss before income taxes, the impact of the discrete treatment of charges associated with restructuring and other activities, the impairment of goodwill and other intangible assets, and the charge associated with the talcum litigation settlement agreements, each during the six months ended December 31, 2024. Further contributing to the increase in the effective tax rate was the estimated unfavorable impact of the One Big Beautiful Bill Act, a higher effective tax rate on the Company's foreign operations due to an unfavorable impact associated with the establishment of valuation allowances against certain net deferred tax assets, partially offset by the year-over-year favorable impact associated with previously issued stock-based compensation.

THE ESTÉE LAUDER COMPANIES INC.

NET EARNINGS (LOSS)

(\$ in millions, except per share data)	Three Months Ended December 31,		Six Months Ended December 31,	
	2025	2024	2025	2024
As Reported:				
Net earnings (loss)	\$ 162	\$ (590)	\$ 209	\$ (746)
\$ Change from prior-year period	752		955	
% Change from prior-year period	100+%		100+%	
Diluted net earnings (loss) per common share	\$.44	\$ (1.64)	\$.57	\$ (2.07)
% Change from prior-year period	100+%		100+%	

Non-GAAP Financial Measure⁽¹⁾:

% Change in diluted net earnings (loss) per common share from the prior-year period adjusting for the impact of charges associated with restructuring and other activities, impairment of goodwill and other intangible assets and talcum litigation settlement agreements

43 %

58 %

⁽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 (loss) and Diluted net earnings (loss) per common share adjusted to exclude the impact of charges associated with restructuring and other activities; impairment of goodwill and other intangible assets; talcum litigation settlement agreements; and the effects of foreign currency translation.

THE ESTÉE LAUDER COMPANIES INC.

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

(\$ in millions, except per share data)	Three Months Ended December 31,			% Change	% Change in constant currency
	2025	2024	Variance		
Net sales, as reported	\$ 4,229	\$ 4,004	\$ 225	6 %	4 %
Returns associated with restructuring and other activities	—	—	—		
Net sales, as adjusted	<u>\$ 4,229</u>	<u>\$ 4,004</u>	<u>\$ 225</u>	6 %	4 %
Operating income (loss), as reported	\$ 401	\$ (580)	\$ 981	100+%	100+%
Charges associated with restructuring and other activities	207	181	26		
Impairment of goodwill and other intangible assets	—	861	(861)		
Operating income, as adjusted	<u>\$ 608</u>	<u>\$ 462</u>	<u>\$ 146</u>	32 %	29 %
Diluted net earnings (loss) per common share, as reported	\$.44	\$ (1.64)	\$ 2.08	100+%	100+%
Charges associated with restructuring and other activities	.45	.39	.06		
Impairment of goodwill and other intangible assets	—	1.87	(1.87)		
Diluted net earnings per common share, as adjusted	<u>\$.89</u>	<u>\$.62</u>	<u>\$.27</u>	43 %	40 %

THE ESTÉE LAUDER COMPANIES INC.

(\$ in millions, except per share data)	Six Months Ended December 31,			% Change	% Change in constant currency
	2025	2024	Variance		
Net sales, as reported	\$ 7,710	\$ 7,365	\$ 345	5 %	3 %
Returns associated with restructuring and other activities	1	—	1		
Net sales, as adjusted	<u>\$ 7,709</u>	<u>\$ 7,365</u>	<u>\$ 344</u>	5 %	3 %
Operating income (loss), as reported	\$ 570	\$ (701)	\$ 1,271	100+%	100+%
Charges associated with restructuring and other activities	293	287	6		
Impairment of goodwill and other intangible assets	—	861	(861)		
Talcum litigation settlement agreements	—	159	(159)		
Operating income, as adjusted	<u>\$ 863</u>	<u>\$ 606</u>	<u>\$ 257</u>	42 %	41 %
Diluted net earnings (loss) per common share, as reported	\$.57	\$ (2.07)	\$ 2.64	100+%	100+%
Charges associated with restructuring and other activities	.64	.63	.01		
Impairment of goodwill and other intangible assets	—	1.87	(1.87)		
Talcum litigation settlement agreements	—	.34	(.34)		
Diluted net earnings per common share, as adjusted	<u>\$ 1.21</u>	<u>\$.77</u>	<u>\$.44</u>	58 %	56 %

