

REVLON INC /DE/  
Form 10-Q  
November 04, 2016

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2016

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: 1-11178  
REVLON, INC.  
(Exact name of registrant as specified in its charter)

Delaware 13-3662955  
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

One New York Plaza, New York, New York 10004  
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: 212-527-4000

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting

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company” in Rule 12b-2 of the Exchange Act. (Check one):

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

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

As of September 30, 2016, 52,498,246 shares of Class A Common Stock were outstanding. At such date, 40,669,640 shares of Class A Common Stock were beneficially owned by MacAndrews & Forbes Incorporated and certain of its affiliates.

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REVLON, INC. AND SUBSIDIARIES

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## PART I - FINANCIAL INFORMATION

## Item 1. Financial Statements

REVLON, INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS

(dollars in millions, except share and per share amounts)

|                                                                                                                                                                                       | September 30,<br>2016<br><br>(Unaudited) | December 31,<br>2015<br><br>(as<br>adjusted) <sup>(a)</sup> |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------|-------------------------------------------------------------|
| <b>ASSETS</b>                                                                                                                                                                         |                                          |                                                             |
| Current assets:                                                                                                                                                                       |                                          |                                                             |
| Cash and cash equivalents                                                                                                                                                             | \$ 99.2                                  | \$ 326.9                                                    |
| Trade receivables, less allowance for doubtful accounts of \$11.0 and \$10.5 as of September 30, 2016 and December 31, 2015, respectively                                             | 484.2                                    | 244.9                                                       |
| Inventories                                                                                                                                                                           | 519.1                                    | 183.8                                                       |
| Prepaid expenses and other                                                                                                                                                            | 102.8                                    | 53.3                                                        |
| Total current assets                                                                                                                                                                  | 1,205.3                                  | 808.9                                                       |
| Property, plant and equipment, net of accumulated depreciation of \$294.8 and \$271.7 as of September 30, 2016 and December 31, 2015, respectively                                    | 312.0                                    | 215.3                                                       |
| Deferred income taxes                                                                                                                                                                 | 142.1                                    | 71.3                                                        |
| Goodwill                                                                                                                                                                              | 684.9                                    | 469.7                                                       |
| Intangible assets, net of accumulated amortization of \$79.0 and \$61.1 as of September 30, 2016 and December 31, 2015, respectively                                                  | 657.4                                    | 318.0                                                       |
| Other assets                                                                                                                                                                          | 112.0                                    | 84.1                                                        |
| Total assets                                                                                                                                                                          | \$ 3,113.7                               | \$ 1,967.3                                                  |
| <b>LIABILITIES AND STOCKHOLDERS' DEFICIENCY</b>                                                                                                                                       |                                          |                                                             |
| Current liabilities:                                                                                                                                                                  |                                          |                                                             |
| Short-term borrowings                                                                                                                                                                 | \$ 11.7                                  | \$ 11.3                                                     |
| Current portion of long-term debt                                                                                                                                                     | 83.5                                     | 30.0                                                        |
| Accounts payable                                                                                                                                                                      | 307.9                                    | 201.3                                                       |
| Accrued expenses and other                                                                                                                                                            | 344.8                                    | 272.4                                                       |
| Total current liabilities                                                                                                                                                             | 747.9                                    | 515.0                                                       |
| Long-term debt                                                                                                                                                                        | 2,666.1                                  | 1,783.7                                                     |
| Long-term pension and other post-retirement plan liabilities                                                                                                                          | 174.8                                    | 185.3                                                       |
| Other long-term liabilities                                                                                                                                                           | 84.5                                     | 70.8                                                        |
| Stockholders' deficiency:                                                                                                                                                             |                                          |                                                             |
| Class A Common Stock, par value \$0.01 per share; 900,000,000 shares authorized; 53,862,615 and 54,088,174 shares issued as of September 30, 2016 and December 31, 2015, respectively | 0.5                                      | 0.5                                                         |
| Additional paid-in capital                                                                                                                                                            | 1,031.2                                  | 1,026.3                                                     |
| Treasury stock, at cost: 1,006,808 and 859,921 shares of Class A Common Stock as of September 30, 2016 and December 31, 2015, respectively                                            | (18.6                                    | ) (13.3                                                     |
| Accumulated deficit                                                                                                                                                                   | (1,341.1                                 | ) (1,355.7                                                  |
| Accumulated other comprehensive loss                                                                                                                                                  | (231.6                                   | ) (245.3                                                    |
| Total stockholders' deficiency                                                                                                                                                        | (559.6                                   | ) (587.5                                                    |
| Total liabilities and stockholders' deficiency                                                                                                                                        | \$ 3,113.7                               | \$ 1,967.3                                                  |

<sup>(a)</sup> Adjusted as a result of the adoption of certain accounting pronouncements beginning on January 1, 2016. See Note 1, "Description of Business and Summary of Significant Accounting Policies - Recently Adopted Accounting Pronouncements" for details of these adjustments.

See Accompanying Notes to Unaudited Consolidated Financial Statements

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## REVLOON, INC. AND SUBSIDIARIES

## UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

(dollars in millions, except share and per share amounts)

|                                                                                                        | Three Months<br>Ended September<br>30, |            | Nine Months Ended<br>September 30, |            |
|--------------------------------------------------------------------------------------------------------|----------------------------------------|------------|------------------------------------|------------|
|                                                                                                        | 2016                                   | 2015       | 2016                               | 2015       |
| Net sales                                                                                              | \$604.8                                | \$ 471.5   | \$1,533.3                          | \$ 1,392.4 |
| Cost of sales                                                                                          | 243.4                                  | 167.8      | 568.8                              | 471.4      |
| Gross profit                                                                                           | 361.4                                  | 303.7      | 964.5                              | 921.0      |
| Selling, general and administrative expenses                                                           | 285.7                                  | 244.1      | 792.8                              | 752.7      |
| Acquisition and integration costs                                                                      | 33.5                                   | 0.6        | 39.5                               | 6.5        |
| Restructuring charges and other, net                                                                   | 0.5                                    | 4.0        | 2.3                                | 0.9        |
| Operating income                                                                                       | 41.7                                   | 55.0       | 129.9                              | 160.9      |
| Other expenses, net:                                                                                   |                                        |            |                                    |            |
| Interest expense                                                                                       | 27.4                                   | 21.5       | 69.3                               | 62.0       |
| Amortization of debt issuance costs                                                                    | 1.7                                    | 1.4        | 4.6                                | 4.2        |
| Loss on early extinguishment of debt                                                                   | 16.9                                   | —          | 16.9                               | —          |
| Foreign currency losses (gains), net                                                                   | 1.2                                    | (0.7)      | 6.3                                | 7.3        |
| Miscellaneous, net                                                                                     | (0.6)                                  | 0.3        | (0.1)                              | 0.5        |
| Other expenses, net                                                                                    | 46.6                                   | 22.5       | 97.0                               | 74.0       |
| (Loss) income from continuing operations before income taxes                                           | (4.9)                                  | 32.5       | 32.9                               | 86.9       |
| (Benefit from) provision for income taxes                                                              | (0.4)                                  | 24.6       | 16.0                               | 53.8       |
| (Loss) income from continuing operations, net of taxes                                                 | (4.5)                                  | 7.9        | 16.9                               | 33.1       |
| Loss from discontinued operations, net of taxes                                                        | (0.2)                                  | (1.7)      | (2.3)                              | (1.8)      |
| Net (loss) income                                                                                      | \$(4.7)                                | \$ 6.2     | \$14.6                             | \$ 31.3    |
| Other comprehensive income (loss):                                                                     |                                        |            |                                    |            |
| Foreign currency translation adjustments, net of tax <sup>(a)</sup>                                    | 2.7                                    | (2.5)      | 8.0                                | (15.1)     |
| Amortization of pension related costs, net of tax <sup>(b)(d)</sup>                                    | 1.8                                    | 1.9        | 5.6                                | 5.4        |
| Revaluation of derivative financial instruments, net of reclassifications into earnings <sup>(c)</sup> | 0.8                                    | (0.7)      | 0.1                                | (2.7)      |
| Other comprehensive income (loss)                                                                      | 5.3                                    | (1.3)      | 13.7                               | (12.4)     |
| Total comprehensive income                                                                             | \$0.6                                  | \$ 4.9     | \$28.3                             | \$ 18.9    |
| Basic (loss) earnings per common share:                                                                |                                        |            |                                    |            |
| Continuing operations                                                                                  | \$(0.09)                               | \$ 0.15    | \$0.32                             | \$ 0.63    |
| Discontinued operations                                                                                | —                                      | (0.03)     | (0.04)                             | (0.03)     |
| Net (loss) income                                                                                      | \$(0.09)                               | \$ 0.12    | \$0.28                             | \$ 0.60    |
| Diluted (loss) earnings per common share:                                                              |                                        |            |                                    |            |
| Continuing operations                                                                                  | \$(0.09)                               | \$ 0.15    | \$0.32                             | \$ 0.63    |
| Discontinued operations                                                                                | —                                      | (0.03)     | (0.04)                             | (0.03)     |
| Net (loss) income                                                                                      | \$(0.09)                               | \$ 0.12    | \$0.28                             | \$ 0.60    |
| Weighted average number of common shares outstanding:                                                  |                                        |            |                                    |            |
| Basic                                                                                                  | 52,498,246                             | 52,440,580 | 52,498,840                         | 52,422,660 |
| Diluted                                                                                                | 52,498,246                             | 52,603,711 | 52,617,740                         | 52,593,207 |

Net of expense (benefit) of \$0.7 million and (\$3.5 million) for the three months ended September 30, 2016 and (a) 2015, respectively, and \$1.3 million and (\$6.3 million) for the nine months ended September 30, 2016 and 2015, respectively.

Net of tax expense of \$0.4 million and \$0.3 million for each of the three months ended September 30, 2016 and (b) 2015, respectively, and \$1.1 million and \$1.0 million for each of the nine months ended September 30, 2016 and 2015.

Net of tax expense (benefit) of \$0.5 million and (\$0.5 million) for the three months ended September 30, 2016 and (c) 2015, respectively, and \$0.1 million and (\$1.7 million) for the nine months ended September 30, 2016 and 2015, respectively.

This other comprehensive income component is included in the computation of net periodic benefit (income) costs. (d) See Note 11, "Pension and Post-Retirement Benefits," for additional information regarding net periodic benefit (income) costs.

See Accompanying Notes to Unaudited Consolidated Financial Statements

REVLON, INC. AND SUBSIDIARIES  
 UNAUDITED CONSOLIDATED STATEMENT OF STOCKHOLDERS' DEFICIENCY  
 (dollars in millions)

|                                                      | Common<br>Stock | Additional<br>Paid-In-Capital | Treasury<br>Stock | Accumulated<br>Deficit | Accumulated<br>Other<br>Comprehensive<br>Loss | Total<br>Stockholders'<br>Deficiency |
|------------------------------------------------------|-----------------|-------------------------------|-------------------|------------------------|-----------------------------------------------|--------------------------------------|
| Balance, January 1, 2016                             | \$ 0.5          | \$ 1,026.3                    | \$(13.3 )         | \$(1,355.7 )           | \$ (245.3 )                                   | \$ (587.5 )                          |
| Treasury stock acquired, at cost <sup>(a)</sup>      |                 |                               | (2.6 )            |                        |                                               | (2.6 )                               |
| Repurchase of common stock <sup>(b)</sup>            |                 |                               | (2.7 )            |                        |                                               | (2.7 )                               |
| Stock-based compensation amortization                |                 | 4.8                           |                   |                        |                                               | 4.8                                  |
| Excess tax benefits from stock-based<br>compensation |                 | 0.1                           |                   |                        |                                               | 0.1                                  |
| Net income                                           |                 |                               |                   | 14.6                   |                                               | 14.6                                 |
| Other comprehensive income, net <sup>(c)</sup>       |                 |                               |                   |                        | 13.7                                          | 13.7                                 |
| Balance, September 30, 2016                          | \$ 0.5          | \$ 1,031.2                    | \$(18.6 )         | \$(1,341.1 )           | \$ (231.6 )                                   | \$ (559.6 )                          |

Pursuant to the share withholding provisions of the Fourth Amended and Restated Revlon, Inc. Stock Plan (the "Stock Plan"), certain senior executives, in lieu of paying certain withholding taxes on the vesting of restricted stock, authorized the withholding of an aggregate 73,992 shares of Revlon, Inc. Class A Common Stock during the nine months ended September 30, 2016, to satisfy certain minimum statutory tax withholding requirements related to the vesting of such shares. These withheld shares were recorded as treasury stock using the cost method, at a price per share of \$35.00 during the nine months ended September 30, 2016, based on the closing price of Revlon, Inc. Class A Common Stock as reported on the NYSE consolidated tape on the vesting date, for a total of \$2.6 million. See Note 15, "Stock Compensation Plan" to the Consolidated Financial Statements in Revlon, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2015, filed with the SEC on February 26, 2016 (the "2015 Form 10-K") for details regarding restricted stock awards under the Stock Plan.

On April 21, 2016, in connection with his separation from the Company, the Company repurchased 72,895 shares of Revlon, Inc. Class A Common Stock (representing vested shares of restricted stock) from Lorenzo Delpani, the Company's former President and Chief Executive Officer, at a price of \$36.83 per share based upon the NYSE closing price of Revlon, Inc. Class A Common Stock on April 20, 2016, for a total purchase price of \$2.7 million.

See Note 13, "Accumulated Other Comprehensive Loss," regarding the changes in the accumulated balances for each component of other comprehensive income during the nine months ended September 30, 2016.

See Accompanying Notes to Unaudited Consolidated Financial Statements



REVLOON, INC. AND SUBSIDIARIES  
 UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS  
 (dollars in millions)

|                                                                               | Nine Months Ended<br>September 30,<br>2015 |                                 |
|-------------------------------------------------------------------------------|--------------------------------------------|---------------------------------|
|                                                                               | 2016                                       | (as<br>adjusted) <sup>(a)</sup> |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                                  |                                            |                                 |
| Net income                                                                    | \$ 14.6                                    | \$ 31.3                         |
| Adjustments to reconcile net income to net cash used in operating activities: |                                            |                                 |
| Depreciation and amortization                                                 | 81.0                                       | 76.8                            |
| Foreign currency losses from re-measurement                                   | 5.5                                        | 10.5                            |
| Amortization of debt discount                                                 | 1.1                                        | 1.1                             |
| Stock-based compensation amortization                                         | 4.8                                        | 3.8                             |
| Provision for deferred income taxes                                           | 6.9                                        | 34.6                            |
| Loss on early extinguishment of debt, net                                     | 16.9                                       | —                               |
| Amortization of debt issuance costs                                           | 4.6                                        | 4.2                             |
| Loss (gain) on sale of certain assets                                         | 0.2                                        | (6.5 )                          |
| Pension and other post-retirement income                                      | (0.5 )                                     | (1.6 )                          |
| Change in assets and liabilities:                                             |                                            |                                 |
| Increase in trade receivables                                                 | (112.0)                                    | (27.9 )                         |
| Decrease (increase) in inventories                                            | 5.0                                        | (62.4 )                         |
| Increase in prepaid expenses and other current assets                         | (20.0 )                                    | (20.5 )                         |
| (Decrease) increase in accounts payable                                       | (3.5 )                                     | 30.0                            |
| Decrease in accrued expenses and other current liabilities                    | (39.5 )                                    | (16.5 )                         |
| Pension and other post-retirement plan contributions                          | (6.0 )                                     | (15.5 )                         |
| Purchases of permanent displays                                               | (25.9 )                                    | (32.5 )                         |
| Other, net                                                                    | (4.0 )                                     | (11.5 )                         |
| Net cash used in operating activities                                         | (70.8 )                                    | (2.6 )                          |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                                  |                                            |                                 |
| Capital expenditures                                                          | (33.1 )                                    | (27.0 )                         |
| Business acquisitions, net of cash acquired                                   | (1,028.7)                                  | (34.2 )                         |
| Proceeds from the sale of certain assets                                      | 0.5                                        | 5.8                             |
| Net cash used in investing activities                                         | (1,061.3)                                  | (55.4 )                         |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>                                  |                                            |                                 |
| Net (decrease) increase in short-term borrowings and overdraft                | (2.6 )                                     | 4.3                             |
| Repayments under the Acquisition Term Loan                                    | (15.1 )                                    | (17.6 )                         |
| Prepayments under the 2011 Term Loan                                          | (11.5 )                                    | (12.1 )                         |
| Repayment of Acquisition Term Loan                                            | (658.6)                                    | —                               |
| Repayment of 2011 Term Loan                                                   | (651.4)                                    | —                               |
| Borrowings under the 2016 Term Loan Facility                                  | 1,791.0                                    | —                               |
| Borrowings under the 2016 Revolving Credit Facility                           | 65.4                                       | —                               |
| Proceeds from the issuance of 6.25% Senior Notes                              | 450.0                                      | —                               |
| Payment of financing costs                                                    | (61.5 )                                    | —                               |
| Treasury stock purchased                                                      | (2.7 )                                     | —                               |
| Other financing activities                                                    | (2.2 )                                     | (3.0 )                          |
| Net cash provided by (used in) financing activities                           | 900.8                                      | (28.4 )                         |
| Effect of exchange rate changes on cash and cash equivalents                  | 3.6                                        | (7.7 )                          |

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|                                                                                |         |          |   |
|--------------------------------------------------------------------------------|---------|----------|---|
| Net decrease in cash and cash equivalents                                      | (227.7) | (94.1    | ) |
| Cash and cash equivalents at beginning of period                               | 326.9   | 275.3    |   |
| Cash and cash equivalents at end of period                                     | \$99.2  | \$ 181.2 |   |
| Supplemental schedule of cash flow information:                                |         |          |   |
| Cash paid during the period for:                                               |         |          |   |
| Interest                                                                       | \$68.4  | \$ 66.1  |   |
| Income taxes, net of refunds                                                   | 19.4    | 21.3     |   |
| Supplemental schedule of non-cash investing and financing activities:          |         |          |   |
| Treasury stock received to satisfy certain minimum tax withholding liabilities | \$2.6   | \$ 2.0   |   |

(a) Adjusted as a result of the adoption of certain accounting pronouncements beginning on January 1, 2016. See Note 1, "Description of Business and Summary of Significant Accounting Policies - Recently Adopted Accounting Pronouncements" for details of these adjustments.

See Accompanying Notes to Unaudited Consolidated Financial Statements

REVLON, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(except where otherwise noted, all tabular amounts in millions, except share and per share amounts)

Item 1. Financial Statements

1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revlon, Inc. ("Revlon" and together with its subsidiaries, the "Company") conducts its business exclusively through its direct wholly-owned operating subsidiary, Revlon Consumer Products Corporation ("Products Corporation"), and its subsidiaries, including Elizabeth Arden, Inc. ("Elizabeth Arden"). Revlon is an indirect majority-owned subsidiary of MacAndrews & Forbes Incorporated (together with certain of its affiliates other than the Company, "MacAndrews & Forbes"), a corporation wholly-owned by Ronald O. Perelman. We are a leading global beauty company with an iconic portfolio of brands. We manufacture, market and sell an extensive array of color cosmetics, hair color, hair care and hair treatments, fragrances, skincare, beauty tools, men's grooming products, anti-perspirant deodorants and other beauty care products across a variety of distribution channels. The Company is building a combined organization that is entrepreneurial, agile and boldly creative, with a passion for beauty. The Company has strategic brand builders developing a diverse portfolio of iconic brands that delight consumers around the world wherever and however they shop for beauty. The Company strives to be an ethical company that values inclusive leadership and is committed to sustainable and responsible growth. The Company operates in four reporting segments: the consumer division ("Consumer"); the professional division ("Professional"); Elizabeth Arden; and Other (each as described below). The Company manufactures, markets and sells worldwide an extensive array of beauty and personal care products, including color cosmetics, hair color, hair care and hair treatments, beauty tools, men's grooming products, anti-perspirant deodorants, fragrances, skincare and other beauty care products. The Company's principal customers for its products in the Consumer segment include large volume retailers, chain drug and food stores, chemist shops, hypermarkets, general merchandise stores, the Internet/e-commerce, television shopping, department stores, one-stop shopping beauty retailers, specialty cosmetics stores and perfumeries in the U.S. and internationally. The Company's principal customers for its products in the Professional segment include hair and nail salons and distributors to professional salons in the U.S. and internationally.

On September 7, 2016 (the "Acquisition Date"), the Company completed the acquisition of Elizabeth Arden (the "Elizabeth Arden Acquisition"). Elizabeth Arden is a global prestige beauty products company with an iconic portfolio of brands that are highly complementary to the Company's existing brand portfolio and are sold worldwide. In North America, Elizabeth Arden's principal customers include prestige retailers, the mass retail channel and distributors, as well as direct sales to consumers via its branded retail outlet stores and e-commerce business. Elizabeth Arden products are also sold through the Elizabeth Arden Red Door Spa beauty salons and spas. Internationally, Elizabeth Arden's portfolio of owned and licensed brands is sold to perfumeries, boutiques, department stores, travel retailers and distributors. The operating results and purchase accounting for the Company's Elizabeth Arden Acquisition are presented in the Elizabeth Arden segment. Refer to Note 2, "Business Combinations," for further details related to the Elizabeth Arden Acquisition.

The Other segment primarily includes the operating results of the CBBeauty Group and certain of its related entities, which the Company acquired in April 2015, (collectively "CBB" and such transaction, the "CBB Acquisition"). CBB develops, manufactures, markets and distributes fragrances and other beauty products under a variety of celebrity, lifestyle and fashion brands licensed from third parties, principally through department stores and selective distribution in international territories.

The accompanying Consolidated Financial Statements are unaudited. In management's opinion, all adjustments necessary for a fair presentation have been made. The Consolidated Financial Statements include the accounts of the Company after the elimination of all material intercompany balances and transactions.

The preparation of the Company's Consolidated Financial Statements in conformity with U.S. generally accepted accounting principles ("U.S. GAAP") requires management to make estimates and assumptions that affect amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the financial statements and reported amounts of revenues and expenses during the periods presented. Actual results could differ from these estimates. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the

Consolidated Financial Statements in the period they are determined to be necessary. Significant estimates made in the accompanying Consolidated Financial Statements include, but are not limited to, allowances for doubtful accounts, inventory valuation reserves, expected sales returns and allowances, trade support costs, certain assumptions related to the valuation of acquired intangible and long-lived assets and the recoverability of goodwill, intangible and long-lived assets, income taxes, including deferred tax valuation allowances and reserves for estimated tax liabilities, restructuring costs, certain estimates and assumptions used in the calculation of the net periodic benefit (income) costs and the projected benefit obligations for the Company's pension and other post-retirement plans, including the expected long-term return on pension plan assets and the discount rate used to value the Company's pension benefit obligations. The Consolidated Financial Statements should be read in conjunction with the consolidated financial statements and related notes contained in Revlon, Inc.'s 2015 Form 10-K.

The Company's results of operations and financial position for interim periods are not necessarily indicative of those to be expected for a full year.

## REVLON, INC. AND SUBSIDIARIES

## NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(except where otherwise noted, all tabular amounts in millions, except share and per share amounts)

Certain prior year amounts in the Consolidated Financial Statements have been reclassified to conform to the current period's presentation.

## Recently Adopted Accounting Pronouncements

In November 2015, the FASB issued ASU No. 2015-17, "Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes," which requires deferred income tax assets and liabilities to be classified as noncurrent within a company's balance sheet. Under previous guidance, the Company was required to separate deferred income tax assets and liabilities into current and noncurrent amounts. Netting deferred tax assets and deferred tax liabilities by tax jurisdiction is still required under ASU 2015-17. The Company adopted ASU No. 2015-17 beginning on January 1, 2016 and the Company's previously recorded deferred tax assets were adjusted to reflect the adoption of ASU No. 2015-17. The adoption of ASU No. 2015-17 resulted in no adjustment to the Company's results of operations and stockholders' deficiency and had the following impact on the previously reported Consolidated Balance Sheets for the fiscal year ended December 31, 2015 and the Consolidated Statements of Cash Flows for the nine months ended September 30, 2015:

|                                                            | Total as<br>reported at<br>12/31/2015 | Adjustment | Total as<br>adjusted at<br>12/31/2015 |
|------------------------------------------------------------|---------------------------------------|------------|---------------------------------------|
| Consolidated Balance Sheets                                |                                       |            |                                       |
| Deferred income taxes - current                            | \$ 58.0                               | \$ (58.0 ) | \$ —                                  |
| Deferred income taxes - noncurrent                         | 40.3                                  | 31.0       | 71.3                                  |
| Other long-term liabilities                                | 97.8                                  | (27.0 )    | 70.8                                  |
|                                                            |                                       |            |                                       |
|                                                            | Total as<br>reported at<br>9/30/2015  | Adjustment | Total as<br>adjusted at<br>9/30/2015  |
| Consolidated Statements of Cash Flows                      |                                       |            |                                       |
| Increase in prepaid expense and other current assets       | \$ (20.3 )                            | \$ (0.2 )  | \$ (20.5 )                            |
| Decrease in accrued expenses and other current liabilities | (16.4 )                               | (0.1 )     | (16.5 )                               |
| Increase in other, net                                     | (11.8 )                               | 0.3        | (11.5 )                               |

In September 2015, the FASB issued ASU No. 2015-16, "Business Combinations (Topic 805): Simplifying the Accounting for Measurement Period Adjustments," which eliminates the requirement for an acquirer in a business combination to account for measurement-period adjustments retrospectively. Instead, acquirers must recognize measurement-period adjustments during the period in which they determine the amounts, including the effect on earnings of any amounts they would have recorded in previous periods if the accounting had been completed at the acquisition date. The guidance is effective for annual periods beginning after December 15, 2015, with early adoption permitted. The Company adopted ASU No. 2015-16 beginning on January 1, 2016 and the adoption of the new guidance did not have a material impact on the Company's results of operations, financial condition and financial statement disclosures.

In April 2015, the FASB issued ASU No. 2015-03, "Simplifying the Presentation of Debt Issuance Costs," which requires debt issuance costs to be presented in the financial statements as a deduction from the corresponding debt liability, consistent with the presentation of debt discounts. The guidance is effective for annual periods beginning after December 15, 2015, with early adoption permitted, and is to be applied retrospectively. The Company adopted ASU No. 2015-03 beginning on January 1, 2016 and the Company's previously recorded other assets and long-term debt were adjusted to reflect the adoption of ASU No. 2015-03. The adoption of ASU No. 2015-03 resulted in no adjustment to the Company's results of operations, cash flows and stockholders' deficiency and had the following impact on the previously reported Consolidated Balance Sheets for the fiscal year ended December 31, 2015:

| Consolidated Balance Sheets | Total as<br>reported at<br>12/31/2015 | Adjustment | Total as<br>adjusted at<br>12/31/2015 |
|-----------------------------|---------------------------------------|------------|---------------------------------------|
| Long-Term Debt              | \$ 1,803.7                            | \$ (20.0 ) | \$ 1,783.7                            |
| Other Assets                | 104.1                                 | (20.0 )    | 84.1                                  |

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In August 2014, the FASB issued ASU No. 2014-15, "Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern," that will explicitly require management to assess an entity's ability to continue as a going concern and to provide related footnote disclosures if conditions give rise to substantial doubt. According to ASU No. 2014-15, substantial doubt exists if it is probable that the entity will be unable to meet its obligations within one year after the issuance date. The likelihood threshold of "probable," similar to its current use in U.S. GAAP for loss contingencies, will be used to define substantial doubt. Disclosures will be required under ASU No. 2014-15 if conditions give rise to substantial doubt, including whether and how management's plans will alleviate the substantial doubt. The guidance is effective for annual periods beginning after December 15, 2015, with early adoption prohibited. The Company adopted ASU No. 2014-15 beginning January 1, 2016 and the adoption of the new guidance did not have a material impact on the Company's results of operations, financial condition and financial statement disclosures.

Recently Issued Accounting Pronouncements

In August 2016, the FASB issued ASU No. 2016-15, "Classification of Certain Receipts and Cash Payments" which aims to standardize how certain transactions are classified within the Statement of Cash Flows, including, among other issues, debt prepayment and extinguishment costs and contingent consideration payments made after a business combination. The guidance is effective for annual periods beginning after December 15, 2017, with early adoption permitted. The Company expects to adopt ASU No. 2016-15 beginning on January 1, 2018 and is in the process of assessing the impact that the new guidance will have on the Company's results of operations, financial condition and financial statement disclosures.

In March 2016, the FASB issued ASU No. 2016-09, "Improvements to Employee Share-Based Payment Accounting," which simplifies certain aspects of accounting for share-based payment transactions, including transactions in which an employee uses shares to satisfy the employer's minimum statutory income tax withholding obligation, forfeitures and income taxes when awards vest or are settled. The guidance is effective for annual periods beginning after December 15, 2016, with early adoption permitted. The Company expects to adopt ASU No. 2016-09 beginning on January 1, 2017 and is in the process of assessing the impact that the new guidance will have on the Company's results of operations, financial condition and financial statement disclosures.

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)" which requires lessees to recognize a right-of-use asset and a liability on the balance sheet for all leases, with the exception of short-term leases. The lease liability will be equal to the present value of lease payments and the right-of-use asset will be based on the lease liability, subject to adjustment such as for initial direct costs. Leases will continue to be classified as either operating or finance leases in the income statement. The guidance is effective for annual periods beginning after December 15, 2018, with early adoption permitted. The Company expects to adopt ASU No. 2016-02 beginning on January 1, 2019 and is in the process of assessing the impact that the new guidance will have on the Company's results of operations, financial condition and financial statement disclosures.

## 2. BUSINESS COMBINATIONS

### The Elizabeth Arden Acquisition

On the September 7, 2016 Acquisition Date, the Company completed the Elizabeth Arden Acquisition for a total cash purchase price of \$1,034.3 million, pursuant to an agreement and plan of merger (the "Merger Agreement") by and among Revlon, Products Corporation, RR Transaction Corp. (then a wholly-owned subsidiary of Products Corporation), and Elizabeth Arden, Inc. On the Acquisition Date, Elizabeth Arden merged (the "Merger") with and into RR Transaction Corp. ("Acquisition Sub"), with Elizabeth Arden surviving the Merger as a wholly-owned subsidiary of Products Corporation. Elizabeth Arden is a global prestige beauty products company with an iconic portfolio of brands that are highly complementary to the Company's existing brand portfolio and are sold worldwide. In North America, Elizabeth Arden's principal customers include prestige retailers, the mass retail channel and distributors, as well as direct sales to consumers via its branded retail outlet stores and e-commerce business. Elizabeth Arden

products are also sold through the Elizabeth Arden Red Door Spa beauty salons and spas. Internationally, Elizabeth Arden's portfolio of owned and licensed brands is sold to perfumeries, boutiques, department stores, travel retailers and distributors. The Company anticipates achieving additional growth through opportunities presented by the combined company's expanded sales channels and geographies, a broadened product portfolio and cost synergy opportunities.

Products Corporation financed the Elizabeth Arden Acquisition with the proceeds from (i) a 7-year \$1,800.0 million senior secured term loan facility (the "2016 Term Loan Facility" and such agreement being the "2016 Term Loan Agreement"); (ii) \$35.0 million of borrowings under a 5-year \$400.0 million senior secured asset-based revolving credit facility (the "2016 Revolving Credit Facility" and such agreement being the "2016 Revolving Credit Agreement" and such facility, together with the 2016 Term Loan Facility, the "Senior Facilities"); (iii) \$450.0 million aggregate principal amount of Products Corporation's 6.25% Senior



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Notes due 2024 (the "6.25% Senior Notes"); and (iv) approximately \$126.7 million of cash on hand. Refer to Note 8, "Long-Term Debt" for further details related to financing the Elizabeth Arden Acquisition and related debt restructuring transactions.

The results of operations of Elizabeth Arden are included in the Company's Consolidated Financial Statements commencing on the Acquisition Date. For the net sales and segment profit related to Elizabeth Arden operations for the period from the Acquisition Date through September 30, 2016, refer to the Elizabeth Arden segment disclosure in Note 14, "Segment Data and Related Information."

## Purchase Price of the Elizabeth Arden Acquisition

The components of the purchase price for the Elizabeth Arden Acquisition are as follows:

|                                                                                                      | As of<br>September<br>7, 2016 |
|------------------------------------------------------------------------------------------------------|-------------------------------|
| Purchase price of Elizabeth Arden common stock <sup>(1)</sup>                                        | \$ 431.5                      |
| Repayment of Existing Elizabeth Arden senior notes <sup>(2)</sup>                                    | 350.0                         |
| Repayment of Elizabeth Arden revolving credit facility, including accrued interest <sup>(3)</sup>    | 142.5                         |
| Repayment of Elizabeth Arden Second lien credit facility, including accrued interest <sup>(3)</sup>  | 25.0                          |
| Repurchase of Elizabeth Arden preferred stock <sup>(4)</sup>                                         | 55.0                          |
| Payment of accrued interest and call premium on Elizabeth Arden Existing Senior Notes <sup>(5)</sup> | 27.4                          |
| Payment of Elizabeth Arden dividends payable at Acquisition Date <sup>(6)</sup>                      | 2.9                           |
| Total Purchase Price                                                                                 | \$ 1,034.3                    |

(1) All of Elizabeth Arden's issued and outstanding common stock was canceled and extinguished on the Acquisition Date and converted into the right to receive \$14.00 in cash, without interest, less any required withholding taxes, and was paid by Products Corporation upon the completion of the Acquisition. The \$431.5 million purchase price for Elizabeth Arden common stock includes the settlement of all outstanding Elizabeth Arden stock options and all outstanding Elizabeth Arden restricted share units at the Acquisition Date for a total cash payment of \$11.1 million.

(2) The purchase price includes the repurchase of the entire \$350.0 million aggregate principal amount outstanding of Elizabeth Arden's 7.375% senior notes due 2021 (the "Elizabeth Arden Existing Senior Notes").

(3) The purchase price includes the repayment of the entire \$142.0 million aggregate principal amount of borrowings outstanding as of the Acquisition Date under Elizabeth Arden's \$300.0 million revolving credit facility and the entire \$25.0 million aggregate principal amount of borrowings outstanding as of the Acquisition Date under Elizabeth Arden's second lien credit facility;

(4) The purchase price includes \$55.0 million that was paid to retire the \$55.0 million liquidation preference of all of the issued and outstanding 50,000 shares of Elizabeth Arden preferred stock, par value \$0.01 per share (the "Elizabeth Arden Preferred Stock"), which amount includes a \$5.0 million change of control premium.

