

RECONCILIATIONS OF FINANCIAL RESULTS

The following tables present a reconciliation of our financial results for the three months ended December 31, 2016 and 2015 and for the fiscal years ended June 30, 2016, 2015, 2014, 2013, 2012, 2011, 2010, 2009, 2006, 2005, 2003 and 2002 as reported in conformity with generally accepted accounting principles in the United States (“GAAP”) and those results adjusted to exclude certain charges described above each table. The reconciliation between the non-GAAP financial measures and the most directly comparable GAAP measure for certain consolidated statements of earnings accounts are before and after the returns and charges associated with restructuring activities, the Venezuela remeasurements, the extinguishment of debt and accelerated orders associated with the Company’s implementation of its Strategic Modernization Initiative (SMI). The Company uses the non-GAAP financial measure, among other things, to evaluate its operating performance and the measure represents the manner in which the Company conducts and views its business. Management believes that excluding these items that are special in nature or that are not comparable from period to period helps investors and others compare operating performance between two periods. While the Company considers the non-GAAP measures useful in analyzing its results, it is not intended to replace, or act as a substitute for, any presentation included in the consolidated financial statements prepared in conformity with GAAP.

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

As part of SMI, the Company implemented the last major wave of SAP-based technologies in July 2014. As a result, and consistent with prior waves, the Company experienced a shift in its sales and operating results from accelerated orders from certain of its retailers to provide adequate safety stock and to mitigate any potential short-term business interruption associated with the July 2014 SMI rollout. In particular, approximately \$178 million of accelerated orders were recorded as net sales in the fiscal 2014 fourth quarter that would have occurred in the fiscal 2015 first quarter.

This action created a favorable comparison between the fiscal 2016 and fiscal 2015 first quarters of approximately \$178 million in net sales and approximately \$127 million in operating income, equal to \$.21 per diluted common share and impacted the Company’s operating margin comparisons. The Company believes the presentation of certain comparative information that excludes the impact of the timing of these orders is useful in analyzing the net sales performance and operating results of its business.

As part of the Company’s ongoing initiative to upgrade and modernize its systems and processes, it transitioned its global technology infrastructure (GTI) to fundamentally change the way it delivers information technology services internally. This initiative is expected to result in operational efficiencies and reduce the Company’s information technology service and infrastructure costs in the future. The implementation of this initiative was substantially completed during fiscal 2016.

In May 2016, the Company announced a multi-year initiative (Leading Beauty Forward) to build on its strengths and better leverage its cost structure to free resources for investment to continue its growth momentum. Leading Beauty Forward is designed to enhance the Company’s go-to-market capabilities, reinforce its leadership in global prestige beauty and continue creating sustainable value. During the fiscal 2017 second quarter, the Company continued to approve specific initiatives under Leading Beauty Forward. The Company plans to approve additional initiatives through fiscal 2019 and expects to complete those initiatives through fiscal 2021. The Company expects Leading Beauty Forward will result in related restructuring and other charges totaling between \$600 million and \$700 million, before taxes. Once fully implemented, Leading Beauty Forward is expected to yield annual net benefits of between \$200 million and \$300 million, before taxes, of which a portion is expected to be reinvested in future growth initiatives.

During the fiscal 2016 second quarter, as part of the Company’s ongoing initiative to upgrade and modernize its systems and processes, it transitioned its global technology infrastructure (GTI) to fundamentally change the way it delivers information technology services internally. This initiative is expected to result in operational efficiencies and reduce the Company’s information technology service and infrastructure costs in the future. The implementation of this initiative was substantially completed during fiscal 2016

Reconciliation between GAAP and non-GAAP	Three Months Ended December 31, 2016				Three Months Ended December 31	
	Net Sales Growth		Diluted EPS Growth		Diluted Earnings Per Share	
	Reported Basis	Constant Currency	Reported Basis	Constant Currency	2016	2015
(Unaudited)						
Results including restructuring and other charges.....	3% ⁽¹⁾	5%	(3)% ⁽¹⁾	2%	\$1.15 ⁽¹⁾	\$1.19 ⁽¹⁾
<u>Non-GAAP</u>						
Restructuring and other charges.....	—	—	3% ⁽¹⁾	3%	.07 ⁽¹⁾	.03 ⁽¹⁾
Results excluding charges.....	<u>3%</u>	<u>5%</u>	<u>0%</u>	<u>5%</u>	1.22	<u>\$1.22</u>
Impact of foreign currency on earnings per share.....					.06	
Constant currency earnings per share.....					<u>\$1.28</u>	

⁽¹⁾ Represents GAAP.

Reconciliation between GAAP and non-GAAP	Three Months Ending March 31, 2017 (F)				Three Months March 31	
	Net Sales Growth		Diluted EPS Growth		Diluted Earnings Per Share	
	Reported Basis	Constant Currency	Reported Basis	Constant Currency	2017 (F)	2016
(Unaudited)						
Forecast / actual results including charges...	5-6% ⁽¹⁾	7-8%	(15)-(5)% ⁽¹⁾	(11)-(1)%	\$.60 - \$.67 ⁽¹⁾	\$.71 ⁽¹⁾
<u>Non-GAAP</u>						
Restructuring and other charges	—	—	4-1% ⁽¹⁾	4-1%	.03 - .05 ⁽¹⁾	.02 ⁽¹⁾
Forecast / actual results excluding charges...	<u>5-6%</u>	<u>7-8%</u>	<u>(11)-(4)%</u>	<u>(7)-0%</u>	\$.65 - \$.70	<u>\$.73</u>
Impact of foreign currency on earnings per share.....					.03	
Forecasted constant currency earnings per share.....					<u>\$.68 - \$.73</u>	

Reconciliation between GAAP and non-GAAP	Year Ending June 30, 2017 (F)				Twelve Months June 30	
	Net Sales Growth		Diluted EPS Growth		Diluted Earnings Per Share	
	Reported Basis	Constant Currency	Reported Basis	Constant Currency	2017 (F)	2016
(Unaudited)						
Forecast / actual results including charges...	4-5% ⁽¹⁾	6-7%	4-6% ⁽¹⁾	9-11%	\$3.07 - \$3.14 ⁽¹⁾	\$2.96 ⁽¹⁾
<u>Non-GAAP</u>						
Restructuring and other charges	—	—	(1)-(2)% ⁽¹⁾	(1)-(2)%	.19 - .22 ⁽¹⁾	.24 ⁽¹⁾
Forecast / actual results excluding charges....	<u>4-5%</u>	<u>6-7%</u>	<u>3-4%</u>	<u>8-9%</u>	\$3.29 - \$3.33	<u>\$3.20</u>
Impact of foreign currency on earnings per share.....					.16	
Forecasted constant currency earnings per share.....					<u>\$3.45 - \$3.49</u>	

⁽¹⁾ Represents GAAP.

