



**REVLON**  
2016 ANNUAL REPORT

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# A MESSAGE TO OUR STOCKHOLDERS



“ It is our objective to create a new culture which harnesses teamwork and a passion for innovation, creativity, and a contemporary celebration of the heritage of our iconic brands. ”

Dear Fellow Stockholders,

2016 was a year of transformation for Revlon as we acquired the Elizabeth Arden business and became a larger, more diversified global company with greater scale, an expanded global footprint, and enhanced presence across all major beauty categories and channels. Coming together as one company, we have begun to create a stronger and more competitive brand-centric organization; more focused on consumers and better able to leverage the significant growth opportunities available to us. With a broader portfolio of brands and products, we are now able to reach beauty consumers wherever and however they shop.

We have already taken important steps that build on the rich history of our two beauty companies and their legacies. In addition to building a strong and sustainable growth trajectory, our ambition is to become one company that is entrepreneurial, agile and nimble; one company of strategic brand-builders, marketing a diverse portfolio of iconic brands that delight consumers around the world; one company that values how we conduct business as much as the results we achieve; and one company that believes in the transformative power of beauty.

With our new brand-centric operating structure and an enhanced leadership team with deep experience in the beauty sector, we are well positioned to navigate the changing global consumer landscape and the challenges and opportunities it presents. As consumer expectations and purchasing behaviors shift, it becomes increasingly important that we advance our digital capabilities, accelerate our innovation process, and ensure that we are delivering consistent, authentic and exceptional brand experiences.

We have already begun to leverage the strengths of our combined brand portfolio, resources and capabilities. And we have done this while maintaining our focus on the detailed planning and execution that have helped us to successfully avoid the disruptions that are common when integrating two companies of our size. We are ahead of our original projections for cost synergies and have begun to execute against revenue opportunities. There is still a lot of work to be done to ensure that we optimize the value creation that this merger presents, but we are encouraged by our progress thus far.

Reflecting on 2016, while our US mass and prestige businesses experienced some challenges related to consumer channel shifting, our international business achieved strong growth, demonstrating the strength of our iconic brands and their broad global appeal. Our professional brands, led by American Crew and Revlon Professional, further reinforced our strong position with the professional salon community.

As a combined company, we are now able to compete in the strategic and growing skin-care and fragrance categories, with an expanded portfolio of brands and products that positions us to satisfy the full range of beauty consumers' needs. The opportunities for geographic expansion are significant. The Elizabeth Arden acquisition provides a base in China that gives us the capability to strategically expand Revlon's strong position in Japan, for a greater combined presence in Asia, one of the fastest growing regions in the beauty sector. In addition, the power of our combined portfolio significantly improves access to faster growing territories in Latin America, while strengthening our position in important developed countries such as Germany, the UK and Australia.

Along with the transformation of our business model, we will also strive to build to a new company culture that is highly collaborative, where high standards, disruptive creativity, and excellent execution coexist; a culture that attracts and retains the new generations of talent; where it's fun and rewarding to come to work; a culture capable of reestablishing Revlon and Elizabeth Arden to the status in the industry we once held, as trendsetters, pioneers and innovators.

Our three-pronged strategy will enable us to achieve our long-term growth aspirations and more effectively compete in the rapidly growing global beauty industry and realize our ambition to become a top ten beauty company. The fundamental principles of this strategy are to:

- Strengthen our brands, and restore their relevance among consumers, especially millennials
- Expand access to our brands wherever and however consumers shop for beauty
- Optimize our cost structures to release incremental funds to invest in our brands

In the coming year, we will continue to develop new customer partnerships and digital capabilities to engage directly with consumers and enhance our brands' relevance to younger consumers. We will build on our strategies to capture our fair share of growth online and in other fast-growing channels, particularly beauty specialty stores which have become an important destination for beauty shoppers. We will strategically expand our geographic presence to larger and faster-growing beauty regions.

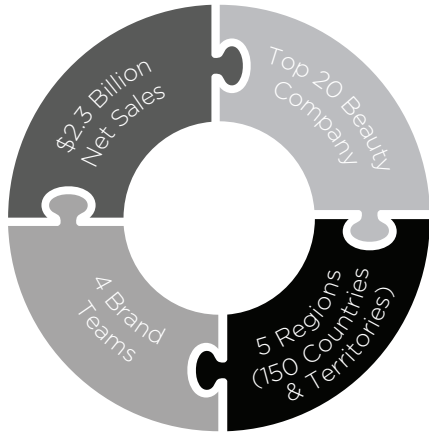
In summary, I am encouraged by the opportunities presented by the strength and resilience of our iconic brands and in the actions that we are taking to enhance their leadership position; confident in our strategies to drive growth across channels and in key geographies, especially Asia; and certain that we have the team, brands, and capabilities that it takes to build a world-class beauty competitor and create sustainable value for our stockholders.



Fabian T. Garcia  
President & CEO

# OUR COMPANY

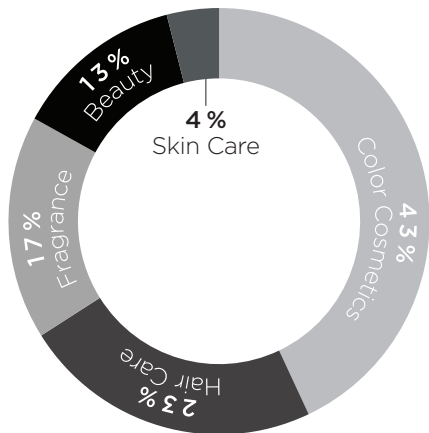
## OUR BUSINESS



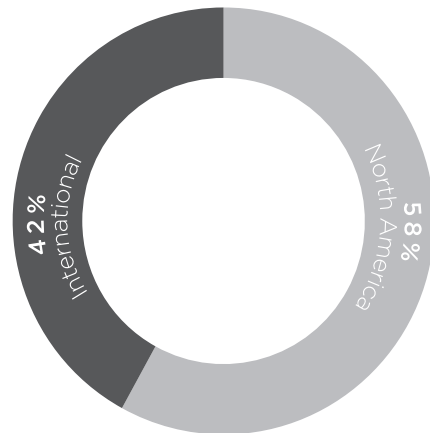
## OUR BRANDS



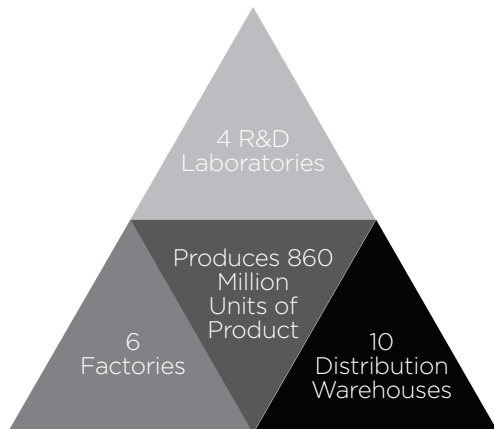
**NET SALES BY CATEGORY (2016 As Reported)**



**NET SALES BY REGION (2016 As Reported)**



## OUR FOOTPRINT



## OUR WORKFORCE



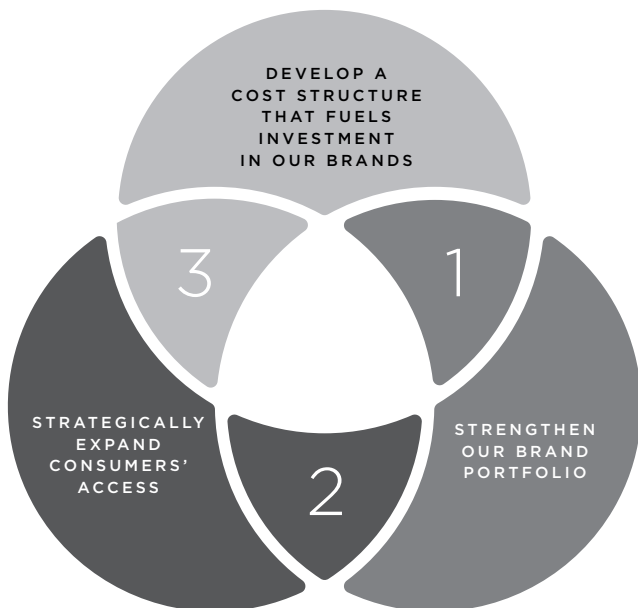
7,300 Full-Time Employees

**GEOGRAPHIC  
REGIONS**



“ The acquisition of Elizabeth Arden enhances our geographic position and provides an expanded footprint from which we will build upon. Although our business remains strongly based in the US, we now have strategic access to some of the fastest-growing beauty territories in the world, and will continue to leverage our commercial expertise and customer relationships to accelerate our strong international growth trajectory. ”

**GIANNI PIERACCIONI**  
Chief Operating Officer, Markets



**OUR  
STRATEGY**

- 1  
Strengthen our brands, and restore their relevance among consumers, especially millennials
- 2  
Expand access to our brands wherever and however consumers shop for beauty
- 3  
Optimize our cost structures to release incremental funds to invest in our brands

# OUR VISION



## OUR BELIEFS

We believe in the transformative power of BEAUTY, which connects us to the world and enables us to realize our best selves.

## WHO WE ARE

We are entrepreneurial, agile and nimble. We are admired for our bold creativity and passion for beauty, and we are trendsetters, pioneers and innovators. We are highly collaborative and embrace diversity in all forms. We strive for excellence.

## OUR COMPETENCIES

We are strategic brand-builders, developing a diverse portfolio of iconic brands that delight consumers around the world, wherever and however they shop for beauty.

## HOW WE CONDUCT BUSINESS

We are a highly ethical company that is respected for the responsible way we achieve business performance and for our commitment to sustainability.



OUR  
BRANDS  
REVLON



“ Since its founding, Revlon has defined itself as an innovator and color authority that enables women to feel unforgettable and look more glamorous. As a long-standing champion for women’s health, the brand is committed to the progress and well-being of women around the world. From on-trend color cosmetics, with high-performance beauty tools that create the latest looks, to its professional hair color and care expertise, Revlon helps women realize their very best selves every day. ”

**ANNE TALLEY**  
President Revlon Brands

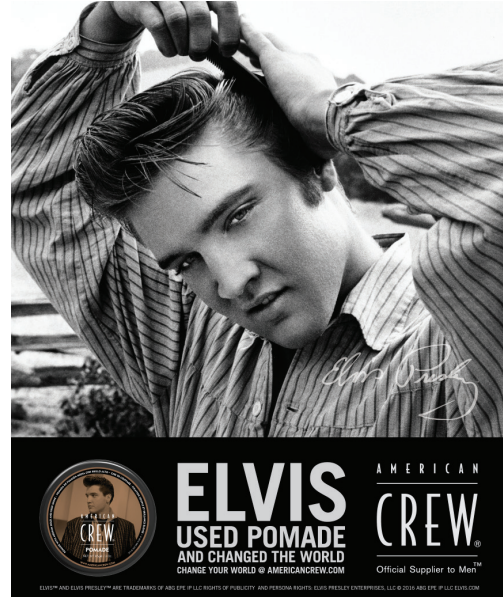
OUR  
BRANDS  
ELIZABETH ARDEN



“ Inspired by its legendary founder and suffragette, Elizabeth Arden continues to pioneer sophisticated beauty solutions with high-performance skincare and professional treatment lines, skincare-infused color cosmetics, and signature fine fragrances. The brand remains as committed to innovation and cutting-edge services as it was a century ago. ”

**SERGE JUREIDINI**  
President Elizabeth Arden & Fragrances

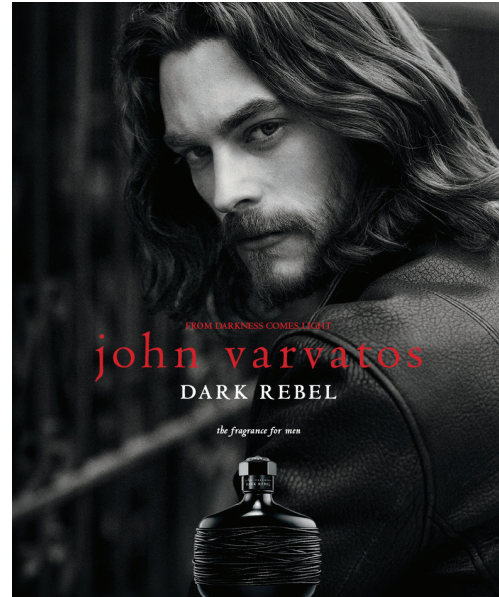
OUR  
BRANDS  
PORTFOLIO BRANDS



“ Our Portfolio Brands division includes international color cosmetic, hair care, and personal care brands that meet the performance expectations and beauty and grooming needs of women and men around the world. Leading brands like Almay, American Crew, CND, Cutex and SinfulColors enhance the diversity of the Company’s portfolio of high quality beauty offerings. ”

**SENNEN PAMICH**  
President Portfolio Brands

OUR  
BRANDS  
GLOBAL FRAGRANCES



“ Our diverse portfolio of designer, lifestyle and celebrity fragrances provides consumers with a compelling selection of fine signature scents including John Varvatos, Juicy Couture, Elizabeth Taylor, Curve, Britney Spears, and Christina Aguilera, and enhances our strategic offerings in the growing global fragrance category. ”

**SERGE JUREIDINI**  
President Elizabeth Arden & Fragrances

2016  
HIGHLIGHTS



1. Revlon's second Million Dollar Challenge raises over \$6.3M for women's charities.
2. Elizabeth Arden launches PREVAGE® City Smart™.
3. John Varvatos launches Artisan Blu Fragrance.
4. New York Stock Exchange Opening Bell Ceremony.
5. Revlon Ultra HD Matte Lip Color launch.
6. Juicy Couture celebrates Viva La Juicy and launches Viva La Juicy Rosé.
7. Elizabeth Arden opens at Daimaru in the New World Mall in Shanghai.
8. American Crew pays homage to Elvis Presley™ with a range of grooming products.

BOARD OF  
DIRECTORS

**RONALD O. PERELMAN**

Chairman of the Board, Revlon, Inc.  
Chairman and Chief Executive Officer,  
MacAndrews & Forbes Incorporated

**E. SCOTT BEATTIE**

Vice Chairman

**ALAN S. BERNIKOW**

Retired Deputy Chief Executive Officer  
Deloitte & Touche LLP

**VIET D. DINH**

Partner  
Kirkland & Ellis LLP

**MEYER FELDBERG**

Dean Emeritus, Columbia Business School  
Senior Advisor, Morgan Stanley

**FABIAN T. GARCIA**

President & Chief Executive Officer

**ROBERT K. KRETZMAN**

Retired Executive Vice President  
Revlon, Inc.

**CECI KURZMAN**

President & Founder  
Nexus Management Group, Inc.