(5) Interest on the Elizabeth Arden Existing Senior Notes accrued at a rate of 7.375% per annum and was payable semi-annually on March 15 and September 15 of every year. The approximately \$12.3 million of accrued and unpaid interest was calculated based on 176 days of accrued interest as of the Acquisition Date. Pursuant to the terms of the indenture governing the Elizabeth Arden Existing Senior Notes, upon a change in control, such notes were subject to repurchase at a price equal to 103.69% of their principal amount, plus accrued and unpaid interest and additional interest, if any, to the date of such repurchase. The repurchase of the Elizabeth Arden Existing Senior Notes was consummated on October 7, 2016.

(6) The purchase price includes the payment of approximately \$2.9 million in accrued dividends payable at the Acquisition Date to the holders of Elizabeth Arden Preferred Stock.



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## Purchase Price Allocation

The Company accounted for the Elizabeth Arden Acquisition as a business combination during the third quarter of 2016 and, accordingly, the total consideration of \$1,034.3 million has been recorded based on the respective estimated fair values of the net

assets acquired on the Acquisition Date with resulting goodwill, as follows:

|                                           | Amounts<br>Recognized<br>at<br>September<br>7, 2016 |   |
|-------------------------------------------|-----------------------------------------------------|---|
| Cash                                      | \$ 41.1                                             |   |
| Accounts Receivable                       | 132.6                                               |   |
| Inventories <sup>(a)</sup>                | 342.5                                               |   |
| Prepaid expenses and other current assets | 30.7                                                |   |
| Property and equipment                    | 91.2                                                |   |
| Deferred taxes, net <sup>(b)</sup>        | 68.7                                                |   |
| Intangible assets                         | 332.8                                               |   |
| Goodwill                                  | 202.0                                               |   |
| Other assets                              | 21.1                                                |   |
| Total assets acquired                     | 1,262.7                                             |   |
| Accounts payable                          | (116.0                                              | ) |
| Accrued expenses                          | (109.3                                              | ) |
| Other long-term liabilities               | (3.1                                                | ) |
| Total liabilities acquired                | (228.4                                              | ) |
| Total consideration transferred           | \$ 1,034.3                                          |   |

<sup>(a)</sup> The Company recorded a \$40.7 million step-up for the estimated fair value of Elizabeth Arden's inventory, which has been determined based upon the estimated selling price of the inventories less the remaining manufacturing and selling costs and normal profit margin on those manufacturing and selling efforts. Following the Elizabeth Arden Acquisition, the step-up in fair value will increase cost of sales over approximately seven months, as the acquired inventory is sold. For the three and nine months ended September 30, 2016, the Company recognized a \$4.2 million charge within cost of sales related to this step-up.

<sup>(b)</sup> Deferred tax assets acquired in the Elizabeth Arden Acquisition primarily relate to approximately \$107.3 million of tax loss carryforwards which the Company preliminarily estimates it will be able to realize in future periods, of which \$0.5 million are foreign and \$106.8 million are domestic (federal).

The fair values of the net assets acquired in the Elizabeth Arden Acquisition were based on management's preliminary estimate of the respective fair values of Elizabeth Arden's net assets. The estimated fair values of net assets and resulting goodwill are subject to the Company finalizing its analysis of the fair value of Elizabeth Arden's assets and liabilities as of the Acquisition Date and may be adjusted upon completion of such analysis. In addition, information unknown at the time of the Elizabeth Arden Acquisition could result in adjustments to the respective fair values and resulting goodwill within the year following the Elizabeth Arden Acquisition Date.

In determining the fair values of net assets acquired in the Elizabeth Arden Acquisition and resulting goodwill, the Company considered, among other factors, the analyses of Elizabeth Arden's historical financial performance and an estimate of the future performance of the acquired business, as well as the intended use of the acquired assets.

The estimated fair value of the accounts receivable acquired in the Elizabeth Arden Acquisition was determined to be \$132.6 million. The gross amount due is \$165.0 million and the Company estimates that approximately \$32.4 million is uncollectible.

The estimated fair value of inventory acquired in the Elizabeth Arden Acquisition was determined using the income approach, specifically, the net realizable value ("NRV") approach, which calculates the estimated selling price of such inventory in the ordinary course of business, less the reasonable costs of completion, disposal and holding. The estimated fair value of acquired property and equipment was determined using the cost approach.

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The intangible assets acquired in the Elizabeth Arden Acquisition based on the estimate of the fair values of the identifiable intangible assets are as follows:

|                              | Amounts<br>Recognized<br>at<br>September,<br>7 2016 | Remaining Useful Life<br>(in years) |
|------------------------------|-----------------------------------------------------|-------------------------------------|
| Trademarks, indefinite-lived | \$ 142.0                                            | Indefinite                          |
| Trademarks, finite lived     | 15.0                                                | 15.0                                |
| Technology                   | 2.5                                                 | 10.0                                |
| Customer relationships       | 117.0                                               | 16.0                                |
| License agreements           | 24.0                                                | 19.0                                |
| Distribution rights          | 31.0                                                | 18.0                                |
| Favorable lease commitments  | 1.3                                                 | 3.0                                 |

Total acquired intangible assets \$ 332.8

The estimate of the fair values of acquired indefinite-lived and finite-lived trade names and technology IP was determined using a risk-adjusted discounted cash flow approach, specifically the relief-from-royalty method. The relief-from-royalty method requires identifying the hypothetical cash flows generated by an assumed royalty rate that a third party would pay to license the trade names and IP, and discounting them back to the Acquisition Date. The royalty rate used in such valuation was based on a consideration of market rates for similar categories of assets. The indefinite-lived trade names includes the Elizabeth Arden brand trade name. The finite-lived trade names includes, among others, owned heritage fragrance trade names such as Curve, Halston and Giorgio Beverly Hills and the Prevgage skin care brand.

The estimate of the fair value of the customer and distributor relationships and distribution rights acquired in the Elizabeth Arden Acquisition were determined using a risk-adjusted discounted cash flow model, specifically, the excess earnings method which considers the use of other assets in the generation of the projected cash flows of a specific asset to isolate the economic benefit generated by the customer and distribution relationships and distribution rights. The contribution of other assets, such as fixed assets, working capital, workforce and other intangible assets, to overall cash flows was estimated through contributory asset capital charges. Therefore, the value of the acquired customer relationship is the present value of the attributed post-tax cash flows, net of the return on fair value attributed to tangible and other intangible assets.

There are significant judgments inherent in a discounted cash flow approach, including, the selection of appropriate discount rates, hypothetical royalty rates, contributory asset capital charges, estimating the amount and timing of estimated future cash flows and identification of appropriate terminal growth rate assumptions. The discount rates used in the discounted cash flow analyses are intended to reflect the risk inherent in the projected future cash flows generated by the respective intangible assets.

The Company recorded a \$59.2 million deferred tax liability related to the \$332.8 million of acquired intangible assets outlined in the above table. This deferred tax liability represents the tax effect of the difference between the \$332.8 million estimated assigned fair value of the intangible assets and the \$148.6 million tax basis of such assets. The goodwill and intangibles acquired in the Elizabeth Arden Acquisition are not expected to be deductible for income tax purposes.

Goodwill of \$202.0 million represents the excess of the purchase price paid by Products Corporation for the Elizabeth Arden Acquisition over the fair value of the identifiable net assets acquired by Products Corporation in the Elizabeth Arden Acquisition. Factors contributing to the purchase price resulting in the recognition of goodwill include estimated annualized synergies and cost reductions, expanded category mix, channel diversification and a broader geographic footprint.

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## Unaudited Pro Forma Results

The following table presents the Company's pro forma consolidated net sales and income from continuing operations, before income taxes for the three and nine months ended September 30, 2016 and 2015, respectively. The unaudited pro forma results include the historical consolidated statements of operations of the Company and Elizabeth Arden, giving effect to the Elizabeth Arden Acquisition and related financing transactions as if they had occurred at the beginning of the earliest period presented. As stated below, the Company also acquired certain international Cutex businesses ("Cutex International"); however the Company has not included the Cutex International results prior to its acquisition date in these pro forma results as the impact would not have been material to the Company's financial results.

|                                                               | Unaudited Pro Forma Results |                    |                    |                    |
|---------------------------------------------------------------|-----------------------------|--------------------|--------------------|--------------------|
|                                                               | Three Months Ended          |                    | Nine Months Ended  |                    |
|                                                               | September 30, 2016          | September 30, 2015 | September 30, 2016 | September 30, 2015 |
| Net sales                                                     | \$745.1                     | \$737.5            | \$2,058.2          | \$2,025.5          |
| Income (loss) from continuing operations, before income taxes | (4.3 )                      | 9.2                | (22.4 )            | (86.3 )            |

The pro forma results, prepared in accordance with U.S. GAAP, include the following pro forma adjustments related to the Elizabeth Arden Acquisition:

- (i) as a result of a \$40.7 million increase in the fair value of acquired inventory at the Acquisition Date, the Company recognized a \$4.2 million increase in the cost of sales during the three and nine months ended September 30, 2016 in the consolidated financial statements. The pro forma adjustments include an adjustment to reverse the \$4.2 million recognized in the third quarter of 2016 within cost of sales because it will not have a recurring impact;
- (ii) a pro forma increase in depreciation and amortization expense as a result of the preliminary fair value adjustments to property and equipment of \$2.6 million and acquired finite-lived intangible assets of \$1.0 million recorded in connection with the Elizabeth Arden Acquisition for the three and nine months ended September 30, 2016, respectively;
- (iii) a pro forma decrease in depreciation and amortization expense as a result of the preliminary fair value adjustments to property and equipment of \$1.4 million and acquired finite-lived intangible assets of \$5.0 million recorded in connection with the Elizabeth Arden Acquisition for the three and nine months ended September 30, 2015, respectively;
- (iv) the elimination of \$58.4 million of acquisition costs and \$65.1 million of integration costs recognized by the Company and Elizabeth Arden during the three and nine months ended September 30, 2016, respectively; and
- (v) a pro forma increase in interest expense and amortization of debt issuance costs, related to financing the Elizabeth Arden Acquisition and related debt restructuring transactions as summarized in the following table. Refer to Note 8, "Long-Term Debt" for further details on financing the Elizabeth Arden Acquisition and related debt refinancing transactions.





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| (\$ in millions)                                                                                                         | Three Months Ended |                    | Nine Months Ended  |                    |
|--------------------------------------------------------------------------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|
|                                                                                                                          | September 30, 2016 | September 30, 2015 | September 30, 2016 | September 30, 2015 |
| Interest Expense                                                                                                         |                    |                    |                    |                    |
| Pro forma interest on New Senior Facilities and 6.25% Senior Notes                                                       | \$26.7             | \$26.9             | \$79.4             | \$79.9             |
| Reversal of Elizabeth Arden's historical interest expense                                                                | (5.2 )             | (6.5 )             | (18.2 )            | (19.2 )            |
| Company historical interest expense, as reflected in the historical consolidated financial statements                    | (12.5 )            | (12.8 )            | (37.6 )            | (38.2 )            |
| Total Adjustment for Pro Forma Interest Expense                                                                          | \$9.0              | \$7.6              | \$23.6             | \$22.5             |
| Debt issuance costs                                                                                                      |                    |                    |                    |                    |
| Pro forma amortization of debt issuance costs                                                                            | \$1.8              | \$1.8              | \$5.3              | \$5.3              |
| Company historical amortization of debt issuance costs, as reflected in the historical consolidated financial statements | (1.1 )             | (1.3 )             | (3.3 )             | (3.3 )             |
| Reversal of Elizabeth Arden's historical amortization of debt issuance costs                                             | (0.4 )             | (0.4 )             | (1.3 )             | (1.1 )             |
| Total Adjustment for Pro Forma Amortization of Debt Issuance Costs                                                       | \$0.3              | \$0.1              | \$0.7              | \$0.9              |

The unaudited pro forma results do not include: (1) any incremental revenue generation or cost reductions that may be achieved as a result of the Elizabeth Arden Acquisition; or (2) the impact of non-operating or non-recurring items directly related to the Elizabeth Arden Acquisition. In addition, the unaudited pro forma results do not purport to project the future consolidated operating results of the combined company.

## The Cutex International Acquisition

On May 31, 2016 (the "Cutex International Acquisition Date"), the Company completed the acquisition of certain international Cutex businesses ("Cutex International") from Coty Inc. (the "Cutex International Acquisition"), which primarily operate in Australia and the U.K., and related assets for total cash consideration of \$29.1 million. Following the Company's October 2015 acquisition of the Cutex business and related assets in the U.S. from Cutex Brands, LLC, the Cutex International Acquisition completed the Company's global consolidation of the Cutex brand and enhances and complements the Company's existing brand portfolio of nail care products. Cutex International's results of operations are included in the Company's Consolidated Financial Statements commencing on the Cutex International Acquisition Date. Pro forma results of operations have not been presented, as the impact of the Cutex International Acquisition on the Company's consolidated financial results is not material.

The Company accounted for the Cutex International Acquisition as a business combination in the second quarter of 2016. The table below summarizes the allocation of the total consideration of \$29.1 million paid on the Cutex International Acquisition Date, as well as adjustments that have been made to the preliminary estimate of fair values during the third quarter of 2016:

|                                 | Amounts Recognized at May 31, 2016 (Provisional) (a) | Adjustments | Amounts Recognized at May 31, 2016 (Adjusted) |
|---------------------------------|------------------------------------------------------|-------------|-----------------------------------------------|
| Inventory                       | \$ 0.8                                               | \$ —        | \$ 0.8                                        |
| Purchased Intangible Assets (b) | 19.7                                                 | (0.2 )      | 19.5                                          |
| Goodwill                        | 8.6                                                  | 0.2         | 8.8                                           |
| Total consideration transferred | \$ 29.1                                              | \$ —        | \$ 29.1                                       |

- (a) As previously reported in Revlon's second quarter 2016 Form 10-Q.
- (b) Purchased intangible assets include customer networks fair valued at \$13.5 million, intellectual property fair valued at \$0.9 million, which are amortized over useful lives of 15 and 10 years, respectively, and indefinite lived trade names fair valued at \$5.1 million.

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The Company reacquired the Cutex trade name from Coty, which had previously provided Coty with an exclusive right to manufacture, market and sell Cutex branded products for an initial term and perpetual automatic 20-year renewals. Based on the terms and conditions of the existing license agreements and other factors, the Cutex trade name was assigned an indefinite-life and, therefore, will not be amortized.

In determining the estimated fair values of net assets acquired and resulting goodwill related to the Cutex International Acquisition, the Company considered, among other factors, the analysis of Cutex International's historical financial performance and an estimate of the future performance of the acquired business, as well as the intended use of the acquired assets. Factors contributing to the purchase price resulting in the recognition of goodwill include the anticipated benefits that the Company expects to achieve through the expansion of its nail product portfolio. Both the intangible assets acquired in the Cutex International Acquisition and goodwill are not deductible for income tax purposes.

## 3. RESTRUCTURING CHARGES

## 2015 Efficiency Program

In September 2015, the Company initiated certain restructuring actions to drive certain organizational efficiencies across the Company's Consumer and Professional segments (the "2015 Efficiency Program"). These actions, which commenced during 2015 and are planned to occur through 2017, are expected to reduce general and administrative expenses within the Consumer and Professional segments. Of the \$1.5 million of restructuring and related charges recognized in the first nine months of 2016 for the 2015 Efficiency Program, \$0.6 million related to the Consumer segment and \$0.5 million related to the Professional segment, with the remaining charges included within unallocated corporate expenses. The Company expects to recognize total restructuring and related charges for the 2015 Efficiency Program of \$12.0 million by the end of 2017, of which \$7.0 million is expected to relate to the Consumer segment, \$4.2 million is expected to relate to the Professional segment and the remaining charge relates to unallocated corporate expenses.

A summary of the restructuring and related charges incurred through September 30, 2016 in connection with the 2015 Efficiency Program is presented in the following table:

|                                                              | Restructuring Charges and<br>Other, Net<br>Employee<br>Severance<br>and<br>Other<br>Personnel<br>Benefits |        |                                   |
|--------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------|--------|-----------------------------------|
|                                                              |                                                                                                           | Other  | Total<br>Restructuring<br>Charges |
| Charges incurred through December 31, 2015                   | \$9.4                                                                                                     | \$ 0.1 | \$ 9.5                            |
| Charges incurred in the nine months ended September 30, 2016 | 0.9                                                                                                       | 0.6    | 1.5                               |
| Cumulative charges incurred through September 30, 2016       | \$10.3                                                                                                    | \$ 0.7 | \$ 11.0                           |
| Total expected charges                                       | \$10.3                                                                                                    | \$ 1.7 | \$ 12.0                           |

Of the cumulative \$11.0 million of restructuring and related charges recognized through the third quarter of 2016 related to the 2015 Efficiency Program, \$6.6 million related to the Consumer segment, \$3.7 million related to the Professional segment and the remaining charges related to unallocated corporate expenses.

The Company expects that cash payments will total approximately \$12 million in connection with the 2015 Efficiency Program, including \$0.2 million for capital expenditures (which capital expenditures are excluded from total restructuring and related charges expected to be recognized for the 2015 Efficiency Program), of which \$2.7 million was paid in the nine months ended September 30, 2016 and \$2.8 million was paid in 2015. A total of \$4.2 million is

expected to be paid during the remainder of 2016, with the remaining balance expected to be paid in 2017.

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## Restructuring Reserve

The related liability balance and activity for each of the Company's restructuring programs are presented in the following table:

|                                                 | Balance<br>Beginning<br>of Year | (Income)<br>Expense,<br>Net | Foreign<br>Currency<br>Translation | Utilized, Net |           | Balance<br>End of<br>Period |
|-------------------------------------------------|---------------------------------|-----------------------------|------------------------------------|---------------|-----------|-----------------------------|
|                                                 |                                 |                             |                                    | Cash          | Non-cash  |                             |
| <b>2015 Efficiency Program:</b>                 |                                 |                             |                                    |               |           |                             |
| Employee severance and other personnel benefits | \$ 6.6                          | \$ 0.9                      | \$                                 | —\$(2.3)      | \$ —      | \$ 5.2                      |
| Other                                           | 0.1                             | 0.6                         | —                                  | (0.4 )        | (0.1 )    | 0.2                         |
| <b>Integration Program:<sup>(a)</sup></b>       |                                 |                             |                                    |               |           |                             |
| Employee severance and other personnel benefits | 0.8                             | —                           | —                                  | (0.8 )        | —         | —                           |
| Other                                           | 0.1                             | —                           | —                                  | (0.1 )        | —         | —                           |
| <b>December 2013 Program:<sup>(b)</sup></b>     |                                 |                             |                                    |               |           |                             |
| Employee severance and other personnel benefits | 1.2                             | —                           | —                                  | —             | —         | 1.2                         |
| Other                                           | —                               | —                           | —                                  | —             | —         | —                           |
| <b>Other immaterial actions:<sup>(c)</sup></b>  |                                 |                             |                                    |               |           |                             |
| Employee severance and other personnel benefits | 2.3                             | 2.0                         | —                                  | (2.8 )        | —         | 1.5                         |
| Other                                           | 0.7                             | 0.6                         | —                                  | (0.6 )        | —         | 0.7                         |
| Total restructuring reserve                     | \$ 11.8                         | \$ 4.1                      | \$                                 | —\$(7.0)      | \$ (0.1 ) | \$ 8.8                      |

<sup>(a)</sup> Following Products Corporation's October 2013 acquisition of The Colomer Group Participations, S.L. ("Colomer" and the "Colomer Acquisition"), the Company implemented actions to integrate Colomer's operations into the Company's business which reduced costs across the Company's businesses and generated synergies and operating efficiencies within the Company's global supply chain and consolidated offices and back office support (all such actions, together, the "Integration Program"). The Integration Program was substantially completed as of December 31, 2015.

<sup>(b)</sup> In December 2013, the Company announced restructuring actions that primarily included exiting its direct manufacturing, warehousing and sales business operations in mainland China (the "December 2013 Program"). The December 2013 Program resulted in the elimination of approximately 1,100 positions in 2014, primarily in China.

<sup>(c)</sup> Includes \$1.8 million in charges related to the program that Elizabeth Arden commenced prior to the Elizabeth Arden Acquisition to further align their organizational structure and distribution arrangements for the purpose of improving its go-to-trade capabilities and execution and to streamline their organization (the "Elizabeth Arden 2016 Business Transformation Program").

At September 30, 2016, \$8.8 million of the restructuring reserve balance was included within accrued expenses and other in the Company's Consolidated Balance Sheet. At December 31, 2015, \$11.8 million of the restructuring reserve balance was included within accrued expenses in the Company's Consolidated Balance Sheet.

## 4. DISCONTINUED OPERATIONS

On December 30, 2013, the Company announced that it was implementing the December 2013 Program, which primarily included exiting its direct manufacturing, warehousing and sales business operations in mainland China.



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The results of the China discontinued operations are included within Loss from discontinued operations, net of taxes, and relate entirely to the Consumer segment. The summary comparative financial results of discontinued operations are as follows:

|                                                 | Three<br>Months<br>Ended<br>September<br>30,<br>2016 |       | Nine<br>Months<br>Ended<br>September<br>30,<br>2015 |       |
|-------------------------------------------------|------------------------------------------------------|-------|-----------------------------------------------------|-------|
| Net sales                                       | \$ —                                                 | \$ —  | \$ —                                                | \$ —  |
| Loss from discontinued operations, before taxes | (0.2)                                                | (1.7) | (2.3)                                               | (1.8) |
| Provision for income taxes                      | —                                                    | —     | —                                                   | —     |
| Loss from discontinued operations, net of taxes | (0.2)                                                | (1.7) | (2.3)                                               | (1.8) |

Assets and liabilities of the China discontinued operations included in the Consolidated Balance Sheets consist of the following:

|                            | September 30, December 31,<br>2016 |        | 2015 |  |
|----------------------------|------------------------------------|--------|------|--|
| Cash and cash equivalents  | \$ 1.7                             | \$ 2.0 |      |  |
| Trade receivables, net     | 0.2                                | 0.2    |      |  |
| Total current assets       | 1.9                                | 2.2    |      |  |
| Total assets               | \$ 1.9                             | \$ 2.2 |      |  |
| Accounts payable           | \$ 0.6                             | \$ 0.7 |      |  |
| Accrued expenses and other | 3.4                                | 3.6    |      |  |
| Total current liabilities  | 4.0                                | 4.3    |      |  |
| Total liabilities          | \$ 4.0                             | \$ 4.3 |      |  |

## 5. INVENTORIES

|                            | September 30, December 31,<br>2016 |          | 2015 |  |
|----------------------------|------------------------------------|----------|------|--|
| Raw materials and supplies | \$ 90.6                            | \$ 58.2  |      |  |
| Work-in-process            | 33.2                               | 8.3      |      |  |
| Finished goods             | 395.3                              | 117.3    |      |  |
|                            | \$ 519.1                           | \$ 183.8 |      |  |

## 6. GOODWILL AND INTANGIBLE ASSETS, NET

## Goodwill

The following table presents the changes in goodwill by segment during the nine months ended September 30, 2016:

|                                         | Consumer | Professional | Elizabeth<br>Arden | Other   | Total    |
|-----------------------------------------|----------|--------------|--------------------|---------|----------|
| Balance at January 1, 2016              | \$ 210.1 | \$ 240.7     | \$ —               | \$ 18.9 | \$ 469.7 |
| Goodwill acquired <sup>(a)</sup>        | 15.1     | —            | 202.0              | —       | 217.1    |
| Foreign currency translation adjustment | —        | 0.3          | —                  | (2.2 )  | (1.9 )   |
| Balance at September 30, 2016           | \$ 225.2 | \$ 241.0     | \$ 202.0           | \$ 16.7 | \$ 684.9 |





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(a) On May 31, 2016 and September 7, 2016, the Company completed the Cutex International Acquisition and the Elizabeth Arden Acquisition, respectively. See Note 2, "Business Combinations," to the Unaudited Consolidated Financial Statements in this Form 10-Q for details related to the Elizabeth Arden Acquisition and the Cutex International Acquisition.

## Intangible Assets, Net

The following tables present details of the Company's total intangible assets:

|                                          | September 30, 2016    |                          |                     |
|------------------------------------------|-----------------------|--------------------------|---------------------|
|                                          | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
| Finite-lived intangible assets:          |                       |                          |                     |
| Trademarks and Licenses                  | \$ 187.6              | \$ (46.1 )               | \$ 141.5            |
| Customer relationships                   | 249.1                 | (26.2 )                  | 222.9               |
| Patents and Internally-Developed IP      | 20.4                  | (5.7 )                   | 14.7                |
| Distribution rights                      | 34.0                  | (1.0 )                   | 33.0                |
| Other                                    | 1.3                   | —                        | 1.3                 |
| Total finite-lived intangible assets     | \$ 492.4              | \$ (79.0 )               | \$ 413.4            |
| Indefinite-lived intangible assets:      |                       |                          |                     |
| Trade Names                              | \$ 244.0              | \$ —                     | \$ 244.0            |
| Total indefinite-lived intangible assets | \$ 244.0              | \$ —                     | \$ 244.0            |
| Total intangible assets                  | \$ 736.4              | \$ (79.0 )               | \$ 657.4            |
|                                          | December 31, 2015     |                          |                     |
|                                          | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
| Finite-lived intangible assets:          |                       |                          |                     |
| Trademarks and Licenses                  | \$ 145.0              | \$ (36.0 )               | \$ 109.0            |
| Customer relationships                   | 118.8                 | (20.5 )                  | 98.3                |
| Patents and Internally-Developed IP      | 16.8                  | (4.0 )                   | 12.8                |
| Distribution rights                      | 3.5                   | (0.6 )                   | 2.9                 |
| Total finite-lived intangible assets     | \$ 284.1              | \$ (61.1 )               | \$ 223.0            |
| Indefinite-lived intangible assets:      |                       |                          |                     |
| Trade Names                              | \$ 95.0               | \$ —                     | \$ 95.0             |
| Total indefinite-lived intangible assets | \$ 95.0               | \$ —                     | \$ 95.0             |
| Total intangible assets                  | \$ 379.1              | \$ (61.1 )               | \$ 318.0            |

Amortization expense for finite-lived intangible assets was \$6.2 million and \$6.0 million for the three months ended September 30, 2016 and 2015, respectively. Amortization expense for finite-lived intangible assets was \$18.2 million and \$16.4 million for the nine months ended September 30, 2016 and 2015, respectively.



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The following table reflects the estimated future amortization expense, a portion of which is subject to exchange rate fluctuations, for the Company's finite-lived intangible assets as of September 30, 2016:

|            | Estimated<br>Amortization<br>Expense |
|------------|--------------------------------------|
| 2016       | \$ 8.6                               |
| 2017       | 36.1                                 |
| 2018       | 35.3                                 |
| 2019       | 32.2                                 |
| 2020       | 31.2                                 |
| Thereafter | 270.0                                |
| Total      | \$ 413.4                             |

## 7. ACCRUED EXPENSES AND OTHER

|                                   | September 30, December 31, |          |
|-----------------------------------|----------------------------|----------|
|                                   | 2016                       | 2015     |
| Sales returns and allowances      | \$ 47.2                    | \$ 61.1  |
| Compensation and related benefits | 68.0                       | 75.6     |
| Advertising and promotional costs | 65.1                       | 38.4     |
| Taxes                             | 35.3                       | 20.8     |
| Interest                          | 12.2                       | 12.4     |
| Restructuring reserve             | 8.8                        | 11.8     |
| Other                             | 108.2                      | 52.3     |
|                                   | \$ 344.8                   | \$ 272.4 |

## 8. LONG-TERM DEBT

|                                                                                                                     | September 30, December 31, |            |
|---------------------------------------------------------------------------------------------------------------------|----------------------------|------------|
|                                                                                                                     | 2016                       | 2015       |
| 2016 Term Loan Facility: 2016 Term Loan due 2023, net of discounts and debt issuance costs (see (i) below)          | \$ 1,750.9                 | \$ —       |
| Amended Term Loan Facility: Acquisition Term Loan due 2019, net of discounts and debt issuance costs <sup>(a)</sup> | —                          | 662.1      |
| Amended Term Loan Facility: 2011 Term Loan due 2017, net of discounts and debt issuance costs <sup>(a)</sup>        | —                          | 658.5      |
| 2016 Revolving Credit Facility, due 2021 (see (ii) below)                                                           | 65.4                       | —          |
| 6.25% Senior Notes due 2024, net of debt issuance costs (see (iii) below)                                           | 439.2                      | —          |
| 5.75% Senior Notes due 2021, net of debt issuance costs <sup>(b)</sup>                                              | 493.5                      | 492.5      |
| Spanish Government Loan due 2025 <sup>(c)</sup>                                                                     | 0.6                        | 0.6        |
|                                                                                                                     | 2,749.6                    | 1,813.7    |
| Less current portion (*)                                                                                            | (83.5 )                    | (30.0 )    |
|                                                                                                                     | \$ 2,666.1                 | \$ 1,783.7 |

(\*) At September 30, 2016, the Company classified \$83.5 million as the current portion of long-term debt, comprised of \$65.4 million outstanding on the 2016 Revolving Credit Facility at September 30, 2016 and \$18.0 million of amortization payments on the 2016 Term Loan scheduled to be paid over the next four calendar quarters. At December 31, 2015, the Company classified \$30.0 million as the current portion of long-term debt, which was comprised of a \$23.2 million required "excess cash flow" prepayment (as defined under the Amended Term Loan

Agreement, as hereinafter defined) that was paid on February 29, 2016, and the Company's regularly scheduled \$1.7 million quarterly principal amortization payments (after giving effect to such prepayment) due in 2016.

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(a) See Note 11, "Long-Term Debt," to the Consolidated Financial Statements in Revlon, Inc.'s 2015 Form 10-K for certain details regarding Products Corporation's Amended Term Loan Agreement as of December 31, 2015, which facility was comprised of: (i) the term loan due November 19, 2017 in the original aggregate amount of \$675.0 million (the "2011 Term Loan"); and (ii) the term loan due October 8, 2019 in the original aggregate amount of \$700.0 million (the "Acquisition Term Loan") which, respectively, had \$651.4 million and \$658.6 million in aggregate principal balance outstanding upon their complete refinancing on the September 7, 2016 Elizabeth Arden Acquisition Date (together, the "Amended Term Loan Facility" and the "Amended Term Loan Agreement," respectively). In connection with the Elizabeth Arden Acquisition and related financing transactions, the 2011 Term Loan and Acquisition Term Loan were completely refinanced on the Elizabeth Arden Acquisition Date. See below for 2016 debt related transactions.

(b) See Note 11, "Long-Term Debt," to the Consolidated Financial Statements in Revlon, Inc.'s 2015 Form 10-K for certain details regarding Products Corporation's 5.75% Senior Notes that mature on February 15, 2021. The aggregate principal amount outstanding at September 30, 2016 was \$500 million. Such notes remain outstanding following the Elizabeth Arden Acquisition and related financing transactions.

(d) See Note 11, "Long-Term Debt," to the Consolidated Financial Statements in Revlon, Inc.'s 2015 Form 10-K for certain details regarding the euro-denominated loan payable to the Spanish government that matures on June 30, 2025.

The Company completed several debt transactions during the nine months ended September 30, 2016.

In connection with and substantially concurrently with the closing of the Elizabeth Arden Acquisition, Products Corporation entered into the 2016 Term Loan Facility and the 2016 Revolving Credit Facility (or the Senior Facilities). Additionally, Products Corporation's 6.25% Senior Notes, which closed on August 4, 2016 (the "6.25% Senior Notes Offering"), were released from escrow (the "Escrow Release"). In connection with entering into the Senior Facilities, Products Corporation maintained on the 2016 Term Loan Facility its existing floating-to-fixed interest rate swap based on a notional amount of \$400 million that previously applied to Products Corporation's Acquisition Term Loan. The proceeds of Products Corporation's 6.25% Senior Notes Offering and the 2016 Term Loan Facility, together with approximately \$35.0 million of borrowings under the 2016 Revolving Credit Facility, and approximately \$126.7 million of cash on hand, were used to fund the Elizabeth Arden Acquisition (including: (i) repurchasing the entire \$350.0 million aggregate principal amount outstanding of the Elizabeth Arden Existing Senior Notes; (ii) repaying the entire \$142.0 million aggregate principal amount of borrowings outstanding as of the Acquisition Date under Elizabeth Arden's \$300.0 million revolving credit facility; (iii) repaying the entire \$25.0 million aggregate principal amount of borrowings outstanding as of the Acquisition Date under Elizabeth Arden's second lien credit facility; and (iv) retiring \$55.0 million liquidation preference of all of the issued and outstanding 50,000 shares of Elizabeth Arden Preferred Stock, which amount includes a \$5.0 million change of control premium) and to completely refinance and repay all of the \$651.4 million in aggregate principal balance outstanding under Products Corporation's 2011 Term Loan and \$658.6 million in aggregate principal balance outstanding under Products Corporation's Acquisition Term Loan. The Company did not incur any material early termination penalties in connection with repaying such facilities.

(i) 2016 Term Loan Facility

Principal and Maturity: On the Acquisition Date, Products Corporation entered into the 2016 Term Loan Agreement, for which Citibank, N.A. acts as administrative and collateral agent and which has an initial aggregate principal amount of \$1,800.0 million and will mature on the earlier of (x) the seventh anniversary of the Closing Date and (y) the 91st day prior to the maturity of Products Corporation's 5.75% Senior Notes due 2021 (the "5.75% Senior Notes") if, on that date (and solely for so long as), (i) any of Products Corporation's 5.75% Senior Notes remain outstanding and

(ii) Products Corporation's available liquidity does not exceed the aggregate principal amount of the then outstanding 5.75% Senior Notes by at least \$200.0 million. The loans under the 2016 Term Loan Facility were borrowed at an original issue discount of 0.5% to their principal amount. The 2016 Term Loan Facility may be increased by an amount equal to the sum of (x) the greater of \$450.0 million and 90% of Products Corporation's pro forma consolidated EBITDA, plus (y) an unlimited amount to the extent that (1) the first lien leverage ratio (defined as the ratio of Products Corporation's net senior secured funded debt that is not junior or subordinated to the liens of the Senior Facilities to EBITDA) is less than or equal to 3.5 to 1.0 (for debt secured pari passu with the 2016 Term Loan Facility) or (2) the secured leverage ratio (defined as the ratio of Products Corporation's net senior secured funded debt to EBITDA) is less than or equal to 4.25 to 1.0 (for junior lien or unsecured debt), plus (z) up to an additional \$400.0 million if the 2016 Revolving Credit Facility has been repaid and terminated.