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:

(\$ in millions)	As Reported			Impact of foreign currency translation	Variance, in constant currency	% Change, as reported	% Change, in constant currency
	Three Months Ended December 31,		Variance				
	2025	2024					
By Product Category:							
Skin Care	\$ 2,054	\$ 1,921	\$ 133	\$ (27)	\$ 106	7 %	6 %
Makeup	1,164	1,150	14	(26)	(12)	1	(1)
Fragrance	812	744	68	(20)	48	9	6
Hair Care	168	159	9	(1)	8	6	5
Other	31	30	1	—	1	3	3
	<u>4,229</u>	<u>4,004</u>	<u>225</u>	<u>(74)</u>	<u>151</u>	<u>6</u>	<u>4</u>
Returns associated with restructuring and other activities	—	—	—	—	—		
Total	<u>\$ 4,229</u>	<u>\$ 4,004</u>	<u>\$ 225</u>	<u>\$ (74)</u>	<u>\$ 151</u>	<u>6 %</u>	<u>4 %</u>
By Geographic Region:							
The Americas	\$ 1,218	\$ 1,209	\$ 9	\$ (4)	\$ 5	1 %	— %
EUKEM	1,183	1,085	98	(72)	26	9	2
Asia/Pacific	900	888	12	5	17	1	2
Mainland China	928	822	106	(3)	103	13	13
	<u>4,229</u>	<u>4,004</u>	<u>225</u>	<u>(74)</u>	<u>151</u>	<u>6</u>	<u>4</u>
Returns associated with restructuring and other activities	—	—	—	—	—		
Total	<u>\$ 4,229</u>	<u>\$ 4,004</u>	<u>\$ 225</u>	<u>\$ (74)</u>	<u>\$ 151</u>	<u>6 %</u>	<u>4 %</u>

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
	Six Months Ended December 31,		Variance				
	2025	2024					
By Product Category:							
Skin Care	\$ 3,629	\$ 3,450	\$ 179	\$ (34)	\$ 145	5 %	4 %
Makeup	2,194	2,188	6	(36)	(30)	—	(1)
Fragrance	1,533	1,374	159	(28)	131	12	10
Hair Care	297	298	(1)	(1)	(2)	—	(1)
Other	56	55	1	—	1	2	2
	<u>7,709</u>	<u>7,365</u>	<u>344</u>	<u>(99)</u>	<u>245</u>	<u>5</u>	<u>3</u>
Returns associated with restructuring and other activities	1	—	1	—	1		
Total	<u>\$ 7,710</u>	<u>\$ 7,365</u>	<u>\$ 345</u>	<u>\$ (99)</u>	<u>\$ 246</u>	<u>5 %</u>	<u>3 %</u>
By Geographic Region:							
The Americas	\$ 2,392	\$ 2,406	\$ (14)	\$ —	\$ (14)	(1)%	(1)%
EUKEM	2,084	1,953	131	(107)	24	7	1
Asia/Pacific	1,773	1,694	79	9	88	5	5
Mainland China	1,460	1,312	148	(1)	147	11	11
	<u>7,709</u>	<u>7,365</u>	<u>344</u>	<u>(99)</u>	<u>245</u>	<u>5</u>	<u>3</u>
Returns associated with restructuring and other activities	1	—	1	—	1		
Total	<u>\$ 7,710</u>	<u>\$ 7,365</u>	<u>\$ 345</u>	<u>\$ (99)</u>	<u>\$ 246</u>	<u>5 %</u>	<u>3 %</u>

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 results excluding the impact of impairment of goodwill and other intangible assets, as well as the talcum litigation settlement agreements for the six months ended December 31, 2025:

(\$ in millions)	As Reported			Add: Changes in Impairment of goodwill and other intangible assets	Variance, as adjusted	% Change, as reported	% Change, as adjusted
	Three Months Ended December 31,		Variance				
	2025	2024					
By Product Category:							
Skin Care	\$ 454	\$ 306	\$ 148	\$ —	\$ 148	48 %	48 %
Makeup	18	(211)	229	(258)	(29)	100+	(62)
Fragrance	105	(446)	551	(549)	2	100+	2
Hair Care	18	(3)	21	—	21	100+	100+
Other	13	(45)	58	(54)	4	100+	44
	<u>608</u>	<u>(399)</u>	<u>1,007</u>	<u>\$ (861)</u>	<u>\$ 146</u>	<u>100+%</u>	<u>32 %</u>
Charges associated with restructuring and other activities	(207)	(181)	(26)				
Total	<u>\$ 401</u>	<u>\$ (580)</u>	<u>\$ 981</u>				
By Geographic Region:							
The Americas	\$ 104	\$ (771)	\$ 875	\$ (861)	\$ 14	100+%	15 %
EUKEM	156	145	11	—	11	8	8
Asia/Pacific	200	152	48	—	48	32	32
Mainland China	148	75	73	—	73	97	97
	<u>608</u>	<u>(399)</u>	<u>1,007</u>	<u>\$ (861)</u>	<u>\$ 146</u>	<u>100+%</u>	<u>32 %</u>
Charges associated with restructuring and other activities	(207)	(181)	(26)				
Total	<u>\$ 401</u>	<u>\$ (580)</u>	<u>\$ 981</u>				

THE ESTÉE LAUDER COMPANIES INC.

(\$ in millions)	As Reported			Add: Changes in goodwill and other intangible assets	Add: Talcum litigation settlement agreements	Variance, as adjusted	% Change, as reported	% Change, as adjusted
	Six Months Ended December 31,		Variance					
	2025	2024						
By Product Category:								
Skin Care	\$ 641	\$ 423	\$ 218	\$ —	\$ —	\$ 218	52 %	52 %
Makeup	3	(396)	399	(258)	(159)	(18)	100+	(86)
Fragrance	191	(386)	577	(549)	—	28	100+	17
Hair Care	6	(21)	27	—	—	27	100+	100+
Other	22	(34)	56	(54)	—	2	100+	10
	863	(414)	1,277	<u>\$ (861)</u>	<u>\$ (159)</u>	<u>\$ 257</u>	100+%	42 %
Charges associated with restructuring and other activities	(293)	(287)	(6)					
Total	<u>\$ 570</u>	<u>\$ (701)</u>	<u>\$ 1,271</u>					
By Geographic Region:								
The Americas	\$ 191	\$ (856)	\$ 1,047	\$ (861)	\$ (159)	\$ 27	100+%	16 %
EUKEM	162	155	7	—	—	7	5	5
Asia/Pacific	350	228	122	—	—	122	54	54
Mainland China	160	59	101	—	—	101	100+	100+
	863	(414)	1,277	<u>\$ (861)</u>	<u>\$ (159)</u>	<u>\$ 257</u>	100+%	42 %
Charges associated with restructuring and other activities	(293)	(287)	(6)					
Total	<u>\$ 570</u>	<u>\$ (701)</u>	<u>\$ 1,271</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 December 31, 2025, we had cash and cash equivalents of \$3,082 million compared with \$2,921 million at June 30, 2025. 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 remaining applicable foreign earnings. We do not believe that continuing to reinvest these remaining 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.

THE ESTÉE LAUDER COMPANIES INC.

Tariffs negatively impacted our operating results in the fiscal 2026 second quarter and we expect these impacts 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 impacts.

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 facilities. 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 January 29, 2026, our long-term debt is rated A- with a negative outlook by Standard & Poor's and A3 with a negative outlook by Moody's.

Debt

At December 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)}	495	—	495
4.375% Senior Notes, due June 15, 2045 ("2045 Senior Notes") ^{(4), (15)}	453	—	453
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)}	296	—	296
5.000% Senior Notes, due February 14, 2034 ("2034 Senior Notes") ^{(7), (15)}	634	—	634
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)}	567	—	567
2.600% Senior Notes, due April 15, 2030 ("2030 Senior Notes") ^{(11), (15)}	634	—	634
2.375% Senior Notes, due December 1, 2029 ("2029 Senior Notes") ^{(12), (15)}	646	—	646
4.375% Senior Notes, due May 15, 2028 ("2028 Senior Notes") ^{(13), (15)}	698	—	698
3.150% Senior Notes, due March 15, 2027 ("2027 Senior Notes") ^{(14), (15)}	500	—	500
Other long-term borrowings	27	3	30
	<u>\$ 7,319</u>	<u>\$ 3</u>	<u>\$ 7,322</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 \$4 million.