(F) Represents forecast

Total charges associated with restructuring and other activities included in operating income for the three months ended December 31, 2016 and 2015 were:

(Unaudited)	<u>Operating Expenses</u>					After Tax	Diluted Earnings Per Share
	<u>Sales Returns</u>	<u>Cost of Sales</u>	<u>Restructuring Charges</u>	<u>Other Charges</u>	<u>Total</u>		
(In millions, except per share data)							
Three Months Ended December 31, 2016							
Leading Beauty Forward	<u>\$—</u>	<u>\$4</u>	<u>\$21</u>	<u>\$16</u>	<u>\$41</u>	<u>\$26</u>	<u>\$.07</u>
Three Months Ended December 31, 2015							
Global Technology Infrastructure.....	<u>\$—</u>	<u>\$—</u>	<u>\$17</u>	<u>\$2</u>	<u>\$19</u>	<u>\$12</u>	<u>\$.03</u>

Total charges associated with restructuring and other activities included in operating income for the six months ended December 31, 2016 and 2015 were:

(Unaudited)	<u>Operating Expenses</u>					After Tax	Diluted Earnings Per Share
	<u>Sales Returns</u>	<u>Cost of Sales</u>	<u>Restructuring Charges</u>	<u>Other Charges</u>	<u>Total</u>		
(In millions, except per share data)							
Six Months Ended December 31, 2016							
Leading Beauty Forward	<u>\$2</u>	<u>\$7</u>	<u>\$29</u>	<u>\$34</u>	<u>\$72</u>	<u>\$46</u>	<u>\$.12</u>
Six Months Ended December 31, 2015							
Global Technology Infrastructure.....	<u>\$—</u>	<u>\$—</u>	<u>\$17</u>	<u>\$2</u>	<u>\$19</u>	<u>\$12</u>	<u>\$.03</u>

THE ESTÉE LAUDER COMPANIES INC.
Reconciliation of Certain Consolidated Statements of Earnings Accounts Before and After Charges
(Unaudited; In millions, except per share data and percentages)

	Three Months Ended December 31, 2016					Three Months Ended December 31, 2015				
	As <u>Reported</u>	<u>Charges</u>	Before <u>Charges</u>	Impact of foreign currency <u>translation</u>	Constant <u>Currency</u>	As <u>Reported</u>	<u>Charges</u>	Before <u>Charges</u>	% Change versus Prior Year Before <u>Charges</u>	% Change Constant <u>Currency</u>
Net Sales.....	\$3,208	\$—	\$3,208	\$80	\$3,288	\$3,124	\$—	\$3,124	3%	5%
Cost of sales.....	637	(4)	633			589	—	589		
Gross Profit.....	2,571	4	2,575			2,535	—	2,535	2%	
Gross Margin.....	80.1%		80.3%			81.2%		81.2%		
Operating expenses.....	1,954	(37)	1,917			1,905	(19)	1,886	2%	
Operating Expense Margin.....	60.9%		59.8%			61.0%		60.4%		
Operating Income.....	617	41	658			630	19	649	1%	
Operating Income Margin.....	19.2%		20.5%			20.2%		20.8%		
Provision for income taxes.....	170	15	185			167	7	174		
Net Earnings Attributable to The Estée Lauder Companies Inc....	428	26	454			447	12	459	(1)%	
Diluted net earnings attributable to The Estée Lauder Companies Inc. per common share.....	1.15	.07	1.22	.06	1.28	1.19	.03	1.22	0%	5%

	Six Months Ended December 31, 2016					Six Months Ended December 31, 2015				
	As <u>Reported</u>	<u>Charges</u>	Before <u>Charges</u>	Impact of foreign currency <u>translation</u>	Constant <u>Currency</u>	As <u>Reported</u>	<u>Charges</u>	Before <u>Charges</u>	% Change versus Prior Year Before <u>Charges</u>	% Change Constant <u>Currency</u>
Net Sales.....	\$6,073	\$2	\$6,075	\$113	\$6,188	\$5,959	\$—	\$5,959	2%	4%
Cost of sales.....	1,233	(7)	1,226			1,166	—	1,166		
Gross Profit.....	4,840	9	4,849			4,793	—	4,793	1%	
Gross Margin.....	79.7%		79.8%			80.4%		80.4%		
Operating expenses.....	3,805	(63)	3,742			3,710	(19)	3,691	1%	
Operating Expense Margin.....	62.7%		61.6%			62.2%		61.9%		
Operating Income.....	1,035	72	1,107			1,083	19	1,102	0%	
Operating Income Margin.....	17.0%		18.2%			18.2%		18.5%		
Provision for income taxes.....	277	26	303			295	7	302		
Net Earnings Attributable to The Estée Lauder Companies Inc....	722	46	768			756	12	768	0%	
Diluted net earnings attributable to The Estée Lauder Companies Inc. per common share.....	1.94	.12	2.06	.08	2.14	2.00	.03	2.03	1%	5%

FISCAL 2016

As part of SMI, the Company implemented the last major wave of SAP-based technologies in July 2014. As a result, and consistent with prior waves, the Company experienced a shift in its sales and operating results from accelerated orders from certain of its retailers to provide adequate safety stock and to mitigate any potential short-term business interruption associated with the July 2014 SMI rollout. In particular, approximately \$178 million of accelerated orders were recorded as net sales in the fiscal 2014 fourth quarter that would have occurred in the fiscal 2015 first quarter.

This action created a favorable comparison between the fiscal 2016 and fiscal 2015 twelve months of approximately \$178 million in net sales and approximately \$127 million in operating income, equal to \$.21 per diluted common share and impacted the Company's operating margin comparisons. The Company believes the presentation of certain comparative information in the discussions in this release that exclude the impact of the timing of these orders is useful in analyzing the net sales performance and operating results of its business.

Reconciliation of Certain Consolidated Statements of Earnings Accounts Before and After Charges, and Accelerated Orders Associated with the Company's Implementation of SMI (Unaudited; In millions, except per share data and percentages)

	Year Ended June 30, 2016					Year Ended June 30, 2015				% Change	
	As Reported	Charges	Before Charges	Impact of foreign currency translation	Constant Currency	As Reported	Charges	SMI Adjustments	Before Charges/SMI	Year Before Charges/SMI	% Change Constant Currency
Net Sales.....	\$11,262.3	\$1.4	\$11,263.7	\$487.5	\$11,751.2	\$10,780.4	\$—	\$178.3	\$10,958.7	3%	7%
Cost of sales.....	2,181.1	(0.2)	2,180.9			2,100.6	—	35.1	2,135.7		
Gross Profit.....	9,081.2	1.6	9,082.8			8,679.8	—	143.2	8,823.0	3%	
Gross Margin.....	80.6%		80.6%			80.5%			80.5%		
Operating expenses.....	7,470.9	(133.1)	7,337.8			7,073.5	(5.3)	16.0	7,084.2	4%	
Operating Expense Margin.....	66.3%		65.1%			65.6%			64.6%		
Operating Income.....	1,610.3	134.7	1,745.0			1,606.3	5.3	127.2	1,738.8	0%	
Operating Income Margin.....	14.3%		15.5%			14.9%			15.9%		
Provision for income taxes...	434.4	43.4	477.8			467.2	—	45.3	512.5		
Net Earnings Attributable to The Estée Lauder Companies Inc.....	1,114.6	91.3	1,205.9			1,088.9	5.3	81.9	1,176.1	3%	
Diluted net earnings attributable to The Estée Lauder Companies Inc. per common share.....	2.96	.24	3.20	.26	3.46	2.82	.01	.21	3.05	5%	13%

Amounts may not sum due to rounding.