Guarantees and Security: Products Corporation and the restricted subsidiaries under the 2016 Term Loan Facility, which include Products Corporation's domestic subsidiaries, including Elizabeth Arden and its domestic subsidiaries (collectively, the "Restricted

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Group”), are subject to the covenants under the 2016 Term Loan Agreement. The 2016 Term Loan Facility is guaranteed by each existing and future direct or indirect wholly-owned domestic restricted subsidiary of Products Corporation (subject to various exceptions), as well as by Revlon, on a limited recourse basis. The obligations of Revlon, Products Corporation and the subsidiary guarantors under the 2016 Term Loan Facility are secured by pledges of the equity of Products Corporation held by Revlon and the equity of the Restricted Group held by Products Corporation and each subsidiary guarantor (subject to certain exceptions, including equity of first-tier foreign subsidiaries in excess of 65% of the voting equity interests of such entity) and by substantially all tangible and intangible personal and real property of Products Corporation and the subsidiary guarantors (subject to certain exclusions). The obligors and guarantors under the 2016 Term Loan Facility and the 2016 Revolving Credit Facility are identical. The liens securing the 2016 Term Loan Facility on the accounts, inventory, equipment, chattel paper, documents, instruments, deposit accounts, real estate and investment property and general intangibles (other than intellectual property) related thereto (the “Revolving Facility Collateral”) rank second in priority to the liens thereon securing the 2016 Revolving Credit Facility. The liens securing the 2016 Term Loan Facility on all other property, including capital stock, intellectual property and certain other intangible property (the “Term Loan Collateral”), rank first in priority to the liens thereon securing the 2016 Revolving Credit Facility, while the liens thereon securing the 2016 Revolving Credit Facility rank second in priority to the liens thereon securing the 2016 Term Loan Facility.

**Interest and Fees:** Interest accrues on term loans under the 2016 Term Loan Facility at a rate per annum of Adjusted LIBOR (which has a floor of 0.75%) plus a margin of 3.50% or an alternate base rate plus a margin of 2.50%, at Products Corporation’s option, and is payable quarterly, at a minimum. Products Corporation is obligated to pay certain fees and expenses in connection with the 2016 Term Loan Facility.

**Affirmative and Negative Covenants:** The 2016 Term Loan Agreement contains certain affirmative and negative covenants that, among other things, limit the Restricted Group’s ability to: (i) incur additional debt; (ii) incur liens; (iii) sell, transfer or dispose of assets; (iv) make investments; (v) make dividends and distributions on, or repurchases of, equity; (vi) make prepayments of contractually subordinated or junior lien debt; (vii) enter into certain transactions with their affiliates; (viii) enter into sale-leaseback transactions; (ix) change their lines of business; (x) restrict dividends from their subsidiaries or restrict liens; (xi) change their fiscal year; and (xii) modify the terms of certain debt. The negative covenants are subject to various exceptions, including an “available amount basket” based on 50% of Products Corporation’s cumulative consolidated net income, plus a “starter” basket of \$200.0 million, subject to Products Corporation’s compliance with a 5.0 to 1.0 ratio of Products Corporation’s net debt to Consolidated EBITDA (as defined in the 2016 Term Loan Agreement), except such compliance is not required when such baskets are used to make investments. While the 2016 Term Loan Agreement contains certain customary representations, warranties and events of default, it does not contain any financial maintenance covenants.

**Prepayments:** The 2016 Term Loan Facility is subject to mandatory prepayments from: (i) the net proceeds from the issuance by Products Corporation or any of its restricted subsidiaries of certain additional debt; (ii) commencing with the excess cash flow calculation with respect to fiscal year ending December 31, 2017, 50% of excess cash flow, with step-downs to 25% and 0% upon achievement of certain first lien leverage ratios and reduced by voluntary prepayments of loans under the 2016 Term Loan Facility and revolving loans under the 2016 Revolving Credit Facility to the extent commitments thereunder are permanently reduced; and (iii) asset sale proceeds of certain non-ordinary course asset sales or other dispositions of property that have not been reinvested to the extent in excess of certain minimum amounts. Products Corporation may voluntarily prepay the 2016 Term Loan Facility without premium or penalty unless Products Corporation prepays a term loan within six months after the Closing Date in connection with a repricing transaction (in which case a 1.00% premium is payable).

During the third quarter of 2016, the Company incurred approximately \$45.0 million of fees and expenses in connection with the 2016 Term Loan Facility, of which \$39.1 million were capitalized and are being amortized over the remaining term of the 2016 Term Loan Credit Agreement using the effective interest method. The Company expensed the remaining \$5.9 million of fees and expenses and wrote-off \$10.9 million of unamortized debt discount and deferred financing costs related to the 2011 Term Loan and the Acquisition Term Loan. These amounts, totaling \$16.8 million, were recognized within loss on early extinguishment of debt in the Company's Consolidated Statements of Operations and Comprehensive Income for the three and nine months ended September 30, 2016.

(ii) 2016 Revolving Credit Facility

Principal and Maturity: On the Closing Date, Products Corporation entered into the 2016 Revolving Credit Agreement, for which Citibank, N.A. acts as administrative agent and collateral agent. The 2016 Revolving Credit Facility has an initial maximum availability of \$400.0 million (with a \$100.0 million sublimit for letters of credit and up to \$70.0 million available for swing line loans), which availability is subject to the amount of the borrowing base. The 2016 Revolving Credit Facility may be increased by the greater of (x) \$50.0 million and (y) the excess of the borrowing base over the amounts of then-effective commitments. The 2016 Revolving Credit Facility permits certain non-U.S. subsidiaries to borrow in local currencies. The borrowing base calculation



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under the 2016 Revolving Credit Facility is based on the sum of: (i) 85% of eligible accounts receivable; (ii) the lesser of 85% of the net orderly liquidation value and a percentage of the value specified in respect of different types of eligible inventory; (iii) qualified restricted cash (capped at \$75.0 million); and (iv) a temporary increase amount between August 15 and October 31 of each year, which are collectively subject to certain availability reserves set by the administrative agent. The 2016 Revolving Credit Facility will mature on the earlier of (x) the fifth anniversary of the Closing Date and (y) the 91st day prior to the maturity of Products Corporation's 5.75% Senior Notes if, on that date (and solely for so long as), (i) any of Products Corporation's 5.75% Senior Notes remain outstanding and (ii) Products Corporation's available liquidity does not exceed the aggregate principal amount of the then outstanding 5.75% Senior Notes by at least \$200.0 million.

**Guarantees and Security:** The Restricted Group under the 2016 Revolving Credit Agreement (which is the same as the Restricted Group under the 2016 Term Loan Agreement) is subject to the covenants under the 2016 Revolving Credit Agreement. The 2016 Revolving Credit Facility is guaranteed by each existing and future direct or indirect wholly-owned domestic restricted subsidiary of Products Corporation (subject to various exceptions), as well as by Revlon on a limited recourse basis. The obligations of Revlon, Products Corporation and the subsidiary guarantors under the 2016 Revolving Credit Facility are secured by pledges of the equity of Products Corporation held by Revlon and the equity of Products Corporation's restricted subsidiaries held by Products Corporation and each subsidiary guarantor (subject to certain exceptions, including equity of first-tier foreign subsidiaries in excess of 65% of the voting equity interests of such entity) and by substantially all tangible and intangible personal and real property of Products Corporation and the subsidiary guarantors (subject to certain exclusions). The obligors and guarantors under the 2016 Revolving Credit Facility and the 2016 Term Loan Facility are identical. The liens on the 2016 Revolving Facility Collateral securing the 2016 Revolving Credit Facility rank first in priority to the liens thereon securing the 2016 Term Loan Facility, which rank second in priority on such collateral. The liens on the Term Loan Collateral securing the 2016 Revolving Credit Facility rank second in priority to the liens thereon securing the 2016 Term Loan Facility, which rank first in priority on such collateral.

**Interest and Fees:** Interest is payable quarterly and accrues on borrowings under the 2016 Revolving Credit Facility at a rate per annum equal to either: (i) the alternate base rate plus an applicable margin equal to 0.25%, 0.50% or 0.75% depending on the average excess availability (based on the borrowing base as most recently reported by Products Corporation to the administrative agent from time to time); or (ii) the Eurocurrency rate plus an applicable margin equal to 1.25%, 1.50% or 1.75% depending on the average excess availability (based on the borrowing base as most recently reported by Products Corporation to the administrative agent from time to time), at Products Corporation's option. The applicable margin decreases as average excess availability under the 2016 Revolving Credit Facility increases. Products Corporation is obligated to pay certain fees and expenses in connection with the 2016 Revolving Credit Facility, including a commitment fee for any unused amounts of 0.25%. Loans under the 2016 Revolving Credit Facility may be prepaid without premium or penalty.

**Affirmative and Negative Covenants:** The 2016 Revolving Credit Agreement contains affirmative and negative covenants that are similar to those in the 2016 Term Loan Agreement, other than the "available amount basket" (as described above in the description of the 2016 Term Loan Facility); provided, however, under the 2016 Revolving Credit Agreement the Restricted Group will be able to incur unlimited additional junior secured debt and unsecured debt, make unlimited asset sales and dispositions, make unlimited investments and acquisitions, prepay junior debt and make unlimited restricted payments to the extent that certain "payment conditions" for asset-based credit facilities are satisfied. The 2016 Revolving Credit Agreement contains certain customary representations, warranties and events of default. If Products Corporation's "Liquidity Amount" (defined in the 2016 Revolving Credit Agreement as the Borrowing Base less the sum of (x) the aggregate outstanding extensions of credit under the 2016 Revolving Credit Facility, and (y) any availability reserve in effect on such date) falls below the greater of \$35.0 million and 10% of the

maximum availability under the 2016 Revolving Credit Facility (a “Liquidity Event Period”), then the Restricted Group will be required to maintain a consolidated fixed charge coverage ratio (the ratio of Products Corporation’s EBITDA minus capital expenditures to cash interest expense for such period) of a minimum of 1.0 to 1.0 until the first date after 20 consecutive business days for which the Liquidity Amount is equal to or greater than such threshold. If Products Corporation is in default under the consolidated fixed charge coverage ratio under the 2016 Revolving Credit Agreement, Products Corporation may cure such default by issuing certain equity securities to, or receiving capital contributions from Revlon and applying such cash, which is deemed to increase EBITDA for the purpose of calculating the applicable ratio. Products Corporation may exercise this cure right no more than two times in any four-quarter period, and no more than five times in total during the term of the 2016 Revolving Credit Facility.

Prepayments: Products Corporation must prepay borrowings under the 2016 Revolving Credit Facility to the extent that outstanding loans and letters of credit exceed availability. During a Liquidity Event Period, the administrative agent may apply amounts collected in controlled accounts for the repayment of loans under the 2016 Revolving Credit Facility. Copies of the 2016 Revolving Credit Agreement and other ancillary agreements governing the 2016 Revolving Credit Facility and the related security and collateral agreements are filed as Exhibits 10.4, 10.7, 10.8 and 10.9 hereto and are incorporated herein by reference in their entirety. The above descriptions of the terms of the 2016 Revolving Credit Facility and the related security and collateral agreements are qualified in their entirety by reference to such agreements.

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During the third quarter of 2016, the Company incurred approximately \$5.7 million of fees and expenses in connection with the 2016 Revolving Credit Facility, of which \$5.6 million were capitalized and are being amortized over the remaining term of the 2016 Revolving Credit Facility using the effective interest method. The Company expensed the remaining \$0.1 million of fees and expenses, which were recognized within loss on early extinguishment of debt in the Company's Consolidated Statements of Operations and Comprehensive Income for the three and nine months ended September 30, 2016.

(iii) 6.25% Senior Notes

On August 4, 2016, Revlon Escrow Corporation (the "Escrow Issuer"), which on such date was a wholly owned subsidiary of Products Corporation, completed its offering (the "Offering"), pursuant to an exemption from registration under the Securities Act of 1933 (as amended, the "Securities Act"), of \$450.0 million aggregate principal amount of 6.25% Senior Notes due 2024. The 6.25% Senior Notes are unsecured and were initially issued by the Escrow Issuer to the initial purchasers under an Indenture, dated as of August 4, 2016 (the "6.25% Senior Notes Indenture"), between the Escrow Issuer and U.S. Bank National Association, as trustee (the "Trustee"). The 6.25% Senior Notes mature on August 1, 2024. Interest on the 6.25% Senior Notes accrues at 6.25% per annum, paid every six months through maturity on each February 1 and August 1, beginning on February 1, 2017. As described above, the 6.25% Senior Notes were released from Escrow on the September 7, 2016 Acquisition Date. On the Acquisition Date, the Escrow Issuer was merged with and into Products Corporation and in connection with the Escrow Release, Products Corporation and certain of its direct and indirect wholly-owned domestic subsidiaries, including Elizabeth Arden and certain of its subsidiaries (collectively, the "Guarantors"), and the Trustee entered into a supplemental indenture (the "Supplemental Indenture") to the 6.25% Senior Notes Indenture, pursuant to which Products Corporation assumed the obligations of the Escrow Issuer under the 6.25% Senior Notes and the 6.25% Senior Notes Indenture and the Guarantors jointly and severally, fully and unconditionally guaranteed the 6.25% Senior Notes on a senior unsecured basis. The Guarantors are the same entities that are subsidiary guarantors under the 2016 Term Loan Facility and the 2016 Revolving Credit Facility.

Ranking: The 6.25% Senior Notes are Products Corporation's senior, unsubordinated and unsecured obligations, ranking: (i) pari passu in right of payment with all of Products Corporation's existing and future senior unsecured indebtedness; (ii) senior in right of payment to all of Products Corporation's and the Guarantors' future subordinated indebtedness; and (iii) effectively junior to all of Products Corporation's and the Guarantors' existing and future senior secured indebtedness, including, indebtedness under Products Corporation's new Senior Facilities, to the extent of the value of the assets securing such indebtedness. The 6.25% Senior Notes and the Guarantees are: (i) structurally subordinated to all of the liabilities and preferred stock of any of the Company's subsidiaries that do not guarantee the 6.25% Senior Notes; and (ii) pari passu in right of payment with liabilities of the Guarantors other than expressly subordinated indebtedness.

Optional Redemption: Prior to August 1, 2019, Products Corporation may redeem the 6.25% Senior Notes at its option, at any time as a whole or from time to time in part, upon Products Corporation's payment of an applicable make-whole premium based on the comparable treasury rate plus 50 basis points. Prior to August 1, 2019, up to 40% of the aggregate principal amount of 6.25% Senior Notes that have been issued may also be redeemed at Products Corporation's option at any time as a whole or from time to time in part, at a redemption price equal to 106.250% of the principal amount thereof, plus accrued and unpaid interest to (but not including) the date of redemption with the proceeds of certain equity offerings and capital contributions (so long as at least 60% of the 6.25% Senior Notes that have been issued thereafter remain outstanding). On and after August 1, 2019, Products Corporation may redeem the 6.25% Senior Notes at its option, at any time as a whole, or from time to time in part, at the following redemption prices (expressed as percentages of principal amount), plus accrued interest to (but not including) the date of

redemption, if redeemed during the 12-month period beginning on August 1 of the years indicated below:

| Period              | Optimal<br>Redemption<br>Premium<br>Percentage |
|---------------------|------------------------------------------------|
| 2019                | 104.688 %                                      |
| 2020                | 103.125 %                                      |
| 2021                | 101.563 %                                      |
| 2022 and thereafter | 100.000 %                                      |

All redemptions (and notices thereof) may be subject to various conditions precedent, and redemption dates specified in such notices may be extended so that such conditions precedent may be fulfilled (to the extent redemption on such dates is otherwise permitted by the 6.25% Senior Notes Indenture).

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**Change of Control:** Upon the occurrence of specified change of control events, Products Corporation is required to make an offer to purchase all of the 6.25% Senior Notes at a purchase price of 101% of the outstanding principal amount of the 6.25% Senior Notes as of the date of any such repurchase, plus accrued and unpaid interest to (but not including) the date of repurchase.

**Certain Covenants:** The 6.25% Senior Notes Indenture imposes certain limitations on Products Corporation's and the Guarantors' ability, and the ability of certain other subsidiaries, to: (i) incur or guarantee additional indebtedness or issue preferred stock; (ii) pay dividends, make certain investments and make repayments on indebtedness that is subordinated in right of payment to the 6.25% Senior Notes and make other "restricted payments"; (iii) create liens on their assets to secure debt; (iv) enter into transactions with affiliates; (v) merge, consolidate or amalgamate with another company; (vi) transfer and sell assets; and (vii) permit restrictions on the payment of dividends by Products Corporation's subsidiaries.

These covenants are subject to important qualifications and exceptions. The 6.25% Senior Notes Indenture also contains customary affirmative covenants and events of default. In addition, if during any period of time the 6.25% Senior Notes receive investment grade ratings from both Standard & Poor's and Moody's Investors Services, Inc. and no default or event of default has occurred and is continuing under the 6.25% Senior Notes Indenture, Products Corporation and its subsidiaries will not be subject to the covenants regarding limitations on debt, limitations on restricted payments, limitation on guarantees by restricted subsidiaries, limitation on transactions with affiliates, certain provisions of the successor company covenant, limitation on asset sales and limitation on dividends from restricted subsidiaries.

During the third quarter of 2016, the Company incurred approximately \$10.9 million of fees and expenses in connection with the 6.25% Senior Notes, of which \$10.9 million were capitalized and are being amortized over the remaining term of the 6.25% Senior Notes using the effective interest method.

**Amended Term Loan Facility - Excess Cash Flow Payment**

On February 29, 2016, Products Corporation prepaid \$23.2 million of indebtedness, representing 50% of its 2015 "excess cash flow" as defined under the then existing Amended Term Loan Agreement, in accordance with the terms of its Amended Term Loan Facility. The prepayment was applied on a ratable basis between the principal amounts outstanding under the 2011 Term Loan and the Acquisition Term Loan. The amount of the prepayment that was applied to the 2011 Term Loan reduced the principal amount outstanding by \$11.5 million to \$651.4 million (as all amortization payments under the 2011 Term Loan had been paid). The \$11.7 million that was applied to the Acquisition Term Loan reduced Products Corporation's future annual amortization payments under the Acquisition Term Loan on a ratable basis from \$6.9 million prior to the prepayment to \$6.8 million after giving effect to the prepayment and through its maturity on October 8, 2019.

**Covenants**

Products Corporation was in compliance with all applicable covenants under the 2016 Term Loan and the 2016 Revolving Credit Facility as of September 30, 2016. At September 30, 2016, the aggregate principal amounts outstanding under the 2016 Term Loan and the 2016 Revolving Credit Facility were \$1,800.0 million and \$65.4 million, respectively, and availability under the \$400.0 million 2016 Revolving Credit Facility, based upon the calculated borrowing base of \$300.0 million less \$10.5 million of outstanding undrawn letters of credit, \$16.2 million of outstanding checks and \$65.4 million then drawn on the 2016 Revolving Credit Facility, was \$207.9 million. Products Corporation was in compliance with all applicable covenants under its 6.25% Senior Notes Indenture as of September 30, 2016. Products Corporation was in compliance with all applicable covenants under its 5.75% Senior Notes Indenture as of September 30, 2016 and December 31, 2015.

## 9. FAIR VALUE MEASUREMENTS

Assets and liabilities are required to be categorized into three levels of fair value based upon the assumptions used to price the assets or liabilities. Level 1 provides the most reliable measure of fair value, whereas Level 3, if applicable, generally would require significant management judgment. The three levels for categorizing the fair value measurement of assets and liabilities are as follows:

Level 1: Fair valuing the asset or liability using observable inputs, such as quoted prices in active markets for identical assets or liabilities;

Level 2: Fair valuing the asset or liability using inputs other than quoted prices that are observable for the applicable asset or liability, either directly or indirectly, such as quoted prices for similar (as opposed to identical) assets or

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liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active; and

Level 3: Fair valuing the asset or liability using unobservable inputs that reflect the Company's own assumptions regarding the applicable asset or liability.

As of September 30, 2016, the fair values of the Company's financial assets and liabilities that are required to be measured at fair value are categorized in the table below:

|                                        | Total  | Level<br>1 | Level<br>2 | Level<br>3 |
|----------------------------------------|--------|------------|------------|------------|
| Assets:                                |        |            |            |            |
| Derivatives:                           |        |            |            |            |
| FX Contracts <sup>(a)</sup>            | \$ 1.4 | \$         | —\$ 1.4    | \$ —       |
| Total assets at fair value             | \$ 1.4 | \$         | —\$ 1.4    | \$ —       |
| Liabilities:                           |        |            |            |            |
| Derivatives:                           |        |            |            |            |
| FX Contracts <sup>(a)</sup>            | \$ 3.1 | \$         | —\$ 3.1    | \$ —       |
| 2013 Interest Rate Swap <sup>(b)</sup> | 6.3    | —          | 6.3        | —          |
| Total liabilities at fair value        | \$ 9.4 | \$         | —\$ 9.4    | \$ —       |

As of December 31, 2015, the fair values of the Company's financial assets and liabilities that are required to be measured at fair value are categorized in the table below:

|                                        | Total  | Level<br>1 | Level<br>2 | Level<br>3 |
|----------------------------------------|--------|------------|------------|------------|
| Assets:                                |        |            |            |            |
| Derivatives:                           |        |            |            |            |
| FX Contracts <sup>(a)</sup>            | \$ 2.0 | \$         | —\$ 2.0    | \$ —       |
| Total assets at fair value             | \$ 2.0 | \$         | —\$ 2.0    | \$ —       |
| Liabilities:                           |        |            |            |            |
| Derivatives:                           |        |            |            |            |
| FX Contracts <sup>(a)</sup>            | \$ 0.6 | \$         | —\$ 0.6    | \$ —       |
| 2013 Interest Rate Swap <sup>(b)</sup> | \$ 6.5 | \$         | —\$ 6.5    | \$ —       |
| Total liabilities at fair value        | \$ 7.1 | \$         | —\$ 7.1    | \$ —       |

The fair value of the Company's foreign currency forward exchange contracts ("FX Contracts") was measured based on observable market transactions for similar transactions in actively quoted markets of spot and forward rates on the respective dates. See Note 10, "Financial Instruments," to the Unaudited Consolidated Financial Statements in this Form 10-Q.

The fair value of Products Corporation's 2013 Interest Rate Swap (as hereinafter defined) was measured based on the implied forward rates from the U.S. Dollar three-month LIBOR yield curve on the respective dates. See Note 10, "Financial Instruments."





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As of September 30, 2016, the fair values and carrying values of the Company's long-term debt, including the current portion of long-term debt, are categorized in the table below:

| Fair Value |         |         | Total | Carrying Value |
|------------|---------|---------|-------|----------------|
| Level 1    | Level 2 | Level 3 |       |                |

## Liabilities:

|                                           |              |    |            |           |
|-------------------------------------------|--------------|----|------------|-----------|
| Long-term debt, including current portion | \$—\$2,842.9 | \$ | —\$2,842.9 | \$2,749.6 |
|-------------------------------------------|--------------|----|------------|-----------|

As of December 31, 2015, the fair values and carrying values of the Company's long-term debt, including the current portion of long-term debt, are categorized in the table below:

| Fair Value |         |         | Total | Carrying Value |
|------------|---------|---------|-------|----------------|
| Level 1    | Level 2 | Level 3 |       |                |

## Liabilities:

|                                           |              |    |            |           |
|-------------------------------------------|--------------|----|------------|-----------|
| Long-term debt, including current portion | \$—\$1,818.0 | \$ | —\$1,818.0 | \$1,813.7 |
|-------------------------------------------|--------------|----|------------|-----------|

The fair value of the Company's long-term debt, including the current portion of long-term debt, is based on quoted market prices for similar issues and maturities.

The carrying amounts of cash and cash equivalents, trade receivables, notes receivable, accounts payable and short-term borrowings approximate their respective fair values.

## 10. FINANCIAL INSTRUMENTS

Products Corporation maintains standby and trade letters of credit for various corporate purposes under which Products Corporation is obligated, of which \$10.5 million and \$8.8 million (including amounts available under credit agreements in effect at that time) were maintained at September 30, 2016 and December 31, 2015, respectively. Included in these amounts are approximately \$7.2 million and \$7.5 million at September 30, 2016 and December 31, 2015, respectively, in standby letters of credit that support Products Corporation's self-insurance programs. The estimated liability under such programs is accrued by Products Corporation.

## Derivative Financial Instruments

The Company uses derivative financial instruments, primarily: (i) FX Contracts, intended for the purpose of managing foreign currency exchange risk by reducing the effects of fluctuations in foreign currency exchange rates on the Company's net cash flows; and (ii) interest rate hedging transactions, such as the 2013 Interest Rate Swap referred to below, intended for the purpose of managing interest rate risk associated with Products Corporation's variable rate indebtedness.

## Foreign Currency Forward Exchange Contracts

The FX Contracts are entered into primarily to hedge the anticipated net cash flows resulting from inventory purchases and intercompany payments denominated in currencies other than the local currencies of the Company's foreign and domestic operations and generally have maturities of less than one year.

The U.S. Dollar notional amount of the FX Contracts outstanding at September 30, 2016 and December 31, 2015 was \$122.8 million and \$76.3 million, respectively.

## Interest Rate Swap Transaction

In November 2013, Products Corporation executed a forward-starting floating-to-fixed interest rate swap transaction with a 1.00% floor, based on a notional amount of \$400 million in respect of indebtedness under the Acquisition Term Loan over a period of three years (the "2013 Interest Rate Swap"). In connection with entering into the 2016 Term Loan Facility, the 2013 Interest Swap was carried over to apply to a notional amount of \$400 million in respect of indebtedness under such loan for the remaining balance of the term of such swap. The Company designated the 2013 Interest Rate Swap as a cash flow hedge of the variability of the forecasted three-month LIBOR interest rate payments

related to the \$400 million notional amount under the Acquisition Term Loan over the three-year term of the 2013 Interest Rate Swap (and subsequently to the \$400 million notional amount under

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the 2016 Term Loan Facility for the remaining balance of the term of such swap). Products Corporation receives from the counterparty a floating interest rate based on the higher of three-month USD LIBOR or 1.00%, while paying a fixed interest rate payment to the counterparty equal to 2.0709% (which, with respect to the 2016 Term Loan Facility, effectively fixes the interest rate on such notional amount at 5.5709% over the remaining balance of the three-year term of the 2013 Interest Rate Swap). At September 30, 2016 the fair value of the 2013 Interest Rate Swap was \$(6.3) million and the accumulated loss recorded in accumulated other comprehensive loss was \$3.7 million after-tax.

As a result of completely refinancing the Acquisition Term Loan with the 2016 Term Loan Facility in connection with the Elizabeth Arden Acquisition, the critical terms of the 2013 Interest Rate Swap no longer match the terms of the underlying debt under the 2016 Term Loan Facility. At the refinancing date, or September 7, 2016 (the "Dedesignation Date"), the 2013 Interest Rate Swap was determined to no longer be highly effective and the Company discontinued hedge accounting for the 2013 Interest Rate Swap. Following the dedesignation of the 2013 Interest Rate Swap, changes in fair value will be accounted for as a component of other non-operating expenses. Accumulated deferred losses of \$6.3 million, or \$3.9 million after-tax, at the Dedesignation Date that were previously recorded as a component of accumulated other comprehensive loss will be amortized to net income over the remaining term of the 2013 Interest Rate Swap through its maturity. See "Quantitative Information – Derivative Financial Instruments" below).

The Company expects that \$2.4 million of the after-tax deferred net losses related to the 2013 Interest Rate Swap will be amortized into earnings over the next 12 months.

**Credit Risk**

Exposure to credit risk in the event of nonperformance by any of the counterparties is limited to the gross fair value of the derivative instruments in asset positions, which totaled \$1.4 million and \$2.0 million as of September 30, 2016 and December 31, 2015, respectively. The Company attempts to minimize exposure to credit risk by generally entering into derivative contracts with counterparties that have investment-grade credit ratings and are major financial institutions. The Company also periodically monitors any changes in the credit ratings of its counterparties. Given the current credit standing of the Company's counterparties to its derivative instruments, the Company believes that the risk of loss under these derivative instruments arising from any non-performance by any of the counterparties is remote.

**Quantitative Information – Derivative Financial Instruments**

The effects of the Company's derivative instruments on its Consolidated Financial Statements were as follows:

**(a) Fair Values of Derivative Financial Instruments in the Consolidated Balance Sheets:**

|                                                    |                            | Fair Values of Derivative Instruments |                   |                             |                    |                   |
|----------------------------------------------------|----------------------------|---------------------------------------|-------------------|-----------------------------|--------------------|-------------------|
|                                                    |                            | Assets                                |                   | Liabilities                 |                    |                   |
| Balance Sheet                                      |                            | September 30, 2016                    | December 31, 2015 | Balance Sheet               |                    |                   |
| Classification                                     |                            | Fair Value                            | Fair Value        | Classification              | September 30, 2016 | December 31, 2015 |
|                                                    |                            |                                       |                   |                             | Fair Value         | Fair Value        |
| Derivatives designated as hedging instruments:     |                            |                                       |                   |                             |                    |                   |
| 2013 Interest Rate Swap <sup>(i)</sup>             | Prepaid expenses and other | \$ —                                  | \$ —              | Accrued expenses and other  | \$ —               | \$ 4.0            |
|                                                    | Other assets               | —                                     | —                 | Other long-term liabilities | —                  | 2.5               |
| Derivatives not designated as hedging instruments: |                            |                                       |                   |                             |                    |                   |
| FX Contracts <sup>(ii)</sup>                       | Prepaid expenses and other | \$ 1.4                                | \$ 2.0            | Accrued Expenses            | \$ 3.1             | \$ 0.6            |
| 2013 Interest Rate Swap <sup>(i)</sup>             | Prepaid expenses and other | \$ —                                  | \$ —              | Accrued expenses and other  | \$ 4.0             | \$ —              |
|                                                    | Other assets               | \$ —                                  | \$ —              | Other long-term liabilities | \$ 2.3             | \$ —              |

(i) The fair values of the 2013 Interest Rate Swap at September 30, 2016 and December 31, 2015 were measured based on the implied forward rates from the U.S. Dollar three-month LIBOR yield curve at September 30, 2016 and December 31, 2015, respectively.

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(ii) The fair values of the FX Contracts at September 30, 2016 and December 31, 2015 were measured based on observable market transactions of spot and forward rates at September 30, 2016 and December 31, 2015, respectively.

(b) Effects of Derivative Financial Instruments on the Consolidated Statements of Operations and Comprehensive Income for the three and nine months ended September 30, 2016 and 2015:

Amount of Gain (Loss)

Recognized in Other

Comprehensive Income

Three Nine

Months Months

Ended Ended

September September

30, 30,

2016 2015 2016 2015

Derivatives

designated

as

hedging

instruments:

2013

Interest

Rate

Swap  
\$0.8 \$(0.7) \$0.1 \$(2.7)  
net

of

tax

(a)

Net of tax expense (benefit) of \$0.5 million and (\$0.5 million) for the three months ended September 30, 2016 and (a) 2015, respectively, and \$0.1 million and (\$1.7 million) for the nine months ended September 30, 2016 and 2015, respectively.

| Income Statement Classification | Amount of Gain (Loss)<br>Recognized in Net Income |           |             |           |
|---------------------------------|---------------------------------------------------|-----------|-------------|-----------|
|                                 | Three Months                                      |           | Nine Months |           |
|                                 | Ended                                             |           | Ended       |           |
|                                 | September                                         | September | September   | September |
|                                 | 30,                                               | 30,       | 30,         | 30,       |
|                                 | 2016                                              | 2015      | 2016        | 2015      |

Derivatives designated as

hedging instruments:

2013

Interest  
Interest Expense

|          |          |          |          |
|----------|----------|----------|----------|
| \$ (1.0) | \$ (1.0) | \$ (3.2) | \$ (1.5) |
|----------|----------|----------|----------|

Rate

Swap

Derivatives not designated as

hedging instruments:

FX  
Foreign currency gain (loss), net

Contracts

|          |        |          |        |
|----------|--------|----------|--------|
| \$ (0.3) | \$ 2.3 | \$ (0.8) | \$ 3.2 |
|----------|--------|----------|--------|

2013

Interest  
Miscellaneous, net

— — — —

Rate  
Swap

## 11. PENSION AND POST-RETIREMENT BENEFITS

The components of net periodic benefit (income) costs for the Company's pension and the other post-retirement benefit plans for the third quarter of 2016 and 2015 are as follows:

|                                      | Pension Plans                       |         | Other<br>Post-Retirement<br>Benefit Plans |        |
|--------------------------------------|-------------------------------------|---------|-------------------------------------------|--------|
|                                      | Three Months Ended<br>September 30, |         |                                           |        |
|                                      | 2016                                | 2015    | 2016                                      | 2015   |
| Net periodic benefit (income) costs: |                                     |         |                                           |        |
| Service cost                         | \$0.1                               | \$0.2   | \$ —                                      | \$ —   |
| Interest cost                        | 5.2                                 | 7.2     | 0.1                                       | 0.1    |
| Expected return on plan assets       | (7.7 )                              | (10.0 ) | —                                         | —      |
| Amortization of actuarial loss       | 2.2                                 | 2.2     | —                                         | —      |
|                                      | (0.2 )                              | (0.4 )  | 0.1                                       | 0.1    |
| Portion allocated to Revlon Holdings | —                                   | —       | —                                         | —      |
|                                      | \$(0.2)                             | \$(0.4) | \$ 0.1                                    | \$ 0.1 |

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The components of net periodic benefit (income) costs for the Company's pension and the other post-retirement benefit plans for the first nine months of 2016 and 2015 are as follows:

|                                      | Other<br>Post-Retirement    |         |               |        |
|--------------------------------------|-----------------------------|---------|---------------|--------|
|                                      | Pension Plans               |         | Benefit Plans |        |
|                                      | Nine Months Ended September |         |               |        |
|                                      | 30,                         |         |               |        |
|                                      | 2016                        | 2015    | 2016          | 2015   |
| Net periodic benefit (income) costs: |                             |         |               |        |
| Service cost                         | \$0.4                       | \$0.6   | \$ —          | \$ —   |
| Interest cost                        | 15.5                        | 21.5    | 0.3           | 0.3    |
| Expected return on plan assets       | (23.3)                      | (30.3)  | —             | —      |
| Amortization of actuarial loss       | 6.6                         | 6.3     | 0.1           | 0.1    |
|                                      | (0.8 )                      | (1.9 )  | 0.4           | 0.4    |
| Portion allocated to Revlon Holdings | (0.1 )                      | (0.1 )  | —             | —      |
|                                      | \$(0.9)                     | \$(2.0) | \$ 0.4        | \$ 0.4 |

In the three and nine months ended September 30, 2016, the Company recognized net periodic benefit income of \$0.1 million and \$0.5 million, respectively, compared to net periodic benefit income of \$0.3 million and \$1.6 million in the three and nine months ended September 30, 2015, primarily due to the lower expected return on plan assets, partially offset by lower interest cost as a result of the Company's adoption of the alternative approach to calculating the service and interest components of net periodic benefit cost for pension and other post-retirement benefits (the "full yield curve" approach) which was adopted by the Company at December 31, 2015.