**PAUL MEISTER**

President  
MacAndrews & Forbes Incorporated

**TAMARA MELLON**

President  
TMellon Enterprises LLC

**DEBRA G. PERELMAN**

Executive Vice President  
Strategy & New Business Development  
MacAndrews & Forbes Incorporated

**PAUL SAVAS**

Executive Vice President &  
Chief Financial Officer  
MacAndrews & Forbes Incorporated

**BARRY F. SCHWARTZ**

Vice Chairman  
MacAndrews & Forbes Incorporated

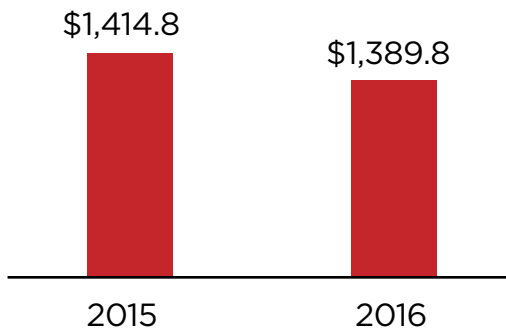
**CRISTIANA FALCONE SORRELL**

Senior Advisor to the Chairman  
World Economic Forum

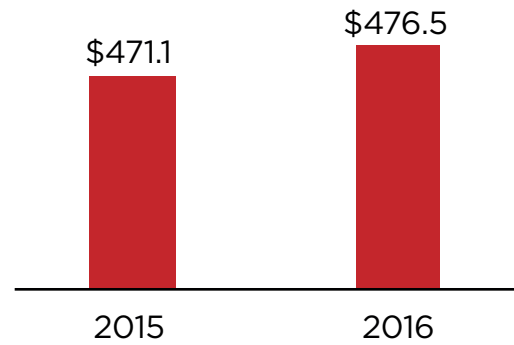
# OUR PERFORMANCE

NET SALES  
(As Reported-\$ in millions)

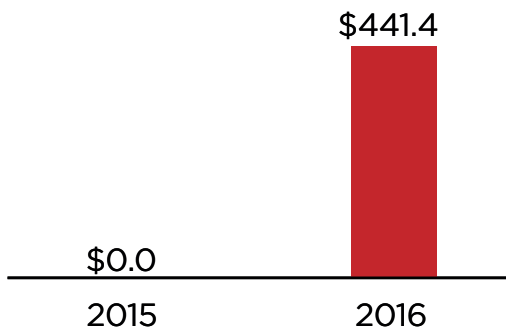
## CONSUMER



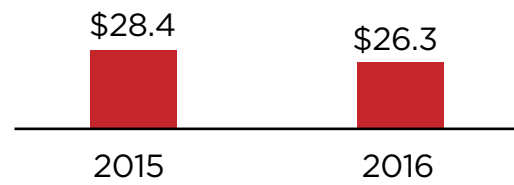
## PROFESSIONAL



## ELIZABETH ARDEN



## OTHER



# C O R P O R A T E & I N V E S T O R I N F O R M A T I O N

The Company's Annual Report on Form 10-K for the year ended December 31, 2016, filed with the SEC on March 3, 2017, is available without charge upon written request to:

Revlon, Inc.  
One New York Plaza  
New York, NY 10004  
Attention: Investor Relations

A printable copy of such report is also available on the Company's corporate website, [www.revloninc.com](http://www.revloninc.com), as well as on the SEC's website at [www.sec.gov](http://www.sec.gov).

## INVESTOR RELATIONS

### **SIOBHAN ANDERSON**

Senior Vice President  
Chief Accounting Officer, Corporate Controller,  
Treasurer and Investor Relations  
212-527-4000

## MEDIA RELATIONS

### **PAMELA ALABASTER**

Senior Vice President  
Corporate Communications &  
Corporate Social Responsibility  
212-527-5863



# CONSUMER INFORMATION

## CONSUMER INFORMATION CENTER

1-800-4-Revlon (1-800-473-8566)

### VISIT OUR WEBSITES

#### FOR INVESTORS:

[www.revloninc.com](http://www.revloninc.com)

#### FOR CONSUMERS:

[almay.com](http://almay.com)

[americancrew.com](http://americancrew.com)

[cnd.com](http://cnd.com)

[cremeofnature.com](http://cremeofnature.com)

[cutex.com](http://cutex.com)

[elizabetharden.com](http://elizabetharden.com)

[mitchum.com](http://mitchum.com)

[revlon.com](http://revlon.com)

[revlonprofessional.com](http://revlonprofessional.com)

[sinfulcolors.com](http://sinfulcolors.com)

This Annual Report contains forward-looking statements which represent certain expectations, beliefs and estimates of the Company's management, including, among other things: (i) the Company's beliefs and expectations regarding the benefits and other impacts of the Elizabeth Arden acquisition and integrating the Revlon and Elizabeth Arden companies, including, without limitation, that: (A) coming together as one company, we have begun to create a stronger and more competitive brand-centric organization; more focused on consumers and better able to leverage the significant growth opportunities available to us; (B) we are building a strong and sustainable growth trajectory; (C) the acquisition of Elizabeth Arden enhances our geographic position and provides significant opportunities for geographic expansion and an expanded footprint from which we will build upon, including a base in China that gives us the capability to strategically expand Revlon's strong position in Japan, for a greater combined presence in Asia, one of the fastest growing regions in the beauty sector; (D) we are encouraged by the opportunities presented by the strength and resilience of our iconic brands and in the actions that we are taking to enhance their leadership position; confident in our strategies to drive growth across channels and in key geographies, especially Asia; and certain that we have the team, brands, and capabilities that it takes to build a world-class beauty competitor and create sustainable value for our stockholders; and (E) we will continue to leverage our commercial expertise and customer relationships to accelerate our strong international growth trajectory; (ii) the Company's belief that we are ahead of our original projections for cost synergies and have begun to execute against revenue opportunities, and there is still a lot of work to be done to ensure that we optimize the value creation that the Elizabeth Arden merger presents, and our being encouraged by our progress thus far; (iii) the Company's expectation that along with the transformation of our business model, we will also strive to build to a new company culture that is highly collaborative, where high standards, disruptive creativity, and excellent execution co-exist; a culture that attracts and retains the new generations of talent; where it's fun and rewarding to come to work; a culture capable of reestablishing Revlon and Elizabeth Arden to the status in the industry we once held, as trend setters, pioneers and innovators; (iv) the Company's expectation that our three-pronged strategy will enable us to achieve our long-term growth aspirations and more effectively compete in the rapidly growing global beauty industry and realize our ambition to become a top ten beauty company; (v) the Company's expectation that in the coming year, we will continue to develop new customer partnerships and digital capabilities to engage directly with consumers and enhance our brands' relevance to younger consumers; and (vi) the Company's expectation that we will build on our strategies to capture our fair share of growth online and in other fast-growing channels, particularly beauty specialty stores which have become an important destination for beauty shoppers, and we will strategically expand our geographic presence to large and faster growing beauty regions. While the Company believes that its forward-looking statements 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 actual results. Forward-looking statements involve risks, uncertainties and other factors that could cause the Company's actual results to differ materially from those expressed in any forward-looking statements. Please see Part I, Item 1A. "Risk Factors" and Part II, "Forward-Looking Statements" in our Annual Report on Form 10-K included in this Annual Report for a description of certain risks, uncertainties and other factors, as well as other important information with respect to our forward-looking statements. Additional important factors that could cause actual results to differ materially from those indicated by the Company's forward-looking statements include risks and uncertainties relating to unanticipated circumstances or results affecting the Company's financial performance and or sales growth, such as less than anticipated growth due to, among other things, less than effective product development, less than expected acceptance of our new or existing products, our advertising, promotional, pricing and/or marketing plans and/or brand communication, 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 our new product launches and/or less than expected levels of execution with our customers or higher than expected costs and expenses. Revlon, Inc. filed the CEO and CFO certifications required under Section 302 of the Sarbanes-Oxley Act of 2002 as Exhibits 31.1 and 31.2, respectively, to its Annual Report on Form 10-K for the fiscal year ended December 31, 2016, as filed with the SEC on March 3, 2017. On June 30, 2016, Revlon, Inc. filed the Annual CEO Certification with the NYSE, without qualification, pursuant to Section 303A.12(a) of the NYSE Listed Company Manual.

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

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**FORM 10-K**

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(Mark One)

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

For the fiscal year ended December 31, 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**

(State or other jurisdiction of incorporation or organization)

**One New York Plaza, New York, New York**

(Address of principal executive offices)

**13-3662955**

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

**10004**

(Zip Code)

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

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

Title of each class

Name of each exchange on which registered

Class A Common Stock

New York Stock Exchange

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

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

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

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 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

The aggregate market value of the registrant's Class A Common Stock held by non-affiliates (using the New York Stock Exchange closing price as of June 30, 2016, the last business day of the registrant's most recently completed second fiscal quarter) was approximately \$380,644,541.

As of December 31, 2016, 52,520,146 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.

**DOCUMENTS INCORPORATED BY REFERENCE**

**Portions of Revlon, Inc.'s definitive Proxy Statement to be delivered to stockholders in connection with its Annual Stockholders' Meeting to be held on or about May 31, 2017 are incorporated by reference into Part III of this Form 10-K.**

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# REVLON, INC. AND SUBSIDIARIES

## Form 10-K

For the Year Ended December 31, 2016

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## PART I - FINANCIAL INFORMATION

### Item 1. Business

#### Background

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. 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 was founded over 85 years ago by Charles Revson, who revolutionized the cosmetics industry by introducing nail enamels matched to lipsticks in fashion colors. Today, the Company continues Revson’s legacy by producing and marketing innovative products that address consumers’ wants and needs for beauty and personal care products.

The Company operates in four reporting segments: the consumer division (“Consumer”); the professional division (“Professional”); Elizabeth Arden; and Other. The Elizabeth Arden segment consists entirely of the business acquired pursuant to Products Corporation’s September 7, 2016 acquisition of Elizabeth Arden, Inc. (“Elizabeth Arden,” the “Elizabeth Arden Acquisition” and the “Elizabeth Arden Acquisition Date,” respectively). The Professional segment consists entirely of the business acquired pursuant to Products Corporation’s October 9, 2013 acquisition of The Colomer Group Participations, S.L., a Spanish company now known as Beautyge Participations, S.L. (“Colomer,” the “Colomer Acquisition” and the “Colomer Acquisition Date,” respectively). The Other segment includes the business acquired pursuant to the Company’s April 2015 acquisition of the CBBBeauty Group and certain of its related entities (collectively “CBB” and, such transaction, the “CBB Acquisition”).

The Company is a leading global beauty company with an iconic portfolio of brands. The Company develops, manufactures, markets, distributes and sells worldwide an extensive array of beauty and personal care products, including color cosmetics, hair color, hair care and hair treatments, fragrances, skin care, 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’s Consumer segment is comprised of products that are marketed, distributed and sold in 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 cosmetic stores and perfumeries in the U.S. and internationally under brands such as **Revlon**, **Almay**, **SinfulColors** and **Pure Ice** in cosmetics; **Revlon ColorSilk** in women’s hair color; **Revlon** in beauty tools; and **Mitchum** in anti-perspirant deodorants. The Consumer segment also includes a skin care line under the **Natural Honey** brand and hair color line under the **Llongueras** brand (licensed from a third party), that are sold in large volume retailers and other retailers, primarily in Spain. In October 2015 and in May 2016, the Company completed the Cutex U.S. Acquisition and the Cutex International Acquisition (each as hereinafter defined) and the results of operations relating to the sales of **Cutex** nail care products are included within the Consumer segment.

The Company’s Professional segment markets, distributes and sells professional products primarily to hair and nail salons and professional salon distributors in the U.S. and internationally under brands such as **Revlon Professional** in hair color, hair care and hair treatments; **CND** in nail polishes and nail enhancements, including **CND Shellac** and **CND Vinylux** nail polishes; and **American Crew** in men’s grooming products. The Professional segment also includes a multi-cultural hair care line consisting of **Creme of Nature** hair care products, which are sold in both professional salons and in large volume retailers and other retailers, primarily in the U.S.

The Elizabeth Arden segment markets, distributes and sells fragrances, skin care and color cosmetics to prestige retailers, specialty stores, the mass retail channel, distributors, perfumeries, department stores, boutiques, travel retailers and other retailers in the U.S. and internationally, as well as direct sales to consumers via its Elizabeth Arden Red Door branded retail stores, Elizabeth Arden.com e-commerce business and Elizabeth Arden Red Door Spa beauty salons and spas under brands such as **Skin Illuminating**, **SUPERSTART**, **Prevage**, **Eight Hour Cream**, **Elizabeth Arden Ceramide** and **Visible Difference** in the Elizabeth Arden skin care brands; **Elizabeth Arden Red**

**Door, Elizabeth Arden 5th Avenue, Elizabeth Arden Green Tea and UNTOLD** in Elizabeth Arden fragrances; **Juicy Couture, John Varvatos and Wildfox Couture** in designer fragrances; and **Curve, Elizabeth Taylor, Britney Spears, Christina Aguilera, Halston, Ed Hardy, Geoffrey Beene, Alfred Sung, Giorgio Beverly Hills, Lucky Brand, PS Fine Cologne for Men, White Shoulders and Jennifer Aniston** in heritage fragrances.

The Other segment includes the operating results of the CBB business and related purchase accounting for the CBB Acquisition. CBB develops, 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 results included within the Other segment are not material to the Company's consolidated results of operations.

## **Our Business Strategy for Value Creation**

Our strategy is based on three key pillars:

*Strengthen Our Portfolio of Brands.* The Company intends to continue to develop the leadership and aspiration for our flagship brands; Revlon, Elizabeth Arden and Almay. The Company is continuing to develop our product offerings across beauty segments with a focus on large and/or fast growing categories. We are leveraging our creativity, insights and agility to accelerate innovation to develop trend-relevant and first-of-its kind beauty solutions. We aim to delight our customers with high performing products, superior services and unique experiences that exceed their expectations. And we will continue to communicate our brands' heritage, expertise and purpose to create authentic, meaningful and lasting connections with consumers of all ages.

*Strategically Expand Consumer's Access to Our Brands.* The Company is taking steps to ensure that consumers have real-time access to our brands wherever and however they shop for beauty. We are strengthening and diversifying our channels, especially direct to consumer. We are accelerating our development in high-growth channels, with a focus on specialty e-commerce and m-commerce. Our goal is to continue to win in traditional channels (including mass, drug, selective and department stores) and expand our combined reach into travel retail. The Company is taking actions to strengthen its position in the U.S., to ensure our growth base, and expand into untapped geographic regions, with a focus on growth in Asia.

*Develop a Cost Structure That Fuels Investment in Our Brands.* The Company aims to grow profitably, improve its operating performance and align its strategic investments behind the biggest growth opportunities and innovation that differentiates our brands. We continue to improve our category mix by shifting toward higher gross margin categories (e.g., skin care and fragrance) and we aim to reduce product returns, markdowns and inventory levels. Our objective is to optimize resource allocation.