Total charges associated with restructuring activities included in operating income for the year ended June 30, 2016 were:

Year Ended June 30, 2016 (Unaudited) (In millions, except per share data)	Operating Expenses					After Tax	Diluted Earnings Per Share
	Sales Returns	Cost of Sales	Restructuring Charges	Other Charges	Total		
Global Technology Infrastructure.....	\$ —	\$ —	\$ 46.0	\$ 7.6	\$ 53.6	\$34.6	\$.09
Leading Beauty Forward.....	1.4	0.2	75.4	4.1	81.1	56.7	.15
Total.....	<u>\$1.4</u>	<u>\$0.2</u>	<u>\$ 121.4</u>	<u>\$11.7</u>	<u>\$134.7</u>	<u>\$91.3</u>	<u>\$.24</u>

Reconciliation between GAAP and non-GAAP	Year Ended June 30, 2016				Year Ended June 30	
	Net Sales Growth		Diluted EPS Growth		Diluted Earnings Per Share	
	Reported Basis	Constant Currency	Reported Basis	Constant Currency	2016	2015
(Unaudited)						
Results including charges and the fiscal 2015 accelerated retailer orders.....	4% ⁽¹⁾	9%	5% ⁽¹⁾	14%	\$2.96 ⁽¹⁾	\$2.82 ⁽¹⁾
Non-GAAP						
Restructuring and other charges.....	—	—	8%	8%	.24	—
Venezuela charge.....	—	—	—	—	—	.01
Impact of fiscal 2015 accelerated orders.	~(2)%	~(2)%	~(8)%	~(9)%	—	.21
Results excluding charges and the fiscal 2015 accelerated retailer orders.....	<u>3%</u>	<u>7%</u>	<u>5%</u>	<u>13%</u>	\$3.20	<u>\$3.05</u>
Impact of foreign currency on earnings per share.....					<u>.26</u>	
Constant currency earnings per share.....					<u>\$3.46</u>	

⁽¹⁾ Represents GAAP.

Amounts may not sum due to rounding.

THE ESTÉE LAUDER COMPANIES INC.

The impact on net sales and operating results of the accelerated orders from certain retailers associated with the Company's implementation of SMI by product category and geographic region is shown below. Additionally, excluding the impact of the shift in orders, the charges associated with restructuring activities and the Venezuela remeasurement charge, net sales and operating results for the year ended June 30, 2016, increased/(decreased) as follows:

(Unaudited; Dollars in millions)	Year Ended June 30, 2015			Year Ended June 30, 2016		
	Accelerated Sales Orders		Venezuela Remeasurement	Net Sales Growth As Adjusted		Change In Operating Results As Adjusted
	Net Sales	Operating Results	Charge Operating Results	Reported Basis	Constant Currency	
Product Category:						
Skin Care.....	\$ 91	\$ 72	\$2	(3)%	1%	(7)%
Makeup.....	65	41	2	8	13	8
Fragrance.....	21	14	1	3	9	(11)
Hair Care.....	1	—	—	4	7	36
Other.....	—	—	—	48	54	100+
Total.....	<u>\$178</u>	<u>\$127</u>	<u>\$5</u>	<u>3%</u>	<u>7%</u>	<u>0%</u>
Geographic Region:						
The Americas.....	\$ 84	\$ 53	\$5	2%	5%	(4)%
Europe, the Middle East & Africa..	68	53	—	5	12	3
Asia/Pacific.....	26	21	—	(2)	4	(3)
Total.....	<u>\$178</u>	<u>\$127</u>	<u>\$5</u>	<u>3%</u>	<u>7%</u>	<u>0%</u>

Total operating income in constant currency for the year ended June 30, 2016, before charges and the impact of the shift in orders, increased 8%.

The accelerated sales orders in the prior year created an unfavorable comparison in net cash flows provided by operating activities, primarily in certain working capital components. Excluding the impact of the shift in orders, cash flows from operating activities for the year ended June 30, 2016, increased 1%.

Reconciliation between GAAP and non-GAAP	Net Cash Flows Provided By Operating Activities		
	Year Ended June 30		Percent Change
	2016	2015	
(Unaudited; Dollars in millions)			
Results as reported.....	\$1,788.7 ⁽¹⁾	\$1,943.3 ⁽¹⁾	(8)%
Non-GAAP			
Impact of fiscal 2015 accelerated orders.....	—	(173.4)	
Results excluding the fiscal 2015 accelerated retailer orders.....	<u>\$1,788.7</u>	<u>\$1,769.9</u>	1%

⁽¹⁾ Represents GAAP.

Fiscal 2015

The following are reconciliations between the non-GAAP financial measures and the most directly comparable GAAP measures for certain consolidated statements of earnings accounts before and after these items. The Company uses these non-GAAP financial measures, among other financial measures, to evaluate its operating performance, and the measures represent the manner in which the Company conducts and views its business. Management believes that excluding these items that are not comparable from period to period helps investors and others compare operating performance between two periods. While the Company considers the non-GAAP measures useful in analyzing its 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 GAAP.

In the fiscal 2014 fourth quarter some retailers accelerated sales orders in advance of the Company's July 2014 implementation of its Strategic Modernization Initiative (SMI) in certain of its largest remaining locations of approximately \$178 million. These orders would have occurred in the Company's fiscal 2015 first quarter ended September 30, 2014. This amounted to approximately \$127 million in operating income, equal to approximately \$.21 per diluted common share. The impact of this shift is reflected in the consolidated statements of earnings for the year ended June 30, 2015.

During the third quarter of fiscal 2014, based on changes to Venezuela's foreign currency exchange rate regulations made at that time, the Company changed the exchange rate used to remeasure its Venezuelan net monetary assets to a newly enacted SICAD II rate. Accordingly, the Company recorded a remeasurement charge of \$38.3 million, both before and after tax, equal to approximately \$.10 per diluted common share.

During the fiscal 2015 third quarter, the Venezuelan government introduced a new open market foreign exchange system, SIMADI, which effectively replaced the SICAD II mechanism. As a result, the Company changed the exchange rate used to remeasure the net monetary assets of its Venezuelan subsidiary to the SIMADI rate. Accordingly, the Company recorded a remeasurement charge of \$5.3 million, both before and after tax, equal to approximately \$.01 per diluted share.

THE ESTÉE LAUDER COMPANIES INC.
Reconciliation of Certain Consolidated Statements of Earnings Accounts Before and After
Returns and Charges and Accelerated Orders Associated with the Company's Implementation of SMI
(Unaudited; In millions, except per share data and percentages)

	Year Ended June 30, 2015						Year Ended June 30, 2014					
	As Reported	Returns/ Charges	SMI Adjust- ments	Before Charges /SMI	Impact of foreign currency transla- tion	Constant Currency	As Reported	Returns/ Charges	SMI Adjust- ments	Before Charges /SMI	% Change versus Prior Year Before Charges/SMI	% Change Constant Currency
Net Sales.....	\$10,780.4	\$ 0.0	\$178.3	\$10,958.7	\$519.8	\$11,478.5	\$10,968.8	\$(0.1)	\$(178.3)	\$10,790.4	2%	6%
Cost of sales.....	2,100.6	0.0	35.1	2,135.7			2,158.2	(0.1)	(35.1)	2,123.0		
Gross Profit.....	8,679.8	0.0	143.2	8,823.0			8,810.6	0.0	(143.2)	8,667.4	2%	
Gross Margin.....	80.5%			80.5%			80.3%			80.3%		
Operating expenses	7,073.5	(5.3)	16.0	7,084.2			6,983.0	(35.4)	(16.0)	6,931.6	2%	
Operating Expense Margin.	65.6%			64.6%			63.6%			64.2%		
Operating Income...	1,606.3	5.3	127.2	1,738.8			1,827.6	35.4	(127.2)	1,735.8	0%	
Operating Income Margin.....	14.9%			15.9%			16.7%			16.1%		
Provision for income taxes.....	467.2	0.0	45.3	512.5			567.7	(1.1)	(45.3)	521.3		
Net Earnings Attributable to The Estée Lauder Companies Inc.....	1,088.9	5.3	81.9	1,176.1			1,204.1	36.5	(81.9)	1,158.7	2%	
Diluted net earnings attributable to The Estée Lauder Companies Inc. per common share.....	2.82	.01	.21	3.05	.24	3.29	3.06	.09	(.21)	2.95	3%	12%

Amounts may not sum due to rounding.