Net periodic benefit costs (income) are reflected in the Company's Consolidated Financial Statements as follows:

|                                             | Three Months |           | Nine Months |           |
|---------------------------------------------|--------------|-----------|-------------|-----------|
|                                             | Ended        | Ended     | Ended       | Ended     |
|                                             | September    | September | September   | September |
|                                             | 30,          | 30,       | 30,         | 30,       |
|                                             | 2016         | 2015      | 2016        | 2015      |
| Net periodic benefit (income) costs:        |              |           |             |           |
| Cost of sales                               | \$(0.6)      | \$(1.0)   | \$(1.9)     | \$(3.0)   |
| Selling, general and administrative expense | 0.5          | 0.7       | 1.4         | 1.4       |
|                                             | \$(0.1)      | \$(0.3)   | \$(0.5)     | \$(1.6)   |

The Company expects that it will have net periodic benefit income of approximately \$1 million for its pension and other post-retirement benefit plans for all of 2016, compared with net periodic benefit cost of \$2.0 million in 2015. During the third quarter of 2016, \$2.2 million and \$0.2 million were contributed to the Company's pension plans and other post-retirement benefit plans, respectively. During the first nine months of 2016, \$5.3 million and \$0.7 million were contributed to the Company's pension plans and other post-retirement benefit plans, respectively. During 2016, the Company expects to contribute approximately \$10 million in the aggregate to its pension and other post-retirement benefit plans.

Relevant aspects of the qualified defined benefit pension plans, nonqualified pension plans and other post-retirement benefit plans sponsored by Products Corporation are disclosed in Note 14, "Savings Plan, Pension and Post-Retirement Benefits," to the Consolidated Financial Statements in Revlon, Inc.'s 2015 Form 10-K.

## 12. INCOME TAXES

The provision for income taxes represents federal, foreign, state and local income taxes. The effective tax rate differs from the applicable federal statutory rate due to the effect of state and local income taxes, tax rates and income in

foreign jurisdictions, utilization of tax loss carryforwards, foreign earnings taxable in the U.S., non-deductible expenses and other items. The Company's tax provision changes quarterly based on various factors including, but not limited to, the geographical mix of earnings, enacted tax legislation, foreign, state and local income taxes, tax audit settlements and the interaction of various global tax strategies. In addition, changes in judgment from the evaluation of new information resulting in the recognition, derecognition and/or remeasurement of a tax position taken in a prior period are recognized in the quarter in which any such change occurs.

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For the third quarter of 2016 and 2015, the Company recorded a (benefit from) provision for income taxes of \$(0.4) million and \$24.6 million, respectively. The \$25.0 million decrease in the provision for income taxes was primarily due to lower pre-tax income and the phasing of the recognition of income taxes, as well as the favorable impact of certain discrete items realized in the third quarter of 2015 that did not reoccur in the third quarter of 2016.

For the first nine months of 2016 and 2015, the Company recorded a provision for income taxes of \$16.0 million and \$53.8 million, respectively. The \$37.8 million decrease in the provision for income taxes was primarily due to lower pre-tax income and the phasing of the recognition of income taxes, as well as the favorable impact of certain discrete items realized in the first nine months of 2015 that did not reoccur in the first nine months of 2016.

The Company's effective tax rate for the three months ended September 30, 2016 differed than the federal statutory rate of 35% as a result of non-deductible acquisition costs, certain dividends and earnings taxable in the U.S., and state and local taxes, partially offset by the foreign and U.S. effects attributable to operations outside the U.S.

The Company's effective tax rate for the nine months ended September 30, 2016 was higher than the federal statutory rate of 35% as a result of certain foreign dividends and earnings taxable in the U.S. and state and local taxes.

The Company remains subject to examination of its income tax returns including, without limitation: Australia for tax years ended December 31, 2011 through December 31, 2014; South Africa and the U.K. for tax years ended December 31, 2012 through December 31, 2014; and Canada, Spain and the U.S. (federal) for tax years ended December 31, 2012 through December 31, 2015.

Elizabeth Arden remains subject to examination of its income tax returns in various jurisdictions including, without limitation, U.S. (federal) for the fiscal years ended June 30, 2010 through June 30, 2015. The Internal Revenue Service (the 'IRS') has been auditing Elizabeth Arden's U.S. (federal) tax returns for the fiscal years ended June 30, 2010 through June 30, 2012. In the audit, the IRS has proposed increases in Elizabeth Arden's taxable income, relating to transfer pricing, in an amount totaling approximately \$85 million. The Company disagrees with the proposed adjustments and intends to continue to contest them vigorously and to pursue its available remedies. Although any IRS examination contains an element of uncertainty, based on current facts and circumstances, the Company believes that the ultimate outcome of any protest, appeals or judicial process will not have a material adverse effect on the Company's business, prospects, results of operations, financial condition and/or cash flows.

## 13. ACCUMULATED OTHER COMPREHENSIVE LOSS

The components of accumulated other comprehensive loss as of September 30, 2016 are as follows:

|                                                                                                                                   | Foreign<br>Currency<br>Translation | Actuarial<br>(Loss) Gain<br>on<br>Post-retirement<br>Benefits | Deferred<br>Gain<br>(Loss) -<br>Hedging | Other   | Accumulated<br>Other<br>Comprehensive<br>Loss |
|-----------------------------------------------------------------------------------------------------------------------------------|------------------------------------|---------------------------------------------------------------|-----------------------------------------|---------|-----------------------------------------------|
| Balance at January 1, 2016                                                                                                        | \$ (23.5 )                         | \$ (217.7 )                                                   | \$ (3.8 )                               | \$(0.3) | \$ (245.3 )                                   |
| Currency translation adjustment, net of tax of \$1.3 million                                                                      | 8.0                                |                                                               |                                         |         | 8.0                                           |
| Amortization of pension related costs, net of tax of \$1.1 million <sup>(a)</sup>                                                 |                                    | 5.6                                                           |                                         |         | 5.6                                           |
| Revaluation of derivative financial instrument, net of amounts reclassified into earnings and tax of \$0.1 million <sup>(b)</sup> |                                    |                                                               | \$ 0.1                                  |         | 0.1                                           |
| Other comprehensive income                                                                                                        | 8.0                                | 5.6                                                           | 0.1                                     | —       | 13.7                                          |
| Balance at September 30, 2016                                                                                                     | \$ (15.5 )                         | \$ (212.1 )                                                   | \$ (3.7 )                               | \$(0.3) | \$ (231.6 )                                   |

(a) Amounts represent the change in accumulated other comprehensive loss as a result of the amortization of actuarial losses (gains) arising during each year related to the Company's pension and other post-retirement

plans. See Note 11, "Pension and Post-retirement Benefits," for further discussion of the Company's pension and other post-retirement plans.

## REVLON, INC. AND SUBSIDIARIES

## NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(except where otherwise noted, all tabular amounts in millions, except share and per share amounts)

(b) Represents the after-tax effective portion of the changes in fair value of the Company's 2013 Interest Rate Swap, net of amounts reclassified into earnings for the nine months ended September 30, 2016. See Note 10, "Financial Instruments," for further discussion of the 2013 Interest Rate Swap.

As shown above, other comprehensive income includes changes in the fair value of the 2013 Interest Rate Swap. A rollforward of the amounts reclassified out of accumulated other comprehensive loss into earnings for the three and nine months ended September 30, 2016 are as follows:

|                                                                                   | 2013<br>Interest<br>Rate<br>Swap |
|-----------------------------------------------------------------------------------|----------------------------------|
| Beginning accumulated losses at June 30, 2016                                     | \$(4.5 )                         |
| Reclassifications into earnings (net of \$0.4 million tax expense) <sup>(a)</sup> | 0.7                              |
| Change in fair value (net of \$0.1 million tax expense)                           | 0.1                              |
| Ending accumulated losses at September 30, 2016                                   | \$(3.7 )                         |

|                                                                                   | 2013<br>Interest<br>Rate<br>Swap |
|-----------------------------------------------------------------------------------|----------------------------------|
| Beginning accumulated losses at December 31, 2015                                 | \$(3.8 )                         |
| Reclassifications into earnings (net of \$1.2 million tax expense) <sup>(a)</sup> | 2.0                              |
| Change in fair value (net of \$1.1 million tax benefit)                           | (1.9 )                           |
| Ending accumulated losses at September 30, 2016                                   | \$(3.7 )                         |

<sup>(a)</sup> Reclassified to interest expense.

A rollforward of the amounts reclassified out of accumulated other comprehensive loss into earnings for the three and nine months ended September 30, 2015 are as follows:

|                                                                                   | 2013<br>Interest<br>Rate<br>Swap |
|-----------------------------------------------------------------------------------|----------------------------------|
| Beginning accumulated losses at June 30, 2015                                     | \$(4.2 )                         |
| Reclassifications into earnings (net of \$0.4 million tax expense) <sup>(a)</sup> | 0.7                              |
| Change in fair value (net of \$0.9 million tax benefit)                           | (1.4 )                           |
| Ending accumulated losses at September 30, 2015                                   | \$(4.9 )                         |

|                                                                                   | 2013<br>Interest<br>Rate<br>Swap |
|-----------------------------------------------------------------------------------|----------------------------------|
| Beginning accumulated losses at December 31, 2014                                 | \$(2.2 )                         |
| Reclassifications into earnings (net of \$0.6 million tax expense) <sup>(a)</sup> | 0.9                              |
| Change in fair value (net of \$2.3 million tax benefit)                           | (3.6 )                           |
| Ending accumulated losses at September 30, 2015                                   | \$(4.9 )                         |

<sup>(a)</sup> Reclassified to interest expense.

## 14. SEGMENT DATA AND RELATED INFORMATION

Operating segments include components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker (the Company's "Chief Executive Officer") in deciding how

to allocate resources and in assessing the Company's performance. As a result of the similarities in the procurement, manufacturing and distribution processes for the Company's products, much of the information provided in the Consolidated Financial Statements, and provided in the segment table below, is similar to, or the same as, that reviewed on a regular basis by the Company's Chief

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REVLOON, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(except where otherwise noted, all tabular amounts in millions, except share and per share amounts)

Executive Officer. As of September 30, 2016, and since the Elizabeth Arden Acquisition Date, the Elizabeth Arden organization has continued to operate and be evaluated on a stand-alone basis.

At September 30, 2016, the Company's operations are organized into the following reportable segments:

Consumer - The Consumer segment is comprised of the Company's consumer brands other than those operated under the Elizabeth Arden segment, which primarily include Revlon, Almay, SinfulColors and Pure Ice in color cosmetics; Revlon ColorSilk in women's hair color; Revlon in beauty tools; and Mitchum in anti-perspirant deodorants. The Company's principal customers for its consumer products include large volume retailers, chain drug and food stores, chemist shops, hypermarkets, general merchandise stores, the Internet/e-commerce, television shopping, department stores, one-stop shopping beauty retailers, specialty cosmetics stores and perfumeries in the U.S. and internationally. The Consumer segment also includes a skincare line under the Natural Honey brand and a hair color line under the Llongueras brand sold to large volume retailers and other retailers, primarily in Spain, which were acquired as part of the Colomer Acquisition. In October 2015 and in May 2016, the Company acquired the U.S. Cutex business and Cutex International business and related assets, respectively. The results of operations relating to the sales of Cutex nail care products are included within the Consumer segment.

Professional - The Professional segment is comprised primarily of the brands which the Company acquired in the Colomer Acquisition, which include Revlon Professional in hair color and hair care; CND-branded products in nail polishes and nail enhancements; and American Crew in men's grooming products, all of which are sold worldwide to professional salons. The Company's principal customers for its professional products include hair and nail salons and distributors to professional salons in the U.S. and internationally. The Professional segment also includes a multi-cultural line consisting of Creme of Nature hair care products sold to large volume retailers, other retailers and professional salons, primarily in the U.S.

Elizabeth Arden - The Elizabeth Arden segment includes the operating results of the Elizabeth Arden business and related purchase accounting for the Company's September 2016 Elizabeth Arden Acquisition. Elizabeth Arden is a global prestige beauty products company with an iconic portfolio of prestige fragrance, skincare and cosmetic brands, including the Elizabeth Arden skin care brands, color cosmetics and fragrances; designer fragrances such as Juicy Couture and John Varvatos; heritage fragrances such as Curve, Elizabeth Taylor, Britney Spears and Christina Aguilera; and various celebrity fragrances.

Other - The Other segment primarily includes the operating results of the CBB business and related purchase accounting for the CBB Acquisition. CBB develops, manufactures, markets and distributes fragrances and other beauty products under various celebrity, lifestyle and fashion brands licensed from third parties, principally through department stores and selective distribution in international territories.

The Company's management evaluates segment profit, which is defined as income from continuing operations before interest, taxes, depreciation, amortization, stock-based compensation expense, gains/losses on foreign currency fluctuations, gains/losses on the early extinguishment of debt and miscellaneous expenses, for each of the Company's reportable segments. Segment profit also excludes unallocated corporate expenses and the impact of certain items that are not directly attributable to the reportable segments' underlying operating performance, which includes the impacts of: (i) restructuring and related charges; (ii) acquisition and integration costs; (iii) deferred compensation related to the accounting for the CBB Acquisition; (iv) costs of sales resulting from a fair value adjustment in the second quarter of 2016 and 2015 to inventory acquired in the Cutex International Acquisition and CBB Acquisition, respectively; (v) charges related to the Elizabeth Arden 2016 Business Transformation Program; and (vi) costs of sales resulting from a fair value adjustment to inventory acquired in the Elizabeth Arden Acquisition. Such items are shown below in the table reconciling segment profit to consolidated income from continuing operations before income taxes. Unallocated corporate expenses primarily include general and administrative expenses related to the corporate organization. These expenses are recorded in unallocated corporate expenses, as these items are centrally directed and controlled and are not included in internal measures of segment operating performance. The Company does not have any material inter-segment sales.

The accounting policies for each of the reportable segments are the same as those described in Note 1, "Description of Business and Summary of Significant Accounting Policies" in Revlon, Inc.'s 2015 Form 10-K. The Company's assets and liabilities are managed centrally and are reported internally in the same manner as the Consolidated Financial Statements; thus, no additional information regarding assets and liabilities of the Company's reportable segments is produced for the Company's Chief Executive Officer or included in these Consolidated Financial Statements.

## REVLON, INC. AND SUBSIDIARIES

## NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(except where otherwise noted, all tabular amounts in millions, except share and per share amounts)

The following table is a comparative summary of the Company's net sales and segment profit by reportable segment for the three and nine months ended September 30, 2016 and 2015.

|                                                                             | Three Months Ended |         | Nine Months Ended  |           |
|-----------------------------------------------------------------------------|--------------------|---------|--------------------|-----------|
|                                                                             | September 30, 2016 | 2015    | September 30, 2016 | 2015      |
| <b>Segment Net Sales:</b>                                                   |                    |         |                    |           |
| Consumer                                                                    | \$342.8            | \$348.1 | \$1,022.3          | \$1,027.1 |
| Professional                                                                | 118.8              | 114.5   | 357.2              | 352.1     |
| Elizabeth Arden                                                             | 135.2              | —       | 135.2              | —         |
| Other                                                                       | 8.0                | 8.9     | 18.6               | 13.2      |
| Total                                                                       | \$604.8            | \$471.5 | \$1,533.3          | \$1,392.4 |
| <b>Segment Profit:</b>                                                      |                    |         |                    |           |
| Consumer                                                                    | \$81.0             | \$86.0  | \$220.4            | \$232.0   |
| Professional                                                                | 23.7               | 23.4    | 73.4               | 76.9      |
| Elizabeth Arden                                                             | 32.5               | —       | 32.5               | —         |
| Other                                                                       | (0.1 )             | (1.4 )  | (0.9 )             | (1.2 )    |
| Total                                                                       | \$137.1            | \$108.0 | \$325.4            | \$307.7   |
| <b>Reconciliation:</b>                                                      |                    |         |                    |           |
| Segment Profit                                                              | \$137.1            | \$108.0 | \$325.4            | \$307.7   |
| Less:                                                                       |                    |         |                    |           |
| Unallocated corporate expenses                                              | 24.2               | 20.4    | 59.1               | 55.7      |
| Depreciation and amortization                                               | 28.8               | 26.0    | 81.0               | 76.8      |
| Non-cash stock compensation expense                                         | 1.5                | 1.0     | 4.8                | 3.8       |
| Non-Operating items:                                                        |                    |         |                    |           |
| Restructuring and related charges                                           | 0.5                | 4.2     | 2.3                | 1.9       |
| Acquisition and integration costs                                           | 33.5               | 0.6     | 39.5               | 6.5       |
| Deferred compensation related to CBB acquisition                            | 0.8                | 0.9     | 2.6                | +1.6      |
| Cutex International inventory purchase accounting adjustment, cost of sales | 0.2                | (0.1 )  | 0.3                | 0.5       |
| Elizabeth Arden 2016 Business Transformation Program                        | 1.7                | —       | 1.7                | —         |
| Elizabeth Arden inventory purchase accounting adjustment, cost of sales     | 4.2                | —       | 4.2                | —         |
| Operating Income                                                            | 41.7               | 55.0    | 129.9              | 160.9     |
| Less:                                                                       |                    |         |                    |           |
| Interest Expense                                                            | 27.4               | 21.5    | 69.3               | 62.0      |
| Amortization of debt issuance costs                                         | 1.7                | 1.4     | 4.6                | 4.2       |
| Loss on early extinguishment of debt                                        | 16.9               | —       | 16.9               | —         |
| Foreign currency losses (gains), net                                        | 1.2                | (0.7 )  | 6.3                | 7.3       |
| Miscellaneous, net                                                          | (0.6 )             | 0.3     | (0.1 )             | 0.5       |
| Income from continuing operations before income taxes                       | \$(4.9 )           | \$32.5  | \$32.9             | \$86.9    |

## REVLON, INC. AND SUBSIDIARIES

## NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(except where otherwise noted, all tabular amounts in millions, except share and per share amounts)

As of September 30, 2016, after giving effect to the Elizabeth Arden Acquisition, the Company had operations established in 26 countries outside of the U.S. and its products are sold throughout the world. Generally, net sales by geographic area are presented by attributing revenues from external customers on the basis of where the products are sold:

|                  | Three Months Ended |      | Nine Months Ended |      |           |     |           |     |
|------------------|--------------------|------|-------------------|------|-----------|-----|-----------|-----|
|                  | September 30,      |      | September 30,     |      |           |     |           |     |
| Geographic area: | 2016               | 2015 | 2016              | 2015 |           |     |           |     |
| Net sales:       |                    |      |                   |      |           |     |           |     |
| United States    | \$326.1            | 54%  | \$255.0           | 54%  | \$836.8   | 55% | \$766.4   | 55% |
| International    | 278.7              | 46%  | 216.5             | 46%  | 696.5     | 45% | 626.0     | 45% |
|                  | \$604.8            |      | \$471.5           |      | \$1,533.3 |     | \$1,392.4 |     |

|                         | September 30, |     | December 31, |     |
|-------------------------|---------------|-----|--------------|-----|
|                         | 2016          |     | 2015         |     |
| Long-lived assets, net: |               |     |              |     |
| United States           | \$1,464.5     | 83% | \$854.7      | 79% |
| International           | 289.6         | 17% | 232.4        | 21% |
|                         | \$1,754.1     |     | \$1,087.1    |     |

|                              | Three Months Ended |     |         |     | Nine Months Ended |     |           |     |
|------------------------------|--------------------|-----|---------|-----|-------------------|-----|-----------|-----|
|                              | September 30,      |     |         |     | September 30,     |     |           |     |
| Classes of similar products: | 2016               |     | 2015    |     | 2016              |     | 2015      |     |
| Net sales:                   |                    |     |         |     |                   |     |           |     |
| Color cosmetics              | \$245.5            | 41% | \$242.5 | 51% | \$731.7           | 48% | \$746.4   | 54% |
| Hair care                    | 135.3              | 22% | 131.3   | 28% | 402.1             | 26% | 388.1     | 28% |
| Beauty care                  | 96.2               | 16% | 74.8    | 16% | 244.6             | 16% | 209.9     | 15% |
| Fragrance                    | 127.8              | 21% | 22.9    | 5%  | 154.9             | 10% | 48.0      | 3%  |
|                              | \$604.8            |     | \$471.5 |     | \$1,533.3         |     | \$1,392.4 |     |

## 15. BASIC AND DILUTED EARNINGS PER COMMON SHARE

Shares used in basic earnings per share are computed using the weighted average number of common shares outstanding during each period. Shares used in diluted earnings per share include the dilutive effect of unvested restricted stock under the Company's Stock Plan using the treasury stock method. At September 30, 2016 and 2015, there were no outstanding stock options under the Company's Stock Plan.

For the three and nine months ended September 30, 2016, there are nil and 234,712 shares, respectively, of unvested restricted stock that could potentially dilute basic earnings per common share in the future that were excluded from the computation of diluted earnings per common share, as their effect would be anti-dilutive. No unvested restricted stock awards were excluded from the computation of diluted earnings per common share for the three and nine months ended September 30, 2015.





## REVLON, INC. AND SUBSIDIARIES

## NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(except where otherwise noted, all tabular amounts in millions, except share and per share amounts)

The components of basic and diluted earnings per common share for the three and nine months ended September 30, 2016 and 2015 were as follows:

|                                                        | Three Months<br>Ended September<br>30,<br>2016 |            | Nine Months<br>Ended September<br>30,<br>2015 |            |
|--------------------------------------------------------|------------------------------------------------|------------|-----------------------------------------------|------------|
| Numerator:                                             |                                                |            |                                               |            |
| (Loss) Income from continuing operations, net of taxes | \$(4.5 )                                       | \$ 7.9     | \$16.9                                        | \$ 33.1    |
| Loss from discontinued operations, net of taxes        | (0.2 )                                         | (1.7 )     | (2.3 )                                        | (1.8 )     |
| Net (loss) income                                      | \$(4.7 )                                       | \$ 6.2     | \$14.6                                        | \$ 31.3    |
| Denominator:                                           |                                                |            |                                               |            |
| Weighted average common shares outstanding – Basic     | 52,498,250                                     | 50,440,580 | 52,498,840                                    | 50,422,660 |
| Effect of dilutive restricted stock                    | —                                              | 163,131    | 118,900                                       | 170,547    |
| Weighted average common shares outstanding – Diluted   | 52,498,250                                     | 50,603,711 | 52,617,740                                    | 50,593,207 |
| Basic (loss) earnings per common share:                |                                                |            |                                               |            |
| Continuing operations                                  | \$(0.09)                                       | \$ 0.15    | \$0.32                                        | \$ 0.63    |
| Discontinued operations                                | —                                              | (0.03 )    | (0.04 )                                       | (0.03 )    |
| Net (loss) income                                      | \$(0.09)                                       | \$ 0.12    | \$0.28                                        | \$ 0.60    |
| Diluted (loss) earnings per common share:              |                                                |            |                                               |            |
| Continuing operations                                  | \$(0.09)                                       | \$ 0.15    | \$0.32                                        | \$ 0.63    |
| Discontinued operations                                | —                                              | (0.03 )    | (0.04 )                                       | (0.03 )    |
| Net (loss) income                                      | \$(0.09)                                       | \$ 0.12    | \$0.28                                        | \$ 0.60    |

## 16. CONTINGENCIES

The Company is involved in various routine legal proceedings incidental to the ordinary course of its business. The Company believes that the outcome of all pending legal proceedings in the aggregate is not reasonably likely to have a material adverse effect on the Company's business, prospects, results of operations, financial condition and/or cash flows. However, in light of the uncertainties involved in legal proceedings generally, the ultimate outcome of a particular matter could be material to the Company's operating results for a particular period depending on, among other things, the size of the loss or the nature of the liability imposed and the level of the Company's income for that particular period.

As previously disclosed, following the announcement of the execution of the Elizabeth Arden Merger Agreement, several putative shareholder class action lawsuits and a derivative lawsuit were filed challenging the Merger. In addition to the complaints filed on behalf of plaintiffs Parker, Christiansen, Ross and Stein, on July 25, 2016, a lawsuit (Hutson v. Elizabeth Arden, Inc., et al., Case No. CACE-16-013566) (referred to as the "Hutson complaint") was filed in the Seventeenth Judicial Circuit in and for Broward County, Florida (the "Court") against Elizabeth Arden, the members of the board of directors of Elizabeth Arden, Revlon, Products Corporation and Acquisition Sub. In general, the Hutson complaint alleges that: (i) the members of Elizabeth Arden's board of directors breached their fiduciary duties to Elizabeth Arden's shareholders with respect to the Merger, by, among other things, approving the Merger pursuant to an unfair process and at an inadequate and unfair price; and (ii) Revlon, Products Corporation and Acquisition Sub aided and abetted the breaches of fiduciary duty by the members of Elizabeth Arden's board. The plaintiff seeks relief similar to that sought in the Parker case.

By Order dated August 4, 2016, all five cases were consolidated by the Court into a Consolidated Amended Class Action. Thereafter, on August 11, 2016 a Consolidated Amended Class Action Complaint was filed, seeking to enjoin

defendants from consummating the Merger and/or from soliciting shareholder votes. To the extent that the Merger was consummated, the Consolidated Amended Class Action Complaint seeks to rescind the Merger or recover rescissory or other compensatory damages, along with costs and fees. The grounds for relief set forth in the Consolidated Amended Class Action Complaint in large part track those grounds as asserted in the five individual complaints, as previously disclosed. Class counsel advised that post consummation

REVLOL, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(except where otherwise noted, all tabular amounts in millions, except share and per share amounts)

of the Merger they were going to file a Second Consolidated Amended Class Action Complaint, but to date no such complaint has been filed.

The Company believes the allegations contained in the Consolidated Amended Class Action Complaint are without merit and intends to vigorously defend against them. Additional lawsuits arising out of or relating to the Elizabeth Arden Merger Agreement or the Merger may be filed in the future.

The Company believes that the outcome of all pending legal proceedings in the aggregate is not reasonably likely to have a material adverse effect on the Company's business, prospects, results of operations, financial condition and/or cash flows. However, in light of the uncertainties involved in legal proceedings generally, the ultimate outcome of a particular matter could be material to the Company's operating results for a particular period depending on, among other things, the size of the loss or the nature of the liability imposed and the level of the Company's income for that particular period.

## 17. RELATED PARTY TRANSACTIONS

### Reimbursement Agreements

As previously disclosed in the Revlon, Inc.'s 2015 Form 10-K, Revlon, Products Corporation and MacAndrews & Forbes have entered into reimbursement agreements (the "Reimbursement Agreements") pursuant to which: (i) MacAndrews & Forbes is obligated to provide (directly or through its affiliates) certain professional and administrative services, including, without limitation, employees, to the Company, and to purchase services from third party providers, such as insurance, legal, accounting and air transportation services, on behalf of the Company, to the extent requested by Products Corporation; and (ii) Products Corporation is obligated to provide certain professional and administrative services, including, without limitation, employees, to MacAndrews & Forbes and to purchase services from third party providers, such as insurance, legal and accounting services, on behalf of MacAndrews & Forbes, to the extent requested by MacAndrews & Forbes, provided that in each case the performance of such services does not cause an unreasonable burden to MacAndrews & Forbes or Products Corporation, as the case may be.

The Company reimburses MacAndrews & Forbes for the allocable costs of the services that MacAndrews & Forbes purchases for or provides to the Company and for the reasonable out-of-pocket expenses that MacAndrews & Forbes incurs in connection with the provision of such services. MacAndrews & Forbes reimburses Products Corporation for the allocable costs of the services that Products Corporation purchases for or provides to MacAndrews & Forbes and for the reasonable out-of-pocket expenses incurred by Products Corporation in connection with the purchase or provision of such services. Each of the Company, on the one hand, and MacAndrews & Forbes, on the other, has agreed to indemnify the other party for losses arising out of the services provided by it under the Reimbursement Agreements, other than losses resulting from its willful misconduct or gross negligence.

The Reimbursement Agreements may be terminated by either party on 90 days' notice. The Company does not intend to request services under the Reimbursement Agreements unless their costs would be at least as favorable to the Company as could be obtained from unaffiliated third parties.

The Company participates in MacAndrews & Forbes' directors and officers liability insurance program (the "D&O Insurance Program"), as well as its other insurance coverages, such as property damage, business interruption, liability and other coverages, which cover the Company, as well as MacAndrews & Forbes and its subsidiaries. The limits of coverage for certain of the policies are available on an aggregate basis for losses to any or all of the participating companies and their respective directors and officers. The Company reimburses MacAndrews & Forbes from time to time for their allocable portion of the premiums for such coverage or the Company pays the insurers directly, which premiums the Company believes are more favorable than the premiums that the Company would pay were it to secure stand-alone coverage. Any amounts paid by the Company directly to MacAndrews & Forbes in respect of premiums are included in the amounts paid under the Reimbursement Agreements.

The net activity related to services provided and/or (purchased) under the Reimbursement Agreements during the nine months ended September 30, 2016 and 2015 was \$1.3 million and \$2.2 million, respectively, which primarily includes partial payments made by the Company to MacAndrews & Forbes during the first quarter of 2016 and 2015 for

premiums related to the Company's allocable portion of the 5-year renewal of the D&O Insurance Program for the period from January 31, 2012 through January 31, 2017. As of each September 30, 2016 and December 31, 2015, a receivable balance of \$0.1 million, respectively, from MacAndrews & Forbes was included in the Company's Balance Sheets for transactions subject to the Reimbursement Agreements.

REVLON, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(except where otherwise noted, all tabular amounts in millions, except share and per share amounts)

Other

During the nine months ended September 30, 2016 and 2015, the Company engaged several companies in which MacAndrews & Forbes had a controlling interest to provide the Company with various ordinary course business services. These services included processing approximately \$35.1 million and \$25.4 million of coupon redemptions for the Company's retail customers for the nine months ended September 30, 2016 and 2015, respectively, for which the Company paid fees of approximately \$0.3 million and \$0.3 million during the nine months ended September 30, 2016 and 2015, respectively, and other similar advertising, coupon redemption and raw material supply services, for which the Company paid fees aggregating to less than \$0.3 million during the nine months ended September 30, 2016 and 2015, respectively. The Company believes that its engagement of each of these affiliates was on arm's length terms, taking into account each firm's expertise in its respective field, and that the fees paid were at least as favorable as those available from unaffiliated parties.

REVLON, INC. AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(all tabular amounts in millions, except share and per share amounts)

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

Overview

Overview of the Business

Revlon, Inc. ("Revlon" and together with its subsidiaries, the "Company") conducts its business exclusively through its direct wholly-owned operating subsidiary, Revlon Consumer Products Corporation ("Products Corporation"), and its subsidiaries, including Elizabeth Arden, Inc. ("Elizabeth Arden"). Revlon is an indirect majority-owned subsidiary of MacAndrews & Forbes Incorporated (together with certain of its affiliates other than the Company, "MacAndrews & Forbes"), a corporation wholly-owned by Ronald O. Perelman.

The Company operates in four reporting segments: the consumer division ("Consumer"); the professional division ("Professional"); Elizabeth Arden; and Other (each as described below). The Company manufactures, markets and sells worldwide an extensive array of beauty and personal care products, including color cosmetics, hair color, hair care and hair treatments, beauty tools, men's grooming products, anti-perspirant deodorants, fragrances, skincare and other beauty care products. The Company's principal customers for its products in the Consumer segment include large volume retailers, chain drug and food stores, chemist shops, hypermarkets, general merchandise stores, the Internet/e-commerce, television shopping, department stores, one-stop shopping beauty retailers, specialty cosmetics stores and perfumeries in the U.S. and internationally. The Company's principal customers for its products in the Professional segment include hair and nail salons and distributors to professional salons in the U.S. and internationally.

On September 7, 2016 (the "Acquisition Date"), the Company completed the acquisition of Elizabeth Arden (the "Elizabeth Arden Acquisition"). Elizabeth Arden is a global prestige beauty products company with an iconic portfolio of brands that are highly complementary to the Company's existing brand portfolio and are sold worldwide. In North America, Elizabeth Arden's principal customers include prestige retailers, the mass retail channel and distributors, as well as direct sales to consumers via its branded retail outlet stores and e-commerce business. Elizabeth Arden products are also sold through the Elizabeth Arden Red Door Spa beauty salons and spas. Internationally, Elizabeth Arden's portfolio of owned and licensed brands is sold to perfumeries, boutiques, department stores, travel retailers and distributors. The operating results and purchase accounting for the Company's Elizabeth Arden Acquisition are presented in the Elizabeth Arden segment.