## **Recent Transactions**

### *The Elizabeth Arden Acquisition*

On the Elizabeth Arden 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. ("Acquisition Sub," then a wholly-owned subsidiary of Products Corporation), and Elizabeth Arden. On the Acquisition Date, Elizabeth Arden merged (the "Merger") with and into Acquisition Sub, with Elizabeth Arden surviving the Merger as a wholly-owned subsidiary of Products Corporation. The Company anticipates achieving growth through opportunities presented by the combined company's expanded sales channels and geographies, a broadened product portfolio and cost synergy opportunities. The results of operations of Elizabeth Arden are included in the Company's Consolidated Financial Statements commencing on the Elizabeth Arden Acquisition Date. For the net sales and segment profit related to Elizabeth Arden operations for the period from the Elizabeth Arden Acquisition Date through December 31, 2016, refer to the Elizabeth Arden segment disclosure in Note 19, "Segment Data and Related Information."

In December 2016, in connection with integrating the Elizabeth Arden and Revlon organizations, the Company determined to begin the process of implementing certain integration activities, including consolidating offices, eliminating certain duplicative activities and streamlining back-office support, (the "EA Integration Restructuring Program"). The EA Integration Restructuring Program is designed to reduce the Company's selling, general and administrative ("SG&A") expenses. As a result of the EA Integration Restructuring Program, the Company expects to eliminate approximately 350 positions worldwide and expects to recognize approximately \$65 million to \$75 million of total pre-tax restructuring and related charges (the "EA Integration Restructuring Charges"),

consisting of: (i) approximately \$40 million to \$50 million of employee-related costs, including severance, retention and other contractual termination benefits; (ii) approximately \$15 million of lease termination costs; and (iii) approximately \$10 million of other related charges.

As a result of the EA Integration Restructuring Program, as well as other actions related to integrating the Elizabeth Arden organization into the Company's business, the Company has identified annualized synergies and cost reductions of approximately \$190 million. The approximately \$190 million of expected annualized synergies and cost reductions are expected to be generated over a multi-year period, with approximately 90% expected to be achieved by the end of 2020. For 2016, the Company realized approximately \$3 million of these annualized cost reductions, which primarily benefited the Elizabeth Arden segment results.

See Note 2, "Business Combinations," and Note 3, "Restructuring Charges - EA Integration Restructuring Program," to the Consolidated Financial Statements in this Form 10-K for further details on the Elizabeth Arden Acquisition and the EA Integration Restructuring Program.

#### *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 United Kingdom (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 U.S. Acquisition"), combined with other Cutex businesses that the Company acquired in 1998, the Cutex International Acquisition completed the Company's global consolidation of the Cutex brand, enhancing and complementing the Company's existing 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. See Note 2, "Business Combinations," to the Consolidated Financial Statements in this Form 10-K for further details related to the Cutex International Acquisition.

#### *Debt-Related 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," with such agreement being the "2016 Revolving Credit Facility Agreement" and together with the 2016 Term Loan Agreement, the "2016 Credit Agreements" and with the 2016 Revolving Credit Facility together with the 2016 Term Loan Facility, being the "2016 Senior Credit Facilities"). As part of financing the Elizabeth Arden Acquisition, in August 2016, Products Corporation also completed the issuance of \$450.0 million aggregate principal amount of 6.25% Senior Notes due 2024 (the "6.25% Senior Notes" and the "6.25% Senior Notes Offering," respectively), which funds were released from escrow on the Elizabeth Arden Acquisition Date. In connection with entering into the 2016 Senior Credit Facilities, Products Corporation maintained on the 2016 Term Loan Facility its existing floating-to-fixed 2013 Interest Rate Swap (as hereinafter defined) based on a notional amount of \$400 million that previously applied to Products Corporation's Old Acquisition Term Loan (as defined below), which loan was refinanced in full in connection with Products Corporation's consummation of the 2016 Senior Credit Facilities and the 6.25% Senior Notes Offering.

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: (A) to fund the Elizabeth Arden Acquisition including: (i) repurchasing the entire \$350.0 million aggregate principal amount outstanding of Elizabeth Arden's then-existing Senior Notes (the "Elizabeth Arden Senior Notes"); (ii) repaying the entire \$142.0 million aggregate principal amount of borrowings outstanding as of the Elizabeth Arden Acquisition Date under Elizabeth Arden's \$300.0 million revolving credit facility (which facility was terminated upon such repayment); (iii) repaying the entire \$25.0 million aggregate principal amount of borrowings outstanding as of the Elizabeth Arden Acquisition Date under Elizabeth Arden's second lien credit facility (which facility was terminated upon such repayment); and (iv) retiring the entire \$55.0 million liquidation preference of all 50,000 shares of Elizabeth Arden's issued and outstanding preferred stock (which amount included a \$5.0 million change of control premium); and (B) to completely refinance and repay all of the \$651.4 million in aggregate principal balance outstanding under Products Corporation's then-existing 2011

term loan (the “2011 Term Loan”) and all of the \$658.6 million in aggregate principal balance outstanding under Products Corporation’s 2013 term loan that was incurred in connection with completing the Colomer Acquisition (each of which facilities were terminated upon such repayment) (the “Old Acquisition Term Loan” and together with the 2011 Term Loan, the “Old Term Loan Agreement” and the “Old Term Loan Facility,” respectively). The Company did not incur any material early termination penalties in connection with repaying the Old Term Loan Facility or the Elizabeth Arden indebtedness and preferred stock.

In February 2016, Products Corporation prepaid \$23.2 million of indebtedness, then outstanding under the Old Term Loan Facility, representing 50% of its 2015 “excess cash flow” as defined by, and as required under, the Old Term Loan Agreement. The prepayment was applied on a ratable basis between the principal amounts outstanding under the 2011 Term Loan and the Old 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 Old Acquisition Term Loan reduced Products Corporation’s future annual amortization payments such loan on a ratable basis from \$6.9 million prior to the prepayment to \$6.8 million after giving effect to the prepayment.

See Part II, Item 7 - “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Financial Condition, Liquidity and Capital Resources – Long-Term Debt Instruments” for further discussion of the above debt transactions.



## Products

Revlon conducts business exclusively through Products Corporation. The Company develops, manufactures, markets, distributes and sells a variety of beauty and personal care products worldwide. The following table sets forth the Company's principal brands that are included in its Consumer, Professional, Elizabeth Arden and Other segments by product category:

Segment	COSMETICS	HAIR	MEN'S GROOMING	BEAUTY TOOLS	FRAGRANCES		ANTI-PERSPIRANT DEODORANTS	SKIN CARE / BODY CARE
					Owned	Licensed*		
Consumer	Revlon Almay SinfulColors Pure Ice Cutex	Revlon ColorSilk Llongueras*		Revlon	Charlie Jean Naté		Mitchum	Gatineau Natural Honey
Professional	CND	Revlon Professional Intercosmo Orofluido UniqOne Creme of Nature	American Crew d:fi					
Elizabeth Arden	Elizabeth Arden				Curve Giorgio Beverly Hills Halston Elizabeth Arden 5th Avenue Elizabeth Arden Green Tea Red Door Always Red White Shoulders PS Fine Cologne for Men	Elizabeth Taylor Britney Spears Ed Hardy Jennifer Aniston Lucky Brand Geoffrey Beene Alfred Sung Christina Aguilera Juicy Couture John Varvatos Wildfox Couture Mariah Carey	Visible Difference SUPERSTART Prevage Eight Hour Cream Elizabeth Arden Pro Elizabeth Arden Ceramide	

\* Licensed from a third party

The Company operates in four operating segments: Consumer; Professional; Elizabeth Arden; and Other, which also comprise the Company's reportable segments. For certain information regarding the Company's segments and foreign and domestic operations, refer to Note 19, "Segment Data and Related Information," to the Company's Audited Consolidated Financial Statements in this Form 10-K.

### Consumer Segment:

The Company's Consumer segment includes cosmetics, hair color and hair care, beauty tools, fragrances, anti-perspirant deodorants and skin care products sold in approximately 150 countries in 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.

Cosmetics - The Company manufactures and markets a broad range of cosmetics, including face, lip, eye and nail products. Certain of the Company's products incorporate patented, patent-pending or proprietary technology. See "Research and Development."

- **Revlon:** The Company sells a broad range of cosmetics under its flagship **Revlon** brand, which are designed to fulfill consumer wants and needs and are principally priced in the upper range for large volume

retailers. The **Revlon** brand is comprised of face makeup, including foundation, powder, blush and concealers; lip makeup, including lipstick, lip gloss and lip liner; eye makeup, including mascaras, eyeliners, eye shadows and brow products; and nail color and nail care lines. **Revlon** products include innovative formulas and attractive colors that appeal to a wide range of consumers. The following are the key franchises within the **Revlon** brand:

- **Revlon ColorStay** offers consumers a full range of products with long-wearing technology;
  - **Revlon PhotoReady** products that are offered in face and eye makeup and are designed with innovative photochromatic pigments that bend and reflect light to give a flawless, airbrushed appearance in any light;
  - **Revlon Age Defying**, which consists of face makeup for women in the over-35 age bracket, with ingredients to help reduce the appearance of fine lines and wrinkles;
  - **Revlon Super Lustrous**, which is the Company's flagship wax-based lipcolor and is offered in a wide variety of shades of lipstick and lip gloss; and
  - **Revlon Mascara**, which consists of a collection of five mascaras, each with a distinct lash benefit including lash definition, length, volume, magnified volume and length, and a high impact all-in-one formula.
- **Almay**: The Company's **Almay** brand consists of hypo-allergenic, dermatologist-tested, fragrance-free cosmetics and skin care products. The **Almay** brand is comprised of face makeup, including foundation, pressed powder, primer and concealer; eye makeup, including eye shadows, mascaras and eyeliners; lip makeup; and makeup removers. Key franchises within the **Almay** brand include **Almay Smart Shade** in face; **Almay Intense i-Color** in eye; and **Almay Color + Care** in lip.
  - **SinfulColors** and **Pure Ice**: The Company's **SinfulColors** and **Pure Ice** brands consist primarily of value-priced nail enamels, available in many bold, vivid and on-trend colors.
  - **Cutex**: The Company's **Cutex** brand consists of a full range of nail care products, including nail polish remover, nail enamels, nail tools and hand and nail care treatments.

Hair - The Company sells both hair color and hair care products throughout the world to large volume retailers and other retailers, primarily under the Company's **Revlon ColorSilk** franchise, as well as under the premium priced **Llongueras** brand (licensed from a third party) in Spain. **Revlon ColorSilk** products provide radiant, long-lasting color that leaves hair nourished, hydrated and ultra-conditioned.

Beauty tools - The Company sells **Revlon** beauty tools, which include nail, eye and manicure and pedicure grooming tools, eye lash curlers and a full line of makeup brushes under the **Revlon** brand name.

Fragrances - The Company sells a selection of moderately-priced fragrances in its Consumer segment, including perfumes, eau de toilettes, colognes and body sprays. The Company's fragrance portfolio within its Consumer segment includes fragrances under globally-recognized brand names such as **Charlie** and **Jean Naté**.

Anti-perspirant deodorants - The Company sells **Mitchum** anti-perspirant deodorant products for men and women, with patented ingredients that provide consumers with up to 48 hours of protection.

Skin care - Within its Consumer segment, the Company sells certain skin care products in the U.S. and in other countries under various regional brands, including the Company's **Natural Honey** and **Gatineau** brands.

### **Professional Segment:**

The Company's Professional segment includes a comprehensive lineup of products sold to hair and nail salons and professional salon distributors, including hair color, shampoos, conditioners, styling products, nail polishes and nail enhancements. The Professional segment also includes a multi-cultural line sold in both professional salons, large volume retailers and other retailers.

Professional brands -

- **Revlon Professional**: The Company's **Revlon Professional** brand includes hair color, hair care and hair treatment products that are distributed exclusively to professional salons, salon professionals and salon

distributors and are sold in more than 80 countries. **Revlon Professional** is synonymous with innovation, fashion and technology to service the most creative salon professionals and their clients. **Revlon Professional** salon products include **Revlonissimo NMT**, **Nutri Color Creme**, **Sensor Perm** and **Revlon Professional Equave**.

- **American Crew** and **d:fi**: The Company sells men's shampoos, conditioners, gels and other hair care and men's grooming products for use and sale by professional salons under the **American Crew** brand name. **American Crew** is the "Official Supplier to Men" of quality grooming products that provide the ultimate usage experience and enhance a man's personal image. American Crew is the leading salon brand created specifically for men and is sold in more than 50 countries. The Company also sells unisex hair products under the **d:fi** brand, which is a value-priced full line of cleansing, conditioning and styling products.
- **CND**: The Company sells nail enhancement systems and nail color and treatment products and services for use by the professional nail salon industry under the **CND** brand name. CND-branded professional nail, hand and foot care products are sold in more than 80 countries. CND nail products include:
  - **CND Shellac** brand 14+ day nail color system, which delivers 14+ days of flawless wear, superior color and mirror shine with zero dry-time and no nail damage. The **CND Shellac** system is a true innovation in chip-free, extended-wear nail color; and
  - **CND Vinylux** weekly polish, a breakthrough nail polish that uses a patent-pending technology and lasts approximately a week. While ordinary polishes become brittle and deteriorate over time, **CND Vinylux** dries with exposure to natural light to a flawless finish and strengthens its resistance to chips over time.
- The Company also sells professional hair products under brand names such as Orofluido, UniqOne and Intercosmo.

Multi-cultural hair - The Company sells multi-cultural hair-care products to professional salons, large volume retailers and other retailers, primarily in the U.S. under the **Creme of Nature** brand.

#### **Elizabeth Arden Segment:**

The Elizabeth Arden segment is comprised of an extensive portfolio including the following:

- **Elizabeth Arden**: Elizabeth Arden produces skin care, color cosmetics and fragrances under the Elizabeth Arden brand, including **Visible Difference**, **Ceramide**, **SUPERSTART**, **Prevage**, **Eight Hour Cream**, **Red Door**, **Green Tea**, **5th Ave** and **Always Red**.
- **Heritage, Designer, and Celebrity Fragrances**: Elizabeth Arden's heritage fragrances include a number of core brands, including **Britney Spears**, **Christina Aguilera**, **Elizabeth Taylor**, **Curve**, **Giorgio Beverly Hills**, **Ed Hardy**, **Jennifer Aniston**, **Lucky Brand**, **PS Fine Cologne for Men**, **Halston**, **Geoffrey Beene**, **Alfred Sung** and **White Shoulders**. Designer fragrance brands include **Juicy Couture**, **John Varvatos** and **Wildfox Couture**. Celebrity fragrances include **Mariah Carey**.

Elizabeth Arden also distributes approximately 260 additional prestige fragrance brands owned by third parties. These products are typically sold to retailers in the U.S. and internationally, including prestige retailers and specialty stores and mass retailers, including mid-tier and chain drug retailers and other international and travel retailers.

#### **Other Segment:**

The Company's Other segment primarily includes the distribution of prestige, designer and celebrity fragrances, cosmetics and skin care products, such as **La Perla** branded products.

#### **Marketing**

In its Consumer segment, the Company markets its extensive product lines covering a broad range of price points within large volume retailers in the U.S. and within large volume retailers and other retailers internationally.