⁽⁴⁾ Consists of \$450 million principal, net unamortized debt premium of \$8 million and debt issuance costs of \$5 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 \$2 million and debt issuance costs of \$2 million.

⁽⁷⁾ Consists of \$650 million principal, unamortized debt discount of \$2 million, debt issuance costs of \$4 million and a \$10 million loss to reflect the fair value of interest rate swaps.

⁽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 \$2 million and a \$29 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 \$63 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 \$1 million.

⁽¹³⁾ Consists of \$700 million principal and debt issuance costs of \$2 million.

⁽¹⁴⁾ Consists of \$500 million principal.

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

THE ESTÉE LAUDER COMPANIES INC.

Total debt as a percent of total capitalization was 64.5% and 65.4% at December 31, 2025 and June 30, 2025, respectively.

Cash Flows

(In millions)	Six Months Ended December 31,	
	2025	2024
Net cash flows provided by operating activities	\$ 785	\$ 387
Net cash flows used for investing activities	\$ (208)	\$ (294)
Net cash flows used for financing activities	\$ (419)	\$ (878)

The change in net cash flows provided by operating activities was primarily driven by higher net earnings, excluding non-cash items.

The change in net cash flows used for investing activities was primarily driven by a favorable year-over-year impact from lower capital expenditures compared to the prior-year period.

The change in net cash flows used for financing activities primarily reflected a decrease in repayments of long-term debt due to the repayment of the outstanding principal balance of our \$500 million, 2.000% Senior Notes that matured during the fiscal 2025 second quarter, and a decrease in dividends paid to stockholders in the current-year period. These decreases were partially offset by the payment of deferred consideration in the fiscal 2026 first quarter associated with the fiscal 2023 acquisition of TOM FORD.

Dividends

For a summary of quarterly cash dividends declared per share on our Class A and Class B Common Stock for the six months ended December 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, 2025.

Commitments, Contractual Obligations and Contingencies

There have been no other 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, 2025, except as disclosed in *Notes to Consolidated Financial Statements, Note 8 – Commitments and Contingencies*. 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)*.

THE ESTÉE LAUDER COMPANIES INC.

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, anticipated transactions and receivables and payables and the net investment in certain foreign operations. 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 \$137 million and \$223 million as of December 31, 2025 and June 30, 2025, 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 as of December 31, 2025 and June 30, 2025.

In addition, we enter into interest rate derivatives to manage the effects of interest rate movements on our funded indebtedness, 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 \$60 million and \$43 million as of December 31, 2025 and June 30, 2025, 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, 2025, 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. Refer to the *Critical Accounting Policies and Estimates* section within *Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations* in our Annual Report on Form 10-K for the fiscal year ended June 30, 2025. Since June 30, 2025, there have been no significant changes to the assumptions and estimates related to our critical accounting policies.

RECENTLY ISSUED ACCOUNTING STANDARDS

For a discussion regarding the impact of accounting standards that were recently issued but not yet effective, on our 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;

THE ESTÉE LAUDER COMPANIES INC.

- (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, 2025.

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 December 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 second quarter of fiscal 2026 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.*

THE ESTÉE LAUDER COMPANIES INC.

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 for 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⁾
October 2025	—	\$ —	—	25,073,242
November 2025	610,141	94.87	—	25,073,242
December 2025	—	—	—	25,073,242
	610,141	94.87	—	

- (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 2026 second 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 December 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 December 31, 2025 is formatted in iXBRL

SIGNATURES

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

Date: February 5, 2026

THE ESTÉE LAUDER COMPANIES INC.

By: /s/ AKHIL SHRIVASTAVA

Akhil Shrivastava

Executive Vice President and Chief Financial Officer

(Principal Financial and Accounting Officer)

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: February 5, 2026

/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: February 5, 2026

/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 December 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: February 5, 2026

/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 December 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: February 5, 2026

/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.