With the Elizabeth Arden Acquisition, the Company expects to benefit from greater scale, an expanded global footprint, and with the addition of Elizabeth Arden's growing prestige fragrances, skin care and color cosmetics, a significant presence across all major beauty channels and categories. The combination will leverage the Company's scale across major vendors and manufacturing partners, improving distribution and procurement efficiencies. Upon closing the Elizabeth Arden Acquisition the Company disclosed that it expected to achieve approximately \$140 million of synergies and cost reductions over a multi-year period through the elimination of duplicative activities, leveraging purchasing scale, and optimizing the manufacturing and distribution networks of the combined company. The Company anticipates achieving these expected synergies and cost reductions. Other expected strategic benefits from the Elizabeth Arden Acquisition include:

**Expanded Category Mix:** The Company's strength and expertise in color cosmetics, hair care, men's grooming, anti-perspirants, deodorants and beauty tools are complemented by the addition of Elizabeth Arden's world-class portfolio of licensed prestige fragrances and the internationally recognized line of Elizabeth Arden-branded prestige fragrance, skin care and color cosmetics products, which are highly profitable categories that the Company believes are key to future industry growth;

**Channel Diversification:** Elizabeth Arden's strong global reach in prestige distribution and travel retail complement Revlon's strength in mass and salons, strongly positioning the combined company in all key beauty channels; and

Broader Geographic Footprint: Post-acquisition the combined company now markets and distributes its products in approximately 150 countries. With Elizabeth Arden's presence in important international growth regions, including Asia Pacific, the combined company will be better positioned to compete globally.

The operating results and purchase accounting for the Company's Elizabeth Arden Acquisition are presented in the Elizabeth Arden reporting segment. Refer to Note 2, "Business Combinations," to the Unaudited Consolidated Financial Statements in this Form 10-Q for further details related to the Elizabeth Arden Acquisition.

The Other segment primarily includes the operating results of the CBBeauty Group and certain of its related entities, which the Company acquired in April 2015 (collectively "CBB" and such transaction, the "CBB Acquisition"). CBB develops, manufactures, markets and distributes fragrances and other beauty products under a variety of celebrity, lifestyle and fashion brands licensed from third parties, principally through department stores and selective distribution in international territories.

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The Company's Business Strategy

Our strategy is built on three key pillars:

**Build a Foundation for Sustainable Growth that Outpaces the Industry.** The Company will compete in large and fast growing beauty segments and build its portfolio of product offerings in all strategic categories. The Company will further strengthen and diversify our channels of distribution, especially direct to consumer. The Company will strengthen its U.S. business and expand into faster growing territories, with a special focus on Asia.

**Harness the Power of our Iconic Brand Portfolio to Delight Consumers Wherever and However They Shop for Beauty.** The Company will continue to focus on restoring the appeal and aspiration of its flagship brands and invest in them. The Company is advancing its digital and omni-channel capabilities, and is focused on high growth channels, especially E-commerce. The Company intends to continue to win in traditional channels, while expanding its combined reach in to travel retail.

**Develop a Cost Structure to Deliver World Class Profitability.** The Company will continue to improve its operating performance by strategically allocating investments behind key brands, categories and regions. The Company intends to further improve its category mix and, with the acquisition of Elizabeth Arden, is now capable of shifting toward higher gross margin categories. The Company will continue to rationalize its product portfolio and seek to reduce its product returns, sales markdowns and inventory levels. Through an enhanced new product development processes, the Company will increase its speed to shelf, optimize its resource allocation and shorten new product launch timing.

Overview of Net Sales and Earnings Results

Consolidated net sales in the third quarter of 2016 were \$604.8 million, an increase of \$133.3 million, or 28.3%, compared to \$471.5 million in the third quarter of 2015. Excluding the \$8.1 million unfavorable impact of foreign currency fluctuations (referred to herein as "FX," "XFX" or on an "XFX basis"), consolidated net sales increased on an XFX basis by \$141.4 million, or 30.0%, in the third quarter of 2016, compared to the third quarter of 2015. The XFX increase in consolidated net sales in the third quarter of 2016 was primarily driven by a \$5.1 million, or 4.5%, increase in Professional segment net sales and the inclusion of \$135.2 million of net sales as a result of the Elizabeth Arden Acquisition from and after the September 7, 2016 Acquisition Date.

Consolidated net sales in the first nine months of 2016 were \$1,533.3 million, an increase of \$140.9 million, or 10.1%, compared to \$1,392.4 million in the first nine months of 2015. Excluding the \$33.0 million unfavorable FX impact, consolidated net sales on an XFX basis increased by \$173.9 million, or 12.5%, in the first nine months of 2016 compared to the first nine months of 2015. The XFX increase in consolidated net sales in the first nine months of 2016 was primarily driven by a \$22.6 million, or 2.2%, increase in Consumer segment net sales; an \$8.9 million, or 2.5%, increase in Professional segment net sales; a \$7.2 million, or 54.5%, increase in Other segment net sales; and the inclusion of \$135.2 million of net sales as a result of the Elizabeth Arden Acquisition on and after the September 7, 2016 Acquisition Date.

Consolidated loss from continuing operations, net of taxes, in the third quarter of 2016 was \$4.5 million, compared to consolidated income from continuing operations, net of taxes, of \$7.9 million in the third quarter of 2015. The \$12.4 million decrease in the third quarter of 2016 was primarily due to:

\$41.6 million of higher selling, general and administrative ("SG&A") expenses, primarily driven by the inclusion of the SG&A expenses as a result of the Elizabeth Arden Acquisition, commencing on and after the Acquisition Date; \$32.9 million increase in acquisition and integration costs, primarily related to the Elizabeth Arden Acquisition; a \$16.9 million aggregate loss on the early extinguishment of debt recognized in the third quarter of 2016 as a result of the complete refinancing of the 2011 Term Loan and Acquisition Term Loan in connection with the Elizabeth Arden Acquisition; and

a \$5.9 million increase in interest expense during the third quarter of 2016 as a result of the debt related transactions completed in connection with the Elizabeth Arden Acquisition, as discussed in Recent Events below; with the foregoing partially offset by:  
• \$57.7 million of higher gross profit in the third quarter of 2016, primarily due to the inclusion of gross profit as a result of the Elizabeth Arden Acquisition, commencing on the Acquisition Date; and

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a \$25.0 million decrease in the provision for income taxes recognized in the third quarter of 2016, primarily due to lower pretax income, the phasing of the recognition of income taxes and the relatively favorable impact of certain discrete items that did not reoccur in the third quarter of 2016.

Consolidated income from continuing operations, net of taxes, in the first nine months of 2016 was \$16.9 million, compared to \$33.1 million of consolidated income from continuing operations, net of taxes, in the first nine months of 2015. The \$16.2 million decrease in consolidated income from continuing operations, net of taxes in the first nine months of 2016 was primarily due to:

\$40.1 million of higher SG&A expenses, primarily driven by the inclusion of the SG&A expenses as a result of the Elizabeth Arden Acquisition, commencing on and after the Acquisition Date;

\$33.0 million increase in acquisition and integration costs, primarily related to the Elizabeth Arden Acquisition;

a \$16.9 million aggregate loss on the early extinguishment of debt recognized in the third quarter of 2016 as a result of the complete refinancing of the 2011 Term Loan and Acquisition Term Loan in connection with the Elizabeth Arden Acquisition; and

a \$7.3 million increase in interest expense during the first nine months of 2016 primarily as a result of the debt related transactions completed during the third quarter of 2016 in connection with the Elizabeth Arden Acquisition, as discussed below;

with the foregoing partially offset by:

\$43.5 million of higher gross profit in the first nine months of 2016, primarily due to the inclusion of gross profit as a result of the Elizabeth Arden Acquisition, commencing on and after the Acquisition Date, partially offset by lower gross profit within the Consumer segment; and

a \$37.8 million decrease in the provision for income taxes recognized in the first nine months of 2016, primarily due to lower pretax income, the phasing of the recognition of income taxes and the relatively favorable impact of certain discrete items that did not reoccur in the first nine months of 2016.

These items are discussed in more detail within "Results of Operations" below.

#### Recent Events

##### Acquisition of Elizabeth Arden

On the September 7, 2016 Acquisition Date, the Company completed the Elizabeth Arden Acquisition. Elizabeth Arden is a global prestige beauty products company with an iconic portfolio of brands that are highly complementary to the Company's existing brand portfolio and are sold worldwide. In North America, Elizabeth Arden's principal customers include prestige retailers, the mass retail channel and distributors, as well as direct sales to consumers via its branded retail outlet stores and e-commerce business. Elizabeth Arden products are also sold through the Elizabeth Arden Red Door Spa beauty salons and spas. Internationally, Elizabeth Arden's portfolio of owned and licensed brands is sold to perfumeries, boutiques, department stores, travel retailers and distributors. The operating results and purchase accounting for the Company's Elizabeth Arden Acquisition are presented in the Elizabeth Arden reporting segment. Refer to Note 2, "Business Combinations," to the Unaudited Consolidated Financial Statements in this Form 10-Q for further details related to the Elizabeth Arden Acquisition.

The operating results and purchase accounting for the Company's Elizabeth Arden Acquisition are presented in the Elizabeth Arden reporting segment.

##### 2016 Debt Related Transactions

During the third quarter of 2016, Products Corporation completed several debt transactions in connection with the issuance of its 6.25% Senior Notes and Amended Credit Agreements. See "Part 1, Item 1 - Business" in this Form 10-K for a summary of these debt transactions and "Financial Condition, Liquidity and Capital Resources – Long-Term Debt Instruments" for further discussion of these debt transactions.

In connection with and substantially concurrently with the closing of the Elizabeth Arden Acquisition, Products Corporation entered into: (i) a 7-year \$1,800.0 million senior secured term loan facility (the “2016 Term Loan Facility” and such agreement being the “2016 Term Loan Agreement”); and (ii) a 5-year \$400.0 million senior secured asset-based revolving credit facility (the “2016 Revolving Credit Facility” and such agreement being the “2016 Revolving Credit Agreement” and such facility, together with the 2016 Term Loan Facility, the “Senior Facilities”). Products Corporation also completed the issuance of \$450.0 million

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aggregate principal amount of 6.25% Senior Notes due 2024 (the "6.25% Senior Notes"). Refer to Note 8, "Long-Term Debt," to the Unaudited Consolidated Financial Statements in this Form 10-Q for further details related to these debt transactions.

On February 29, 2016, Products Corporation prepaid \$23.2 million of indebtedness, representing 50% of its 2015 "excess cash flow" as defined under the then existing Amended Term Loan Agreement, in accordance with the terms of its Amended Term Loan Facility. The prepayment was applied on a ratable basis between the principal amounts outstanding under the 2011 Term Loan and the Acquisition Term Loan. The amount of the prepayment that was applied to the 2011 Term Loan reduced the principal amount outstanding by \$11.5 million to \$651.4 million (as all amortization payments under the 2011 Term Loan had been paid). The \$11.7 million that was applied to the Acquisition Term Loan reduced Products Corporation's future annual amortization payments under the Acquisition Term Loan on a ratable basis from \$6.9 million prior to the prepayment to \$6.8 million after giving effect to the prepayment and through its maturity on October 8, 2019.

Acquisition of Cutex International

On May 31, 2016 (the "Cutex International Acquisition Date"), the Company completed the acquisition of certain international Cutex businesses ("Cutex International") from Coty Inc. (the "Cutex International Acquisition"), which primarily operate in Australia and the U.K., and related assets for total cash consideration of \$29.1 million. Following the Company's October 2015 acquisition of the Cutex business and related assets in the U.S., the Cutex International Acquisition completes the Company's global consolidation of the Cutex brand and enhances and complements the Company's existing brand portfolio of nail care products. The Cutex International results of operations are included in the Company's Consolidated Financial Statements commencing on the Cutex International Acquisition Date. Pro forma results of operations have not been presented, as the impact of the Cutex International Acquisition on the Company's consolidated financial results is not material. See Note 2, "Business Combinations," to the Unaudited Consolidated Financial Statements in this Form 10-Q for further details related to the Cutex International Acquisition.

Operating Segments

The Company operates in four reporting segments: the consumer division ("Consumer"); the professional division ("Professional"); Elizabeth Arden; and Other:

The Consumer segment is comprised of the Company's consumer brands, which primarily include Revlon, Almay, SinfulColors and Pure Ice in color cosmetics; Revlon ColorSilk in women's hair color; Revlon in beauty tools; and Mitchum in anti-perspirant deodorants. The Company's principal customers for its consumer products include large volume retailers, chain drug and food stores, chemist shops, hypermarkets, general merchandise stores, the Internet/e-commerce, television shopping, department stores, one-stop shopping beauty retailers, specialty cosmetics stores and perfumeries in the U.S. and internationally. The Consumer segment also includes a skincare line under the Natural Honey brand and a hair color line under the Llongueras brand sold to large volume retailers and other retailers, primarily in Spain, which were acquired as part of the Colomer Acquisition. In October 2015 and in May 2016, the Company acquired Cutex businesses in the U.S. and in certain international territories and related assets, respectively. The results of operations relating to the sales of Cutex nail care products are included within the Consumer segment.

The Professional segment is comprised primarily of the Company's professional brands, which include Revlon Professional in hair color and hair care; CND-branded products in nail polishes and nail enhancements; and American Crew in men's grooming products, all of which are sold worldwide to professional salons. The Company's principal customers for its professional products include hair and nail salons and distributors to professional salons in the U.S. and internationally. The Professional segment also includes a multi-cultural hair care line consisting of Creme of Nature hair care products sold to professional salons, large volume retailers and other retailers, primarily in the U.S.

The Elizabeth Arden segment includes the operating results of the Elizabeth Arden business and related purchase accounting for the Company's September 2016 Elizabeth Arden Acquisition. Elizabeth Arden is a global prestige beauty products company with an iconic portfolio of prestige fragrance, skincare and cosmetic brands, which includes the Elizabeth Arden skin care brands, color cosmetics and fragrances; designer fragrances such as Juicy Couture and John Varvatos; heritage fragrances such as Curve, Elizabeth Taylor, Britney Spears and Christina Aguilera; and various celebrity fragrances.

The Other segment primarily includes the operating results of the CBBeauty Group and certain of its related entities, which the Company acquired in April 2015 (collectively "CBB" and such transaction, the "CBB Acquisition"). CBB develops, manufactures, markets and distributes fragrances and other beauty products under various celebrity, lifestyle and fashion brands licensed from third parties, principally through department stores and selective distribution in international territories.

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(all tabular amounts in millions, except share and per share amounts)

Results of Operations

In the tables below, all amounts are in millions and numbers in parentheses ( ) denote unfavorable variances.

Consolidated Net Sales:

Third quarter results:

Consolidated net sales in the third quarter of 2016 were \$604.8 million, an increase of \$133.3 million, or 28.3%, as compared to \$471.5 million in the third quarter of 2015. Excluding the \$8.1 million unfavorable FX impact, consolidated net sales on an XFX basis increased by \$141.4 million, or 30.0%, during the third quarter of 2016.

Year-to-date results:

Consolidated net sales in the first nine months of 2016 were \$1,533.3 million, a \$140.9 million increase, or 10.1%, as compared to \$1,392.4 million in the first nine months of 2015. Excluding the \$33.0 million unfavorable FX impact, consolidated net sales increased on an XFX basis by \$173.9 million, or 12.5%, during the first nine months of 2016. See "Segment Results" below for further discussion.

Segment Results:

The Company's management evaluates segment profit, which is defined as income from continuing operations before interest, taxes, depreciation, amortization, stock-based compensation expense, gains/losses on foreign currency fluctuations, gains/losses on the early extinguishment of debt and miscellaneous expenses, for each of the Company's reportable segments. Segment profit also excludes unallocated corporate expenses and the impact of certain items that are not directly attributable to the segments' underlying operating performance, which includes the impact of: (i) restructuring and related charges; (ii) acquisition and integration costs; (iii) deferred compensation related to the accounting for the CBB Acquisition; (iv) costs of sales resulting from fair value adjustments in the second quarter of 2016 and 2015 related to inventory acquired in the Cutex International Acquisition and the CBB Acquisition, respectively; (v) charges related to the Elizabeth Arden 2016 Business Transformation Program; and (vi) costs of sales resulting from a fair value adjustment to inventory acquired in the Elizabeth Arden Acquisition. Unallocated corporate expenses primarily include general and administrative expenses related to the corporate organization. These expenses are recorded in unallocated corporate expenses as these items are centrally directed and controlled and are not included in internal measures of segment operating performance. The Company does not have any material inter-segment sales. For a reconciliation of segment profit to income from continuing operations before income taxes, see Note 14, "Segment Data and Related Information" to the Unaudited Consolidated Financial Statements in this Form 10-Q.





## REVLOIN, INC. AND SUBSIDIARIES

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The following tables provide a comparative summary of the Company's segment results for the three months ended September 30, 2016 and 2015:

|                 | Net Sales    |               |         |         | Segment Profit |               |         |         |         |               |         |        |
|-----------------|--------------|---------------|---------|---------|----------------|---------------|---------|---------|---------|---------------|---------|--------|
|                 | Three Months |               | Change  |         | Change         |               | Change  |         | Change  |               |         |        |
|                 | Ended        | September 30, |         |         | Ended          | September 30, |         |         | Ended   | September 30, |         |        |
|                 | 2016         | 2015          | \$      | %       | \$             | %             |         |         | \$      | %             | \$      | %      |
| Consumer        | \$342.8      | \$348.1       | \$(5.3) | (1.5)%  | \$0.5          | 0.1%          | \$81.0  | \$86.0  | \$(5.0) | (5.8)%        | \$(5.0) | (5.8)% |
| Professional    | 118.8        | 114.5         | 4.3     | 3.8%    | 5.1            | 4.5%          | 23.7    | 23.4    | 0.3     | 1.3%          | 0.3     | 1.3%   |
| Elizabeth Arden | 135.2        | —             | 135.2   | N.M.    | 135.2          | N.M.          | 32.5    | —       | 32.5    | N.M.          | 32.5    | N.M.   |
| Other           | 8.0          | 8.9           | (0.9)   | (10.1)% | 0.6            | 6.7%          | (0.1)   | (1.4)   | 1.3     | 92.9%         | 1.3     | 92.9%  |
| Total           | \$604.8      | \$471.5       | \$133.3 | 28.3%   | \$141.4        | 30.0%         | \$137.1 | \$108.0 | \$29.1  | 26.9%         | \$29.1  | 26.9%  |

(a) XFX excludes the impact of foreign currency fluctuations.

The following tables provide a comparative summary of the Company's segment results for the nine months ended September 30, 2016 and 2015:

|                 | Net Sales   |               |         |        | Segment Profit |               |         |         |          |               |          |        |
|-----------------|-------------|---------------|---------|--------|----------------|---------------|---------|---------|----------|---------------|----------|--------|
|                 | Nine Months |               | Change  |        | Change         |               | Change  |         | Change   |               |          |        |
|                 | Ended       | September 30, |         |        | Ended          | September 30, |         |         | Ended    | September 30, |          |        |
|                 | 2016        | 2015          | \$      | %      | \$             | %             |         |         | \$       | %             | \$       | %      |
| Consumer        | \$1,022.3   | \$1,027.1     | \$(4.8) | (0.5)% | \$22.6         | 2.2%          | \$220.4 | \$232.0 | \$(11.6) | (5.0)%        | \$(10.0) | (4.3)% |
| Professional    | 357.2       | 352.1         | 5.1     | 1.4%   | 8.9            | 2.5%          | 73.4    | 76.9    | (3.5)    | (4.6)%        | (3.5)    | (4.6)% |
| Elizabeth Arden | 135.2       | —             | 135.2   | N.M.   | 135.2          | N.M.          | 32.5    | —       | 32.5     | N.M.          | 32.5     | N.M.   |
| Other           | 18.6        | 13.2          | 5.4     | 40.9%  | 7.2            | 54.5%         | \$(0.9) | \$(1.2) | 0.3      | 25.0%         | 0.4      | 33.3%  |
| Total           | \$1,533.3   | \$1,392.4     | \$140.9 | 10.1%  | \$173.9        | 12.5%         | \$325.4 | \$307.7 | \$17.7   | 5.8%          | \$19.4   | 6.3%   |

(a) XFX excludes the impact of foreign currency fluctuations.

## Consumer Segment

## Third quarter results:

Consumer segment net sales in the third quarter of 2016 were \$342.8 million, a \$5.3 million decrease, or 1.5%, compared to \$348.1 million in the third quarter of 2015. Excluding the \$5.8 million unfavorable FX impact, total Consumer net sales increased on an XFX basis by \$0.5 million, or 0.1%, in the third quarter of 2016, compared to the third quarter of 2015. This increase was primarily driven by incremental net sales from completing the global consolidation of the Cutex brand, as well as higher net sales of Revlon beauty tools and Revlon color cosmetics, mostly offset by lower net sales of SinfulColors color cosmetics.

Consumer segment profit in the third quarter of 2016 was \$81.0 million, a \$5.0 million decrease, or 5.8%, compared to \$86.0 million in the third quarter of 2015, primarily resulting from the absence in 2016 of a gain related to the sale of a non-core consumer brand that was completed in the third quarter of 2015. This decrease was primarily driven by the unfavorable impact of FX transaction within cost of sales, partially offset by a decrease in brand support on lower performing brands.

## Year-to-date results:

Consumer segment net sales in the first nine months of 2016 were \$1,022.3 million, a \$4.8 million decrease, or 0.5%, compared to \$1,027.1 million in the first nine months of 2015. Excluding the \$27.4 million unfavorable FX impact, total Consumer net sales increased on an XFX basis by \$22.6 million, or 2.2%, in the first nine months of 2016, compared to the first nine months of 2015. This increase was primarily driven by higher net sales of Cutex nail products, Mitchum anti-perspirant deodorant products, Revlon beauty tools and Revlon color cosmetics, partially offset by lower net sales of Almay color cosmetics.

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Consumer segment profit in the first nine months of 2016 was \$220.4 million, a \$11.6 million decrease, or 5.0%, compared to \$232.0 million in the first nine months of 2015. Excluding the \$1.6 million unfavorable FX impact, Consumer segment profit decreased on an XFX basis by \$10.0 million, or 4.3%, in the first nine months of 2016, compared to the first nine months of 2015. This decrease was primarily driven by lower gross profit as a result of higher promotional allowances, the unfavorable impact of product mix and the impact of foreign currency transaction within cost of sales, partially offset by a decrease in brand support on lower performing brands.

Professional Segment

Third quarter results:

Professional segment net sales in the third quarter of 2016 were \$118.8 million, a \$4.3 million increase, or 3.8%, compared to \$114.5 million in the third quarter of 2015. Excluding the \$0.8 million unfavorable FX impact, total Professional net sales increased on an XFX basis by \$5.1 million in the third quarter of 2016, compared to the third quarter of 2015. This increase was primarily due to higher net sales of Revlon Professional hair products, in part as a result of the launch of Revlon Professional Be Fabulous and American Crew men's grooming products throughout most territories, partially offset by lower net sales of CND nail products.

Professional segment profit in the third quarter of 2016 was \$23.7 million, a \$0.3 million increase, or 1.3%, compared to \$23.4 million in the third quarter of 2015, primarily driven by higher net sales internationally, partially offset by higher brand support in the third quarter of 2016.

Year-to-date results:

Professional segment net sales in the first nine months of 2016 were \$357.2 million, a \$5.1 million increase, or 1.4%, compared to \$352.1 million in the first nine months of 2015. Excluding the \$3.8 million unfavorable FX impact, total Professional net sales increased on an XFX basis by \$8.9 million in the first nine months of 2016, compared to the first nine months of 2015. This increase was primarily as a result of higher net sales of Revlon Professional hair products and American Crew men's grooming products, partially offset by lower net sales of CND nail products within the International and North America regions.

Professional segment profit in the first nine months of 2016 was \$73.4 million, a \$3.5 million decrease, or 4.6%, compared to \$76.9 million in the first nine months of 2015, primarily driven by higher net sales internationally, partially offset by higher brand support in the first nine months of 2016.

Elizabeth Arden Segment

Third quarter and Year-to-date results:

The Elizabeth Arden segment is comprised of the operations acquired by the Company in the Elizabeth Arden Acquisition which closed on the September 7, 2016 Acquisition Date. Therefore, an analysis of net sales and segment profit for the Elizabeth Arden segment for the third quarter and first nine months of 2016 is not included in this Form 10-Q, as the Company does not have any comparable prior year's net sales or segment profit for the Elizabeth Arden segment.

Elizabeth Arden operations have historically been seasonal, with higher net sales generally occurring in the second half of the calendar year as a result of increased demand by retailers in anticipation of and during the holiday season. As a result, the operating results of the Elizabeth Arden segment following the Acquisition Date include the effects of seasonality.

Other Segment

Third quarter results:

Other segment net sales in the third quarter of 2016 were \$8.0 million, a \$0.9 million decrease, or 10.1%, compared to \$8.9 million in the third quarter of 2015. Excluding the \$1.5 million unfavorable FX impact, total Other segment net

sales increased on an XFX basis by \$0.6 million, or 6.7%, in the third quarter of 2016, primarily due to net sales associated with newly-acquired distribution rights in Europe.

## REVLON, INC. AND SUBSIDIARIES

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Other segment loss in the third quarter of 2016 was \$0.1 million, a \$1.3 million decrease, or 92.9%, compared to \$1.4 million in the third quarter of 2015. The decrease in Other segment loss was primarily driven by higher net sales and lower brand support.

Year-to-date results:

Other segment net sales in the first nine months of 2016 were \$18.6 million, a \$5.4 million increase, or 40.9%, compared to \$13.2 million in the first nine months of 2015. Excluding the \$1.8 million unfavorable FX impact, total Other segment net sales increased on an XFX basis by \$7.2 million, or 54.5%, in the first nine months of 2016, compared to the first nine months of 2015. This increase was primarily driven by there being no comparable results for the first nine months of 2015, as the CBB Acquisition closed on April 21, 2015.

Other segment loss in the first nine months of 2016 was \$0.9 million, a \$0.3 million decrease, or 25.0%, compared to \$1.2 million in the first nine months of 2015. This decrease was primarily driven by there being no comparable results for the first nine months of 2015, as the CBB Acquisition closed on April 21, 2015, and higher net sales.

Geographic Results:

In connection with changes that the organization made to its management reporting structure following the Elizabeth Arden Acquisition, beginning with the third quarter of 2016, the Company has combined its former U.S., Canada and Puerto Rico operating regions into the North America region for reporting purposes. The Company has modified its net sales discussion to conform to management's procedures for reviewing the business, and, accordingly, the amounts for the third quarter of 2015 and for the first nine months of 2015 have been restated to conform to this presentation. The following tables provide a comparative summary of the Company's net sales by region for the three months ended September 30, 2016 and 2015:

|                 | Three Months |               | Change   |         | XFX Change <sup>(a)</sup> |        |  |  |
|-----------------|--------------|---------------|----------|---------|---------------------------|--------|--|--|
|                 | Ended        | September 30, | \$       | %       | \$                        | %      |  |  |
|                 | 2016         | 2015          |          |         |                           |        |  |  |
| Consumer        |              |               |          |         |                           |        |  |  |
| North America   | \$210.8      | \$222.5       | \$(11.7) | (5.3)%  | \$(11.7)                  | (5.3)% |  |  |
| International   | 132.0        | 125.6         | 6.4      | 5.1%    | 12.2                      | 9.7%   |  |  |
| Professional    |              |               |          |         |                           |        |  |  |
| North America   | \$51.9       | \$50.8        | \$1.1    | 2.2%    | \$1.1                     | 2.2%   |  |  |
| International   | 66.9         | 63.7          | 3.2      | 5.0%    | 4.0                       | 6.3%   |  |  |
| Elizabeth Arden |              |               |          |         |                           |        |  |  |
| North America   | \$87.6       | \$—           | \$87.6   | N.M.    | \$87.6                    | N.M.   |  |  |
| International   | \$47.6       | \$—           | \$47.6   | N.M.    | \$47.6                    | N.M.   |  |  |
| Other           |              |               |          |         |                           |        |  |  |
| North America   | \$—          | \$—           | \$—      | —%      | \$—                       | —%     |  |  |
| International   | 8.0          | 8.9           | (0.9)    | (10.1)% | 0.6                       | 6.7%   |  |  |
| Total Net Sales | \$604.8      | \$471.5       | \$133.3  | 28.3%   | \$141.4                   | 30.0%  |  |  |

<sup>(a)</sup> XFX excludes the impact of foreign currency fluctuations.

The following tables provide a comparative summary of the Company's net sales by region for the nine months ended September 30, 2016 and 2015:

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|                        | Nine Months              |           | Change   |        | XFX Change <sup>(a)</sup> |        |  |  |
|------------------------|--------------------------|-----------|----------|--------|---------------------------|--------|--|--|
|                        | Ended September 30, 2016 | 2015      | \$       | %      | \$                        | %      |  |  |
| <b>Consumer</b>        |                          |           |          |        |                           |        |  |  |
| North America          | \$656.7                  | \$673.4   | \$(16.7) | (2.5)% | \$(14.7)                  | (2.2)% |  |  |
| International          | 365.6                    | 353.7     | 11.9     | 3.4%   | 37.3                      | 10.5%  |  |  |
| <b>Professional</b>    |                          |           |          |        |                           |        |  |  |
| North America          | \$154.3                  | \$152.4   | \$1.9    | 1.2%   | \$2.7                     | 1.8%   |  |  |
| International          | 202.9                    | 199.7     | 3.2      | 1.6%   | 6.2                       | 3.1%   |  |  |
| <b>Elizabeth Arden</b> |                          |           |          |        |                           |        |  |  |
| North America          | \$87.6                   | \$—       | \$87.6   | N.M.   | \$87.6                    | N.M.   |  |  |
| International          | 47.6                     | —         | \$47.6   | N.M.   | \$47.6                    | N.M.   |  |  |
| <b>Other</b>           |                          |           |          |        |                           |        |  |  |
| North America          | \$—                      | \$—       | \$—      | —%     | \$—                       | —%     |  |  |
| International          | 18.6                     | 13.2      | 5.4      | 40.9%  | 7.2                       | 54.5%  |  |  |
| Total Net Sales        | \$1,533.3                | \$1,392.4 | \$140.9  | 10.1%  | \$173.9                   | 12.5%  |  |  |

<sup>(a)</sup> XFX excludes the impact of foreign currency fluctuations.**Consumer Segment****Third quarter results:****North America**

In the Consumer segment, North America net sales in the third quarter of 2016 decreased by \$11.7 million, or 5.3%, to \$210.8 million, as compared to \$222.5 million in the third quarter of 2015. This decrease was primarily driven by softening market conditions in core categories that impacted Revlon color cosmetics and SinfulColors color cosmetics. These decreases were partially offset by incremental net sales as a result of completing the global consolidation of the Cutex brand, as well as higher net sales of Revlon beauty tools.

**International**

In the Consumer segment, International net sales in the third quarter of 2016 increased by \$6.4 million, or 5.1%, to \$132.0 million, as compared to \$125.6 million in the third quarter of 2015. Excluding the \$5.8 million unfavorable FX impact, International net sales increased on an XFX basis by \$12.2 million, or 9.7%, in the third quarter of 2016, as compared to the third quarter of 2015. This increase was primarily driven by higher net sales of Revlon color cosmetics, Revlon ColorSilk hair color and Cutex nail products. From a geographic perspective, the increase in International net sales was mainly attributable to higher net sales in Argentina, the U.K. and Mexico.

**Year-to-date results:****North America**

In the Consumer segment, North America net sales in the first nine months of 2016 decreased by \$16.7 million, or 2.5%, to \$656.7 million, as compared to \$673.4 million in the first nine months of 2015. Excluding the \$2.0 million unfavorable FX impact, Consumer segment net sales in North America decreased on an XFX basis by \$14.7 million, or 2.2%, in the first nine months of 2016, compared to the first nine months of 2015. This decrease was primarily driven by lower net sales of Revlon color cosmetics, Almay color cosmetics and Revlon Colorsilk hair color, partially offset by higher net sales of Cutex nail products and Revlon beauty tools.

**International**

In the Consumer segment, International net sales in the first nine months of 2016 increased by \$11.9 million, or 3.4%, to \$365.6 million, as compared to \$353.7 million in the first nine months of 2015. Excluding the \$25.4 million unfavorable FX impact, Consumer segment International net sales increased on an XFX basis by \$37.3 million, or 10.5%, in the first nine months of 2016, compared to the first nine months of 2015. This increase was primarily driven by higher net sales of Revlon color cosmetics, Revlon ColorSilk hair color, Cutex nail products and Mitchum anti-perspirant deodorant products. From a geographic perspective, the increase in International net sales was mainly driven by higher net sales in Argentina, the U.K., Mexico and Japan.

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Professional Segment

Third quarter results:

North America

In the Professional segment, North America net sales in the third quarter of 2016 increased by \$1.1 million, or 2.2%, to \$51.9 million, as compared to \$50.8 million in the third quarter of 2015. This increase was primarily driven by higher net sales of American Crew men's grooming products driven by the Elvis branded marketing campaign.

International

In the Professional segment, International net sales in the third quarter of 2016 increased by \$3.2 million, or 5.0%, to \$66.9 million, as compared to \$63.7 million in the third quarter of 2015. Excluding the \$0.8 million unfavorable FX impact, Professional segment International net sales increased on an XFX basis by \$4.0 million, or 6.3%, in the third quarter of 2016, compared to the third quarter of 2015. This increase was primarily due to higher net sales of Revlon Professional hair products, in part due to the launch of Revlon Professional Be Fabulous, as well as an increase in net sales of American Crew men's grooming products throughout most of the International region, partially offset by lower net sales of CND nail products, primarily in Russia.

Year-to-date results:

North America

In the Professional segment, North America net sales in the first nine months of 2016 increased by \$1.9 million, or 1.2%, to \$154.3 million, as compared to \$152.4 million in the first nine months of 2015. Excluding the \$0.8 million unfavorable FX impact, Professional segment net sales in North America increased on an XFX basis by \$2.7 million, or 1.8%, in the first nine months of 2016, compared to the first nine months of 2015. This increase was primarily driven by higher net sales of Creme of Nature multi-cultural hair products and American Crew men's grooming products, partially offset by lower net sales of CND nail products.

International

In the Professional segment, International net sales in the first nine months of 2016 increased by \$3.2 million, or 1.6%, to \$202.9 million, as compared to \$199.7 million in the first nine months of 2015. Excluding the \$3.0 million unfavorable FX impact, Professional segment International net sales increased by \$6.2 million, or 3.1%, in the first nine months of 2016, compared to the first nine months of 2015. This increase was primarily due to higher net sales of Revlon Professional hair products and American Crew men's grooming products throughout the International region, partially offset by lower net sales of CND nail products, primarily in Russia.