THE ESTÉE LAUDER COMPANIES INC.

The impact on net sales and operating results of accelerated orders from certain retailers associated with the Company's implementation of SMI, as well as the impact of the Venezuela remeasurement charges by product category and geographic region is as follows:

(Unaudited; In millions)	<u>Accelerated Sales Orders</u>		<u>Venezuela</u>	
	<u>Three Months and Year Ended</u>		<u>Remeasurement Charges</u>	
	<u>June 30, 2015</u>		<u>Operating Results</u>	
	<u>Net Sales</u>	<u>Operating Results</u>	<u>2015</u>	<u>2014</u>
Product Category:				
Skin Care.....	\$ 91	\$ 72	\$ 2	\$ 12
Makeup.....	65	41	2	16
Fragrance.....	21	14	1	10
Hair Care.....	1	—	—	—
Other.....	—	—	—	—
Total.....	<u>\$ 178</u>	<u>\$ 127</u>	<u>\$ 5</u>	<u>\$ 38</u>
Geographic Region:				
The Americas.....	\$ 84	\$ 53	\$ 5	\$ 38
Europe, the Middle East & Africa.....	68	53	—	—
Asia/Pacific.....	26	21	—	—
Total.....	<u>\$ 178</u>	<u>\$ 127</u>	<u>\$ 5</u>	<u>\$ 38</u>

Excluding the impact of the shift in orders, the adjustments associated with restructuring activities and, for the full fiscal year, the Venezuela remeasurement charges, net sales and operating results for the three months and year ended June 30, 2015 would have increased/(decreased) as follows:

(Unaudited)	<u>Three Months Ended June 30, 2015</u>			<u>Year Ended June 30, 2015</u>		
	<u>Net Sales As Adjusted</u>		<u>Operating Results As Adjusted</u>	<u>Net Sales As Adjusted</u>		<u>Operating Results As Adjusted</u>
	<u>Reported Basis</u>	<u>Constant Currency</u>		<u>Reported Basis</u>	<u>Constant Currency</u>	
Product Category:						
Skin Care.....	(9)%	(2)%	(15)%	(2)%	2%	(1)%
Makeup.....	3	10	10	5	10	2
Fragrance.....	17	26	(100)+	2	8	(2)
Hair Care.....	4	10	35	3	7	13
Other.....	7	14	100	4	9	(28)
Total.....	<u>(1)%</u>	<u>7%</u>	<u>(9)%</u>	<u>2%</u>	<u>6%</u>	<u>0%</u>
Geographic Region:						
The Americas.....	7%	12%	(78)%	2%	6%	(31)%
Europe, the Middle East & Africa.....	(8)	3	1	1	8	13
Asia/Pacific.....	(2)	4	100	0	4	16
Total.....	<u>(1)%</u>	<u>7%</u>	<u>(9)%</u>	<u>2%</u>	<u>6%</u>	<u>0%</u>

Total operating income in constant currency for the three months and year ended June 30, 2015, excluding the impact of the shift in orders, the adjustments associated with restructuring activities and, for the full fiscal year, the Venezuela remeasurement charges, increased 6% and 8%, respectively.

Fiscal 2014

The following are reconciliations between the non-GAAP financial measures and the most directly comparable GAAP measures for certain consolidated statements of earnings accounts before and after these items. The Company uses these non-GAAP financial measures, among other financial measures, to evaluate its operating performance, and the measures represent the manner in which the Company conducts and views its business. Management believes that excluding these items that are not comparable from period to period helps investors and others compare operating performance between two periods. While the Company considers the non-GAAP measures useful in analyzing its 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 GAAP.

During the second quarter of fiscal 2013, the Company closed its multi-faceted cost savings program implemented in February 2009 (the "Program") and has executed substantially all remaining initiatives as of June 30, 2014. The impact of returns, charges and adjustments related to the Program for each fiscal period are set forth in tables that follow these notes.

During the third quarter of fiscal 2014, based on then changes to Venezuela's foreign currency exchange rate regulations, the Company changed the exchange rate used to remeasure its Venezuelan net monetary assets to a newly enacted SICAD II rate. Accordingly, the Company recorded a remeasurement charge of \$38.3 million, both before and after tax, equal to approximately \$.10 per diluted common share.

In the first quarter of fiscal 2013, the Company redeemed \$230.1 million principal amount of its 7.75% Senior Notes due November 1, 2013. As a result, the Company recorded a pre-tax charge of \$19.1 million.

THE ESTÉE LAUDER COMPANIES INC. Reconciliation of Certain Consolidated Statements of Earnings Accounts Before and After Returns and Charges (Unaudited; In millions, except per share data and percentages)

	Year Ended June 30, 2014			Year Ended June 30, 2013			% Change versus Prior Year Before Returns/Charges
	As Reported	Returns/ Charges	Before Returns/ Charges	As Reported	Returns/ Charges	Before Returns/ Charges	
Net Sales.....	\$10,968.8	\$(0.1)	\$10,968.7	\$10,181.7	\$ 1.5	\$10,183.2	8%
Cost of sales.....	2,158.2	(0.1)	2,158.1	2,025.9	(1.2)	2,024.7	
Gross Profit.....	8,810.6	0.0	8,810.6	8,155.8	2.7	8,158.5	8%
Gross Margin.....	80.3 %		80.3 %	80.1 %		80.2 %	
Operating expenses.....	6,983.0	(35.4)	6,947.6	6,629.8	(15.1)	6,614.7	5%
Operating Expense Margin.....	63.6 %		63.3 %	65.1 %		65.0 %	
Operating Income.....	1,827.6	35.4	1,863.0	1,526.0	17.8	1,543.8	21%
Operating Income Margin.....	16.7 %		17.0 %	15.0 %		15.2 %	
Interest expense on debt extinguishment.....	—	—	—	19.1	(19.1)	—	
Provision for income taxes.....	567.7	(1.1)	566.6	451.4	13.0	464.4	
Net Earnings Attributable to The Estée Lauder Companies Inc.	1,204.1	36.5	1,240.6	1,019.8	23.9	1,043.7	19%
Diluted net earnings attributable to The Estée Lauder Companies Inc. per common share.....	3.06	.09	3.16	2.58	.06	2.64	19%

As part of the Company's Strategic Modernization Initiative (SMI), the Company implemented the last major wave of SAP-based technologies in July 2014. As a result, and consistent with prior waves, the Company experienced a shift in its sales and operating results from accelerated orders from certain of its retailers to provide adequate safety stock and to mitigate any potential short-term business interruption associated with the July 2014 SMI rollout. In particular, approximately \$178 million of accelerated orders were recorded as net sales in the fiscal 2014 fourth quarter that would normally have been expected to occur in the fiscal 2015 first quarter.

This action created a favorable comparison between the fiscal 2014 and fiscal 2013 fourth quarters and full years of approximately \$178 million in net sales and approximately \$127 million in operating income, equal to \$.21 per diluted common share and impacted the Company's operating margin comparisons. The Company believes the presentation of certain comparative information in the discussions in its communications that exclude the impact of the timing of these orders is useful in analyzing the net sales performance and operating results of its business.