The Company uses social media and other digital marketing, television, outdoor and print advertising and public relations, as well as point-of-sale merchandising, including displays and samples, coupons and other trial incentives. The Company coordinates its marketing and advertising campaigns, such as its **Revlon Choose Love** and its new **The Love Project** campaigns, with in-store promotional and other marketing activities. The Company develops, jointly with retailers, customized, tailored point-of-purchase and other focused marketing programs.

The Company also uses cooperative advertising programs, Company-paid or Company-subsidized demonstrators, and coordinated in-store promotions and displays. Other marketing strategies, including trial-size products and couponing, are designed to introduce the Company's newest products to consumers and encourage trial and purchase in-store.

In the Professional segment, the Company also markets products through educational seminars on such products' application methods and consumer benefits. In addition, the Company uses professional trade advertising, social media and other digital marketing, displays and samples to communicate to professionals and consumers the quality and performance characteristics of its products. Additionally, in countries where the Professional segment has operations, the Company's direct sales force provides customers with point of sale communication and merchandising.

The Company believes that its presence in professional salons benefits the marketing and sale of its products in its other segments as it enables the Company to improve its anticipation of consumer trends in many of its other product categories, such as hair color, hair care, nail color, nail care and skin care, as these trends often appear first in salons. The Professional business also provides the Company with broader brand, geographic coverage and retail diversification beyond large volume retailers, among others.

In the Elizabeth Arden segment, the Company's approach is focused on generating strong retailer and consumer demand across the segment's key brands. The Company emphasizes a competitive marketing mix for each brand and implements plans that are designed to ensure that each brand's positioning is carried through consistently across all consumer touch points. The Company employs traditional consumer reach vehicles, such as television and magazine print advertising, and is increasingly leveraging new media, such as social networking and mobile and digital applications, so that it is able to engage with its consumers through their personal preferred technologies. The Elizabeth Arden segment's marketing programs are also integrated with significant cooperative advertising programs that the Company plans and executes with its retailers, often linked with new product innovation and promotions.

Additionally, the Company maintains many brand-specific separate websites, such as [www.revlon.com](http://www.revlon.com), [www.elizabetharden.com](http://www.elizabetharden.com), [www.almay.com](http://www.almay.com), [www.revloncolorsilk.com](http://www.revloncolorsilk.com), [www.revlonprofessional.com](http://www.revlonprofessional.com), [www.americancrew.com](http://www.americancrew.com), [www.cnd.com](http://www.cnd.com) and [www.mitchum.com](http://www.mitchum.com), devoted to the **Revlon**, **Elizabeth Arden**, **Almay**, **Revlon ColorSilk**, **Revlon Professional**, **American Crew**, **CND** and **Mitchum** brands, respectively. Each of these websites feature product and promotional information for the brands and are updated regularly to stay current with the Company's new product launches and other marketing, advertising and promotional campaigns.

## **Research and Development**

The Company believes that it is an industry leader in the development of innovative and technologically-advanced cosmetics and beauty products. The Company's marketing and research and development groups identify consumer needs and shifts in consumer preferences in order to develop new products, introduce line extensions and promotions and redesign or reformulate existing products to satisfy consumers' needs and preferences. The Company's research and development group is comprised of departments specialized in the technologies critical to many of the Company's product lines. The Company also utilizes specialty laboratories and manufacturers in its supply chain for the development of certain new products, such as fragrances and skin care. The Company continues to refine its rigorous process for the ongoing development and evaluation of new product concepts, led by executives in marketing, sales, research and development, and including input from operations, law and finance. This process has created a comprehensive, long-term portfolio strategy that is intended to optimize the Company's ability to regularly launch innovative new product offerings and to effectively manage the Company's product portfolio.

The Company operates an extensive research and development facility in Edison, New Jersey for products within its Consumer and Elizabeth Arden segments. The Company has research facilities for its Professional segment in the U.S. (in California and Florida), Spain and Mexico. The scientists at these various facilities are responsible for performing all of the Company's research and development activities for new products, ideas, concepts and packaging. The Company's package development and engineering function is also part of the greater research and development organization and fosters a strong synergy of package and formula development, which is integral to a product's success. The research and development group performs extensive safety and quality testing on the Company's products, including toxicology, microbiology, efficacy and package testing. Additionally, quality control testing is performed at each of the Company's manufacturing facilities.

As of December 31, 2016, the Company employed approximately 200 people in its research and development activities, including specialists in pharmacology, toxicology, chemistry, microbiology, engineering, biology,

dermatology and quality control. In 2016, 2015 and 2014, the Company spent \$37.0 million, \$31.2 million and \$31.6 million, respectively, on research and development activities.

### **Manufacturing and Related Operations and Raw Materials**

During 2016, the Company's products within the Consumer and Professional segments were produced at the Company's facilities in the U.S. (North Carolina and Florida), South Africa, Spain, Italy and Mexico, and at third-party facilities around the world. Products within the Elizabeth Arden segment were produced at third-party suppliers and contract manufacturers in the U.S. and Europe.

The Company continually reviews its manufacturing needs against its manufacturing capacities to identify opportunities to reduce costs and to operate more efficiently. The Company purchases raw materials and components throughout the world, and continuously pursues reductions in cost of goods through the global sourcing of raw materials and components from qualified vendors, utilizing its purchasing capacity to optimize cost reductions. The Company's global sourcing strategy for materials and components from qualified vendors is also designed to ensure that the Company maintains a continuous supply of high quality raw materials and components. The Company believes that alternate sources of raw materials and components exist and does not anticipate any significant shortages of, or difficulty in obtaining, such materials. (See Item 1A. "Risk Factors - The Company depends on its Oxford, North Carolina facility for production of a substantial portion of its products within the Consumer segment. Disruptions at this facility and/or at other Company or third party facilities at which the Company's products are manufactured for its Consumer, Elizabeth Arden and Professional segments, could have a material adverse effect on the Company's business, prospects, results of operations, financial condition and/or cash flows.")

### **Distribution**

The Company's products are sold in approximately 150 countries across six continents. The Company utilizes a dedicated sales force in those countries where the Company maintains operations, and also utilizes sales representatives and independent distributors to serve certain territories and retailers. (See Item 1A. "Risk Factors - The Company depends on a limited number of customers for a large portion of its net sales, and the loss of one or more of these customers could reduce the Company's net sales and have a material adverse effect on the Company's business, prospects, results of operations, financial condition and/or cash flows" and "Competition in the beauty industry could have a material adverse effect on the Company's business, prospects, results of operations, financial condition and/or cash flows.")

*United States.* Net sales in the U.S. accounted for approximately 54% of the Company's 2016 net sales, which were made in multiple channels, including retail, Internet/e-commerce and specialty cosmetics stores. The Company also sells a broad range of beauty products to U.S. Government military exchanges and commissaries. The Company licenses its **Revlon** trademark to select manufacturers for complementary beauty-related products and accessories that the Company believes have the potential to extend the Company's brand names and image. The **Elizabeth Arden** and **Red Door** trademarks are also licensed to a third party in which the Company has a minority interest for the operation of the Elizabeth Arden Red Door Spa beauty salons and spas through which Elizabeth Arden products are sold and which also enables the Company to leverage the unique Red Door Spa heritage to generate both organic and innovation-driven growth. As of December 31, 2016, 11 of such licenses were in effect for 21 categories of beauty- and fashion-related products and services. Pursuant to such licenses, the Company retains strict control over product design and development, product and service quality, advertising and the use of its trademarks. These licensing arrangements offer opportunities for the Company to generate revenues and cash flow through royalties and renewal fees, some of which are prepaid from time to time.

In the Consumer segment, the Company's retail merchandisers stock and maintain the Company's point-of-sale wall displays intended to ensure that high-selling SKUs are in stock and to ensure the optimal presentation of the Company's products in retailers. The Company's products within its Professional segment are sold primarily through wholesale beauty supply distributors in the U.S. The Company's products within its Elizabeth Arden segment are sold through prestige retailers, the mass retail channel, perfumeries, boutiques, department and specialty stores, travel retailers and distributors, as well as direct sales to consumers via its Elizabeth Arden branded retail stores and e-commerce business. Elizabeth Arden products are also sold through the Elizabeth Arden Red Door Spa beauty salons and spas.

*Outside of the United States.* Net sales outside the U.S. accounted for approximately 46% of the Company's 2016 net sales. The three countries outside the U.S. with the highest net sales were Spain, the U.K. and Canada, which together accounted for approximately 13% of the Company's 2016 net sales. The Company distributes its products

within its Consumer segment through 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. The Company's products within its Professional segment are sold directly to hair and nail salons by the Company's direct sales force in countries where it has operations and through distributors in other countries outside the U.S. The Company's products within the Elizabeth Arden segment are sold to perfumeries, boutiques, department and specialty stores, travel retailers and distributors.

At December 31, 2016, the Company actively sold its products through wholly-owned subsidiaries established in 26 countries outside of the U.S. and through a large number of independent distributors and licensees elsewhere around the world.

## **Customers**

The Company's principal customers for its Consumer segment include large volume retailers and chain drug stores, including such well-known retailers as Walmart, CVS and Target in the U.S., Shoppers DrugMart in Canada, A.S. Watson & Co. retail chains in Asia Pacific and Europe and Walgreens Boots Alliance in the U.S. and the U.K. Walmart and its affiliates worldwide accounted for approximately 17% of the Company's 2016 consolidated net sales. The Company's principal customers for its Professional segment include Beauty Systems Group, Salon Centric and Ulta Salon, Cosmetics & Fragrance, as well as individual hair and nail salons and other distributors to professional salons. The Company's principal customers for its Elizabeth Arden segment include prestige retailers, specialty stores and department stores such as Macy's, Dillard's, Ulta, Belk, Sephora, Bloomingdales and Nordstrom; U.S. mass retailers, including large volume and mid-tier retailers and chain drug stores, such as Walmart, Target, Kohl's, Walgreens, CVS, and TJ Maxx and Marshalls; and international retailers, including prestige retailers, specialty stores, department stores, perfumeries and boutiques, such as Boots, Debenhams, Superdrug Stores, The Perfume Shop, Hudson's Bay, Shoppers Drug Mart, Myer, Douglas and various travel retailers such as Nuance, Heinemann and World Duty Free. As is customary in the industry, none of the Company's customers is under an obligation to continue purchasing products from the Company in the future.

The Company expects that Walmart and a small number of other customers will, in the aggregate, continue to account for a large portion of the Company's net sales. (See Item 1A. Risk Factors - "The Company depends on a limited number of customers for a large portion of its net sales, and the loss of one or more of these customers could reduce the Company's net sales and have a material adverse effect on the Company's business, prospects, results of operations, financial condition and/or cash flows.")

## **Competition**

The Company's cosmetics, fragrance, skin care, hair and beauty care products business categories are highly competitive. The Company competes primarily by:

- developing quality products with innovative performance features, shades, finishes, components and packaging;
- educating consumers and salon professionals about the benefits of the Company's products;
- anticipating and responding to changing consumer and salon professional demands in a timely manner, including the timing of new product introductions and line extensions;
- offering attractively priced products relative to the product benefits provided;
- maintaining favorable brand recognition;
- generating competitive margins and inventory turns for its customers in both the Consumer and Professional segments by providing relevant products and executing effective pricing, incentive and promotional programs and marketing campaigns;
- ensuring product availability through effective planning and replenishment collaboration with retailers and salons;
- providing strong and effective advertising, marketing, promotion and merchandising support;
- leveraging e-commerce and mobile commerce initiatives;

- maintaining an effective sales force and distributor network; and
- obtaining and retaining sufficient retail display and floor space, optimal in-store positioning and effective presentation of its products at retail and in salons.

The Company competes in selected product categories against numerous multi-national manufacturers in both the Consumer and Professional segments, as well as with expanding private label and store-owned brands in the Consumer segment. In addition to products sold in large volume retailers, distributors, wholesalers, professional salons and demonstrator-assisted retailers, the Company's products also compete with products sold in prestige and department stores, television shopping, door-to-door, specialty stores, one-stop shopping beauty retailers, the Internet/e-commerce, perfumeries and other distribution outlets. The Company's competitors include, among others, L'Oréal S.A., The Procter & Gamble Company, Avon Products, Inc. & New Avon LLC, Coty Inc., Shiseido Co., Johnson & Johnson, Kao Corp., Henkel AG & Co., Mary Kay Inc., Hand & Nail Harmony, Inc., Oriflame Holding AG, Markwins International Corporation, Sephora (a division of LVMH Moët Hennessy Louis Vuitton SE), Boots UK Limited and The Estée Lauder Companies Inc. (See Item 1A. "Risk Factors - Competition in the beauty industry could have a material adverse effect on the Company's business, prospects, results of operations, financial condition and/or cash flows.")

### **Patents, Trademarks and Proprietary Technology**

The Company considers trademark protection to be very important to its business. The Company's trademarks are registered in the U.S. and in approximately 150 other countries. Significant trademarks include **Revlon, Revlon ColorStay, Revlon PhotoReady, Revlon Super Lustrous, Almay, Almay Smart Shade, SinfulColors, Pure Ice, Mitchum, Charlie, Jean Naté, Cutex, Revlon ColorSilk, Revlon Professional, Intercosmo, Orofluido, UniqOne, American Crew, Creme of Nature, CND, CND Shellac, CND Vinylux, Gatineau and Natural Honey**. With the acquisition of Elizabeth Arden, the Company now also owns or has rights to use other significant trademarks for the manufacture, marketing, distribution and sale of numerous fragrance, cosmetic and skin care brands in our Elizabeth Arden segment, including owned marks such as **Elizabeth Arden, Elizabeth Arden Red Door, Elizabeth Arden 5th Avenue, Elizabeth Arden Always Red, Elizabeth Arden Green Tea, Visible Difference, Prevenge, Eight Hour, SUPERSTART, UNTOLD, Giorgio Beverly Hills, Curve, Halston and Elizabeth Taylor** and licensed trademarks such as **Christina Aguilera, Britney Spears, Juicy Couture, Lucky Brand, John Varvatos, Alfred Sung, Geoffrey Beene, Ed Hardy, Jennifer Aniston, Mariah Carey and Wildfox Couture**. The Company regularly renews its trademark registrations in the ordinary course of business.

The Company utilizes certain proprietary and/or patented technologies in the formulation, packaging or manufacture of a number of the Company's products, including, among others, **Revlon Age Defying** cosmetics, **Almay Smart Shade** makeup, **Revlon ColorSilk** hair color, **Prevenge** and the **Elizabeth Arden** Ceramide skin care lines, **Mitchum** anti-perspirant deodorants, **CND Shellac** nail color systems and **CND Vinylux** nail polishes. The Company considers its proprietary technology and patent protection to be important to its business.

The Company files patents in the ordinary course of business on certain of the Company's new technologies. Utility patents in the U.S. are enforceable for at least 20 years and international patents are enforceable for 20 years. The patents that the Company currently has in place expire at various times between 2017 and 2034 and the Company expects to continue to file patent applications on certain of its technologies in the ordinary course of business in the future.