Elizabeth Arden Segment

Third quarter and Year-to-date results:

The Elizabeth Arden segment is comprised of the operations acquired by the Company in the Elizabeth Arden Acquisition which closed on the September 7, 2016 Acquisition Date. Therefore, an analysis of net sales and segment profit for the Elizabeth Arden segment for the third quarter and first nine months of 2016 is not included in this Form 10-Q, as the Company does not have any comparable prior year's net sales or segment profit for the Elizabeth Arden segment.

Elizabeth Arden operations have historically been seasonal, with higher net sales generally occurring in the second half of the year as a result of increased demand by retailers in anticipation of and during the holiday season. As a result, the operating results of the Elizabeth Arden segment following the Acquisition Date include the effects of seasonality.

Other Segment

Third quarter results:



North America

The Other segment primarily operates within the International region. As a result, an analysis of net sales in the North America region for the Other segment is not included in this Form 10-Q.

International

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In the Other segment, net sales during the third quarter of 2016 decreased by \$0.9 million, or 10.1%, to \$8.0 million, as compared to \$8.9 million in the third quarter of 2015. Excluding the \$1.5 million unfavorable FX impact, Other segment net sales increased on an XFX basis by \$0.6 million, or 6.7%, in the third quarter of 2016. This increase was primarily driven by higher net sales associated with newly-acquired distribution rights in Europe.

Year-to-date results:

## North America

The Other segment primarily operations within the International region. As a result, an analysis of net sales in the North America region for the Other segment is not included in this Form 10-Q.

## International

In the Other segment, net sales during the first nine months of 2016 increased by \$5.4 million, or 40.9%, to \$18.6 million, as compared to \$13.2 million in the first nine months of 2015. Excluding the \$1.8 million unfavorable FX impact, Other segment net sales increased on an XFX basis by \$7.2 million, or 54.5%, in the first nine months of 2016. This increase was primarily driven by there being no comparable results for the full first nine months of 2015, as the CBB Acquisition closed on April 21, 2015 and higher net sales associated with newly-acquired distribution rights in Europe.

## Gross profit:

|                         | Three Months    |         |         | Nine Months     |         |         |
|-------------------------|-----------------|---------|---------|-----------------|---------|---------|
|                         | Ended September |         |         | Ended September |         |         |
|                         | 30,             |         |         | 30,             |         |         |
|                         | 2016            | 2015    | Change  | 2016            | 2015    | Change  |
| Gross profit            | \$361.4         | \$303.7 | \$57.7  | \$964.5         | \$921.0 | \$43.5  |
| Percentage of net sales | 59.8 %          | 64.4 %  | (4.7 )% | 62.9 %          | 66.1 %  | (3.2 )% |

Gross profit increased \$57.7 million in the third quarter of 2016, as compared to the third quarter of 2015. Gross profit decreased as a percentage of net sales by 4.7 percentage points in the third quarter of 2016, as compared to the third quarter of 2015. The drivers of the increase in gross profit in the third quarter of 2016, as compared to the third quarter 2015, primarily included:

- the inclusion of gross profit from the Elizabeth Arden Acquisition, which increased gross profit by \$64.7 million, however decreased gross profit as a percentage of net sales by 3.4 percentage points; and
- favorable volume, which increased gross profit by \$4.3 million, with no impact on gross profit as a percentage of net sales;

with the foregoing partially offset by:

- unfavorable foreign currency fluctuations, which decreased gross profit by \$7.3 million and decreased gross profit as a percentage of net sales by 0.8 percentage points;
- unfavorable product mix, which decreased gross profit by \$6.5 million and decreased gross profit as a percentage of net sales by 0.7 percentage points; and
- higher promotional allowances, which decreased gross profit by \$2.5 million and decreased gross profit as a percentage of net sales by 0.3 percentage points.

Gross profit increased \$43.5 million in the first nine months of 2016, as compared to the first nine months of 2015.

Gross profit decreased as a percentage of net sales by 3.2 percentage points in the first nine months of 2016, as compared to the first nine months of 2015. The drivers of the increase in gross profit in the first nine months of 2016, as compared to the first nine months 2015, primarily included:

- the inclusion of gross profit from the Elizabeth Arden Acquisition, which increased gross profit by \$64.7 million, however decreased gross profit as a percentage of net sales by 1.5 percentage points; and

favorable volume, which increased gross profit by \$31.9 million, with no impact on gross profit as a percentage of net sales;

with the foregoing partially offset by:

unfavorable foreign currency fluctuations, which decreased gross profit by \$26.8 million and decreased gross profit as a percentage of net sales by 0.9 percentage points;

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higher promotional allowances, which decreased gross profit by \$14.8 million and decreased gross profit as a percentage of net sales by 0.5 percentage points; and  
unfavorable product mix, which decreased gross profit by \$11.4 million and decreased gross profit as a percentage of net sales by 0.4 percentage points.

SG&A expenses:

|               | Three Months  |         |         | Nine Months   |         |         |
|---------------|---------------|---------|---------|---------------|---------|---------|
|               | Ended         |         |         | Ended         |         |         |
|               | September 30, |         |         | September 30, |         |         |
|               | 2016          | 2015    | Change  | 2016          | 2015    | Change  |
| SG&A expenses | \$285.7       | \$244.1 | \$ 41.6 | \$792.8       | \$752.7 | \$ 40.1 |

SG&A expenses increased by \$41.6 million in the third quarter of 2016, as compared to the third quarter of 2015, primarily driven by:

the inclusion of SG&A expenses in the Elizabeth Arden segment as a result of the Elizabeth Arden Acquisition, commencing on and after the Acquisition Date, which contributed \$36.6 million to the increase in SG&A expenses; and

a \$3.5 million gain related to the sale of certain non-core assets that was recognized in the third quarter of 2015; with the foregoing partially offset by:

\$3.2 million of favorable FX impacts.

SG&A expenses increased by \$40.1 million in the first nine months of 2016, as compared to the first nine months of 2015, primarily driven by:

the inclusion of SG&A expenses in the Elizabeth Arden segment as a result of the Elizabeth Arden Acquisition, commencing on and after the Acquisition Date, which contributed \$36.6 million to the increase in SG&A expenses; and

\$21.0 million of higher general and administrative expenses in 2016, primarily due to higher compensation due to changes in senior executive management, higher professional and legal fees and a total of \$6.5 million in gains recognized in the first nine months of 2015 related to the sales of certain non-core assets, partially offset by lower severance;

with the foregoing partially offset by:

\$15.3 million of favorable FX impacts; and

a \$10.8 million decrease in brand support expenses for lower performing brands, primarily within the Consumer segment.

Acquisition and Integration Costs:

|                                   | Three     |       |         | Nine      |       |         |
|-----------------------------------|-----------|-------|---------|-----------|-------|---------|
|                                   | Months    |       |         | Months    |       |         |
|                                   | Ended     |       |         | Ended     |       |         |
|                                   | September |       |         | September |       |         |
|                                   | 30,       | 30,   | 30,     | 30,       | 30,   | 30,     |
|                                   | 2016      | 2015  | Change  | 2016      | 2015  | Change  |
| Acquisition and integration costs | \$33.5    | \$0.6 | \$ 32.9 | \$39.5    | \$6.5 | \$ 33.0 |

The acquisition and integration costs for the three and nine months ended September 30, 2016 are summarized in the table presented below.

|                                         | Three<br>Months<br>Ended<br>September<br>30,<br>2016 |       | Nine<br>Months<br>Ended<br>September<br>30,<br>2015 |       |
|-----------------------------------------|------------------------------------------------------|-------|-----------------------------------------------------|-------|
| Acquisition Costs                       | \$13.4                                               | \$0.3 | \$19.4                                              | \$5.0 |
| Integration Costs                       | 20.1                                                 | 0.3   | 20.1                                                | 1.5   |
| Total acquisition and integration costs | \$33.5                                               | \$0.6 | \$39.5                                              | \$6.5 |

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The Company incurred \$33.5 million of acquisition and integration costs in the third quarter of 2016, primarily related to the Elizabeth Arden Acquisition. In the third quarter of 2015, the Company incurred \$0.6 million of acquisition and integration costs primarily related to legal and consulting fees related to the CBB Acquisition.

The Company incurred \$39.5 million of acquisition and integration costs in the first nine months of 2016, primarily related to the Elizabeth Arden Acquisition. In the first nine months of 2015, the Company incurred \$6.5 million of acquisition and integration costs primarily related to non-restructuring integration costs related to the Company's integration of Colomer's operations into the Company's business.

## Restructuring charges and other, net:

|                                      | Three<br>Months<br>Ended<br>September<br>30,<br>2016 |       |         | Nine<br>Months<br>Ended<br>September<br>30,<br>2015 |       |       | Change |  |  |
|--------------------------------------|------------------------------------------------------|-------|---------|-----------------------------------------------------|-------|-------|--------|--|--|
| Restructuring charges and other, net | \$0.5                                                | \$4.0 | \$(3.5) | \$2.3                                               | \$0.9 | \$1.4 |        |  |  |

The Company recognized \$0.5 million of restructuring charges and other, net, during the third quarter of 2016, primarily related to charges for employee-related costs incurred in connection with the 2015 Efficiency Program, as compared to \$4.0 million of estimated restructuring costs recognized during the third quarter of 2015, which primarily related to charges for employee-related costs incurred in connection with the 2015 Efficiency Program.

The Company recognized \$2.3 million of restructuring charges and other, net, for the first nine months of 2016, primarily related to charges for employee-related costs incurred in connection with the 2015 Efficiency Program, as compared to \$0.9 million of estimated restructuring costs recognized during the first nine months of 2015, which primarily related to charges for employee-related costs incurred in connection with the 2015 Efficiency Program, offset by certain reductions in estimated restructuring costs.

The Company expects to achieve approximately \$9 million in cost reductions during 2016 from the 2015 Efficiency Program and annualized cost reductions thereafter are expected to be approximately \$10 million to \$15 million.

See Note 3, "Restructuring Charges" to the Unaudited Consolidated Financial Statements in this Form 10-Q for further discussion.

## Interest expense:

|                  | Three<br>Months<br>Ended<br>September<br>30,<br>2016 |        |       | Nine<br>Months<br>Ended<br>September<br>30,<br>2015 |        |       | Change |  |  |
|------------------|------------------------------------------------------|--------|-------|-----------------------------------------------------|--------|-------|--------|--|--|
| Interest expense | \$27.4                                               | \$21.5 | \$5.9 | \$69.3                                              | \$62.0 | \$7.3 |        |  |  |

The \$5.9 million and \$7.3 million increase in interest expense in the third quarter and first nine months of 2016, compared to the third quarter and first nine months of 2015, respectively, was primarily due to higher average debt outstanding and higher weighted average borrowing rates as a result of the debt transactions completed in connection with the Elizabeth Arden Acquisition.

Refer to "Financial Condition, Liquidity and Capital Resources – Long-Term Debt Instruments" for further discussion.

Loss on early extinguishment of debt:

|                                      | Three Months  |      |          | Nine Months   |      |          |
|--------------------------------------|---------------|------|----------|---------------|------|----------|
|                                      | Ended         |      |          | Ended         |      |          |
|                                      | September 30, |      |          | September 30, |      |          |
|                                      | 2016          | 2015 | Change   | 2016          | 2015 | Change   |
| Loss on early extinguishment of debt | \$ 16.9       | \$   | —\$ 16.9 | \$ 16.9       | \$   | —\$ 16.9 |

The Company recognized a \$16.9 million aggregate loss on the early extinguishment of debt during the third quarter of 2016, primarily due to approximately \$6.0 million of fees and expenses that were expensed as incurred in connection with entering into the Senior Facilities, as well as the write-off of \$10.9 million of unamortized debt discount and deferred financing fees previously capitalized in connection with the repayment of the 2011 Term Loan and the Acquisition Term Loan.

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Refer to "Financial Condition, Liquidity and Capital Resources – Long-Term Debt Instruments" for further discussion.

Foreign currency (gains) losses, net:

|                                      | Three<br>Months<br>Ended<br>September<br>30,<br>2016 |         |        | Nine<br>Months<br>Ended<br>September<br>30,<br>2015 |       |         | Change |  |  |
|--------------------------------------|------------------------------------------------------|---------|--------|-----------------------------------------------------|-------|---------|--------|--|--|
| Foreign currency losses (gains), net | \$1.2                                                | \$(0.7) | \$ 1.9 | \$6.3                                               | \$7.3 | \$(1.0) |        |  |  |

The Company recognized \$1.2 million of foreign currency losses, net, during the third quarter of 2016, as compared to \$0.7 million of foreign currency gains, net, during the third quarter of 2015, primarily driven by the net unfavorable impact of the revaluation of certain U.S. Dollar denominated intercompany payables and foreign currency denominated receivables during the third quarter of 2016, as compared to net gains primarily driven by the Company's foreign currency forward exchange contracts during the third quarter of 2015.

The \$1.0 million decrease in foreign currency losses, net, during the first nine months of 2016, as compared to the first nine months of 2015, was primarily driven by the net favorable impact of the revaluation of certain U.S. Dollar denominated intercompany payables and foreign currency denominated receivables, offset in part by the unfavorable impact of losses on the Company's foreign currency forward exchange contracts during the first nine months of 2016, as compared to gains on the Company's foreign currency forward exchange contracts during the first nine months of 2015.

Provision for income taxes:

|                                           | Three<br>Months<br>Ended<br>September<br>30,<br>2016 |        |          | Nine<br>Months<br>Ended<br>September<br>30,<br>2015 |        |          | Change |  |  |
|-------------------------------------------|------------------------------------------------------|--------|----------|-----------------------------------------------------|--------|----------|--------|--|--|
| (Benefit from) provision for income taxes | \$(0.4)                                              | \$24.6 | \$(25.0) | \$16.0                                              | \$53.8 | \$(37.8) |        |  |  |

The provision for income taxes decreased by \$25.0 million in the third quarter of 2016, compared to the third quarter of 2015, primarily due to lower pre-tax income and the phasing of the recognition of income taxes, as well as the favorable impact of certain discrete items realized in the third quarter of 2015 that did not reoccur in the third quarter of 2016.

The provision for income taxes decreased by \$37.8 million in the first nine months of 2016, compared to the first nine months of 2015, primarily due to lower pre-tax income and the phasing of the recognition of income taxes, as well as the favorable impact of certain discrete items realized in the first nine months of 2015 that did not reoccur in the first nine months of 2016.

The Company's effective tax rate for the three months ended September 30, 2016 differed than the 35% federal statutory rate as a result of non-deductible acquisition costs, certain dividends and earnings taxable in the U.S., and state and local taxes, partially offset by the foreign and U.S. effects attributable to operations outside the U.S. The Company's effective tax rate for the nine months ended September 30, 2016 was higher than the 35% federal statutory rate as a result of certain foreign dividends and earnings taxable in the U.S. and state and local taxes.



The Company expects that its tax provision and effective tax rate in any individual quarter and year-to-date period will vary and may not be indicative of the Company's tax provision and effective tax rate for the full year.

#### Financial Condition, Liquidity and Capital Resources

At September 30, 2016, the Company had a liquidity position of \$307.2 million, consisting of \$99.2 million of cash and cash equivalents, as well as \$207.9 million in available borrowings under Products Corporation's \$400.0 million 2016 Revolving Credit Facility, based upon the borrowing base of \$300.0 million, less \$10.5 million of outstanding undrawn letters of credit, \$16.2 million of outstanding checks and \$65.4 million of borrowings outstanding under the 2016 Revolving Credit Facility at such date.

The Company's foreign operations held \$97.0 million out of the total \$99.2 million in cash and cash equivalents (net of any outstanding checks) as of September 30, 2016. The cash held by the Company's foreign operations is primarily used to fund such operations. The Company regularly assesses its cash needs and the available sources of cash to fund these needs. As part of this assessment, the Company determines the amount of foreign earnings, if any, that it intends to repatriate to help fund its domestic cash needs, including for the Company's debt service obligations, and pays applicable U.S. income and foreign withholding taxes, if any, on such earnings to the extent repatriated, and otherwise records a tax liability for the estimated cost of repatriation in a future period. The Company believes that the cash generated by its domestic operations and availability under the 2016 Revolving Credit Facility and other permitted lines of credit should be sufficient to meet its domestic liquidity needs for at least the next 12 months. Therefore, the Company currently anticipates that restrictions and/or taxes on repatriation of foreign earnings will not have a material effect on the Company's liquidity during such period.

#### Changes in Cash Flows

At September 30, 2016, the Company had cash and cash equivalents of \$99.2 million, compared with \$326.9 million at December 31, 2015. The following table summarizes the Company's cash flows from operating, investing and financing activities for the nine months ended September 30, 2016 and 2015:

|                                                              | Nine Months<br>Ended<br>September 30,<br>2016 2015 |         |
|--------------------------------------------------------------|----------------------------------------------------|---------|
| Net cash used in operating activities                        | \$(70.8)                                           | \$(2.6) |
| Net cash used in investing activities                        | (1,061.3)                                          | (55.4)  |
| Net cash provided by (used in) financing activities          | 900.8                                              | (28.4)  |
| Effect of exchange rate changes on cash and cash equivalents | 3.6                                                | (7.7)   |

#### Operating Activities

Net cash used in operating activities was \$70.8 million and \$2.6 million for the first nine months of 2016 and 2015, respectively. The increase in cash used in operating activities in the first nine months of 2016, compared to the first nine months of 2015, was primarily driven by the timing of certain accounts payable disbursements at the end of 2015, cash used in operating activities related to the Elizabeth Arden Acquisition and related cash used for acquisition and integration costs.

#### Investing Activities

Net cash used in investing activities was \$1,061.3 million and \$55.4 million for the nine months ended September 30, 2016 and 2015, respectively, which included \$33.1 million and \$27.0 million of cash used for capital expenditures, respectively. Net cash used in investing activities during the first nine months of 2016 included \$1,034.3 in cash payments for the Elizabeth Arden Acquisition (partially offset by \$41.1 million of cash acquired in the Elizabeth Arden Acquisition) and \$29.1 million in cash payments for the May 2016 Cutex International Acquisition, as compared to \$34.2 million in cash payments, net of cash acquired, primarily for the Company's April 2015 CBB Acquisition.

#### Financing Activities

Net cash provided by financing activities was \$900.8 million, as compared to net cash used in financing activities of \$28.4 million for the nine months ended September 30, 2016 and 2015, respectively.

Net cash provided by financing activities for the first nine months of 2016 primarily included:

• cash proceeds received in connection with the 2016 Term Loan Facility, in the aggregate principal amount of \$1,800.0 million, or \$1,791.0 million, net of discounts;

• cash proceeds received in connection with issuance of the 6.25% Senior Notes, in the aggregate principal amount of \$450.0 million; and

• borrowings under the 2016 Revolving Credit Facility of \$65.4 million;

with the foregoing partially offset by:

• \$658.6 million of cash used to repay all of the aggregate principal balance outstanding under Products Corporation's 2011 Term Loan;

• \$651.4 million of cash used to repay all of the aggregate principal balance outstanding under Products Corporation's Acquisition Term Loan;

• (i) \$45.0 million of fees incurred in connection with the 2016 Term Loan Facility; (ii) \$5.7 million of fees incurred in connection with the 2016 Revolving Credit Facility; and (iii) \$10.9 million of fees incurred in connection with Products Corporation's issuance of the 6.25% Senior Notes;

• a \$23.2 million required excess cash flow prepayment made under the Amended Term Loan Facility, as discussed below;

• \$3.4 million of scheduled amortization payments on the Acquisition Term Loan;

• \$2.7 million utilized for the repurchase of shares from a former executive; and

• a \$2.6 million decrease in short-term borrowings and overdraft.

Net cash used in financing activities for the first nine months of 2015 included:

• a \$24.6 million required excess cash flow prepayment made under the Amended Term Loan Facility; and

• \$5.1 million of scheduled amortization payments on the Acquisition Term Loan;

with the foregoing partially offset by:

• \$4.3 million of short-term borrowings and overdraft.

#### Long-Term Debt Instruments

For further detail regarding Products Corporation's long-term debt instruments, see Note 11, "Long-Term Debt," to the Consolidated Financial Statements in Revlon, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2015, filed with the U.S. Securities and Exchange Commission (the "SEC") on February 26, 2015 (the "2015 Form 10-K"), as well as "Management's Discussion and Analysis of Financial Condition and Results of Operations - Financial Condition, Liquidity and Capital Resources" in Revlon, Inc.'s 2015 Form 10-K.

#### (a) Recent Debt Transactions

In connection with and substantially concurrently with the closing of the Elizabeth Arden Acquisition, Products Corporation entered into: (i) the 7-year \$1,800.0 million 2016 Term Loan Facility; and (ii) the 5-year \$400.0 million 2016 Revolving Credit Facility. Products Corporation also completed the issuance of \$450.0 million aggregate principal amount of the 6.25% Senior Notes due 2024. The proceeds of Products Corporation's 6.25% Senior Notes offering and the 2016 Term Loan Facility, together with approximately \$35.0 million of borrowings under the 2016 Revolving Credit Facility and approximately \$126.7 million of cash on hand, were used to fund the Elizabeth Arden Acquisition (including: (i) repurchasing the entire \$350.0 million aggregate principal amount outstanding of the Elizabeth Arden Existing Senior Notes; (ii) repaying the entire \$142.0 million aggregate principal amount of borrowings outstanding as of the Acquisition Date under Elizabeth Arden's \$300.0 million revolving credit facility; (iii) repaying the entire \$25.0 million aggregate principal amount of borrowings outstanding as of the Acquisition Date under Elizabeth Arden's second lien credit facility; and (iv) retiring \$55.0 million liquidation preference of all of the issued and outstanding 50,000 shares of Elizabeth Arden Preferred Stock, which amount includes a \$5.0 million change of control premium) and to completely refinance and repay all of the \$651.4 million in aggregate principal balance outstanding under Products Corporation's 2011 Term Loan due 2017 and all of the \$658.6 million in aggregate principal balance outstanding under Products Corporation's Acquisition Term Loan due 2019. The Company did not incur any material early termination penalties in connection with repaying such facilities.

### 2016 Term Loan Facility

**Principal and Maturity:** On the Acquisition Date, Products Corporation entered into the 2016 Term Loan Agreement, for which Citibank, N.A. acts as administrative and collateral agent and which has an initial aggregate principal amount of \$1,800.0 million and will mature on the earlier of (x) the seventh anniversary of the Closing Date and (y) the 91st day prior to the maturity of Products Corporation's 5.75% Senior Notes due 2021 (the "5.75% Senior Notes") if, on that date (and solely for so long as), (i) any of Products Corporation's 5.75% Senior Notes remain outstanding and (ii) Products Corporation's available liquidity does not exceed the aggregate principal amount of the then outstanding 5.75% Senior Notes by at least \$200.0 million. The loans under the 2016 Term Loan Facility were borrowed at an original issue discount of 0.5% to their principal amount. The 2016 Term Loan Facility may be increased by an amount equal to the sum of (x) the greater of \$450.0 million and 90% of Products Corporation's pro forma consolidated EBITDA, plus (y) an unlimited amount to the extent that (1) the first lien leverage ratio (defined as the ratio of Products Corporation's net senior secured funded debt that is not junior or subordinated to the liens of the Senior Facilities to EBITDA) is less than or equal to 3.5 to 1.0 (for debt secured pari passu with the 2016 Term Loan Facility) or (2) the secured leverage ratio (defined as the ratio of Products Corporation's net senior secured funded debt to EBITDA) is less than or equal to 4.25 to 1.0 (for junior lien or unsecured debt), plus (z) up to an additional \$400.0 million if the 2016 Revolving Credit Facility has been repaid and terminated.

**Guarantees and Security:** Products Corporation and the restricted subsidiaries under the 2016 Term Loan Facility, which include Products Corporation's domestic subsidiaries, including Elizabeth Arden and its domestic subsidiaries (collectively, the "Restricted Group"), are subject to the covenants under the 2016 Term Loan Agreement. The 2016 Term Loan Facility is guaranteed by each existing and future direct or indirect wholly-owned domestic restricted subsidiary of Products Corporation (subject to various exceptions), as well as by Revlon, on a limited recourse basis. The obligations of Revlon, Products Corporation and the subsidiary guarantors under the 2016 Term Loan Facility are secured by pledges of the equity of Products Corporation held by Revlon and the equity of the Restricted Group held by Products Corporation and each subsidiary guarantor (subject to certain exceptions, including equity of first-tier foreign subsidiaries in excess of 65% of the voting equity interests of such entity) and by substantially all tangible and intangible personal and real property of Products Corporation and the subsidiary guarantors (subject to certain exclusions). The obligors and guarantors under the 2016 Term Loan Facility and the 2016 Revolving Credit Facility are identical. The liens securing the 2016 Term Loan Facility on the accounts, inventory, equipment, chattel paper, documents, instruments, deposit accounts, real estate and investment property and general intangibles (other than intellectual property) related thereto (the "Revolving Facility Collateral") rank second in priority to the liens thereon securing the 2016 Revolving Credit Facility. The liens securing the 2016 Term Loan Facility on all other property, including capital stock, intellectual property and certain other intangible property (the "Term Loan Collateral"), rank first in priority to the liens thereon securing the 2016 Revolving Credit Facility, while the liens thereon securing the 2016 Revolving Credit Facility rank second in priority to the liens thereon securing the 2016 Term Loan Facility.

**Interest and Fees:** Interest accrues on term loans under the 2016 Term Loan Facility at a rate per annum of Adjusted LIBOR (which has a floor of 0.75%) plus a margin of 3.50% or an alternate base rate plus a margin of 2.50%, at Products Corporation's option, and is payable quarterly, at a minimum. Products Corporation is obligated to pay certain fees and expenses in connection with the 2016 Term Loan Facility.

**Affirmative and Negative Covenants:** The 2016 Term Loan Agreement contains certain affirmative and negative covenants that, among other things, limit the Restricted Group's ability to: (i) incur additional debt; (ii) incur liens; (iii) sell, transfer or dispose of assets; (iv) make investments; (v) make dividends and distributions on, or repurchases of, equity; (vi) make prepayments of contractually subordinated or junior lien debt; (vii) enter into certain transactions with their affiliates; (viii) enter into sale-leaseback transactions; (ix) change their lines of business; (x) restrict dividends from their subsidiaries or restrict liens; (xi) change their fiscal year; and (xii) modify the terms of certain debt. The negative covenants are subject to various exceptions, including an "available amount basket" based on 50% of Products Corporation's cumulative consolidated net income, plus a "starter" basket of \$200.0 million, subject to Products Corporation's compliance with a 5.0 to 1.0 ratio of Products Corporation's net debt to Consolidated EBITDA (as defined in the 2016 Term Loan Agreement), except such compliance is not required when such baskets are used to

make investments. While the 2016 Term Loan Agreement contains certain customary representations, warranties and events of default, it does not contain any financial maintenance covenants.

**Prepayments:** The 2016 Term Loan Facility is subject to mandatory prepayments from: (i) the net proceeds from the issuance by Products Corporation or any of its restricted subsidiaries of certain additional debt; (ii) commencing with the excess cash flow calculation with respect to fiscal year ending December 31, 2017, 50% of excess cash flow, with step-downs to 25% and 0% upon achievement of certain first lien leverage ratios and reduced by voluntary prepayments of loans under the 2016 Term Loan Facility and revolving loans under the 2016 Revolving Credit Facility to the extent commitments thereunder are permanently reduced; and (iii) asset sale proceeds of certain non-ordinary course asset sales or other dispositions of property that have not been reinvested to the extent in excess of certain minimum amounts. Products Corporation may voluntarily prepay the 2016 Term Loan Facility without premium or penalty unless Products Corporation prepays a term loan within six months after the Closing Date in connection with a repricing transaction (in which case a 1.00% premium is payable).

#### 2016 Revolving Credit Facility

**Principal and Maturity:** On the Closing Date, Products Corporation entered into the 2016 Revolving Credit Agreement, for which Citibank, N.A. acts as administrative agent and collateral agent. The 2016 Revolving Credit Facility has an initial maximum availability of \$400.0 million (with a \$100.0 million sublimit for letters of credit and up to \$70.0 million available for swing line loans), which availability is subject to the amount of the borrowing base. The 2016 Revolving Credit Facility may be increased by the greater of (x) \$50.0 million and (y) the excess of the borrowing base over the amounts of then-effective commitments. The 2016 Revolving Credit Facility permits certain non-U.S. subsidiaries to borrow in local currencies. The borrowing base calculation under the 2016 Revolving Credit Facility is based on the sum of: (i) 85% of eligible accounts receivable; (ii) the lesser of 85% of the net orderly liquidation value and a percentage of the value specified in respect of different types of eligible inventory; (iii) qualified restricted cash (capped at \$75.0 million); and (iv) a temporary increase amount between August 15 and October 31 of each year, which are collectively subject to certain availability reserves set by the administrative agent. The 2016 Revolving Credit Facility will mature on the earlier of (x) the fifth anniversary of the Closing Date and (y) the 91st day prior to the maturity of Products Corporation's 5.75% Senior Notes if, on that date (and solely for so long as), (i) any of Products Corporation's 5.75% Senior Notes remain outstanding and (ii) Products Corporation's available liquidity does not exceed the aggregate principal amount of the then outstanding 5.75% Senior Notes by at least \$200.0 million.

**Guarantees and Security:** The Restricted Group under the 2016 Revolving Credit Agreement (which is the same as the Restricted Group under the 2016 Term Loan Agreement) is subject to the covenants under the 2016 Revolving Credit Agreement. The 2016 Revolving Credit Facility is guaranteed by each existing and future direct or indirect wholly-owned domestic restricted subsidiary of Products Corporation (subject to various exceptions), as well as by Revlon on a limited recourse basis. The obligations of Revlon, Products Corporation and the subsidiary guarantors under the 2016 Revolving Credit Facility are secured by pledges of the equity of Products Corporation held by Revlon and the equity of Products Corporation's restricted subsidiaries held by Products Corporation and each subsidiary guarantor (subject to certain exceptions, including equity of first-tier foreign subsidiaries in excess of 65% of the voting equity interests of such entity) and by substantially all tangible and intangible personal and real property of Products Corporation and the subsidiary guarantors (subject to certain exclusions). The obligors and guarantors under the 2016 Revolving Credit Facility and the 2016 Term Loan Facility are identical. The liens on the 2016 Revolving Credit Facility Collateral securing the 2016 Revolving Credit Facility rank first in priority to the liens thereon securing the 2016 Term Loan Facility, which rank second in priority on such collateral. The liens on the Term Loan Collateral securing the 2016 Revolving Credit Facility rank second in priority to the liens thereon securing the 2016 Term Loan Facility, which rank first in priority on such collateral.

**Interest and Fees:** Interest is payable quarterly and accrues on borrowings under the 2016 Revolving Credit Facility at a rate per annum equal to either: (i) the alternate base rate plus an applicable margin equal to 0.25%, 0.50% or 0.75% depending on the average excess availability (based on the borrowing base as most recently reported by Products Corporation to the administrative agent from time to time); or (ii) the Eurocurrency rate plus an applicable margin

equal to 1.25%, 1.50% or 1.75% depending on the average excess availability (based on the borrowing base as most recently reported by Products Corporation to the administrative agent from time to time), at Products Corporation's option. The applicable margin decreases as average excess availability under the 2016 Revolving Credit Facility increases. Products Corporation is obligated to pay certain fees and expenses in connection with the 2016 Revolving Credit Facility, including a commitment fee for any unused amounts of 0.25%. Loans under the 2016 Revolving Credit Facility may be prepaid without premium or penalty.

**Affirmative and Negative Covenants:** The 2016 Revolving Credit Agreement contains affirmative and negative covenants that are similar to those in the 2016 Term Loan Agreement, other than the "available amount basket" (as described above in the description of the 2016 Term Loan Facility); provided, however, under the 2016 Revolving Credit Agreement the Restricted Group will be able to incur unlimited additional junior secured debt and unsecured debt, make unlimited asset sales and dispositions, make unlimited investments and acquisitions, prepay junior debt and make unlimited restricted payments to the extent that certain "payment conditions" for asset-based credit facilities are satisfied. The 2016 Revolving Credit Agreement contains certain customary representations, warranties and events of default. If Products Corporation's "Liquidity Amount" (defined in the 2016 Revolving Credit Agreement as the Borrowing Base less the sum of (x) the aggregate outstanding extensions of credit under the 2016 Revolving Credit Facility, and (y) any availability reserve in effect on such date) falls below the greater of \$35.0 million and 10% of the maximum availability under the 2016 Revolving Credit Facility (a "Liquidity Event Period"), then the Restricted Group will be required to maintain a consolidated fixed charge coverage ratio (the ratio of Products Corporation's EBITDA minus capital expenditures to cash interest expense for such period) of a minimum of 1.0 to 1.0 until the first date after 20 consecutive business days for which the Liquidity Amount is equal to or greater than such threshold. If Products Corporation is in default under the consolidated fixed charge coverage ratio under the 2016 Revolving Credit Agreement, Products Corporation may cure such default by issuing certain equity securities to, or receiving capital contributions from, the Company and applying such cash which is deemed to increase EBITDA for the purpose of calculating the applicable ratio. Products Corporation may exercise this cure right no more than two times in any four-quarter period, and no more than five times in total during the term of the 2016 Revolving Credit Facility.

**Prepayments:** Products Corporation must prepay borrowings under the 2016 Revolving Credit Facility to the extent that outstanding loans and letters of credit exceed availability. During a Liquidity Event Period, the administrative agent may apply amounts collected in controlled accounts for the repayment of loans under the 2016 Revolving Credit Facility. Copies of the 2016 Revolving Credit Agreement and other ancillary agreements governing the 2016 Revolving Credit Facility and the related security and collateral agreements are filed as Exhibits 10.4, 10.7, 10.8 and 10.9 hereto and are incorporated herein by reference in their entirety. The above descriptions of the terms of the 2016 Revolving Credit Facility and the related security and collateral agreements are qualified in their entirety by references to such agreements.