	<u>Year Ended June 30, 2014</u>				<u>Year Ended June 30, 2013</u>				<u>% Change versus Prior Year Before Charges/SAP</u>
	<u>As Reported</u>	<u>Returns/ Charges</u>	<u>SAP Adjust- ments</u>	<u>Before Charges /SAP</u>	<u>As Reporte d</u>	<u>Returns/ Charges</u>	<u>SAP Adjust- ments</u>	<u>Before Charges /SAP</u>	
Net Sales.....	\$10,968.8	\$(0.1)	\$(178.3)	\$10,790.4	\$10,181.7	\$ 1.5	\$ —	\$10,183.2	6%
Cost of sales.....	<u>2,158.2</u>	<u>(0.1)</u>	<u>(35.1)</u>	<u>2,123.0</u>	<u>2,025.9</u>	<u>(1.2)</u>	<u>—</u>	<u>2,024.7</u>	
Gross Profit.....	8,810.6	0.0	(143.2)	8,667.4	8,155.8	2.7	—	8,158.5	6%
Gross Margin.....	80.3%			80.3%	80.1%			80.2%	
Operating expenses.....	<u>6,983.0</u>	<u>(35.4)</u>	<u>(16.0)</u>	<u>6,931.6</u>	<u>6,629.8</u>	<u>(15.1)</u>	<u>—</u>	<u>6,614.7</u>	5%
Operating Expense Margin..	63.6%			64.2%	65.1%			65.0%	
Operating Income.....	1,827.6	35.4	(127.2)	1,735.8	1,526.0	17.8	—	1,543.8	12%
Operating Income Margin...	16.7%			16.1%	15.0%			15.2%	
Interest expense on debt extinguishment.....	—	—	—	—	19.1	(19.1)	—	—	
Provision for income taxes.....	567.7	(1.1)	(45.3)	521.3	451.4	13.0	—	464.4	
Net Earnings Attributable to The Estée Lauder Companies Inc.....	1,204.1	36.5	(81.9)	1,158.7	1,019.8	23.9	—	1,043.7	11%
Diluted net earnings attributable to The Estée Lauder Companies Inc. per common share.....	3.06	.09	(.21)	2.95	2.58	.06	—	2.64	12%

THE ESTÉE LAUDER COMPANIES INC.

The impact on net sales and operating results of accelerated orders from certain retailers associated with the Company's implementation of SMI, as well as the impact of the Venezuela remeasurement charge by product category and geographic region is as follows:

(Unaudited; In millions)	<u>Accelerated Sales Orders</u>		<u>Venezuela</u>
	<u>Three Months and Year Ended June 30, 2014</u>		<u>Remeasurement Charge</u>
	<u>Net Sales</u>	<u>Operating Results</u>	<u>Year Ended June 30, 2014</u>
			<u>Operating Results</u>
Product Category:			
Skin Care.....	\$ 91	\$ 72	\$ 12
Makeup.....	65	41	16
Fragrance.....	21	14	10
Hair Care.....	1	—	—
Other.....	—	—	—
Total.....	<u>\$ 178</u>	<u>\$ 127</u>	<u>\$ 38</u>
Geographic Region:			
The Americas.....	\$ 84	\$ 53	\$ 38
Europe, the Middle East & Africa.....	68	53	—
Asia/Pacific.....	26	21	—
Total.....	<u>\$ 178</u>	<u>\$ 127</u>	<u>\$ 38</u>

Excluding the impact of the current-year period shift in orders associated with the Company's implementation of SMI, the returns and charges (adjustments) associated with restructuring activities and, for the full fiscal year, the Venezuela remeasurement charge, net sales and operating results for the three months and year ended June 30, 2014 would have increased/(decreased) as follows:

(Unaudited)	<u>Three Months Ended June 30, 2014</u>			<u>Year Ended June 30, 2014</u>		
	<u>Net Sales As Adjusted</u>		<u>Operating Results As Adjusted</u>	<u>Net Sales As Adjusted</u>		<u>Operating Results As Adjusted</u>
	<u>Reported Basis</u>	<u>Constant Currency</u>		<u>Reported Basis</u>	<u>Constant Currency</u>	
Product Category:						
Skin Care.....	5%	5%	82%	5%	6%	10%
Makeup.....	5	5	29	7	7	19
Fragrance.....	6	5	49	7	7	(17)
Hair Care.....	6	7	100+	5	6	26
Other.....	93	97	61	16	17	66
Total.....	<u>6%</u>	<u>5%</u>	<u>68%</u>	<u>6%</u>	<u>7%</u>	<u>12%</u>
Geographic Region:						
The Americas.....	3%	4%	28%	4%	5%	24%
Europe, the Middle East & Africa.....	9	6	37	9	7	9
Asia/Pacific.....	6	7	56	4	7	7
Total.....	<u>6%</u>	<u>5%</u>	<u>68%</u>	<u>6%</u>	<u>7%</u>	<u>12%</u>

Fiscal 2013

In February 2009, the Company announced the implementation of a multi-faceted cost savings program (the "Program") to position it to achieve long-term profitable growth. As of December 31, 2012, the Company closed the Program. As a result of the closure of the Program and evaluation of the initiatives that have been implemented as of June 30, 2013, the Company anticipates total cumulative restructuring charges and other costs to implement those initiatives to total between \$320 million and \$330 million, before taxes and that such charges have been substantially recorded through fiscal 2013. Since the inception of the Program, the Company approved cost savings initiatives to resize the organization, reorganize certain functions, turnaround or exit unprofitable operations and outsource certain services. The impact of returns, charges and adjustments related to the Program for each fiscal period are set forth in tables that follow these notes.

In the first quarter of fiscal 2013, the Company redeemed \$230.1 million principal amount of its 7.75% Senior Notes due November 1, 2013. As a result, the Company recorded a pre-tax charge to earnings of \$19.1 million (\$12.2 million after tax), for the impact of the extinguishment of debt, equal to \$.03 per diluted common share.

THE ESTÉE LAUDER COMPANIES INC.
Reconciliation of Certain Consolidated Statements of Earnings Accounts Before and After Returns and Charges
(Unaudited; In millions, except per share data and percentages)

	Year Ended June 30, 2013			Year Ended June 30, 2012			% Change versus Prior Year Before Returns/Charges
	<u>As Reported</u>	<u>Returns/ Charges</u>	<u>Before Returns/ Charges</u>	<u>As Reported</u>	<u>Returns/ Charges</u>	<u>Before Returns/ Charges</u>	
Net Sales.....	\$10,181.7	\$ 1.5	\$10,183.2	\$9,713.6	\$ 2.1	\$9,715.7	5%
Cost of sales.....	2,025.9	(1.2)	2,024.7	1,995.8	(1.5)	1,994.3	
Gross Profit.....	8,155.8	2.7	8,158.5	7,717.8	3.6	7,721.4	6%
Gross Margin.....	80.1%		80.2%	79.5%		79.5%	
Operating expenses.....	6,629.8	(15.1)	6,614.7	6,406.1	(59.6)	6,346.5	4%
Operating Expense Margin.....	65.1%		65.0%	66.0%		65.3%	
Operating Income.....	1,526.0	17.8	1,543.8	1,311.7	63.2	1,374.9	12%
Operating Income Margin.....	15.0%		15.2%	13.5%		14.2%	
Interest expense on debt extinguishment.....	19.1	(19.1)	—	—	—	—	
Provision for income taxes.....	451.4	13.0	464.4	400.6	19.1	419.7	
Net Earnings Attributable to The Estée Lauder Companies Inc.	1,019.8	23.9	1,043.7	856.9	44.1	901.0	16%
Diluted net earnings attributable to The Estée Lauder Companies Inc. per common share.....	2.58	.06	2.64	2.16	.11	2.27	16%

Fiscal 2012

In February 2009, the Company announced the implementation of a multi-faceted cost savings program (the "Program") to position it to achieve long-term profitable growth. The Company anticipates the Program will result in related restructuring and other charges, inclusive of cumulative charges recorded to date and through the remainder of the Program, totaling between \$350 million and \$450 million, before taxes. Since the inception of the Program, the Company approved cost savings initiatives to resize the organization, reorganize certain functions, turnaround or exit unprofitable operations and outsource certain services.