### **Government Regulation**

The Company is subject to regulation by the Federal Trade Commission (the "FTC") and the Food and Drug Administration (the "FDA") in the U.S., as well as various other federal, state, local and foreign regulatory authorities, including those in the European Union (the "EU"), Canada and other countries in which the Company operates. The Company's Oxford, North Carolina manufacturing facility is registered with the FDA as a drug manufacturing establishment, permitting the manufacture of cosmetics and other beauty-care products that contain over-the-counter drug ingredients, such as sunscreens, anti-perspirant deodorants and anti-dandruff hair-care products. Compliance with federal, state, local and foreign laws and regulations pertaining to the discharge of materials into the environment, or otherwise relating to the protection of the environment, has not had, and is not anticipated to have, a material effect on the Company's capital expenditures, earnings or competitive position. Regulations in the U.S., the EU, Canada and in other countries in which the Company operates that are designed to protect consumers or the environment have an increasing influence on the Company's product claims, ingredients and

packaging. (See “Risk Factors - The Company’s products are subject to federal, state and international regulations that could have a material adverse effect on the Company’s business, prospects, results of operations, financial condition and/or cash flows.”)

## **Employees**

As of December 31, 2016, the Company employed approximately 7,300 people. As of December 31, 2016, approximately 20% of the Company’s employees were covered by collective bargaining agreements. The Company believes that its employee relations are satisfactory.

## **Available Information**

The public may read and copy any materials that the Company files with the SEC, including, without limitation, its Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, at the SEC’s Public Reference Room at 100 F Street, NE, Washington, D.C. 20549. Information in the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file with the SEC at <http://www.sec.gov>. The Company’s Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, proxy statements and amendments to those reports, are also available free of charge on the Company’s Internet website at <http://www.revloninc.com> as soon as reasonably practicable after such reports are electronically filed with or furnished to the SEC.

## **Item 1A. Risk Factors**

In addition to the other information in this report, investors should consider carefully the following risk factors when evaluating the Company’s business.

***Revlon is a holding company with no business operations of its own and is dependent on its subsidiaries to pay certain expenses and dividends. In addition, shares of the capital stock of Products Corporation, Revlon’s wholly-owned operating subsidiary, are pledged by Revlon to secure its obligations under the 2016 Credit Agreements.***

Revlon is a holding company with no business operations of its own. Revlon’s only material asset is all of the outstanding capital stock of Products Corporation, Revlon’s wholly-owned operating subsidiary, through which Revlon conducts its business operations. As such, Revlon’s net income has historically consisted predominantly of its equity in the net (loss) income of Products Corporation, which for 2016, 2015 and 2014 was \$(15.7) million, \$62.1 million and \$47.3 million, respectively (in each case excluding \$9.4 million, \$9.0 million and \$9.8 million, respectively, in expenses primarily related to Revlon being a public holding company). Revlon is dependent on the earnings and cash flow of, and dividends and distributions from, Products Corporation to pay Revlon’s expenses incidental to being a public holding company and to pay any cash dividend or distribution on its Class A Common Stock in each case that may be authorized by Revlon’s Board of Directors.

Products Corporation may not generate sufficient cash flow to pay dividends or distribute funds to Revlon because, for example, Products Corporation may not generate sufficient cash or net income; state laws may restrict or prohibit Products Corporation from issuing dividends or making distributions unless Products Corporation has sufficient surplus or net profits, which Products Corporation may not have; or because contractual restrictions, including negative covenants contained in Products Corporation’s various debt instruments, may prohibit or limit such dividends or distributions.

The terms of Products Corporation’s 2016 Credit Agreements and the indentures governing Products Corporation’s 6.25% Senior Notes due 2024 (the “6.25% Senior Notes Indenture”) and 5.75% Senior Notes due 2021 (the “5.75% Senior Notes” and the “5.75% Senior Notes Indenture,” respectively, and, together with the 6.25% Senior Notes Indenture, the “Senior Notes Indentures”) generally restrict Products Corporation from paying dividends or making distributions to Revlon, except in limited circumstances. For example, Products Corporation is permitted to pay dividends and make distributions to Revlon to enable Revlon to, among other things, maintain its existence and its ownership of Products Corporation, such as paying professional fees (e.g., legal, accounting and insurance fees), regulatory fees (e.g., SEC filing fees and NYSE listing fees), pay certain taxes and other expenses related to being a public holding company and, subject to certain limitations, to pay dividends, if any, on Revlon’s



outstanding securities or make distributions in certain circumstances to finance Revlon's purchase of shares of its Class A Common Stock issued in connection with the delivery of such shares to grantees under the Fourth Amended and Restated Revlon, Inc. Stock Plan. These limitations therefore restrict Revlon's ability to pay dividends on its Class A Common Stock.

All of the shares of Products Corporation's capital stock held by Revlon are pledged to secure Revlon's guarantee of Products Corporation's obligations under its 2016 Credit Agreements. A foreclosure upon the shares of Products Corporation's common stock would result in Revlon no longer holding its only material asset and would have a material adverse effect on the holders and price of Revlon's Class A Common Stock and would be a change of control under Products Corporation's other debt instruments. (See also Item 1A. Risk Factors - "Shares of Revlon Class A Common Stock and Products Corporation's capital stock are pledged to secure various of Revlon's and/or other of the Company's affiliates' obligations and foreclosure upon these shares or dispositions of shares could result in the acceleration of debt under Products Corporation's 2016 Credit Agreements and Products Corporation's Senior Notes Indentures and could have other consequences.")

***Products Corporation's substantial indebtedness, including the indebtedness it has incurred in connection with the Elizabeth Arden Acquisition, could adversely affect the Company's operations and flexibility and Products Corporation's ability to service its debt.***

Products Corporation has a substantial amount of outstanding indebtedness. As of December 31, 2016 the Company's total indebtedness was \$2,756.8 million (or \$2,692.0 million net of discounts and debt issuance costs), including: (i) \$450.0 million in aggregate principal amount of its 6.25% Senior Notes; (ii) \$500.0 million in aggregate principal amount of its 5.75% Senior Notes; (iii) nil of secured indebtedness under its 2016 Revolving Credit Facility; (iv) \$1,795.5 million in aggregate principal amount of secured indebtedness under its 2016 Term Loan Facility; and (v) \$11.3 million aggregate principal amount of other indebtedness. In addition, as of such date Products Corporation would have had the ability to incur an additional \$378.8 million under its 2016 Revolving Credit Facility. If the Company is unable to maintain or increase its profitability and cash flow and sustain such results in future periods, it could adversely affect the Company's operations and Products Corporation's ability to service its debt and/or comply with the financial and/or operating covenants under its various debt instruments. (See also Item 1A. Risk Factors - "Restrictions and covenants in Products Corporation's various debt instruments limit its ability to take certain actions and impose consequences in the event of failure to comply.")

The Company is subject to the risks normally associated with substantial indebtedness, including the risk that the Company's profitability and cash flow will be insufficient to meet required payments of principal and interest under Products Corporation's various debt instruments, and the risk that Products Corporation will be unable to refinance existing indebtedness when it becomes due or, if it is unable to comply with the financial or operating covenants under its various debt instruments, to obtain any necessary consents, waivers or amendments or that the terms of any such refinancing and/or consents, waivers or amendments will be less favorable than the current terms of such indebtedness. Products Corporation's substantial indebtedness could also have the effect of:

- limiting the Company's ability to fund (including by obtaining additional financing) the costs and expenses of the execution of the Company's business strategy (including activities related to the integration of the Elizabeth Arden business into the Company's business), future working capital, capital expenditures, advertising, promotional and/or marketing expenses, new product development costs, purchases and reconfigurations of wall displays, acquisitions, acquisition integration costs, investments, restructuring programs and other general corporate purposes;
- requiring the Company to dedicate a substantial portion of its cash flow from operations to payments on Products Corporation's indebtedness, thereby reducing the availability of the Company's cash flow for the execution of the Company's business strategy and for other general corporate purposes;
- placing the Company at a competitive disadvantage compared to its competitors that have less debt;
- exposing the Company to potential events of default (if not cured or waived) under the financial and operating covenants contained in Products Corporation's various debt instruments;
- limiting the Company's flexibility in responding to changes in its business and the industry in which it operates; and
- making the Company more vulnerable in the event of adverse economic conditions or a downturn in its business.

Although agreements governing Products Corporation's indebtedness, including the 2016 Credit Agreements and the Senior Notes Indentures, limit Products Corporation's ability to borrow funds, under certain circumstances Products Corporation is allowed to borrow a significant amount of additional money, some of which, in certain circumstances and subject to certain limitations, could be secured indebtedness. To the extent that more debt is added to the Company's current debt levels, the risks described above would increase further.

***Products Corporation's ability to pay the principal amount of its indebtedness depends on many factors.***

The 5.75% Senior Notes mature in 2021, the 2016 Revolving Credit Facility matures no later than 2021, the 2016 Term Loan Facility matures no later than 2023 and the 6.25% Senior Notes mature in 2024. Products Corporation currently anticipates that, in order to pay the principal amount of its outstanding indebtedness upon the occurrence of any event of default, or to repurchase any of the Senior Notes if a change of control occurs, or in the event that Products Corporation's cash flows from operations are insufficient to allow it to pay the principal amount of its indebtedness by their respective maturity dates, the Company will be required to refinance some or all of Products Corporation's indebtedness, seek to sell assets or operations, seek to sell additional Revlon equity, seek to sell debt securities of Revlon or Products Corporation and/or seek additional capital contributions or loans from MacAndrews & Forbes or from the Company's other affiliates and/or third parties. The Company may be unable to take any of these actions due to a variety of commercial or market factors or constraints in Products Corporation's various debt instruments, including, for example, market conditions being unfavorable for an equity or debt issuance, additional capital contributions or loans not being available from affiliates and/or third parties, or that the transactions may not be permitted under the terms of Products Corporation's various debt instruments then in effect, including restrictions on the incurrence of additional debt, incurrence of liens, asset dispositions and/or related party transactions included in such debt instruments. Such actions, if ever taken, may not enable the Company to satisfy its cash requirements if the actions do not result in sufficient cost reductions or generate a sufficient amount of additional capital, as the case may be.

None of the Company's affiliates are required to make any capital contributions, loans or other payments to Products Corporation regarding its obligations on its indebtedness. Products Corporation may not be able to pay the principal amount of its indebtedness using any of the above actions because, under certain circumstances, the 2016 Credit Agreements, the Senior Notes Indentures any of Products Corporation's other debt instruments and/or the debt instruments of Products Corporation's subsidiaries then in effect may not permit the Company to take such actions. (See also Item 1A. Risk Factors - "Restrictions and covenants in Products Corporation's various debt instruments limit its ability to take certain actions and impose consequences in the event of failure to comply").

The future state of the credit markets, including any volatility and/or tightening of the credit markets and reduction in credit availability, could adversely impact the Company's ability to refinance or replace, in whole or in part, Products Corporation's outstanding indebtedness by their respective maturity dates, which could have a material adverse effect on the Company's business, prospects, results of operations, financial condition and/or cash flows.

***Restrictions and covenants in Products Corporation's various debt instruments limit its ability to take certain actions and impose consequences in the event of failure to comply.***

The agreements that govern Products Corporation's indebtedness, including the 2016 Credit Agreements and its Senior Notes Indentures, contain a number of significant restrictions and covenants that limit Products Corporation's ability (subject in each case to limited exceptions) to, among other things:

- borrow money;
- use assets as security in other borrowings or transactions;
- pay dividends on stock or purchase stock;
- sell assets and use the proceeds from such sales;
- enter into certain transactions with affiliates;
- make certain investments;
- prepay, redeem or repurchase specified indebtedness; and
- permit restrictions on the payment of dividends to Products Corporation by its subsidiaries.

These covenants affect Products Corporation's operating flexibility by, among other things, restricting its ability to incur indebtedness that could be used to fund the costs of executing the Company's business strategy and to grow the Company's business, as well as to fund general corporate purposes.

Certain breaches under the 2016 Credit Agreements and/or the Senior Notes Indentures would permit the Company's lenders to accelerate amounts outstanding thereunder. The acceleration of amounts outstanding under the 2016 Senior Credit Facilities and/or the Senior Notes Indentures would in certain circumstances constitute an event of default under the other instruments permitting amounts outstanding under such instruments to be accelerated. In addition, holders of the Senior Notes may require Products Corporation to repurchase their notes in the event of a change of control under the applicable indenture and a change of control would be an event of default under the 2016 Credit Agreements. Products Corporation may not have sufficient funds at the time of any such breach or change of control to repay, in full or in part, amounts outstanding under the 2016 Senior Credit Facilities or to repay, repurchase or redeem, in full or in part, the Senior Notes.

Events beyond the Company's control could impair the Company's operating performance, which could affect Products Corporation's ability to comply with the terms of Products Corporation's debt instruments. Such events may include decreased consumer spending in response to weak economic conditions or weakness in the consumption of beauty products; 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; 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; 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, those related to integrating the Elizabeth Arden business into the Company's business, as well as those for pension expense under its benefit plans, advertising, promotional and/or marketing activities or for sales returns related to any reduction of space by the Company's customers, product discontinuances or otherwise, exceed the Company's anticipated level of expenses.

Under such circumstances, Products Corporation may be unable to comply with the requirements of one or more its various debt instruments, including any financial covenants in the 2016 Credit Agreements. If Products Corporation is unable to satisfy such requirements at any future time, Products Corporation would need to seek an amendment or waiver of such requirements. The respective lenders under the 2016 Credit Agreements may not consent to any amendment or waiver requests that Products Corporation may make in the future, and, if they do consent, they may only do so on terms that are unfavorable to Products Corporation and/or Revlon.

If Products Corporation is unable to obtain any such waiver or amendment, Products Corporation's inability to meet the requirements of the 2016 Credit Agreements would constitute an event of default under such agreements, which, under certain circumstances, would permit the bank lenders to accelerate the 2016 Senior Credit Facilities, and, under certain circumstances, would constitute an event of default under the Senior Notes Indentures. An event of default under the Senior Notes Indentures would permit the respective Notes Trustee or the Requisite Note Holders to accelerate payment of the principal and accrued, but unpaid, interest on the respective Senior Notes.

Products Corporation's assets and/or cash flow and/or that of Products Corporation's subsidiaries may not be sufficient to fully repay borrowings under its various debt instruments, either upon maturity or if accelerated upon an event of default or change of control, and if the Company is required to repay, repurchase and/or redeem, in whole or in part, amounts outstanding under its 2016 Senior Credit Facilities and/or its Senior Notes, it may be unable to refinance or restructure the payments on such debt. Further, if the Company is unable to repay, refinance or restructure its indebtedness under the 2016 Senior Credit Facilities, the lenders could proceed against the collateral securing that indebtedness, subject to certain conditions and limitations as set forth in the related intercreditor agreement. As described above, the consequences of complying with the foregoing restrictions, covenants and limitations under the Company's various debt instruments could have a material adverse effect on the Company's business, prospects, results of operations, financial condition and/or cash flows.