#### 6.25% Senior Notes

On August 4, 2016, Revlon Escrow Corporation (the "Escrow Issuer"), which on such date was a wholly owned subsidiary of Products Corporation, completed its offering (the "Offering"), pursuant to an exemption from registration under the Securities Act of 1933 (as amended, the "Securities Act"), of \$450.0 million aggregate principal amount of 6.25% Senior Notes due 2024. The 6.25% Senior Notes are unsecured and were issued by the Escrow Issuer to the initial purchasers under an Indenture, dated as of August 4, 2016 (the "6.25% Senior Notes Indenture"), between the Escrow Issuer and U.S. Bank National Association, as trustee (the "Trustee"). The 6.25% Senior Notes mature on August 1, 2024. Interest on the 6.25% Senior Notes accrues at 6.25% per annum, paid every six months through maturity on each February 1 and August 1, beginning on February 1, 2017. As described above, the 6.25% Senior Notes were released from Escrow on the September 7, 2016 Acquisition Date. On the Acquisition Date, the Escrow Issuer was merged with and into Products Corporation and in connection with the Escrow Release, Products Corporation and certain of its direct and indirect wholly-owned domestic subsidiaries, including Elizabeth Arden and certain of its subsidiaries (collectively, the "Guarantors"), and the Trustee entered into a supplemental indenture (the "Supplemental Indenture") to the 6.25% Senior Notes Indenture, pursuant to which Products Corporation assumed the obligations of the Escrow Issuer under the 6.25% Senior Notes and the 6.25% Senior Notes Indenture and the Guarantors jointly and severally, fully and unconditionally guaranteed the 6.25% Senior Notes on a senior unsecured

basis. The Guarantors are the same entities that are subsidiary guarantors under the 2016 Term Loan Facility and the 2016 Revolving Credit Facility.

Ranking: The 6.25% Senior Notes are Products Corporation’s senior, unsubordinated and unsecured obligations, ranking: (i) pari passu in right of payment with all of Products Corporation’s existing and future senior unsecured indebtedness; (ii) senior in right of payment to all of Products Corporation’s and the Guarantors’ future subordinated indebtedness; and (iii) effectively junior to all of Products Corporation’s and the Guarantors’ existing and future senior secured indebtedness, including, indebtedness under Products Corporation’s new Senior Facilities, to the extent of the value of the assets securing such indebtedness. The 6.25% Senior Notes and the Guarantees are: (i) structurally subordinated to all of the liabilities and preferred stock of any of the Company’s subsidiaries that do not guarantee the 6.25% Senior Notes; and (ii) pari passu in right of payment with liabilities of the Guarantors other than expressly subordinated indebtedness.

Optional Redemption: Prior to August 1, 2019, Products Corporation may redeem the 6.25% Senior Notes at its option, at any time as a whole or from time to time in part, upon Products Corporation’s payment of an applicable make-whole premium based on the comparable treasury rate plus 50 basis points. Prior to August 1, 2019, up to 40% of the aggregate principal amount of 6.25% Senior Notes that have been issued may also be redeemed at Products Corporation’s option at any time as a whole or from time to time in part, at a redemption price equal to 106.250% of the principal amount thereof, plus accrued and unpaid interest to (but not including) the date of redemption with the proceeds of certain equity offerings and capital contributions (so long as at least 60% of the 6.25% Senior Notes that have been issued thereafter remain outstanding). On and after August 1, 2019, Products Corporation may redeem the 6.25% Senior Notes at its option, at any time as a whole, or from time to time in part, at the following redemption prices (expressed as percentages of principal amount), plus accrued interest to (but not including) the date of redemption, if redeemed during the 12-month period beginning on August 1 of the years indicated below:

| Period              | Optional<br>Redemption<br>Premium<br>Percentage |
|---------------------|-------------------------------------------------|
| 2019                | 104.688 %                                       |
| 2020                | 103.125 %                                       |
| 2021                | 101.563 %                                       |
| 2022 and thereafter | 100.000 %                                       |

All redemptions (and notices thereof) may be subject to various conditions precedent, and redemption dates specified in such notices may be extended so that such conditions precedent may be fulfilled (to the extent redemption on such dates is otherwise permitted by the 6.25% Senior Notes Indenture).

Change of Control: Upon the occurrence of specified change of control events, Products Corporation is required to make an offer to purchase all of the 6.25% Senior Notes at a purchase price of 101% of the outstanding principal amount of the 6.25% Senior Notes as of the date of any such repurchase, plus accrued and unpaid interest to (but not including) the date of repurchase.

Certain Covenants: The 6.25% Senior Notes Indenture imposes certain limitations on Products Corporation’s and the Guarantors’ ability, and the ability of certain other subsidiaries, to: (i) incur or guarantee additional indebtedness or issue preferred stock; (ii) pay dividends, make certain investments and make repayments on indebtedness that is subordinated in right of payment to the 6.25% Senior Notes and make other “restricted payments;” (iii) create liens on their assets to secure debt; (iv) enter into transactions with affiliates; (v) merge, consolidate or amalgamate with another company; (vi) transfer and sell assets; and (vii) permit restrictions on the payment of dividends by Products Corporation’s subsidiaries.

These covenants are subject to important qualifications and exceptions. The 6.25% Senior Notes Indenture also contains customary affirmative covenants and events of default. In addition, if during any period of time the 6.25% Senior Notes receive investment grade ratings from both Standard & Poor's and Moody's Investors Services, Inc. and no default or event of default has occurred and is continuing under the 6.25% Senior Notes Indenture, Products Corporation and its subsidiaries will not be subject to the covenants regarding limitations on debt, limitations on restricted payments, limitation on guarantees by restricted subsidiaries, limitation on transactions with affiliates, certain provisions of the successor company covenant, limitation on asset sales and limitation on dividends from restricted subsidiaries.

#### Amended Term Loan Facility - Excess Cash Flow Payment

On February 29, 2016, Products Corporation prepaid \$23.2 million of indebtedness, representing 50% of its 2015 "excess cash flow" as defined under the then existing Amended Term Loan Agreement, in accordance with the terms of its Amended Term Loan Facility. The prepayment was applied on a ratable basis between the principal amounts outstanding under the 2011 Term Loan and the Acquisition Term Loan. The amount of the prepayment that was applied to the 2011 Term Loan reduced the principal amount outstanding by \$11.5 million to \$651.4 million (as all amortization payments under the 2011 Term Loan had been paid). The \$11.7 million that was applied to the Acquisition Term Loan reduced Products Corporation's future annual amortization payments under the Acquisition Term Loan on a ratable basis from \$6.9 million prior to the prepayment to \$6.8 million after giving effect to the prepayment and through its maturity on October 8, 2019.

#### (b) Covenants

Products Corporation was in compliance with all applicable covenants under the 2016 Term Loan Agreement and the 2016 Revolving Credit Agreement as of September 30, 2016. At September 30, 2016, the aggregate principal amounts outstanding under the 2016 Term Loan Facility and the 2016 Revolving Credit Facility were \$1,800.0 million and \$65.4 million, respectively, and availability under the \$400.0 million 2016 Revolving Credit Facility, based upon the calculated borrowing base of \$300.0 million, less \$10.5 million of outstanding undrawn letters of credit, \$16.2 million of outstanding checks, and \$65.4 million then drawn on the 2016 Revolving Credit Facility, was \$207.9 million. Products Corporation was in compliance with all applicable covenants under its 6.25% Senior Notes Indenture as of September 30, 2016. Products Corporation was in compliance with all applicable covenants under its 5.75% Senior Notes Indenture as of September 30, 2016 and December 31, 2015.

#### Sources and Uses

The Company's principal sources of funds are expected to be operating revenues, cash on hand and funds available for borrowing under the 2016 Revolving Credit Facility and other permitted lines of credit. The 2016 Term Loan Agreement, 2016 Revolving Credit Agreement, the 5.75% Senior Notes Indenture and the 6.25% Senior Notes Indenture contain certain provisions that by their terms limit Products Corporation's and its subsidiaries' ability to, among other things, incur additional debt.

The Company's principal uses of funds are expected to be the payment of operating expenses, including expenses in connection with the continued execution of the Company's business strategy; payments in connection with the Company's synergy and integration programs related to the Elizabeth Arden Acquisition; purchases of permanent wall displays; capital expenditure requirements; debt service payments and costs; cash tax payments; pension and other post-retirement benefit plan contributions; payments in connection with the Company's restructuring programs; business and/or brand acquisitions (including, without limitation, through licensing transactions), if any; severance not otherwise included in the Company's restructuring programs; debt and/or equity repurchases, if any; costs related to litigation; and payments in connection with discontinuing non-core business lines and/or exiting and/or entering certain territories. The Company's cash contributions to its pension and post-retirement benefit plans in the first nine months of 2016 were \$6.0 million. The Company expects cash contributions to its pension and post-retirement benefit plans to be approximately \$10 million in the aggregate for 2016. The Company's cash taxes paid in the first nine months of 2016 were \$19.4 million. The Company expects to pay cash taxes of approximately \$20 million in the aggregate for 2016. The Company's purchases of permanent wall displays and capital expenditures in the first nine months of 2016 were \$25.9 million and \$33.1 million, respectively. The Company expects purchases of permanent wall displays and capital expenditures to be approximately \$50.0 million and \$65.0 million, respectively, in the

aggregate for 2016. Upon closing the Elizabeth Arden Acquisition, the Company disclosed that it expected to achieve approximately \$140 million of synergies and cost reductions over a multi-year period through the elimination of duplicative activities, leveraging purchasing scale and optimizing the manufacturing and distribution networks of the combined company. The Company anticipates achieving its expected synergies and cost reductions. Any of these actions, the intended purpose of which would be to create value through improving the Company's financial performance, could result in the Company making investments and/or recognizing charges related to executing against such opportunities. Any such activities may be funded with cash on hand, funds available under the 2016 Revolving Credit Facility and/or other permitted additional sources of capital, which actions could increase the Company's total debt.

The Company has undertaken, and continues to assess, refine and implement, a number of programs to efficiently manage its working capital, including, among other things, initiatives intended to optimize inventory levels over time; centralized procurement to secure discounts and efficiencies; prudent management of trade receivables and accounts payable; and controls on general and administrative spending. In the ordinary course of business, the Company's source or use of cash from operating activities may vary on a quarterly basis as a result of a number of factors, including the timing of working capital flows.

Continuing to execute the Company's business strategy could include taking advantage of additional opportunities to reposition, repackage or reformulate one or more brands or product lines, launching additional new products, acquiring businesses or brands (including, without limitation, through licensing transactions), divesting or discontinuing non-core business lines (which may include exiting certain territories), further refining the Company's approach to retail merchandising and/or taking further actions to optimize its manufacturing, sourcing and organizational size and structure, including optimizing the Colomer Acquisition, the CBB Acquisition, the Cutex International Acquisition and/or the Elizabeth Arden Acquisition. Any of these actions, the intended purpose of which would be to create value through improving the Company's financial performance, could result in the Company making investments and/or recognizing charges related to executing against such opportunities. Any such activities may be funded with cash on hand, funds available under the 2016 Revolving Credit Facility and/or other permitted additional sources of capital, which actions could increase the Company's total debt.

The Company may also, from time to time, seek to retire or purchase its outstanding debt obligations and/or equity in open market purchases, in privately negotiated transactions or otherwise and may seek to refinance some or all of its indebtedness based upon market conditions. Any retirement or purchase of debt and/or equity may be funded with operating cash flows of the business or other sources and will depend upon prevailing market conditions, liquidity requirements, contractual restrictions and other factors, and the amounts involved may be material.

The Company expects that operating revenues, cash on hand and funds available for borrowing under the 2016 Revolving Credit Facility and other permitted lines of credit will be sufficient to enable the Company to pay its operating expenses for 2016, including expenses in connection with the execution of the Company's business strategy, payments in connection with the Company's synergy and integration programs related to the Elizabeth Arden Acquisition, purchases of permanent wall displays, capital expenditure requirements, debt service payments and costs, cash tax payments, pension and other post-retirement plan contributions, payments in connection with the Company's restructuring programs, business and/or brand acquisitions (including, without limitation, through licensing transactions), if any, severance not otherwise included in the Company's restructuring programs, debt and/or equity repurchases, if any, costs related to litigation, discontinuing non-core business lines and/or entering and/or exiting certain territories and/or channels of trade.

There can be no assurance that available funds will be sufficient to meet the Company's cash requirements on a consolidated basis. If the Company's anticipated level of revenues is not achieved because of, among other things, decreased consumer spending in response to weak economic conditions or weakness in the consumption of beauty care products in one or more of the Consumer, Elizabeth Arden, Professional and/or Other segments; adverse changes in foreign currency exchange rates, foreign currency controls and/or government-mandated pricing controls; decreased sales of the Company's products as a result of increased competitive activities by the Company's competitors and/or decreased performance by third party suppliers; changes in consumer purchasing habits, including with respect to retailer preferences and/or sales channels; inventory management by the Company's customers; space reconfigurations or reductions in display space by the Company's customers; changes in pricing, marketing, advertising and/or promotional strategies by the Company's customers; or less than anticipated results from the Company's existing or



new products or from its advertising, promotional, pricing and/or marketing plans; or if the Company's expenses, including, without limitation, for synergy and integration programs related to the Elizabeth Arden Acquisition, restructuring costs, acquisition and integration costs, costs related to litigation, advertising, promotional and marketing activities or for sales returns related to any reduction of space by the Company's customers, product discontinuances or otherwise, exceed the anticipated level of expenses, the Company's current sources of funds may be insufficient to meet the Company's cash requirements.

Any such developments, if significant, could reduce the Company's revenues and operating income and could adversely affect Products Corporation's ability to comply with certain financial and/or other covenants under the 2016 Term Loan Agreement, 2016 Revolving Credit Agreement, 6.25% Senior Notes Indenture and/or 5.75% Senior Notes Indenture and in such event the Company could be required to take measures, including, among other things, reducing discretionary spending. (See Item 1A. "Risk Factors" in Revlon, Inc.'s 2015 Form 10-K, as updated by Part II, Item 1A. "Risk Factors" in this Form 10-Q, for further discussion of certain risks associated with the Company's business and indebtedness.)

#### Derivative Financial Instruments

##### Foreign Currency Forward Exchange Contracts

Products Corporation enters into FX Contracts and option contracts from time to time to hedge certain net cash flows denominated in currencies other than the local currencies of the Company's foreign and domestic operations. The FX Contracts are entered into primarily for the purpose of hedging anticipated inventory purchases and certain intercompany payments denominated in currencies other than the local currencies of the Company's foreign and domestic operations and generally have maturities of less than one year. At September 30, 2016, the FX Contracts outstanding had a notional amount of \$122.8 million and a net liability fair value of \$1.7 million.

##### Interest Rate Swap Transaction

In November 2013, Products Corporation executed a forward-starting floating-to-fixed interest rate swap transaction with a 1.00% floor, based on a notional amount of \$400 million in respect of indebtedness under the Acquisition Term Loan over a period of three years (the "2013 Interest Rate Swap"). The Company designated the 2013 Interest Rate Swap as a cash flow hedge of the variability of the forecasted three-month LIBOR interest rate payments related to the \$400 million notional amount under Products Corporation's Acquisition Term Loan over the three-year term of the 2013 Interest Rate Swap. In connection with entering into the 2016 Term Loan Facility, the 2013 Interest Swap was carried over to apply to a notional amount of \$400 million in respect of indebtedness under such loan for the remaining balance of the term of such swap. Products Corporation receives from the counterparty a floating interest rate based on the higher of three-month U.S. Dollar LIBOR or 1.00%, while paying a fixed interest rate payment to the counterparty equal to 2.0709% (which, with respect to the 2016 Term Loan Facility, effectively fixes the interest rate on such notional amount at 5.5709% over the remaining balance of the three-year term of the 2013 Interest Rate Swap). For the nine months ended September 30, 2016, the effective portion of the changes in fair value of the 2013 Interest Rate Swap was recorded in other comprehensive income and the ineffective portion of the changes in fair value of such swap was recorded in the Statement of Operations. The fair value of the Company's 2013 Interest Rate Swap at September 30, 2016 and December 31, 2015 was a liability of \$6.3 million and \$6.5 million, respectively.

##### Credit Risk

Exposure to credit risk in the event of nonperformance by any of the counterparties is limited to the gross fair value of the derivative instruments in asset positions, which totaled \$1.4 million and \$2.0 million as of September 30, 2016 and December 31, 2015, respectively. The Company attempts to minimize exposure to credit risk by generally entering into derivative contracts with counterparties that have investment-grade credit ratings and are major financial institutions. The Company also periodically monitors any changes in the credit ratings of its counterparties. Given the current credit standing of the counterparties to the Company's derivative instruments, the Company believes the risk of loss arising from any non-performance by any of the counterparties under these derivative instruments is remote.

##### Disclosures about Contractual Obligations and Commercial Commitments

The following table aggregates all contractual obligations and commercial commitments that affect the Company's financial condition and liquidity position as of September 30, 2016:

| Contractual Obligations                                  | Payments Due by Period<br>(dollars in millions) |                        |              |              |                  |
|----------------------------------------------------------|-------------------------------------------------|------------------------|--------------|--------------|------------------|
|                                                          | Total                                           | Less<br>than 1<br>year | 1-3<br>years | 4-5<br>years | After 5<br>years |
| Long-term debt, including current portion <sup>(a)</sup> | \$2,816.0                                       | \$69.9                 | \$36.2       | \$36.2       | \$2,673.7        |
| Interest on long-term debt <sup>(b)</sup>                | 893.7                                           | 25.2                   | 276.2        | 267.4        | 324.9            |
| Capital lease obligations                                | 4.2                                             | 0.8                    | 2.8          | 0.6          | —                |
| Operating leases <sup>(c)</sup>                          | 212.3                                           | 11.8                   | 67.7         | 44.9         | 87.9             |
| Purchase obligations <sup>(d)</sup>                      | 306.0                                           | 217.1                  | 69.5         | 13.8         | 5.6              |
| Other long-term obligations <sup>(e)</sup>               | 62.2                                            | 17.7                   | 33.3         | 6.0          | 5.2              |
| Total contractual obligations                            | \$4,294.4                                       | \$342.5                | \$485.7      | \$368.9      | \$3,097.3        |

REVLON, INC. AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(all tabular amounts in millions, except share and per share amounts)

(a) Consists primarily of (i) the \$1,800.0 million aggregate principal amount outstanding under the 2016 Term Loan as of September 30, 2016; (ii) the \$450.0 million aggregate principal amount outstanding under the 6.25% Senior Notes as of September 30, 2016; and (iii) the \$500.0 million aggregate principal amount outstanding under the 5.75% Senior Notes as of September 30, 2016.

(b) Consists of interest through the respective maturity dates on the outstanding debt discussed in (a) above; based on interest rates under such debt agreements as of September 30, 2016.

(c) Included in the obligations for operating leases as of September 30, 2016 is the lease for the Company's headquarters in New York City, which includes minimum lease payments in the aggregate of approximately \$70 million over the 15-year term, a leased distribution and office facility in Roanoke, Virginia and a leased warehouse and returns processing facility in Salem, Virginia, which facilities in Virginia were acquired in the Elizabeth Arden Acquisition.

(d) Consists of purchase commitments for finished goods, raw materials, components, minimum royalty guarantees and services pursuant to enforceable and legally binding obligations which include all significant terms, including fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transactions.

(e) Consists primarily of media and advertising contracts, pension funding obligations (amount due within one year only, as subsequent pension funding obligation amounts cannot be reasonably estimated since the return on pension assets in future periods, as well as future pension assumptions, are not known), software licensing agreements and obligations related to third-party warehousing and distribution services. Such amounts exclude employment agreements, severance and other immaterial contractual commitments, which severance and other contractual commitments related to restructuring activities are discussed in Note 3, "Restructuring Charges," to the Consolidated Financial Statements in this Form 10-Q.

Off-Balance Sheet Transactions

The Company does not maintain any off-balance sheet transactions, arrangements, obligations or other relationships with unconsolidated entities or others that are reasonably likely to have a material current or future effect on the Company's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Discussion of Critical Accounting Policies

For a discussion of the Company's critical accounting policies, see Revlon, Inc.'s 2015 Form 10-K.

Effect of Recently Accounting Pronouncements

See discussion of recent accounting pronouncements in Note 1, "Description of Business and Basis of Presentation," to the Unaudited Consolidated Financial Statements in this Form 10-Q.

## REVLON, INC. AND SUBSIDIARIES

(all tabular amounts in millions, except share and per share amounts)

## Item 3. Quantitative and Qualitative Disclosures about Market Risk

## Interest Rate Sensitivity

The Company has exposure to changing interest rates primarily under Products Corporation's 2016 Term Loan Facility and its 2016 Revolving Credit Facility. The Company manages interest rate risk through a combination of fixed and floating rate debt. The Company from time to time makes use of derivative financial instruments to adjust its fixed and floating rate ratio, such as with the 2013 Interest Rate Swap. The Company does not hold or issue financial instruments for trading purposes.

The qualitative and quantitative information presented in Item 7A of Revlon, Inc.'s 2015 Form 10-K ("Item 7A") describes significant aspects of the Company's financial instrument program that have material market risk as of December 31, 2015. The following tables present this information as required by Item 7A as of September 30, 2016.

|                                                            | Expected Maturity Date for the period ended December 31, |        |        |        |        |            |           | Fair Value         |
|------------------------------------------------------------|----------------------------------------------------------|--------|--------|--------|--------|------------|-----------|--------------------|
|                                                            | 2016                                                     | 2017   | 2018   | 2019   | 2020   | Thereafter | Total     | September 30, 2016 |
| Debt                                                       |                                                          |        |        |        |        |            |           |                    |
| Short-term variable rate (various currencies)              | \$9.9                                                    |        |        |        |        |            | \$9.9     | \$ 9.9             |
| Average interest rate <sup>(a)</sup>                       | 3.1                                                      | %      |        |        |        |            |           |                    |
| Short-term fixed rate (third party - EUR)                  | 1.8                                                      |        |        |        |        |            | 1.8       | 1.8                |
| Average interest rate                                      | 11.8                                                     | %      |        |        |        |            |           |                    |
| Long-term fixed rate – third party (USD)                   |                                                          |        |        |        |        | \$950.0    | 950.0     | 974.6              |
| Average interest rate                                      |                                                          |        |        |        |        | 5.99       | %         |                    |
| Long-term fixed rate – third party (EUR)                   |                                                          | \$0.1  | \$0.1  | \$0.1  | \$0.1  | 0.2        | 0.6       | 0.6                |
| Average interest rate                                      |                                                          | —      | %      | —      | %      | —          | %         |                    |
| Long-term variable rate – third party (USD) <sup>(b)</sup> | 69.9                                                     | \$18.0 | 18.0   | 18.0   | 18.0   | 1,723.5    | 1,865.4   | \$ 1,867.7         |
| Average interest rate <sup>(a)(c)</sup>                    | 3.3                                                      | %      | 4.4    | %      | 4.8    | %          | 4.8       | %                  |
| Total debt                                                 | \$81.6                                                   | \$18.1 | \$18.1 | \$18.1 | \$18.1 | \$2,673.7  | \$2,827.7 | \$ 2,854.6         |

<sup>(a)</sup> Weighted average variable rates are based upon implied forward rates from the U.S. Dollar LIBOR and Euribor yield curves at September 30, 2016.

<sup>(b)</sup> Includes total quarterly amortization payments required within each year under the 2016 Term Loan Facility.

<sup>(c)</sup> At September 30, 2016, the 2016 Term Loan Facility bears interest at the Eurodollar Rate (as defined in the 2016 Term Loan Agreement) plus 3.50% per annum (with the Eurodollar Rate not to be less than 0.75%).

If any of LIBOR, Euribor, the base rate, the U.S. federal funds rate or such equivalent local foreign currency rate increases, Products Corporation's debt service costs will increase to the extent that Products Corporation has elected such rates for its outstanding loans. Based on the amounts outstanding under the 2016 Term Loan Agreement and the 2016 Revolving Credit Agreement and other short-term borrowings (which, in the aggregate, are Products Corporation's only debt currently subject to floating interest rates) as of September 30, 2016, a 1% increase in both the LIBOR and Euribor rates would increase the Company's annual interest expense by \$15.0 million.

In November 2013, Products Corporation executed the 2013 Interest Rate Swap, which is a forward-starting, floating-to-fixed interest rate swap transaction with a 1.00% floor, based on a notional amount of \$400 million in respect of indebtedness under Products Corporation's then-existing Acquisition Term Loan over a period of three

years. The Company designated the 2013 Interest Rate Swap as a cash flow hedge of the variability of the forecasted three-month LIBOR interest rate payments related to the \$400 million notional amount under Products Corporation's then-existing Acquisition Term Loan over the three-year term of the 2013 Interest Rate Swap. In connection with entering into the 2016 Term Loan Facility, the 2013 Interest Swap was carried over to apply to a notional amount of \$400 million in respect of indebtedness under such loan for the remaining balance of the term of such swap. Products Corporation receives from the counterparty a floating interest rate based on the higher of the three-month U.S. Dollar LIBOR or 1.00%, while paying a fixed interest rate payment to the counterparty equal to 2.0709% (which, with respect to the

## REVLON, INC. AND SUBSIDIARIES

(all tabular amounts in millions, except share and per share amounts)

2016 Term Loan Facility, effectively fixes the interest rate on such notional amount at 5.5709% over the remaining balance of the three-year term of the 2013 Interest Rate Swap). The fair value of the Company's 2013 Interest Rate Swap at September 30, 2016 was a liability of \$6.3 million.

## Exchange Rate Sensitivity

The Company manufactures and sells its products in a number of countries throughout the world and, as a result, is exposed to movements in foreign currency exchange rates. In addition, a portion of the Company's borrowings are denominated in foreign currencies, which are also subject to market risk associated with exchange rate movement. The Company from time to time hedges major foreign currency cash exposures through foreign exchange forward and option contracts. Products Corporation enters into these contracts with major financial institutions in an attempt to minimize counterparty risk. These contracts generally have a duration of less than 12 months and are primarily against the U.S. Dollar. In addition, Products Corporation enters into foreign currency swaps to hedge intercompany financing transactions. The Company does not hold or issue financial instruments for trading purposes.

| Forward Contracts ("FC")               | Average Contractual Rate<br>\$/FC | U.S. Dollar Contract<br>Equivalent Notional<br>Amount | Value<br>September<br>30, 2016 | Asset<br>(Liability)<br>Fair Value<br>September<br>30, 2016 |
|----------------------------------------|-----------------------------------|-------------------------------------------------------|--------------------------------|-------------------------------------------------------------|
| Sell Canadian Dollars/Buy USD          | 0.7531                            | 27.2                                                  | 26.9                           | (0.3 )                                                      |
| Sell Australian Dollars/Buy USD        | 0.7315                            | 24.0                                                  | 23.1                           | (0.9 )                                                      |
| Sell British Pound/Buy USD             | 1.3645                            | 21.8                                                  | 22.9                           | 1.1                                                         |
| Sell Euro/Buy USD                      | 1.1049                            | 12.3                                                  | 12.1                           | (0.2 )                                                      |
| Buy Mexican Peso/Sell USD              | 0.0534                            | 11.4                                                  | 10.9                           | (0.5 )                                                      |
| Sell USD/Buy Swiss Franc               | 1.0175                            | 9.9                                                   | 10.1                           | 0.2                                                         |
| Sell Japanese Yen/Buy USD              | 0.0095                            | 5.8                                                   | 5.5                            | (0.3 )                                                      |
| Sell South African Rand/Buy USD        | 0.0633                            | 5.7                                                   | 4.9                            | (0.8 )                                                      |
| Buy Australian Dollars/Sell NZ dollars | 1.0669                            | 4.1                                                   | 4.1                            | —                                                           |
| Sell New Zealand Dollars/Buy USD       | 0.7260                            | 0.6                                                   | 0.6                            | —                                                           |
| Total forward contracts                |                                   | \$ 122.8                                              | \$ 121.1                       | \$ (1.7 )                                                   |

## Item 4. Controls and Procedures

(a) Disclosure Controls and Procedures. The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Company's reports under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including the Company's Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures as of the end of the fiscal period covered by this Quarterly Report on Form 10-Q. Based upon such evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, the Company's disclosure controls and procedures were effective.

(b) Changes in Internal Control Over Financial Reporting. There have not been any changes in the Company's internal control over financial reporting during the quarter ended September 30, 2016 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. The entities acquired in the Elizabeth Arden Acquisition have been excluded from management's assessment of internal control over financial reporting as of September 30, 2016 because they were acquired by the Company in a business combination in September 2016.

## Forward-Looking Statements

This Quarterly Report on Form 10-Q for the three months ended September 30, 2016, as well as the Company's other public documents and statements, may contain forward-looking statements that involve risks and uncertainties, which are subject to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on the beliefs, expectations, estimates, projections, assumptions, forecasts, plans, anticipations, targets, outlooks, initiatives, visions, objectives, strategies, opportunities, drivers, focus and intents of the Company's management. While the Company believes that its estimates and assumptions are reasonable, the Company cautions that it is very difficult to predict the impact of known and unknown factors, and, of course, it is impossible for the Company to anticipate all factors that could affect its results. The Company's actual results may differ materially from those discussed in such forward-looking statements. Such statements include, without limitation, the Company's expectations and estimates (whether qualitative or quantitative) as to:

(i) the Company's future financial performance;

the effect on sales of decreased consumer spending in response to weak economic conditions or weakness in the consumption of beauty care products in the Consumer, Elizabeth Arden, Professional and/or Other segments; adverse changes in foreign currency exchange rates, foreign currency controls and/or government-mandated pricing controls; decreased sales of the Company's products as a result of increased competitive activities by the Company's competitors and/or decreased performance by third party suppliers, changes in consumer purchasing habits, including with respect to retailer preferences and/or among sales channels; inventory management by the

(ii) Company's customers; space reconfigurations or reductions in display space by the Company's customers; changes in pricing, marketing, advertising and/or promotional strategies by the Company's customers; less than anticipated results from the Company's existing or new products or from its advertising, promotional, pricing and/or marketing plans; or if the Company's expenses, including, without limitation, for pension expense under its benefit plans, acquisition-related integration costs, costs related to the Company's synergy and integration programs in connection with the Elizabeth Arden Acquisition, restructuring costs, acquisition and integration costs, costs related to litigation, advertising, promotional and marketing activities, or for sales returns related to any reduction of space by the Company's customers, product discontinuances or otherwise, exceed the anticipated level of expenses; the Company's belief that the continued execution of its business strategy could include taking advantage of additional opportunities to reposition, repackage or reformulate one or more brands or product lines, launching additional new products, acquiring businesses or brands, (including through licensing transactions, if any), divesting or discontinuing non-core business lines (which may include exiting certain territories), further refining its approach to retail merchandising and/or taking further actions to optimize its manufacturing, sourcing and organizational size and structure, including optimizing the Colomer Acquisition, the CBB Acquisition, the Cutex

(iii) International Acquisition (including the Company's belief that such acquisition enhances and complements the Company's existing brand portfolio of nail care products) and/or the Elizabeth Arden Acquisition and related synergy, integration and other related costs, any of which, the intended purpose of which would be to create value through improving the Company's financial performance, could result in the Company making investments and/or recognizing charges related to executing against such opportunities, which activities may be funded with cash on hand, funds available under the 2016 Revolving Credit Facility and/or other permitted additional sources of capital, which actions could increase the Company's total debt;

(iv) the Company's belief that it is building a combined organization that is entrepreneurial, agile and boldly creative, with a passion for beauty, that it has strategic brand builders developing a diverse portfolio of iconic brands that delight consumers around the world wherever and however they shop for beauty and that it strives to be an ethical company that values inclusive leadership and is committed to sustainable and responsible growth and the Company's belief in its strategy that is based on three key pillars: (a) building a foundation for sustainable growth that outpaces the industry; competing in large and fast growing beauty segments and building our portfolio of product offerings in all strategic categories; further strengthening and diversifying our channels of distribution, especially direct to consumer; strengthening our U.S. business and expanding into faster growing territories, with a special focus on Asia; (b) harnessing the power of our iconic brand portfolio to delight consumers wherever and however they shop for beauty; continuing to focus on restoring the appeal and aspiration of our flagship brands and investing in them; advancing our digital and omni-channel capabilities, and focusing on high-growth channels, especially e-commerce; continuing to win in traditional channels, while expanding our combined reach into travel

- retail; and (c) developing a cost structure to deliver world class profitability; continuing to improve our operating performance by strategically allocating investments behind key brands, categories and regions; further improving our category mix and, with the acquisition of Elizabeth Arden, shifting toward higher gross margin categories; continuing to reduce the complexity of our product lineup and seeking to reduce our product returns, sales markdowns and inventory levels; and, through enhanced new product development processes, increasing our speed to shelf, optimizing our resource allocation and shortening new product launch timing;
- the effect of restructuring activities, restructuring costs and charges, the timing of restructuring payments and the benefits from such activities; including, without limitation, the Company's expectation (a) that the 2015 Efficiency Program will drive certain organizational efficiencies across the Company's Consumer and Professional segments and reduce general and administrative expenses within the Consumer and Professional segments; (b) that the Company will recognize a total of approximately \$12.0 million of restructuring and related charges for the 2015 Efficiency Program by the end of 2017; (c) that cash payments related to the 2015 Efficiency Program will total approximately \$12 million, including \$0.2 million for capital expenditures (which capital expenditures are excluded from total restructuring and related charges expected to be recognized for the 2015 Efficiency Program), of which \$4.2 million is expected to be paid during the remainder of 2016, with the remaining balance expected to be paid in 2017; and (d) that approximately \$9 million of cost reductions from the 2015 Efficiency Program are expected to benefit 2016 results and that annualized cost reductions thereafter are expected to be approximately \$10 million to \$15 million by the end of 2018;
- the Company's expectation that operating revenues, cash on hand and funds available for borrowing under Products Corporation's 2016 Revolving Credit Facility and other permitted lines of credit will be sufficient to enable the Company to cover its operating expenses for 2016, including the cash requirements referred to in item (vi)(viii) below, and the Company's beliefs that (a) the cash generated by its domestic operations and availability under the 2016 Revolving Credit Facility and other permitted lines of credit should be sufficient to meet its domestic liquidity needs for at least the next 12 months, and (b) restrictions or taxes on repatriation of foreign earnings will not have a material effect on the Company's liquidity during such period;
- the Company's expected principal sources of funds, including operating revenues, cash on hand and funds available for borrowing under Products Corporation's 2016 Revolving Credit Facility and other permitted lines of credit, as well as the availability of funds from the Company taking certain measures, including, among other things, reducing discretionary spending;
- the Company's expected principal uses of funds, including amounts required for the payment of operating expenses, including expenses in connection with the continued execution of the Company's business strategy; payments in connection with the Company's synergy and integration programs related to the Elizabeth Arden Acquisition; payments in connection with the Company's purchases of permanent wall displays; capital expenditure requirements; debt service payments and costs; cash tax payments; pension and other post-retirement benefit plan contributions; payments in connection with the Company's restructuring programs; business and/or brand acquisitions (including through licensing transactions, if any); severance not otherwise included in the Company's restructuring programs; debt and/or equity repurchases, if any; costs related to litigation; and payments in connection with discontinuing non-core business lines and/or exiting and/or entering certain territories and/or channels of trade (including, without limitation, that the Company may also, from time to time, seek to retire or purchase its outstanding debt obligations and/or equity in open market purchases, in privately negotiated transactions or otherwise and may seek to refinance some or all of its indebtedness based upon market conditions and that any retirement or purchase of debt and/or equity may be funded with operating cash flows of the business or other sources and will depend upon prevailing market conditions, liquidity requirements, contractual restrictions and other factors, and the amounts involved may be material); and its estimates of the amount and timing of such operating and other expenses;
- matters concerning the Company's market-risk sensitive instruments, as well as the Company's expectations as to (ix) the counterparty's performance, including that any risk of loss under its derivative instruments arising from any non-performance by any of the counterparties is remote;
- (x) the Company's expectation to efficiently manage its working capital, including, among other things, initiatives intended to optimize inventory levels over time; centralized procurement to secure discounts and efficiencies; prudent management of trade receivables and accounts payable; and controls on general and administrative



- spending; and the Company's belief that in the ordinary course of business, its source or use of cash from operating activities may vary on a quarterly basis as a result of a number of factors, including the timing of working capital flows;
- (xi) the Company's expectations regarding its future net periodic benefit cost for its U.S. and international defined benefit plans;
  - (xii) the Company's expectation that its tax provision and effective tax rate in any individual quarter and year-to-date period will vary and may not be indicative of the Company's tax provision and effective tax rate for the full year; the Company's belief that the ultimate outcome of Elizabeth Arden's protests, appeals and/or judicial processes
  - (xiii) with regards to the Elizabeth Arden IRS audit will not have a material adverse effect on the Company's business, prospects, results of operations, financial condition and/or cash flows; the Company belief the allegations contained in the Consolidated Amended Class Action Complaint are without merit and its plans to vigorously defend against them and its belief that the outcome of all pending legal proceedings in the aggregate is not reasonably likely to have a material adverse effect on the Company's business,
  - (xiv) prospects, results of operations, financial condition and/or cash flows, but that in light of the uncertainties involved in legal proceedings generally, the ultimate outcome of a particular matter could be material to the Company's operating results for a particular period depending on, among other things, the size of the loss or the nature of the liability imposed and the level of the Company's income for that particular period;
  - (xv) certain estimates used by management in estimating the fair value of the assets acquired in the Elizabeth Arden Acquisition and the Cutex International Acquisition; and the Company's expected benefits from the Elizabeth Arden Acquisition, including, without limitation: (a) benefiting from greater scale, an expanded global footprint and, with the addition of Elizabeth Arden's growing prestige fragrances, skin care and color cosmetics, a significant presence across all major beauty channels and categories; (b) leveraging the Company's scale across major vendors and manufacturing partners, improving distribution and procurement efficiencies; (c) achieving approximately \$140 million of synergies and cost reductions over a multi-year period through the elimination of duplicative activities, leveraging purchasing scale and optimizing the manufacturing and distribution networks of the combined company; (d) achieving additional growth through opportunities presented by the combined company's expanded sales channels and geographies; (e) expanding category mix, as the Company's strength and expertise in color cosmetics, hair care, men's grooming, anti-perspirants, deodorants and beauty tools are complemented by the addition of Elizabeth Arden's world-class portfolio of licensed prestige fragrances and the internationally recognized line of Elizabeth Arden-branded prestige fragrance, skin care and color cosmetics products, which are highly profitable categories that the Company believes are key to future industry growth; (f) diversifying the Company's channels, as Elizabeth Arden's strong global reach in prestige distribution and travel retail complement Revlon's strength in mass and salons, strongly positioning the combined company in all key beauty channels; (g) broadening the Company's geographic footprint, as post-acquisition, the combined company now markets and distributes its products in approximately 150 countries and that with Elizabeth Arden's presence in important international growth regions, including Asia Pacific, the combined company will be better positioned to compete globally.