For the year ended June 30, 2012 and 2011, aggregate restructuring charges of \$53.6 million and \$41.1 million, respectively, were recorded in the Company's consolidated statements of earnings related to the Program. These charges primarily reflected employee-related costs, asset write-offs, contract terminations and other exit costs.

The Company recorded other charges in connection with the implementation of the Program for the year ended June 30, 2012 and 2011 of \$6.0 million and \$7.9 million, respectively, primarily related to consulting and other professional services. For the year ended June 30, 2012, the Company recorded \$2.1 million, reflecting sales returns (less a related cost of sales of \$0.3 million) and a write-off of inventory of \$1.8 million associated with exiting unprofitable operations. During the year ended June 30, 2011, the Company recorded \$4.6 million, reflecting sales returns (less a related cost of sales of \$1.2 million) and a write-off of inventory of \$7.0 million associated with turnaround operations, primarily related to the reformulation of Ojon brand products.

Total charges associated with restructuring activities included in operating income for the year ended June 30, 2012 and 2011, were \$63.2 million and \$59.4 million, respectively.

THE ESTÉE LAUDER COMPANIES INC.

**Reconciliation of Certain Consolidated Statements of Earnings Accounts Before and After Returns and Charges
(Unaudited; In millions, except per share data and percentages)**

	Year Ended June 30, 2012			Year Ended June 30, 2011			% Change versus Prior Year Before
	<u>As Reported</u>	<u>Returns/ Charges</u>	<u>Before Returns/ Charges</u>	<u>As Reported</u>	<u>Returns/ Charges</u>	<u>Before Returns/ Charges</u>	
Net Sales.....	\$9,713.6	\$ 2.1	\$9,715.7	\$8,810.0	\$ 4.6	\$8,814.6	10%
Cost of sales.....	1,995.8	(1.5)	1,994.3	1,936.9	(5.8)	1,931.1	
Gross Profit.....	7,717.8	3.6	7,721.4	6,873.1	10.4	6,883.5	12%
Gross Margin.....	79.5%		79.5 %	78.0%		78.1%	
Operating expenses.....	6,406.1	(59.6)	6,346.5	5,783.7	(49.0)	5,734.7	11%
Operating Expense Margin.....	66.0%		65.3 %	65.6%		65.1%	
Operating Income.....	1,311.7	63.2	1,374.9	1,089.4	59.4	1,148.8	20%
Operating Income Margin.....	13.5%		14.2 %	12.4%		13.0%	
Provision for income taxes.....	400.6	19.1	419.7	321.7	17.7	339.4	
Net Earnings Attributable to The Estée Lauder Companies Inc.	856.9	44.1	901.0	700.8	41.7	742.5	21%
Diluted net earnings attributable to The Estée Lauder Companies Inc. per common share.....	2.16	.11	2.27	1.74	.10	1.85	23%

Fiscal 2011

In February 2009, the Company announced the implementation of a multi-faceted cost savings program (the "Program") to position it to achieve long-term profitable growth. The Company anticipates the Program will result in related restructuring and other special charges, inclusive of cumulative charges recorded to date and over the next few fiscal years, totaling between \$350 million and \$450 million, before taxes.

During the year ended June 30, 2011 and June 30, 2010, the Company approved cost savings initiatives to resize the organization, reorganize certain functions, turnaround or exit unprofitable operations and outsource certain services.

For the year ended June 30, 2011 and 2010, aggregate restructuring charges of \$41.1 million and \$48.8 million, respectively, were recorded in the Company's consolidated statements of earnings related to the Program. These charges primarily reflected employee-related costs, asset write-offs, contract terminations and other exit costs.

The Company recorded other special charges in connection with the implementation of the Program for the year ended June 30, 2011 and 2010 of \$7.9 million and \$12.3 million, respectively, related to consulting and other professional services and accelerated depreciation.

During the year ended June 30, 2011, the Company recorded \$4.6 million, reflecting sales returns (less a related cost of sales of \$1.2 million) and a write-off of inventory of \$7.0 million associated with turnaround operations, primarily related to the reformulation of Ojon brand products.

For the year ended June 30, 2010, the Company recorded \$15.7 million, reflecting sales returns (less a related cost of sales of \$2.5 million) and a write-off of inventory of \$10.4 million associated with exiting unprofitable operations.

Total charges associated with restructuring activities included in operating income for the year ended June 30, 2011 and 2010 were \$59.4 million and \$84.7 million, respectively.

THE ESTÉE LAUDER COMPANIES INC.
Reconciliation of Certain Consolidated Statements of Earnings Accounts Before and After Returns and Charges
(Unaudited; In millions, except per share data and percentages)

	Year Ended June 30, 2011			Year Ended June 30, 2010			% Change versus Prior Year Before Returns/Charges
	<u>As Reported</u>	<u>Returns/ Charges</u>	<u>Before Returns/ Charges</u>	<u>As Reported</u>	<u>Returns/ Charges</u>	<u>Before Returns/ Charges</u>	
Net Sales.....	\$8,810.0	\$ 4.6	\$8,814.6	\$7,795.8	\$ 15.7	\$7,811.5	13%
Cost of sales.....	<u>1,936.9</u>	<u>(5.8)</u>	<u>1,931.1</u>	<u>1,829.4</u>	<u>(7.9)</u>	<u>1,821.5</u>	
Gross Profit.....	6,873.1	10.4	6,883.5	5,966.4	23.6	5,990.0	15%
Gross Margin.....	78.0%		78.1 %	76.5%		76.7%	
Operating expenses.....	<u>5,783.7</u>	<u>(49.0)</u>	<u>5,734.7</u>	<u>5,176.5</u>	<u>(61.1)</u>	<u>5,115.4</u>	12%
Operating Expense Margin.....	65.6%		65.1 %	66.4%		65.5%	
Operating Income.....	1,089.4	59.4	1,148.8	789.9	84.7	874.6	31%
Operating Income Margin.....	12.4%		13.0 %	10.1%		11.2%	
Interest expense on debt extinguishment.....	—	—	—	27.3	(27.3)	—	
Provision for income taxes.....	321.7	17.7	339.4	205.9	38.6	244.5	
Net Earnings Attributable to The Estée Lauder Companies Inc.	700.8	41.7	742.5	478.3	73.4	551.7	35%
Diluted net earnings attributable to The Estée Lauder Companies Inc. per common share.....	3.48	.21	3.69	2.38	.37	2.75	34%

Fiscal 2010

The table below reconciles the results for the year ended June 30, 2010 before and after returns and charges associated with restructuring activities and the extinguishment of debt.

In February 2009, the Company announced the implementation of a multi-faceted cost savings program (the "Program") to position it to achieve long-term profitable growth. The Company anticipates the Program will result in related restructuring and other special charges over the next few fiscal years totaling between \$350 million and \$450 million before taxes. The Program includes organizational resizing and regional realignments which principally reflects the reduction of the workforce by approximately 2,000 employees.

During the year ended June 30, 2010, the Company approved cost savings initiatives to resize the organization, reorganize certain functions, turnaround or exit unprofitable operations and outsource certain services. For the year ended June 30, 2010, aggregate restructuring charges of \$48.8 million were recorded in the Company's consolidated statements of earnings related to the Program. These charges primarily reflected employee-related costs, asset write-offs, contract terminations and other exit costs.