***Limits on Products Corporation's borrowing capacity under the 2016 Revolving Credit Facility may affect the Company's ability to finance its operations.***

As of December 31, 2016, Products Corporation had nil outstanding under the 2016 Revolving Credit Facility. While the 2016 Revolving Credit Facility provides for up to \$400.0 million of commitments, the Company's ability to borrow funds under such facility is limited by a borrowing base determined relative to the value, from time to time, of certain eligible assets.

If the value of the Company's eligible assets is not sufficient to support the full \$400.0 million borrowing base, Products Corporation will not have complete access to the entire commitment available under the 2016 Revolving Credit Facility, but rather would have access to a lesser amount as determined by the borrowing base. As Products Corporation continues to manage its working capital (including its inventory and accounts receivable, which are significant components of the eligible assets comprising the borrowing base), this could reduce the borrowing base under the 2016 Revolving Credit Facility. Further, if Products Corporation borrows funds under such facility, subsequent changes in the value or eligibility of the assets within the borrowing base could require Products Corporation to pay down amounts outstanding under such facility so that there is no amount outstanding in excess of the then-existing borrowing base.

The Company's ability to borrow under the 2016 Revolving Credit Facility is also conditioned upon its compliance with other covenants in the agreements that govern the 2016 Senior Credit Facilities. Because of these limitations, the Company may not always be able to meet its cash requirements with funds borrowed under the 2016 Revolving Credit Facility, which could have a material adverse effect on the Company's business, prospects, results of operations, financial condition and/or cash flows.

At December 31, 2016, the aggregate principal amount outstanding under the 2016 Term Loan Facility was \$1,795.5 million, with the Company having a liquidity position of \$545.9 million consisting of \$167.1 million of unrestricted cash and cash equivalents (net of any outstanding checks), as well as \$378.8 million in available borrowings under Product Corporation's \$400.0 million 2016 Revolving Credit Facility, based upon the borrowing base of \$389.2 million, less \$10.4 million of undrawn outstanding letters of credit and nil outstanding under the 2016 Revolving Credit Facility at such date.

If one or more lenders under the 2016 Revolving Credit Facility are unable to fulfill their commitment to advance funds to Products Corporation under such facility, it would impact the Company's liquidity and, depending upon the amount involved and the Company's liquidity requirements, it could have an adverse effect on the Company's ability to fund its operations, which could have a material adverse effect on the Company's business, prospects, results of operations, financial condition and/or cash flows.

***A substantial portion of Products Corporation's indebtedness is subject to floating interest rates.***

A substantial portion of the Products Corporation's indebtedness is subject to floating interest rates, which makes the Company more vulnerable in the event of adverse economic conditions, increases in prevailing interest rates or a downturn in the Company's business. The Company has hedged some of its exposure to floating interest rates under its 2016 Term Loan Facility through its existing \$400 million floating-to-fixed 2013 Interest Rate Swap. As of December 31, 2016, including the effect of the 2013 Interest Rate Swap, \$1,356.5 million of Products Corporation's total indebtedness or approximately 50% of its total indebtedness, was subject to floating interest rates.

As of December 31, 2016, the entire \$1,795.5 million in aggregate principal amount outstanding under the 2016 Term Loan Facility bore interest, at Product Corporation's option, at a rate per annum of LIBOR (which has a floor of 0.75%) plus a margin of 3.5% or an alternate base rate plus a margin of 2.5%, payable quarterly, at a minimum. As of December 31, 2016, nil in aggregate principal amount outstanding under the 2016 Revolving Credit Facility bore interest, at Products Corporation's, 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). The applicable margin decreases as average excess availability under the 2016 Revolving Credit Facility increases. At December 31, 2016, LIBOR and the alternate base rate for the 2016 Term Loan Facility were 0.81% and 3.75%, respectively.

If any of LIBOR, the prime rate or the federal funds effective 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 Senior Credit Facilities, and other short-term borrowings (which, in the aggregate, are Products Corporation's only debt currently subject to floating interest rates) as of December 31, 2016, a 1% increase in LIBOR would increase the Company's annual interest expense by \$14.2 million. Increased debt service costs would adversely affect the Company's cash flow and could have a material adverse effect on the Company's 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 the anticipated synergies, net cost reductions and growth opportunities. The Company's success in realizing these anticipated synergies, net cost reductions and growth opportunities, and the timing of this realization, largely depends on the successful integration of Elizabeth Arden's historical business and operations into the Company's historical business and operations. Even if the Company is successful in effectively integrating Elizabeth Arden's businesses and operations into the Company's business, the Company may not realize the full benefits of the anticipated synergies, net cost reductions and growth opportunities that the Company currently expects, whether due to unanticipated expenses, unavailability of liquidity to fund such expenses, trade conditions or other unforeseen events. Even if such synergy and other benefits are fully realized, they may not be realized within the anticipated time frame. Moreover, the Company expects to incur substantial expenses in connection with integrating Elizabeth Arden's business into the Company's business the amount of which is difficult to estimate accurately and may exceed the Company's current estimates. Accordingly, the benefits expected from the Elizabeth Arden Acquisition may be offset by costs or delays incurred in integrating the businesses. The projected net cost reductions and synergies related to the Elizabeth Arden 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 Elizabeth Arden Acquisition, we have assumed potential liabilities relating to Elizabeth Arden's business.***

In connection with the Elizabeth Arden 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 the Company's business, prospects, results of operations, financial condition and/or cash flows.

***The Company depends on its Oxford, North Carolina facility for production of a substantial portion of its products within the Consumer segment. Disruptions at this facility and/or at other Company or third party facilities at which the Company's products are manufactured for its Consumer, Elizabeth Arden and Professional segments, could have a material adverse effect on the Company's business, prospects, results of operations, financial condition and/or cash flows.***

The Company produces a substantial portion of its products at its Oxford, North Carolina facility. Significant unscheduled downtime at this facility, or at other Company facilities and/or third party facilities at which the Company's products are manufactured, whether due to equipment breakdowns, power failures, natural disasters, weather conditions hampering delivery schedules, intermittent technology disruptions or other disruptions, including those caused by transitioning manufacturing across these facilities, or any other cause could have a material adverse effect on the Company's ability to provide products to its customers, which could have a material adverse effect on the Company's sales, business, prospects, results of operations, financial condition and/or cash flows. Additionally, if product sales exceed the Company's forecasts, internal or third party production capacities and/or the Company's ability to procure sufficient levels of finished goods, raw materials and/or components from third party suppliers, the Company could, from time to time, not have an adequate supply of products to meet customer demands, which could have a material adverse effect on the Company's business, prospects, results of operations, financial condition and/or cash flows.

Prior to the Elizabeth Arden Acquisition, Elizabeth Arden did not own or operate any manufacturing facilities and relied on third-party manufacturers and component suppliers to source and manufacture substantially all of its

owned and licensed products and while certain consolidation will result from the Company's integration activities, we will continue to use third party manufacturers for the Elizabeth Arden segment in the future. Over the past several years, Elizabeth Arden consolidated the third-party manufacturers and component and materials suppliers that it uses. Elizabeth Arden also implemented a "turnkey" manufacturing process for substantially all of its products, as a result of which it relies on its third-party manufacturers for certain supply chain functions that it previously handled, such as component and raw materials planning, purchasing and warehousing. The Company's business, prospects, results of operations, financial condition and/or cash flows could be materially adversely affected if Elizabeth Arden experiences any supply chain disruptions caused by this "turnkey" manufacturing process or other supply chain projects, or if its manufacturers or raw material suppliers were to experience problems with product quality, credit or liquidity issues, or disruptions or delays in the manufacturing process or delivery of finished products or the raw materials or components used to make such products.

***The Company's financial performance depends on its ability to anticipate and respond to consumer trends and changes in consumer preferences. New product introductions may not be as successful as the Company anticipates, which could have a material adverse effect on the Company's business, prospects, results of operations, financial condition and/or cash flows.***

The Company has a rigorous process for the continuous development and evaluation of new product concepts, led by executives in marketing, sales, research and development, product development, operations, law and finance. However, consumer preference and spending patterns change rapidly and cannot be predicted with certainty. There can be no assurance that the Company will anticipate and respond to trends for beauty products effectively. Each new product launch, including those resulting from the Company's recently updated product development process, carries risks, as well as the possibility of unexpected consequences, including:

- the acceptance of the Company's new product launches by, and sales of such new products to, the Company's customers may not be as high as the Company anticipates;
- the Company's marketing, promotional, advertising and/or pricing strategies for its new products may be less effective than planned and may fail to effectively reach the targeted consumer base or engender the desired consumption of the Company's products by consumers;
- the rate of purchases by the Company's consumers may not be as high as the Company anticipates;
- the Company's wall displays to showcase its new products may fail to achieve their intended effects;
- the Company may experience out-of-stocks and/or product returns exceeding its expectations as a result of the Company's new product launches or space reconfigurations or as a result of reductions in retail display space by the Company's customers;
- the Company's net sales may also be impacted by inventory management by its customers or changes in pricing, marketing, advertising and/or promotional strategies by its customers;
- the Company may incur costs exceeding its expectations as a result of the continued development and launch of new products, including, for example, unanticipated levels of research & development costs, advertising, promotional and/or marketing expenses, sales return expenses or other costs related to launching new products;
- the Company may experience a decrease in sales of certain of the Company's existing products as a result of newly-launched products, the impact of which could be exacerbated by shelf space limitations and/or any shelf space loss. (See also Item 1A. Risk Factors - "Competition in the cosmetics, hair and beauty care products business could have a material adverse effect on the Company's business, prospects, results of operations, financial condition and/or cash flows").
- the Company's product pricing strategies for new product launches may not be accepted by its customers and/or its consumers, which may result in the Company's sales being less than it anticipates;
- the Company may experience a decrease in sales of certain of the Company's products as a result of counterfeit products and/or products sold outside of their intended territories; and/or
- delays or difficulties impacting the Company's ability, or the ability of the Company's suppliers, to timely manufacture, distribute and ship products or raw materials, as the case may be, displays or display walls in connection with launching new products, such as due to inclement weather conditions or other delays

or difficulties such as those discussed under Item 1A. Risk Factors - “The Company depends on its Oxford, North Carolina facility for production of a substantial portion of the Company’s products within the Consumer segment. Disruptions at this facility and/or at other Company or third party facilities at which the Company’s products are manufactured for its Consumer, Elizabeth Arden and Professional segments, could affect the Company’s business, prospects, results of operations, financial condition and/or cash flows,” could have a material adverse effect on the Company’s ability to ship and deliver products to meet its customers’ reset deadlines.

Each of the risks referred to above could delay or impede the Company’s ability to achieve its sales objectives, which could have a material adverse effect on the Company’s business, prospects, results of operations, financial condition and/or cash flows.

***The Company’s ability to service its debt and meet its cash requirements depends on many factors, including achieving anticipated levels of revenue and expenses. If such revenue or expense levels prove to be other than as anticipated, the Company may be unable to meet its cash requirements or Products Corporation may be unable to meet the requirements of the 2016 Credit Agreements, which could have a material adverse effect on the Company’s business, prospects, results of operations, financial condition and/or cash flows.***

The Company currently 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 cover its operating expenses for 2017, including cash requirements for the payment of expenses in connection with the execution of the Company’s business strategy (including its plans to integrate the Elizabeth Arden business into the Company’s business) and its advertising, promotional, pricing and/or marketing plans, purchases of permanent wall displays, capital expenditure requirements, debt service payments and costs, tax payments, pension and post-retirement plan contributions, payments in connection with the Company’s restructuring programs, severance not otherwise included in the Company’s restructuring programs and debt and/or equity repurchases, if any.

However, if the Company’s anticipated level of revenue is not achieved because of, for example, decreased consumer spending in response to weak economic conditions or weakness in the consumption of beauty products; 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; 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; 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, those related to integrating the Elizabeth Arden business into the Company’s business, as well as those for pension expense under its benefit plans, for advertising, promotional or 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 its cash requirements. In addition, such developments, if significant, could reduce the Company’s revenues and could have a material adverse effect on Products Corporation’s ability to comply with the terms of the 2016 Credit Agreements. (See also Item 1A. Risk Factors - “Restrictions and covenants in Products Corporation’s various debt instruments limit its ability to take certain actions and impose consequences in the event of failure to comply,” which discusses, among other things, the consequences of noncompliance with Products Corporation’s debt covenants).

If the Company’s operating revenues, cash on hand and/or funds available for borrowing are insufficient to cover the Company’s expenses and/or are insufficient to enable Products Corporation to comply with the requirements of the 2016 Credit Agreements, the Company could be required to adopt one or more of the alternatives listed below:

- delaying the implementation of or revising certain aspects of the Company’s business strategy, including the Company’s plans to integrate the Elizabeth Arden business into the Company’s business;
- reducing or delaying purchases of wall displays and/or expenses related to the Company’s advertising, promotional and/or marketing activities;
- reducing or delaying capital spending;
- implementing new restructuring programs;
- refinancing Products Corporation’s indebtedness;

- selling assets or operations;
- seeking additional capital contributions and/or loans from MacAndrews & Forbes, the Company's other affiliates and/or third parties;
- selling additional Revlon equity or debt securities or Products Corporation's debt securities; and/or
- reducing other discretionary spending.

The Company may not be able to take any of these actions, because of a variety of commercial or market factors or constraints in one or more of Products Corporation's various debt instruments, including, for example, market conditions being unfavorable for an equity or a debt issuance, additional capital contributions or loans not being available from affiliates and/or third parties, or that the transactions may not be permitted under the terms of one or more of Products Corporation's various debt instruments then in effect, such as due to restrictions on the incurrence of debt, incurrence of liens, asset dispositions and/or related party transactions. If the Company is required to take any of these actions, it could have a material adverse effect on its business, prospects, results of operations, financial condition and/or cash flows.

Such actions, if ever taken, may not enable the Company to satisfy its cash requirements or enable Products Corporation to comply with the terms of the 2016 Credit Agreements if the actions do not result in sufficient cost reductions or generate a sufficient amount of additional capital, as the case may be. (See also Item 1A. Risk Factors - "Restrictions and covenants in Products Corporation's various debt instruments limit its ability to take certain actions and impose consequences in the event of failure to comply," which discusses, among other things, the consequences of noncompliance with Products Corporation's debt covenants).

***Economic conditions could have a material adverse effect on the Company's business, prospects, results of operations, financial condition and/or cash flows and/or on the financial condition of its customers and suppliers.***

Economic conditions in the U.S. and/or other countries where the Company operates have in the past contributed and may in the future contribute to high unemployment levels, lower consumer spending and reduced credit availability. Such economic conditions have impacted and could in the future impact business and consumer confidence, especially in relation to discretionary purchases. These conditions could have an impact on customer and/or consumer purchases of the Company's products, which could result in a reduction of the Company's net sales, operating income and/or cash flows. Additionally, disruptions in the credit and other financial markets and economic conditions could, among other things, impair the financial condition of one or more of the Company's customers or suppliers, thereby increasing the risk of customer bad debts or non-performance by suppliers. These conditions could have a material adverse effect on the Company's business, prospects, results of operations, financial condition and/or cash flows.