Statements that are not historical facts, including statements about the Company's beliefs and expectations, are forward-looking statements. Forward-looking statements can be identified by, among other things, the use of forward-looking language such as "estimates," "objectives," "visions," "projects," "forecasts," "focus," "drive towards," "plans," "targets," "strategies," "opportunities," "assumptions," "drivers," "believes," "intends," "outlooks," "initiatives," "expects," "scheduled to," "anticipates," "seeks," "may," "will" or "should" or the negative of those terms, or other variations of those terms or comparable language, or by discussions of strategies, targets, long-range plans, models or intentions. Forward-looking statements speak only as of the date they are made, and except for the Company's ongoing obligations under the U.S. federal securities laws, the Company undertakes no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise. Investors are advised, however, to consult any additional disclosures the Company made or may make in its 2015 Form 10-K and in its Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, in each case filed with the SEC in 2016 (which, among other places, can be found on the SEC's website at <http://www.sec.gov>, as well as on the Company's corporate website at [www.revloninc.com](http://www.revloninc.com)). Except as expressly set forth in this Form 10-Q, the

information available from time to time on such websites shall not be deemed incorporated by reference into this Form 10-Q. A number of important factors could cause actual results to differ materially from those contained in any forward-looking statement. (See also Item 1A. "Risk Factors" in Revlon, Inc.'s 2015 Form 10-K, as updated in Part II, Item 1A. "Risk Factors" in this Form 10-Q, for further discussion of risks associated with the Company's business.) In addition to factors that may be described in the Company's filings with the SEC, including this filing, the following factors, among others, could cause the Company's actual results to differ materially from those expressed in any forward-looking statements made by the Company:

- unanticipated circumstances or results affecting the Company's financial performance, including decreased consumer spending in response to weak economic conditions or weakness in the consumption of beauty care products in the Consumer, Elizabeth Arden, Professional and/or Other segments; adverse changes in foreign currency exchange rates, foreign currency controls and/or government-mandated pricing controls; decreased sales of the Company's products as a result of increased competitive activities by the Company's competitors and/or decreased performance by third party suppliers; changes in consumer preferences, such as reduced consumer demand for the Company's color cosmetics and other current products, including new product launches; changes in consumer purchasing habits, including with respect to retailer preferences and/or among sales channels; lower than expected customer acceptance or consumer acceptance of, or less than anticipated results from, the Company's existing or new products; higher than expected synergy and integration program costs and expenses related to the Elizabeth Arden Acquisition, restructuring costs and/or acquisition-related integration costs; higher than expected pension expense and/or cash contributions under its benefit plans, costs related to litigation, advertising, promotional and/or marketing expenses or lower than expected results from the Company's advertising, promotional, pricing and/or marketing plans; higher than expected sales returns related to any reduction of space by the Company's customers, product discontinuances or otherwise or decreased sales of the Company's existing or new products; actions by the Company's customers, such as inventory management and greater than anticipated space reconfigurations or reductions in display space and/or product discontinuances or a greater than expected impact from pricing, marketing, advertising and/or promotional strategies by the Company's customers; and changes in the competitive environment and actions by the Company's competitors, including, among other things, business combinations, technological breakthroughs, implementation of new pricing strategies, new product offerings, increased advertising, promotional and marketing spending and advertising, promotional and/or marketing successes by competitors;
- (i) in addition to the items discussed in (i) above, the effects of and changes in economic conditions (such as continued volatility in the financial markets, inflation, monetary conditions and foreign currency fluctuations, foreign currency controls and/or government-mandated pricing controls, as well as in trade, monetary, fiscal and tax policies in international markets) and political conditions (such as military actions and terrorist activities); unanticipated costs or difficulties or delays in completing projects associated with the continued execution of the Company's business strategy or lower than expected revenues or the inability to create value through improving our financial performance as a result of such strategy, including lower than expected sales, or higher than expected costs, including as may arise from any additional repositioning, repackaging or reformulating of one or more brands or product lines, launching of new product lines, including higher than expected expenses, including for sales returns, for launching its new products, acquiring businesses or brands (including through licensing transactions, if any), divesting or discontinuing non-core business lines (which may include exiting certain territories), further refining its approach to retail merchandising and/or difficulties, delays or increased costs in connection with taking further actions to optimize the Company's manufacturing, sourcing, supply chain or organizational size and structure, including optimizing the Colomer Acquisition, the CBB Acquisition, the Cutex International Acquisition and/or the Elizabeth Arden Acquisition, as well as the unavailability of cash on hand and/or funds under the 2016 Revolving Credit Facility or from other permitted additional sources of capital to fund such potential activities;
- (ii) (A) difficulties, delays in or less than expected results from the Company's efforts to build a combined organization that is entrepreneurial, agile, and boldly creative with a passion for beauty, being strategic brand builders developing a diverse portfolio of iconic brands that delight consumers around the world wherever and however they shop for beauty and striving to be an ethical company that values inclusive leadership and is

committed to sustainable and responsible growth, such as due to, among other things, less than effective product development, less than expected acceptance of its new or existing products by consumers, salon professionals and/or customers, less than expected acceptance of its advertising, promotional, pricing and/or marketing plans and/or brand communication by consumers, salon professionals and/or customers, less than expected investment in advertising, promotional and/or marketing activities or greater than expected competitive investment, less than expected levels of advertising, promotional and/or marketing activities for its new product launches and/or less than expected levels of execution with its customers or higher than expected costs and expenses; (B) difficulties, delays in or less than expected results from the Company's efforts to build a foundation for sustainable growth that outpaces the industry, compete in large and fast growing beauty segments, build the Company's portfolio of product offerings in all strategic categories, further strengthen and diversify the Company's channels of distribution, especially direct to consumer; strengthen the Company's U.S. business and expand into faster growing territories, with a special focus on Asia, such as due to, among other things, decreased sales of the Company's existing or new products, less than effective product development across a range of product categories, less than expected acceptance of its new or existing products, less than expected acceptance of its advertising, promotional, pricing and/or marketing plans and/or brand communication, less than expected results from the Company's efforts to create fewer and better new product launches across the Company's brands, less than effective activities intended to develop multiple channels for the Company's products, such as less than expected results from pursuing the Company's e-commerce initiatives and/or less than effective efforts to develop relationships and/or acquire businesses that would be intended to facilitate geographic expansion; (C) difficulties, delays in or less than expected results from the Company's efforts to restore the appeal and aspiration of our flagship brands and invest in them, advance our digital and omni-channel capabilities and/or focus on high-growth channels, such as e-commerce and travel retail, such as due to less than expected investment behind such activities and/or less than effective new product development and/or advertising, marketing or promotional programs; and/or (D) difficulties, delays in or less than expected results from the Company's efforts to develop a cost structure to deliver world class profitability, improve our operating performance by strategically allocating investments behind key brands, categories and regions, improve our category mix and shift toward higher gross margin categories, reduce the complexity of our product lineup, reduce our product returns, sales markdowns and inventory levels, increase our speed to shelf, optimize our resource allocation and/or shorten new product launch timing, such as due to less than anticipated benefits from the Acquisition, higher than expected costs, including as may be due to less than expected results from the Company's efforts to further drive margins by reducing costs across the supply chain, eliminating overhead redundancies and leveraging purchasing scale, less than effective new product development in key strategic product categories and/or higher than expected sales returns such as those that may be related to actions by the Company's customers, such as inventory management or greater than anticipated space reconfigurations or reductions in display space

(v) difficulties, delays or unanticipated costs or charges or less than expected cost reductions and other benefits resulting from the Company's restructuring activities, such as greater than anticipated costs or charges or less than anticipated cost reductions or other benefits from the 2015 Efficiency Program and/or the risk that such program may not satisfy the Company's objectives;

(vi) lower than expected operating revenues, cash on hand and/or funds available under the 2016 Revolving Credit Facility and/or other permitted lines of credit or higher than anticipated operating expenses, such as referred to in clause (viii) below, and/or less than anticipated cash generated by the Company's domestic operations or unanticipated restrictions or taxes on repatriation of foreign earnings;

(vii) the unavailability of funds under Products Corporation's 2016 Revolving Credit Facility or other permitted lines of credit; or from difficulties, delays in or the Company's inability to take other measures, such as reducing discretionary spending;

(viii) higher than expected operating expenses, sales returns, working capital expenses, integration and/or synergy costs related to the Elizabeth Arden Acquisition, permanent wall display costs, capital expenditures, debt service payments, cash tax payments, cash pension plan contributions, other post-retirement benefit plan contributions and/or net periodic benefit costs for the pension and other post-retirement benefit plans, restructuring costs, severance and discontinued operations not otherwise included in the Company's restructuring programs, debt and/or equity repurchases, costs related to litigation and/or payments in connection with business and/or brand

- acquisitions (including through licensing transactions, if any), and discontinuing non-core business lines and/or exiting and/or entering certain territories and/or channels of trade;
- (ix) interest rate or foreign exchange rate changes affecting the Company and its market-risk sensitive financial instruments and/or difficulties, delays or the inability of the counterparty to perform such transactions;
  - (x) difficulties, delays or the inability of the Company to efficiently manage its cash and working capital; lower than expected returns on pension plan assets and/or lower discount rates, which could result in higher than
  - (xi) expected cash contributions, higher net periodic benefit costs and/or less than expected net periodic benefit income;
  - (xii) unexpected significant variances in the Company's tax provision and effective tax rate; unanticipated adverse effects on the Company's business, prospects, results of operations, financial condition
  - (xiii) and/or cash flows as a result of unexpected developments with respect to Elizabeth Arden's protests, appeals and/or judicial processes related to its IRS examinations;
  - (xiv) unanticipated adverse effects on the Company's business, financial condition and/or its results of operations as a result of unexpected developments with respect to the Company's legal proceedings;
  - (xv) changes in the fair values of the assets acquired in the Cutex International Acquisition due to, among other things, unanticipated future performance of the acquired licenses; and/or less than expected benefits from the Elizabeth Arden Acquisition, such as (a) the Company's or the Elizabeth Arden's respective businesses experiencing disruptions due to management's focus on executing the business integration activities and/or due to employee uncertainty during the integration transition period or other factors
  - (xvi) making it more difficult to maintain relationships with customers, suppliers, employees and other business partner; (b) the Company being unable to successfully implement, in whole or in part, its integration strategies, including the possibility that the expected synergies and cost reductions from the Acquisition will not be realized or will not be realized within the expected time period.

Factors other than those listed above could also cause the Company's results to differ materially from expected results. This discussion is provided pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995.

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Website Availability of Reports, Corporate Governance Information and Other Financial Information

The Company maintains a comprehensive corporate governance program, including Corporate Governance Guidelines for Revlon, Inc.'s Board of Directors, Revlon, Inc.'s Board Guidelines for Assessing Director Independence and charters for Revlon, Inc.'s Audit Committee and Compensation Committee. Revlon, Inc. maintains a corporate investor relations website, [www.revloninc.com](http://www.revloninc.com), where stockholders and other interested persons may review, without charge, among other things, Revlon, Inc.'s corporate governance materials and certain SEC filings (such as Revlon, Inc.'s annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements, annual reports, Section 16 reports reflecting certain changes in the stock ownership of Revlon, Inc.'s directors and Section 16 officers, and certain other documents filed with the SEC), each of which are generally available on the same business day as the filing date with the SEC on the SEC's website <http://www.sec.gov>. In addition, under the section of the website entitled, "Corporate Governance," Revlon, Inc. posts printable copies of the latest versions of its Corporate Governance Guidelines, Board Guidelines for Assessing Director Independence, charters for Revlon, Inc.'s Audit Committee and Compensation Committee, as well as Revlon, Inc.'s Code of Conduct and Business Ethics, which includes Revlon, Inc.'s Code of Ethics for Senior Financial Officers, and the Audit Committee Pre-Approval Policy. From time to time, the Company may post on [www.revloninc.com](http://www.revloninc.com) certain presentations that may include material information regarding its business, financial condition and/or results of operations. The business and financial materials and any other statement or disclosure on, or made available through, the websites referenced herein shall not be deemed incorporated by reference into this report.

REVLON, INC. AND SUBSIDIARIES

(all tabular amounts in millions, except share and per share amounts)

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

The Company is involved in various routine legal proceedings incidental to the ordinary course of its business. The Company believes that the outcome of all pending legal proceedings in the aggregate is not reasonably likely to have a material adverse effect on the Company's business, prospects, results of operations, financial condition and/or cash flows. However, in light of the uncertainties involved in legal proceedings generally, the ultimate outcome of a particular matter could be material to the Company's operating results for a particular period depending on, among other things, the size of the loss or the nature of the liability imposed and the level of the Company's income for that particular period.

As previously disclosed, following the announcement of the execution of the Elizabeth Arden Merger Agreement, several putative shareholder class action lawsuits and a derivative lawsuit were filed challenging the Merger. In addition to the complaints filed on behalf of plaintiffs Parker, Christiansen, Ross and Stein, on July 25, 2016, a lawsuit (Hutson v. Elizabeth Arden, Inc., et al., Case No. CACE-16-013566) (referred to as the "Hutson complaint") was filed in the Seventeenth Judicial Circuit in and for Broward County, Florida (the "Court") against Elizabeth Arden, the members of the board of directors of Elizabeth Arden, Revlon, Products Corporation and Acquisition Sub. In general, the Hutson complaint alleges that: (i) the members of Elizabeth Arden's board of directors breached their fiduciary duties to Elizabeth Arden's shareholders with respect to the Merger, by, among other things, approving the Merger pursuant to an unfair process and at an inadequate and unfair price; and (ii) Revlon, Products Corporation and Acquisition Sub aided and abetted the breaches of fiduciary duty by the members of Elizabeth Arden's board. The plaintiff seeks relief similar to that sought in the Parker case.

By Order dated August 4, 2016, all five cases were consolidated by the Court into a Consolidated Amended Class Action. Thereafter, on August 11, 2016 a Consolidated Amended Class Action Complaint was filed, seeking to enjoin defendants from consummating the Merger and/or from soliciting shareholder votes. To the extent that the Merger was consummated, the Consolidated Amended Class Action Complaint seeks to rescind the Merger or recover rescissory or other compensatory damages, along with costs and fees. The grounds for relief set forth in the Consolidated Amended Class Action Complaint in large part track those grounds as asserted in the five individual complaints, as previously disclosed. Class counsel advised that post consummation of the Merger they were going to file a Second Consolidated Amended Class Action Complaint, but to date no such complaint has been filed.

The Company believes the allegations contained in the Consolidated Amended Class Action Complaint are without merit and intends to vigorously defend against them. Additional lawsuits arising out of or relating to the Merger Agreement or the Merger may be filed in the future.

The Company believes that the outcome of all pending legal proceedings in the aggregate is not reasonably likely to have a material adverse effect on the Company's business, prospects, results of operations, financial condition and/or cash flows. However, in light of the uncertainties involved in legal proceedings generally, the ultimate outcome of a particular matter could be material to the Company's operating results for a particular period depending on, among other things, the size of the loss or the nature of the liability imposed and the level of the Company's income for that particular period.

Item 1A. Risk Factors

In addition to the other information in this report, investors should consider carefully the risk factors discussed in Part I, Item 1A. "Risk Factors" in Revlon, Inc.'s 2015 Form 10-K, as well as the following updates to such risk factors: The results of the U.K.'s referendum on its withdrawal from the European Union may have a negative effect on global economic conditions, financial markets and the Company's business.

The Company is a multinational company with worldwide operations, including material business operations in Europe. In June 2016, a majority of voters in the U.K. elected to withdraw from the European Union in a national referendum. The referendum was advisory, and the terms of any withdrawal are subject to a negotiation period that could last at least two years after the government of the U.K. formally initiates a withdrawal process. Nevertheless, the referendum has created significant uncertainty about the future relationship between the U.K. and the European Union and has given rise to calls for the governments of other European Union member states to consider withdrawal from the European Union. These developments, or the perception that any of them could occur, have had and may continue to have a material adverse effect on global economic conditions and the stability of global financial markets and could significantly reduce global market liquidity and restrict the ability of key market participants to operate in certain financial markets. Asset valuations, currency exchange rates and credit ratings may be especially subject to

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increased market volatility. Lack of clarity about future U.K. laws and regulations as the U.K. determines which European Union laws to replace or replicate in the event of a withdrawal, including financial laws and regulations, tax and free trade agreements, intellectual property rights, supply chain logistics, environmental, health and safety laws and regulations, immigration laws and employment laws, could decrease foreign direct investment in the U.K., increase costs, depress economic activity, restrict the Company's access to capital and make regulatory compliance and the distribution, sourcing, manufacturing and sales and marketing of the Company's products more difficult or costly. If the U.K. and the European Union are unable to negotiate acceptable withdrawal terms or if other European Union member states pursue withdrawal, barrier-free access between the U.K. and other European Union member states or among the European economic area overall could be diminished or eliminated. Approximately 5% of the Company's net sales are in the U.K. and approximately 20% of the Company's net sales are in the remainder of the European Union. Any of these factors could have a material adverse effect on the Company's business, prospects, results of operations, financial condition and/or cash flows.

The Company's success depends, in part, on the quality, efficacy and safety of its products.

The Company's success depends, in part, on the quality, efficacy and safety of its products. If the Company's products are found or alleged to be defective or unsafe, or if they fail to meet customer or consumer standards, the Company's relationships with its customers or consumers could suffer, the appeal of one or more of the Company's brands could be diminished, and the Company could lose sales and/or become subject to liability claims, any of which could have a material adverse effect on our business, prospects, results of operations, financial condition and/or cash flows.

The Company may not realize the anticipated synergies, net cost reductions and growth opportunities from the Elizabeth Arden Acquisition.

The benefits that the Company expects to achieve as a result of the Elizabeth Arden Acquisition will depend, in part, on the ability of the combined company to realize anticipated growth opportunities, net cost reductions and synergies. The Company's success in realizing these growth opportunities, net cost reductions and synergies, and the timing of this realization, depends on the successful integration of the Company's historical business and operations and the historical business and operations of Elizabeth Arden. Even if the Company is able to integrate the businesses and operations of Products Corporation and Elizabeth Arden successfully, this integration may not result in the realization of the full benefits of the growth opportunities, net cost reductions and synergies that the Company currently expects from this integration within the anticipated time frame or at all. For example, the Company may be unable to eliminate duplicative costs. Moreover, the Company may incur substantial expenses in connection with the integration of its business and Elizabeth Arden's business. While the Company anticipates that certain expenses will be incurred, such expenses are difficult to estimate accurately and may exceed current estimates. Accordingly, the benefits from the Acquisition may be offset by costs or delays incurred in integrating the businesses. The projected net cost reductions and synergies related to the Acquisition are based on a number of assumptions relating to the Company's business and Elizabeth Arden's business. Those assumptions may be inaccurate, and, as a result, the Company's projected net cost reductions and synergies may be inaccurate, and the Company's business, prospects, results of operations, financial condition and/or cash flows could be materially and adversely affected.

In connection with the Acquisition, we have assumed potential liabilities relating to Elizabeth Arden's business.

In connection with the Acquisition, we have assumed potential liabilities relating to Elizabeth Arden's business. To the extent we have not identified such liabilities or miscalculated their potential financial impact, these liabilities could have a material adverse effect on our business, prospects, results of operations, financial condition and/or cash flows.



Item 5. Other Information

Appointment of E. Scott Beattie as Director.

In connection with transition and integration efforts related to the Elizabeth Arden Acquisition, on November 3, 2016 (the “Effective Date”), Revlon’s Board of Directors appointed E. Scott Beattie, Elizabeth Arden’s former Chairman, President and Chief Executive Officer, to serve as a member of Revlon’s Board of Directors in the capacity of non-executive Vice-Chairman. As of the Effective Date, Mr. Beattie will no longer be an employee of the Company, but will assume the role of Senior Advisor to Fabian T. Garcia, the Company’s President and Chief Executive Officer. With the appointment of Mr. Beattie, Revlon’s Board will be comprised of 14 members, 6 of whom constitute independent Directors under NYSE and SEC standards.

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On November 3, 2016, the Company and Mr. Beattie entered into an agreement setting forth the terms and conditions of his position as Senior Advisor to the Company's CEO (the "Consulting Agreement"). Pursuant to the Consulting Agreement, beginning on the Effective Date, Mr. Beattie will provide advisory services to the CEO related to transition and integration efforts (the "Advisory Services") for up to three years following the Effective Date (the "Advisory Period"). The Company will pay Mr. Beattie a fee of \$500,000 per year (the "Advisory Fees") for as long as Mr. Beattie continues to provide the Advisory Services. The Advisory Fees are inclusive of compensation that Mr. Beattie would have been otherwise eligible to receive for his service as a non-employee member of Revlon's Board. In connection with his appointment to Revlon's Board and his entry into the Consulting Agreement, the Company granted to Mr. Beattie a number of restricted stock units equal to \$3 million divided by the NYSE closing price of Revlon Class A Common Stock on the Effective Date (the "RSU Grant"). The RSU Grant will vest ratably on each of the first three anniversaries of the Effective Date, subject to accelerated vesting upon the occurrence of any "change of control" (as defined in the award agreement evidencing the RSU Grant (the "2016 Restricted Stock Unit Agreement", a copy of which is incorporated by reference into this Form 10-Q as Exhibit 10.2.))

The Company may elect to terminate the Advisory Services prior to the end of the Advisory Period upon the occurrence of any of the following events: (i) Mr. Beattie's willful failure to provide or perform the Advisory Services; (ii) Mr. Beattie's commission of any felony or any crime involving moral turpitude; or (iii) breach by Mr. Beattie of the non-competition, non-solicitation, confidentiality and non-disparagement restrictions contained in the Consulting Agreement, in each case, following notice by the Company and a period to cure (collectively, the "Restrictive Covenants" and any event under (i), (ii) or (iii), "Cause"). The Company may also terminate the Advisory Services at any time, and Mr. Beattie may terminate the Advisory Services if he is not nominated to Revlon's Board for any given year during the Advisory Period, provided that if the Advisory Services are terminated in either of those scenarios, the Company will continue to pay Mr. Beattie the Advisory Fees through the end of the Advisory Period, and Mr. Beattie would remain eligible to continue to vest in the RSU Grant in accordance with the original vesting schedule. Mr. Beattie will receive these same payments and benefits in the event the Advisory Services are terminated as a result of his death or disability. Mr. Beattie's receipt of the Advisory Fees and his eligibility to vest in the RSU Grant are, under all circumstances, subject to his continuous compliance with the Restrictive Covenants. The foregoing description of the Consulting Agreement is qualified in its entirety by reference to the full text of such agreement, a copy of which is incorporated by reference into this Form 10-Q as Exhibit 10.1.

In connection with Mr. Beattie's appointment to serve as non-executive Vice Chairman of Revlon's Board, on November 3, 2016, Revlon's Board approved the amendment and restatement of Revlon's By-laws, effective as of that date, to provide for the role of non-executive Vice Chairman.



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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(except where otherwise noted, all tabular amounts in millions, except share and per share amounts)

Item 6. Exhibits

- Agreement and Plan of Merger, dated June 16, 2016, by and among Revlon, Inc., Revlon Consumer Products Corporation, RR Transaction Corp. and Elizabeth Arden, Inc. (incorporated by reference to Exhibit 2.1 to the
- 2.1 Current Report on Form 8-K of Revlon, Inc. filed with the SEC on June 17, 2016).
- \*3.1 Second Amended and Restated By-Laws of Revlon, Inc., dated November 3, 2016.
- Escrow Agreement, dated as of August 4, 2016, by and among Revlon Escrow Corporation, U.S. Bank National
- 4.1 Association, as trustee, and Citibank, N.A., as escrow agent (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K of Revlon, Inc. filed with the SEC on August 5, 2016).
- Indenture, dated as of August 4, 2016, by and between Revlon Escrow Corporation and U.S. Bank National
- 4.2 Association, as trustee (incorporated by reference to Exhibit 4.2 to the Current Report on Form 8-K of Revlon, Inc. filed with the SEC on August 5, 2016).
- Registration Rights Agreement, dated as of August 4, 2016, by and among Revlon Escrow Corporation, Merrill
- 4.3 Lynch, Pierce, Fenner & Smith Incorporated and Citigroup Global Markets Inc., as representatives of the initial purchasers (incorporated by reference to Exhibit 4.3 to the Current Report on Form 8-K of Revlon, Inc. filed with the SEC on August 5, 2016).
- First Supplemental Indenture, dated as of September 7, 2016, by and among Revlon Consumer Products
- 4.4 Corporation, the guarantors party thereto and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K of Revlon, Inc. filed with the SEC on September 9, 2016).
- Joinder Agreement to the Registration Rights Agreement, dated as of September 7, 2016, by and among Revlon
- 4.5 Consumer Products Corporation, the guarantors party thereto and Merrill Lynch, Pierce, Fenner & Smith Incorporated and Citigroup Global Markets Inc., as representatives of the initial purchasers (incorporated by reference to Exhibit 4.2 to the Current Report on Form 8-K of Revlon, Inc. filed with the SEC on September 9, 2016).
- \*10.1 Consulting Agreement between the Company and E. Scott Beattie, dated November 3, 2016.
- \*10.2 Restricted Stock Unit Agreement between the Company and E. Scott Beattie, dated November 3, 2016.
- Term Loan Agreement, dated as of September 7, 2016, by and among Revlon Consumer Products Corporation,
- 10.3 Revlon, Inc. (solely for the purposes set forth therein), certain lenders party thereto and Citibank, N.A., as administrative agent and collateral agent (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of Revlon, Inc. filed with the SEC on September 9, 2016).
- Asset-Based Revolving Credit Agreement, dated as of September 7, 2016, by and among Revlon Consumer
- 10.4 Products Corporation, certain local borrowing subsidiaries from time to time party thereto, Revlon, Inc. (solely for the purposes set forth therein), certain lenders and issuing lenders party thereto and Citibank, N.A., as administrative agent, collateral agent, issuing lender and swingline lender (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K of Revlon, Inc. filed with the SEC on September 9, 2016).

10.5 Term Loan Guarantee and Collateral Agreement, dated as of September 7, 2016, made by each of the signatories thereto in favor of Citibank, N.A., as collateral agent, for the benefit of the Secured Parties under the Term Loan Agreement (incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K of Revlon, Inc. filed with the SEC on September 9, 2016).

10.6 Holdings Term Loan Guarantee and Pledge Agreement, dated as of September 7, 2016, made by Revlon, Inc. in favor of Citibank, N.A., as collateral agent, for the benefit of the Secured Parties under the Term Loan Agreement (incorporated by reference to Exhibit 10.4 to the Current Report on Form 8-K of Revlon, Inc. filed with the SEC on September 9, 2016).

10.7 ABL Guarantee and Collateral Agreement, dated as of September 7, 2016, made by each of the signatories thereto in favor of Citibank, N.A., as collateral agent, for the benefit of the Secured Parties under the Asset-Based Revolving Credit Agreement (incorporated by reference to Exhibit 10.5 to the Current Report on Form 8-K of Revlon, Inc. filed with the SEC on September 9, 2016).

10.8 Holdings ABL Guarantee and Pledge Agreement, dated as of September 7, 2016, made by Revlon, Inc. in favor of Citibank, N.A., as collateral agent, for the benefit of the Secured Parties under the Asset-Based Revolving Credit Agreement (incorporated by reference to Exhibit 10.6 to the Current Report on Form 8-K of Revlon, Inc. filed with the SEC on September 9, 2016).

10.9 ABL Intercreditor Agreement, dated as of September 7, 2016, among Citibank, N.A., as ABL Agent, Citibank, N.A., as Initial Term Loan Agent, Revlon, Inc., Revlon Consumer Products Corporation, each subsidiary listed therein or that becomes a party thereto and each Other Term Loan Agent from time to time party thereto (incorporated by reference to Exhibit 10.7 to the Current Report on Form 8-K of Revlon, Inc. filed with the SEC on September 9, 2016).

REVLON, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(except where otherwise noted, all tabular amounts in millions, except share and per share amounts)

- 10.10 Preferred Stock Repurchase and Warrant Cancellation Agreement, dated June 16, 2016, by and among Revlon, Inc., Revlon Consumer Products Corporation, RR Transaction Corp., Elizabeth Arden, Inc., Nightingale Onshore Holdings L.P. and Nightingale Offshore Holdings L.P. (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of Revlon, Inc. filed with the SEC on June 17, 2016).
- \*31.1 Certification of Fabian T. Garcia, Chief Executive Officer, dated November 4, 2016, pursuant to Rule 13a-14(a)/15d-14(a) of the Exchange Act.
- \*31.2 Certification of Juan R. Figueroo, Chief Financial Officer, dated November 4, 2016, pursuant to Rule 13a-14(a)/15d-14(a) of the Exchange Act.
- 32.1  
(furnished  
herewith) Certification of Fabian T. Garcia, Chief Executive Officer, dated November 4, 2016, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2  
(furnished  
herewith) Certification of Juan R. Figueroo, Chief Financial Officer, dated November 4, 2016, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- \*101.INS XBRL Instance Document
- \*101.SCH XBRL Taxonomy Extension Schema
- \*101.CAL XBRL Taxonomy Extension Calculation Linkbase
- \*101.DEF XBRL Taxonomy Extension Definition Linkbase
- \*101.LAB XBRL Taxonomy Extension Label Linkbase
- \*101.PRE XBRL Taxonomy Extension Presentation Linkbase
- \*Filed herewith.

SIGNATURES

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

Dated: November 4, 2016

Revlon, Inc.  
(Registrant)

By: /s/ Fabian T. Garcia  
Fabian T. Garcia  
President,  
Chief Executive Officer and  
Director

By: /s/ Juan R. Figuero  
Juan R. Figuero  
Executive Vice President and  
Chief Financial Officer

By: /s/ Siobhan Anderson  
Siobhan Anderson  
Senior Vice President,  
Chief Accounting Officer,  
Corporate Controller, Treasurer  
and Investor Relations