The Company recorded other special charges in connection with the implementation of the Program for the year ended June 30, 2010 of \$12.3 million related to consulting, other professional services, and accelerated depreciation. For the year ended June 30, 2010, the Company recorded \$15.7 million, reflecting anticipated sales returns (less a related cost of sales of \$2.5 million) and a write-off of inventory associated with exiting unprofitable operations of \$10.4 million.

Total charges associated with restructuring activities included in operating income for the year ended June 30, 2010, were \$84.7 million.

In the fourth quarter of fiscal 2010, the Company completed a cash tender offer for \$199.9 million aggregate principal amount of Senior Notes due in 2012 and 2013. As a result, the Company recorded a pre-tax charge to earnings of \$27.3 million.

THE ESTÉE LAUDER COMPANIES INC.
Reconciliation of Certain Consolidated Statements of Earnings Accounts Before and After Returns and Charges
(Unaudited; In millions, except per share data and percentages)

	<u>Year Ended June 30, 2010</u>			<u>Year Ended June 30, 2009</u>			% Change versus Prior Year Before Returns/Charges
	<u>As Reported</u>	<u>Returns/ Charges</u>	<u>Before Returns/ Charges</u>	<u>As Reported</u>	<u>Returns/ Charges</u>	<u>Before Returns/ Charges</u>	
Net Sales.....	\$7,795.8	\$ 15.7	\$7,811.5	\$7,323.8	\$ 8.1	\$7,331.9	6.5%
Cost of sales.....	<u>1,829.4</u>	<u>(7.9)</u>	<u>1,821.5</u>	<u>1,881.6</u>	<u>(6.8)</u>	<u>1,874.8</u>	
Gross Profit.....	5,966.4	23.6	5,990.0	5,442.2	14.9	5,457.1	9.8%
Gross Margin.....	76.5%		76.7%	74.3%		74.5%	
Operating expenses.....	<u>5,176.5</u>	<u>(61.1)</u>	<u>5,115.4</u>	<u>5,023.8</u>	<u>(76.8)</u>	<u>4,947.0</u>	3.4%
Operating Expense Margin.....	66.4%		65.5 %	68.6 %		67.5 %	
Operating Income.....	789.9	84.7	874.6	418.4	91.7	510.1	71.5%
Operating Income Margin.....	10.1%		11.2 %	5.7 %		7.0 %	
Interest expense on debt extinguishment.....	27.3	(27.3)	—	—		—	
Provision for income taxes.....	205.9	38.6	244.5	115.9	30.0	145.9	
Net Earnings Attributable to The Estée Lauder Companies Inc.....	478.3	73.4	551.7	218.4	61.7	280.1	97.0%
Diluted net earnings attributable to The Estée Lauder Companies Inc. per common share.....	2.38	.37	2.75	1.10	.31	1.42	94.0%

Fiscal 2009

The table below reconciles the results for the year ended June 30, 2009 as reported and results prior to restructuring and special charges.

In February 2009, the Company announced the implementation of a multi-faceted cost savings program (the "Program") to position it to achieve long-term profitable growth. The Company anticipates the Program will result in related restructuring and other special charges over the next few fiscal years totaling between \$350 million and \$450 million before taxes. The Program includes organizational resizing and regional realignments which principally reflects the reduction of the workforce by approximately 2,000 employees.

During fiscal 2009, the Company approved cost savings initiatives to resize the organization, reorganize certain functions, exit unprofitable operations and outsource certain services. For the year ended June 30, 2009, aggregate restructuring charges of \$70.3 million were recorded in the Company's summary of consolidated results related to the Program. These charges primarily reflected employee-related costs, asset write-offs, contract terminations and other exit costs.

The Company incurred other special charges in connection with the implementation of the Program for the year ended June 30, 2009 of \$10.1 million related to consulting, other professional services, and accelerated depreciation. In addition to the other special charges, the Company recorded \$8.1 million reflecting sales returns (less a related cost of sales of \$1.2 million) and a write-off of inventory associated with exiting unprofitable operations of \$8.0 million.

During the year ended June 30, 2009, the Company recorded a gain of \$3.6 million related to excess accruals that were recorded as other special charges in prior years.

Total charges associated with restructuring activities included in operating income for the year ended June 30, 2009 were \$91.7 million.

	<u>Year Ended June 30, 2009</u>			<u>Year Ended June 30, 2008</u>			<u>% Change versus Prior Year Before Charges</u>
	<u>As Reported</u>	<u>Charges</u>	<u>Before Charges</u>	<u>As Reported</u>	<u>Charges</u>	<u>Before Charges</u>	
Net Sales	\$7,323.8	\$8.1	\$7,331.9	\$7,910.8	\$0.0	\$7,910.8	(7.3)%
Cost of Sales	<u>1,881.6</u>	<u>6.8</u>	<u>1,874.8</u>	<u>1,996.8</u>	<u>0.0</u>	<u>1,996.8</u>	
Gross Profit	5,442.2	14.9	5,457.1	5,914.0	0.0	5,914.0	(7.7)%
Gross Margin	74.3%		74.5%	74.8%		74.8%	
Operating Expenses	<u>5,023.8</u>	<u>76.8</u>	<u>4,947.0</u>	<u>5,103.3</u>	<u>0.4</u>	<u>5,102.9</u>	(3.1)%
Operating Expense Margin	68.6%		67.5%	64.5%		64.5%	
Operating Income	418.4	91.7	510.1	810.7	0.4	811.1	(37.1)%
Operating Income Margin	5.7%		7.0%	10.3%		10.3%	
Provision for income taxes.....	115.9	30.0	145.9	259.9	0.1	260.0	
Net Earnings	218.4	61.7	280.1	473.8	0.3	474.1	(40.9)%
Diluted net earnings per common share ..	1.10	.31	1.42	2.40	.00	2.40	(41.1)%

Fiscal 2006

The table below reconciles the fiscal 2006 results as reported and results prior to special charges.

As part of an initiative to reduce expenses, the Company commenced streamlined process and organizational changes. The principal component of the initiative in fiscal 2006 was a voluntary separation program offered to employees. During the three and twelve months ended June 30, 2006, the Company recorded charges of \$38.9 million and \$92.1 million, respectively, related to the implementation of this cost savings initiative. The provision for income taxes related to these charges was \$14.2 million and \$34.1 million, for the three and twelve months ended June 30, 2006, respectively.

In July 2006 the Company reached a settlement with the Internal Revenue Service (IRS) regarding its examination of the Company's consolidated Federal income tax returns for the fiscal years ended June 30, 1998 through June 30, 2001. The settlement resolved previously disclosed issues raised during the IRS's examination, including transfer pricing and foreign tax credit computations. While the settlement concludes the audit for fiscal years 1998 through 2001, the statement of earnings impact related to these issues also has been computed for all subsequent periods and the aggregate impact was recorded in the fourth quarter of fiscal year ended June 30, 2006. The settlement resulted in an increase to the Company's fiscal 2006 income tax provision and a corresponding decrease in fiscal 2006 net earnings of approximately \$46 million, or approximately \$.21 per diluted common share.

During the fourth quarter of fiscal 2006, the Company completed the repatriation of foreign earnings through intercompany dividends under the provisions of the American Jobs Creation Act of 2004 (the "AJCA"). In connection with the repatriation, the Company finalized computations of the related aggregate tax impact, resulting in a favorable adjustment of approximately \$11 million, or approximately \$.05 per diluted common share, to the Company's initial tax charge of \$35 million recorded in fiscal 2005.