***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 on the Company's business, prospects, results of operations, financial condition and/or cash flows.***

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 U.K. government 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 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 15% 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 depends on a limited number of customers for a large portion of its net sales, and the loss of one or more of these customers could reduce the Company's net sales and have a material adverse effect on the Company's business, prospects, results of operations, financial condition and/or cash flows.***

Walmart and its affiliates worldwide accounted for approximately 17%, 18% and 16% of the Company's worldwide net sales for 2016, 2015 and 2014, respectively. The Company expects that, for future periods, Walmart and a small number of other customers in the Consumer, Elizabeth Arden and Professional segments will, in the aggregate, continue to account for a large portion of the Company's net sales. The Company may be affected by changes in the policies and demands of its customers relating to service levels, inventory de-stocking, pricing, marketing, advertising and/or promotional strategies or limitations on access to wall display space. As is customary in the consumer products industry, none of the Company's customers is under any obligation to continue purchasing products from the Company in the future.

The loss of Walmart and/or one or more of the Company's other customers that account for a significant portion of the Company's net sales, or any significant decrease in sales to these customers, including as a result of consolidation among such customers, inventory management by these customers, changes in pricing, marketing, advertising and/or promotional strategies by such customers or space reconfigurations by the Company's customers or any significant decrease in the Company's display space, could reduce the Company's net sales and/or operating income and therefore could have a material adverse effect on the Company's business, prospects, results of operations, financial condition and/or cash flows.

***Declines in the financial markets may result in increased pension expense and increased cash contributions to the Company's pension plans.***

Declines in the U.S. and global financial markets could result in significant declines in the Company's pension plan assets and result in increased pension expense and cash contributions to the Company's pension plans. Interest rate levels will affect the discount rate used to value the Company's year-end pension benefit obligations. One or more of these factors, individually or taken together, could impact future required cash contributions to the Company's pension plans and pension expense. Any one or more of these conditions could reduce the Company's available liquidity, which could have a material adverse effect on the Company's business, prospects, results of operations, financial condition and/or cash flows.

***The Company may be unable to maintain or increase its sales through the Company's primary retailers, which could have a material adverse effect on the Company's business, prospects, results of operations, financial condition and/or cash flows.***

A decrease in consumer demand in the U.S. and/or internationally for beauty products, inventory management by the Company's customers, changes in pricing, marketing, advertising and/or promotional strategies by the Company's customers (such as the development and/or continued expansion of private label or their own store-owned brands), a reduction in display space by the Company's customers and/or a change in consumers' purchasing habits, could result in decreased sales of the Company's products, which could have a material adverse effect on the Company's business, prospects, results of operations, financial condition and/or cash flows.

***Competition in the beauty industry could have a material adverse effect on the Company's business, prospects, results of operations, financial condition and/or cash flows.***

The beauty industry is highly competitive. The Company competes primarily by:

- developing quality products with innovative performance features, shades, finishes and packaging;
- educating consumers, retail customer and salon professionals about the benefits of the Company's products;
- anticipating and responding to changing consumer, retail customer and salon professional demands in a timely manner, including as to the timing of new product introductions and line extensions;

- offering attractively priced products, relative to the product benefits provided;
- maintaining favorable brand recognition;
- generating competitive margins and inventory turns for the Company's customers by providing relevant products and executing effective pricing, incentive and promotional programs and marketing and advertising campaigns;
- ensuring product availability through effective planning and replenishment collaboration with the Company's customers;
- providing strong and effective advertising, promotion, marketing and merchandising support;
- maintaining an effective sales force and distribution network; and
- obtaining and retaining sufficient display space, optimal in-store positioning and effective presentation of the Company's products on-shelf.

An increase in or change in the current level of competition that the Company faces could have a material adverse effect on the Company's business, prospects, results of operations, financial condition and/or cash flows.

In addition to competing with expanding private label and store-owned brands in the Consumer segment, the Company competes against a number of multi-national manufacturers, some of which are larger and have substantially greater resources than the Company, and which may therefore have the ability to spend more aggressively than the Company on new business acquisitions, research and development activities and advertising, promotional and/or marketing activities and have more flexibility than the Company to respond to changing business and economic conditions. The Company's products in certain of its reporting segments also compete with similar products sold through retailers other than those in which the Company principally competes in those segments.

Additionally, the Company's major customers periodically assess the allocation of display space among competitors and in the course of doing so could elect to reduce the display space allocated to the Company's products, if, for example, the Company's marketing, promotional, advertising and/or pricing strategies for its new and/or existing products are less effective than planned, fail to effectively reach the targeted consumer base, fail to engender the desired consumption of the Company's products by consumers and/or fail to sustain productive levels of consumption dollar share; and/or the rate of purchases by the Company's consumers are not as high as the Company anticipates. Within the Company's Consumer segment, among the factors used by the Company's major customers in assessing the allocation of display space is a brand's share of the color cosmetics category. The Company's color cosmetics brands have experienced, over time, year-over-year declines in their share of the color cosmetics category in the U.S. and it is possible that the Company may continue to experience further share declines. Further declines in the Company's share for one or more of its principal brands, including with respect to the Company's Almay brand, could, among other things, contribute to a loss of display space and/or decreased revenues. Any significant loss of display space could have a material adverse effect on the Company's business, prospects, results of operations, financial condition and/or cash flows.

***Elizabeth Arden depends on various brand licenses and distribution arrangements for a significant portion of its sales, and the loss of one or more of these licenses or distribution arrangements could have a material adverse effect on the Company's business, prospects, results of operations, financial condition and/or cash flows.***

Elizabeth Arden's rights to market and sell certain of its prestige fragrance brands are derived from licenses and other distribution arrangements from unaffiliated third parties and its business is dependent upon the continuation and renewal of such licenses and distribution arrangements on terms favorable to Elizabeth Arden. Each license is for a specific term and may have optional renewal terms. In addition, such licenses and distribution arrangements may be subject to Elizabeth Arden satisfying required minimum royalty payments, minimum advertising and promotional expenditures and satisfying minimum sales requirements. In addition, under certain circumstances, lower net sales may shorten the duration of the applicable license agreement. The loss of one or more of these licenses or other significant distribution arrangements, or a renewal of one or more of these arrangements on less than favorable terms, could have a material adverse effect on the Company's business, prospects, results of operations, financial condition and/or cash flows.

***The success of our Elizabeth Arden segment depends, in part, on the demand for heritage and designer fragrance products. A decrease in demand for such products, or the loss or infringement of any intellectual property rights, could have a material adverse effect on the Company's business, prospects, results of operations, financial condition and/or cash flows.***

The Company's Elizabeth Arden segment has license agreements to manufacture, market and distribute a number of heritage and designer fragrance products, including those of Juicy Couture, John Varvatos, Elizabeth Taylor, Britney Spears, Christina Aguilera, Ed Hardy, Lucky Brand, Halston, Geoffrey Beene and Wildfox Couture. In 2016, the Company's Elizabeth Arden segment derived approximately 45.8% of its net sales from heritage and designer fragrance brands. The demand for these products is, to some extent, dependent on the appeal to consumers of the particular designer or talent and the designer's or talent's reputation. Elizabeth Arden also cannot assure that the owners of the trademarks that it licenses can or will successfully maintain their intellectual property rights. If other parties infringe on the intellectual property rights that Elizabeth Arden licenses, the value of Elizabeth Arden's brands in the marketplace may be diluted. To the extent that the heritage or designer fragrance category or a particular designer or talent ceases to be appealing to consumers or a designer's or talent's reputation is adversely affected, sales of the related products and the value of the brands can decrease materially which could have a material adverse effect on the Company's business, prospects, results of operations, financial condition and/or cash flows.

***The Company's foreign operations are subject to a variety of social, political and economic risks and have been, and are expected to continue to be, affected by foreign currency exchange fluctuations, foreign currency controls and/or government-mandated pricing controls, which could have a material adverse effect on the Company's business, prospects, results of operations, financial condition and/or cash flows and the value of its foreign assets.***

As of December 31, 2016, the Company had operations based in 26 foreign countries and its products were sold in approximately 150 countries. The Company is exposed to risks associated with social, political and economic conditions, including inflation, inherent in operating in foreign countries, including those in Asia (including Japan), Australia, Canada, Eastern Europe (including Russia), Mexico, South Africa and South America (including Argentina), which could have a material adverse effect on the Company's business, prospects, results of operations, financial condition and/or cash flows. Such risks include hyperinflation, foreign currency devaluation, foreign currency controls, government-mandated pricing controls, currency remittance restrictions, changes in tax laws, changes in consumer purchasing habits (including as to retailer preferences), as well as, to a lesser extent, changes in U.S. laws and regulations relating to foreign trade and investment.

These risks and limitations could affect the ability of the Company's foreign subsidiaries to obtain sufficient capital to conduct their operations in the ordinary course of business. Limitations and the difficulties that certain of the Company's foreign subsidiaries may experience on the free flow of funds to and from these foreign subsidiaries could restrict the Company's ability to respond timely to challenging business conditions or changes in operations, which could have a material adverse effect on the Company's business, prospects, results of operations, financial condition and/or cash flows.

The Company's net sales outside of the U.S. for each of 2016, 2015 and 2014 represented approximately 46%, 45% and 47% of the Company's total consolidated net sales, respectively. During 2016, fluctuations in foreign currency exchange rates adversely affected, and they may continue to adversely affect, the Company's results of operations and the value of the Company's foreign net assets in 2016, which in turn could cause a material adverse effect on the Company's reported net sales and earnings and the comparability of period-to-period results of operations.

Products Corporation enters into foreign currency forward exchange contracts to hedge certain net cash flows denominated in foreign currencies. The foreign currency forward exchange contracts are entered into primarily for the purpose of hedging anticipated inventory purchases and certain intercompany payments denominated in foreign currencies and generally have maturities of less than one year. At December 31, 2016, the notional amount of Products Corporation's foreign currency forward exchange contracts was \$79.6 million. These foreign currency forward exchange contracts may not adequately protect the Company against the negative effects of foreign currency fluctuations, which could adversely affect the Company's overall liquidity.

***Terrorist attacks, acts of war or military actions and/or other civil unrest may adversely affect the territories in which the Company operates and the Company's business, prospects, results of operations, financial condition and/or cash flows.***

On September 11, 2001, the U.S. was the target of terrorist attacks of unprecedented scope. These attacks contributed to major instability in the U.S. and other financial markets and reduced consumer confidence. These terrorist attacks, as well as subsequent terrorist attacks (such as those that have occurred in Berlin, Germany; Nice, France; Orlando, Florida; Istanbul, Turkey; Brussels, Belgium; Paris, France; Benghazi, Libya; Madrid, Spain; and London, England), attempted terrorist attacks, military responses to terrorist attacks, other military actions and/or civil unrest such as that occurring in the Ukraine, Venezuela, Turkey, Syria, Iraq and surrounding areas, may adversely affect prevailing economic conditions, resulting in work stoppages, reduced consumer spending and/or reduced demand for the Company's products. These developments subject the Company's worldwide operations to increased risks and, depending on their magnitude, could reduce the Company's net sales and therefore could have a material adverse effect on the Company's business, prospects, results of operations, financial condition and/or cash flows.

***The Company's products are subject to federal, state and international regulations that could have a material adverse effect on the Company's business, prospects, results of operations, financial condition and/or cash flows.***

The Company is subject to regulation by the FTC and the FDA, in the U.S., as well as various other federal, state, local and foreign regulatory authorities, including those in the EU, Canada and other countries in which the Company operates. The Company's Oxford, North Carolina manufacturing facility is registered with the FDA as a drug manufacturing establishment, permitting the manufacture of cosmetics and other beauty-care products that contain over-the-counter drug ingredients, such as sunscreens, anti-perspirant deodorants and anti-dandruff hair-care products. Regulations in the U.S., the EU, Canada and other countries in which the Company operates that are designed to protect consumers or the environment have an increasing influence on the Company's product claims, ingredients and packaging. To the extent federal, state, local and/or foreign regulatory changes occur in the future, they could require the Company to reformulate or discontinue certain of its products or revise its product packaging or labeling, any of which could result in, among other things, increased costs to the Company, delays in product launches, product returns or recalls and lower net sales, and therefore could have a material adverse effect on the Company's business, prospects, results of operations, financial condition and/or cash flows.

***Any violation of the U.S. Foreign Corrupt Practices Act or other similar foreign anti-corruption laws could have a material adverse effect on the Company's business, prospects, results of operations, financial condition and/or cash flows.***

A significant portion of the Company's revenue is derived from operations outside the U.S. and the Company has significant facilities outside the U.S., which exposes the Company to complex foreign and U.S. regulations inherent in conducting international business transactions. The Company is subject to compliance with the U.S. Foreign Corrupt Practices Act ("FCPA") and other similar foreign anti-corruption laws, which generally prohibit companies and their intermediaries from making improper payments to foreign government officials for the purpose of obtaining or retaining business and other types of improper payments. While the Company's employees and agents are required to comply with these laws and the Company has developed policies and procedures to facilitate compliance with such laws, there is no assurance that the Company's policies and procedures will prevent all violations of these laws, despite the Company's long-standing commitment to conducting its business and achieving its objectives by maintaining the highest level of ethical standards and legal compliance. The SEC and the U.S. Department of Justice, and their foreign counterparts, have increased their enforcement activities with respect to the FCPA and similar foreign anti-corruption laws and any violation of these laws or allegations of such, may result in severe criminal and civil sanctions, as well as other substantial costs and penalties, any of which could have a material adverse effect the Company's business, prospects, results of operations, financial condition and/or cash flows.

***The failure of the Company's information technology systems and/or difficulties or delays in implementing new information technology systems could disrupt the Company's business operations which could have a material adverse effect on the Company's business, prospects, results of operations, financial condition and/or cash flows.***

The operation of the Company's business depends on the Company's information technology systems. The Company relies on its information technology systems to effectively manage, among other things, the Company's business data, communications, supply chain, inventory management, customer order entry and order fulfillment,

processing transactions, summarizing and reporting results of operations, human resources benefits and payroll management, compliance with regulatory, legal and tax requirements and other processes and data necessary to manage the Company's business. The failure of the Company's information technology systems, including any failure of the Company's current systems and/or as a result of transitioning to additional or replacement information technology systems, as the case may be, to perform as the Company anticipates could disrupt the Company's business and could result in, among other things, transaction errors, processing inefficiencies, loss of data and the loss of sales and customers, which could have a material adverse effect on the Company's business, prospects, results of operations, financial condition and/or cash flows. In addition, the Company's information technology systems may be vulnerable to damage or interruption from circumstances beyond the Company's control, including, without limitation, fire, natural disasters, power outages, systems failure, system conversions, security breaches, cyber-attacks, viruses and/or human error. In any such event, the Company could be required to make a significant investment to fix or replace its information technology systems, and the Company could experience interruptions in its ability to service its customers. Any such damage or interruption could have a material adverse effect on the Company's business, prospects, results of operations, financial condition and/or cash flows.