The tax settlement, combined with the favorable adjustment to the fiscal 2005 AJCA-related tax charge, resulted in a net increase to the Company's fiscal 2006 income tax provision and a corresponding decrease in fiscal 2006 net earnings of approximately \$35 million, or approximately \$.16 per diluted common share.

	<u>Year Ended June 30, 2006</u>			<u>Year Ended June 30, 2005</u>			<u>% Change versus Prior Year Before Charges</u>
	<u>As Reported</u>	<u>Special Charges</u>	<u>Before Special Charges</u>	<u>As Reported</u>	<u>Special Charges</u>	<u>Before Special Charges</u>	
Operating Expenses.....	\$4,157.6	\$92.1	\$4,065.5	\$3,950.4	\$ -	\$3,950.4	2.9%
Operating Expense Margin.....	64.3%		62.9%	62.9%		62.9%	
Operating Income.....	619.6	92.1	711.7	726.8	-	726.8	(2.1)%
Operating Income Margin	9.6%		11.0%	11.6%		11.6%	
Provision for income taxes	259.7	0.9	258.8	293.7	27.5	266.2	
Net Earnings from Continuing Operations	324.5	93.0	417.5	409.9	27.5	437.4	(4.5)%
Net Earnings.....	244.2	93.0	337.2	406.1	27.5	433.6	(22.2)%
Diluted net earnings per common share:							
Net earnings from continuing operations	1.49	.43	1.92	1.80	.12	1.92	0.4%
Net earnings.....	1.12	.43	1.55	1.78	.12	1.90	(18.2)%

Fiscal 2005

The table below reconciles the fiscal 2005 results as reported and results prior to adjustment for a special tax charge related to our plans to repatriate approximately \$690 million of foreign earnings in fiscal year 2006, which includes \$500 million of extraordinary intercompany dividends under the provisions of the American Jobs Creation Act of 2004 (the "AJCA"). This plan resulted in an aggregate tax charge of approximately \$35 million in our fiscal year ended June 30, 2005, which includes an incremental tax charge of \$27.5 million, equal to \$.12 per diluted common share. The repatriated funds will be reinvested in the United States under a domestic reinvestment plan in accordance with the provisions of the AJCA.

	<u>Three Months Ended</u> <u>June 30, 2005</u>		<u>Year Ended</u> <u>June 30, 2005</u>	
	<u>Income</u> <u>(Expense)</u>	<u>Diluted Net</u> <u>Earnings Per</u> <u>Common Share</u>	<u>Income</u> <u>(Expense)</u>	<u>Diluted Net</u> <u>Earnings Per</u> <u>Common Share</u>
	(Unaudited)			
Net Earnings before special tax charge.....	\$ 94.1	\$.42	\$433.6	\$1.90
Special tax charge.....	<u>(27.5)</u>	<u>(.12)</u>	<u>(27.5)</u>	<u>(.12)</u>
Net Earnings	<u>\$ 66.6</u>	<u>\$.30</u>	<u>\$406.1</u>	<u>\$1.78</u>

Fiscal 2003

The table below reconciles the fiscal 2003 results as reported and results prior to adjustment for a special pre-tax charge of \$22.0 million, or \$13.5 million after-tax, equal to \$.06 per diluted common share, in connection with the proposed settlement of a class action lawsuit brought against us and a number of other defendants. The amount of the charge in this case is significantly larger than similar charges we have incurred individually or in the aggregate for legal proceedings in any prior year and we do not expect to take a charge of a similar magnitude for a single matter like it in the near future.

	<u>Year Ended June 30, 2003</u>		
	<u>As Reported</u> <u>Results</u>	<u>Reconciling</u> <u>Items</u>	<u>Non-GAAP</u> <u>Results</u>
	(Dollars in millions, except per share data)		
Net sales.....	\$5,096.0	\$ -	\$5,096.0
Cost of sales.....	<u>1,324.4</u>	<u>-</u>	<u>1,324.4</u>
Gross profit	<u>3,771.6</u>	<u>-</u>	<u>3,771.6</u>
<i>Gross margin</i>	74.0%		74.0%
Operating expenses	<u>3,267.9</u>	<u>22.0</u>	<u>3,245.9</u>
<i>Operating expense margin</i>	64.1%		63.7%
Operating income.....	<u>503.7</u>	<u>22.0</u>	<u>525.7</u>
<i>Operating income margin</i>	9.9%		10.3%
Provision (benefit) for income taxes	<u>163.3</u>	<u>(8.5)</u>	<u>171.8</u>
Net Earnings from Continuing Operations	325.6	13.5	339.1
Discontinued operations, net of tax	<u>(5.8)</u>	<u>-</u>	<u>(5.8)</u>
Net Earnings	<u>\$ 319.8</u>	<u>\$13.5</u>	<u>\$ 333.3</u>
Net Earnings Attributable to Common Stock	<u>\$ 296.4</u>	<u>\$13.5</u>	<u>\$ 309.9</u>
Diluted net earnings per common share:			
Net earnings attributable to common stock from			
continuing operations.....	<u>\$ 1.29</u>	<u>\$.06</u>	<u>\$ 1.35</u>
Net earnings attributable to common stock.....	<u>\$ 1.26</u>	<u>\$.06</u>	<u>\$ 1.32</u>

Fiscal 2002

The table below reconciles the fiscal 2002 results as reported and results prior to adjustment for pre-tax restructuring charges of \$117.4 million (of which \$0.8 million was included in discontinued operations), or \$76.9 million after-tax (of which \$0.5 million was included in discontinued operations), equal to \$.32 per diluted common share. The restructuring charges were related to repositioning certain businesses as part of a globalization and reorganization initiative, and are described in greater detail in our report on Form 10-K for the year ended June 30, 2003. The restructuring was not considered part of our core continuing business in fiscal 2002. Management also excludes the related charges in evaluating its performance when comparing fiscal 2002 to future periods.

	Year Ended June 30, 2002		
	As Reported Results	Reconciling Items	Non-GAAP Results
	(Dollars in millions, except per share data)		
Net sales.....	\$4,711.5	\$ 6.2	\$4,717.7
Cost of sales.....	<u>1,260.5</u>	<u>0.8</u>	<u>1,259.7</u>
Gross profit.....	<u>3,451.0</u>	<u>7.0</u>	<u>3,458.0</u>
<i>Gross margin</i>	73.2%		73.3%
Operating expenses.....	<u>3,108.9</u>	<u>109.6</u>	<u>2,999.3</u>
<i>Operating expense margin</i>	66.0%		63.6%
Operating income.....	<u>342.1</u>	<u>116.6</u>	<u>458.7</u>
<i>Operating income margin</i>	7.2%		9.7%
Provision (benefit) for income taxes.....	<u>114.7</u>	<u>(40.2)</u>	<u>154.9</u>
Net Earnings from Continuing Operations	212.9	76.4	289.3
Discontinued operations, net of tax	<u>(21.0)</u>	<u>0.5</u>	<u>(20.5)</u>
Net Earnings	<u>\$ 191.9</u>	<u>\$76.9</u>	<u>\$ 268.8</u>
Net Earnings Attributable to Common Stock	<u>\$ 168.5</u>	<u>\$76.9</u>	<u>\$ 245.4</u>
Diluted net earnings per common share:			
Net earnings attributable to common stock from continuing operations.....	<u>\$.79</u>	<u>\$.31</u>	<u>\$ 1.10</u>
Net earnings attributable to common stock.....	<u>\$.70</u>	<u>\$.32</u>	<u>\$ 1.02</u>