In addition, as part of our normal business activities, the Company collects and stores certain confidential information, including personal information with respect to customers and employees, as well as information related to intellectual property, and the success of its e-commerce operations depends on the secure transmission of confidential and personal data over public networks, including the use of cashless payments. The Company's information technology systems, or those of its third-party service providers, may be accessed by unauthorized users such as cyber criminals as a result of a failure, disruption, cyberattack or other security breach. As techniques used by cyber criminals change frequently, a failure, disruption, cyberattack or other security breach of the Company's information technology systems or infrastructure, or those of its third-party service providers, may go undetected for an extended period and could result in the theft, transfer, unauthorized access to, disclosure, modification, misuse, loss or destruction of Company, employee, representative, customer, vendor and/or other third-party data, including sensitive or confidential data, personal information and/or intellectual property, which could have a material adverse effect on the Company's business, prospects, results of operations, financial condition and/or cash flows.

The Company is in the process of implementing a company-wide SAP enterprise resource planning ("ERP") system. The Company's anticipated company-wide implementation of this SAP ERP system may not result in improvements that outweigh its costs and may disrupt the Company's operations. This system implementation subjects the Company to substantial costs, the majority of which are capital expenditures, and inherent risks associated with migrating from the Company's legacy systems. These costs and risks could include, but are not limited to:

- inability to fill customer orders accurately or on a timely basis, or at all;
- inability to process payments to vendors accurately or in a timely manner;
- disruption of the Company's internal control structure;
- inability to fulfill the Company's SEC or other governmental reporting requirements in a timely or accurate manner;
- inability to fulfill federal, state and local tax filing requirements in a timely or accurate manner;
- increased demands on management and staff time to the detriment of other corporate initiatives; and
- significant capital and operating expenditures.

If the Company is unable to successfully plan, design or implement this new SAP ERP system, in whole or in part, or experience unanticipated difficulties or delays in doing so, it could have a material adverse effect on the Company's business, prospects, results of operations, financial condition and/or cash flows.

***The illegal distribution and sale by third parties of counterfeit versions of the Company's products or the unauthorized diversion by third parties of the Company's products could have an adverse effect on the Company's revenues and a negative impact on the Company's reputation and business.***

Third parties may illegally distribute and sell counterfeit versions of the Company's products. These counterfeit products may be inferior in terms of quality and other characteristics compared to the Company's authentic products and/or the counterfeit products could pose safety risks that the Company's authentic products would not otherwise present to consumers. Consumers could confuse counterfeit products with the Company's authentic products, which

could damage or diminish the image, reputation and/or value of the Company's brands and cause consumers to refrain from purchasing the Company's products in the future, which could adversely affect the Company's revenues and have a negative impact on the Company's reputation.

A substantial portion of the products that the Company sells under its Professional segment are sold to professional salon distributors and/or wholesalers. Products sold to these customers are meant to be used exclusively by salons and individual salon professionals or are sold exclusively to the retail consumers of these salons. Despite the Company's efforts to prevent diversion of such products from these customers, incidents have occurred and continue to occur whereby the Company's products are sold to sales outlets other than the intended salons and salon professionals, such as to general merchandise retailers or unapproved outlets. In some instances, these diverted products may be old, damaged or otherwise adulterated, which could damage or diminish the image, reputation and/or value of the Company's brands. In addition, such diversion may result in lower net sales of the Company's products if consumers choose to purchase diverted products and/or choose to purchase products manufactured or sold by the Company's competitors because of any perceived damage or diminishment to the image, reputation and/or value of the Company's brands.

The Company believes that its trademarks, patents and other intellectual property rights are extremely important to the Company's success and its competitive position. The Company devotes significant resources to registering and protecting its intellectual property rights and maintaining the positive image of its brands. The Company's trademark and patent applications may fail to result in issued registrations or provide the scope of coverage sought. Unplanned increases in legal fees and other costs associated with enforcing and/or defending the Company's trademarks, patents and/or other intellectual property rights could result in higher than expected operating expenses. The Company has been unable to eliminate, and may in the future be unable to eliminate, all counterfeiting activities, unauthorized product diversion and infringement of its trademarks, patents and/or other intellectual property, any of which could adversely affect the Company's revenues and have a negative impact on the Company's reputation.

***Elizabeth Arden's inability to acquire or license additional brands or secure additional distribution arrangements and arrangements could have an adverse effect on the Company's revenues and a material adverse effect on the Company's business, prospects, results of operations, financial condition and/or cash flows.***

The success of the Elizabeth Arden business depends in part upon the continued growth of its portfolio of owned, licensed and distributed brands, including expanding its geographic presence to take advantage of opportunities in developed and emerging markets. Efforts to increase sales of the Elizabeth Arden brand and Elizabeth Arden's prestige fragrance portfolio and expand its geographic market presence, such as Elizabeth Arden's global repositioning of the Elizabeth Arden brand, depend upon a number of factors, including its ability to:

- develop Elizabeth Arden's brand portfolio through branding, innovation and execution;
- identify and develop new and existing brands with the potential to become successful global brands;
- innovate and develop new products that are appealing to consumers;
- acquire or license additional brands or secure additional distribution arrangements and our ability to obtain the required financing for these agreements and arrangements;
- expand Elizabeth Arden's geographic presence to take advantage of opportunities in developed and emerging markets;
- continue to expand Elizabeth Arden's distribution channels within existing geographies to increase trade presence, brand recognition and sales;
- expand Elizabeth Arden's trade presence through alternative distribution channels;
- expand margins through sales growth, the development of higher margin products, and overhead and supply chain integration and efficiency initiatives;
- effectively manage capital investments and working capital to improve the generation of cash flow; and
- execute any acquisitions quickly and efficiently and integrate new businesses successfully.

There can be no assurance that the Company can successfully achieve any or all of the above objectives in the manner or time period that it expects. Further, achieving these objectives will require investments, which may result in material short-term costs without generating any current net revenues and the Company may not ultimately achieve

its net sales objectives associated with such efforts. The future expansion of the Elizabeth Arden segment through acquisitions, new product licenses or new product distribution arrangements, if any, will depend upon the ability to identify suitable brands to acquire, license or distribute and to obtain the required financing for these acquisitions, licenses or distribution arrangements or to launch or support the brands associated with these agreements or arrangements. The Company may not be able to identify, negotiate, finance or consummate such acquisitions, licenses or arrangements on terms acceptable to the Company, or at all. In addition, the Company may decide to divest or discontinue certain brands or streamline operations under the Elizabeth Arden business and may incur costs and charges in doing so. The inability to acquire or license additional brands or secure additional distribution arrangements for the Elizabeth Arden segment and obtain the required financing for these agreements and arrangements could have an adverse effect on the Company's revenues and 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's success largely depends upon its ability to attract, hire and retain its senior management team, other key employees and a highly skilled and diverse workforce, as well as effectively implement succession planning for its senior management team, and, as such, the Company's inability to do so could adversely affect the Company's business, prospects, results of operations, financial condition and/or cash flows.***

The continued execution of the Company's business strategy largely depends on the Company's ability to attract, hire and retain its senior management team, other key employees and a highly skilled and diverse workforce, as well as effectively implement succession planning for its senior management team. Unexpected levels of employee turnover or the Company's failure to maintain an adequate succession plan to effectively transition current management leadership positions and/or the Company's failure to attract, hire and retain its senior management team, other key employees and a highly skilled and diverse workforce could adversely affect the Company's institutional knowledge base and/or competitive advantage. If the Company is unable to attract, hire and/or retain talented and highly qualified senior management, other key employees and/or a highly skilled and diverse workforce, or if the Company is unable to effectively provide for the succession of its senior management team, it could adversely affect the Company's business, prospects, results of operations, financial condition and/or cash flows.

***Shares of Revlon Class A Common Stock and Products Corporation's capital stock are pledged to secure various of Revlon's and/or other of the Company's affiliates' obligations and foreclosure upon these shares or dispositions of shares could result in the acceleration of debt under Product Corporation's 2016 Senior Credit Facilities and/or its Senior Notes and could have other consequences.***

All of Products Corporation's shares of common stock are pledged to secure Revlon's guarantee under the 2016 Senior Credit Facilities. MacAndrews & Forbes has advised the Company that it has pledged shares of Revlon's Class A Common Stock to secure certain obligations of MacAndrews & Forbes. Additional shares of Revlon and shares of common stock of intermediate holding companies between Revlon and MacAndrews & Forbes may from time to time be pledged to secure obligations of MacAndrews & Forbes. A default under any of these obligations that are secured by the pledged shares could cause a foreclosure with respect to such shares of Revlon's Class A Common Stock, Products Corporation's common stock or stock of intermediate holding companies between Revlon and MacAndrews & Forbes.

A foreclosure upon any such shares of common stock or dispositions of shares of Revlon's Class A Common Stock, Products Corporation's common stock or stock of intermediate holding companies between Revlon and MacAndrews & Forbes that are beneficially owned by MacAndrews & Forbes could, in a sufficient amount, constitute a "change of control" under Products Corporation's 2016 Credit Agreements and the Senior Notes Indentures. A change of control constitutes an event of default under the 2016 Credit Agreements that would permit Products Corporation's lenders to accelerate amounts outstanding under such facilities. In addition, holders of the Senior Notes may require Products Corporation to repurchase their respective notes under those circumstances.

Products Corporation may not have sufficient funds at the time of any such change of control to repay in full or in part the borrowings under the 2016 Senior Credit Facilities and/or to repurchase or redeem some or all of the Senior Notes. (See also Item 1A. Risk Factors - “The Company’s ability to service its debt and meet its cash requirements depends on many factors, including achieving anticipated levels of revenue and expenses. If such revenue or expense levels prove to be other than as anticipated, the Company may be unable to meet its cash requirements or Products Corporation may be unable to meet the requirements of the 2016 Credit Agreements which could have a material adverse effect on the Company’s business, prospects, results of operations, financial condition and/or cash flows.”)

***MacAndrews & Forbes has the power to direct and control the Company’s business.***

MacAndrews & Forbes is wholly-owned by Ronald O. Perelman. Mr. Perelman, through MacAndrews & Forbes, beneficially owned approximately 77% of Revlon’s outstanding Class A Common Stock on December 31, 2016. As a result, MacAndrews & Forbes is able to control the election of the entire Board of Directors of Revlon and of Products Corporation’s Board of Directors (as it is a wholly owned subsidiary of Revlon) and controls the vote on all matters submitted to a vote of Revlon’s and Products Corporation’s stockholders, including the approval of mergers, consolidations, sales of some, substantially all or all of the Company’s assets, issuances of capital stock and similar transactions.

**Item 1B. Unresolved Staff Comments**

None.

**Item 2. Properties**

The following table sets forth, as of December 31, 2016, the Company’s major manufacturing, research and warehouse/distribution facilities by the segment that each facility primarily operates in, all of which are owned by the Company, except where otherwise noted.

<u>Location</u>	<u>Segment</u>	<u>Use</u>	<u>Approximate Floor Space Sq. Ft.</u>
Oxford, North Carolina . . . .	Consumer	Manufacturing, warehousing, distribution and office <sup>(a)</sup>	1,012,000
Jacksonville, Florida. . . . .	Professional	Manufacturing, warehousing, distribution and office	725,000
Salem, Virginia . . . . .	Elizabeth Arden	Warehousing and distribution (leased)	482,000
Roanoke, Virginia . . . . .	Elizabeth Arden	Warehousing and distribution (leased)	400,000
Tarragona, Spain . . . . .	Professional	Manufacturing, warehousing, distribution and office	300,000
Mississauga, Canada . . . . .	Consumer	Warehousing, distribution and office (leased)	195,000
Queretaro, Mexico . . . . .	Professional	Manufacturing, warehousing, distribution and office	128,000
Canberra, Australia. . . . .	Consumer	Warehousing and distribution	125,000
Edison, New Jersey . . . . .	Consumer	Research and office (leased)	123,000
Rietfontein, South Africa . . .	Consumer	Warehousing, distribution and office (leased)	120,000
Isando, South Africa. . . . .	Consumer	Manufacturing, warehousing, distribution and office	94,000
Stone, United Kingdom . . . .	Consumer	Warehousing and distribution (leased)	92,000
Bologna, Italy . . . . .	Professional	Manufacturing, warehousing, distribution and office	80,000

<sup>(a)</sup> Property subject to liens under the 2016 Credit Agreements.

In addition to the facilities described above, the Company owns and leases additional facilities in various areas throughout the world, including the lease of the Company’s executive offices in New York, New York (approximately 91,000 square feet) and in Cornell, Spain (approximately 80,000 square feet), as well as executive offices used in the Elizabeth Arden segment in New York, New York (approximately 55,000 square feet) and in Stamford, Connecticut (approximately 50,000 square feet). Management considers the Company’s facilities to be well-maintained and satisfactory for the Company’s operations, and believes that the Company’s facilities and third party contractual supplier arrangements provide sufficient capacity for its current and expected production requirements.

**Item 3. 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. (See Note 21, "Commitments and Contingencies" to the Consolidated Financial Statements in this Form 10-K, for further discussion.)

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. The Second Consolidated Amended Class Action Complaint (which superseded the Consolidated Amended Class Action Complaint) was ultimately filed on or about January 26, 2017. Like the Consolidated Amended Class Action complaint, the grounds for relief set forth in the Second Consolidated Amended Class Action Complaint in large part track those grounds as asserted in the five individual complaints.

The Company believes the allegations contained in the Second 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 4. Mine and Safety Disclosures**

Not applicable.

**REVLON, INC. AND SUBSIDIARIES**  
(all tabular amounts in millions, except share and per share amounts)

**PART II - OTHER INFORMATION**

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

Revlon’s only class of capital stock outstanding at December 31, 2016 is its Class A Common Stock. MacAndrews & Forbes, which is wholly-owned by Ronald O. Perelman, at December 31, 2016 beneficially owned 40,669,640 shares of Revlon’s Class A Common Stock, with a par value of \$0.01 per share (the “Class A Common Stock”). As a result, at December 31, 2016, Mr. Perelman, indirectly through MacAndrews & Forbes, beneficially owned approximately 77% of the issued and outstanding shares of Revlon’s Class A Common Stock, which represented approximately 77% of the voting power of Revlon’s capital stock. The remaining 11,850,506 shares of Class A Common Stock that were issued and outstanding at December 31, 2016 were owned by the public.

Revlon’s Class A Common Stock is listed and traded on the New York Stock Exchange (the “NYSE”). As of December 31, 2016, there were approximately 302 holders of record of Class A Common Stock (which does not include the number of beneficial owners holding indirectly through a broker, bank or other nominee). No cash dividends were declared or paid during 2016 and 2015 by Revlon on its Class A Common Stock. The terms of the 2016 Credit Agreements and the Senior Notes Indentures currently restrict Products Corporation’s ability to pay dividends or make distributions to Revlon, except in limited circumstances, which, in turn, limits Revlon’s ability to pay dividends to its stockholders. See “Financial Condition, Liquidity and Capital Resources - Long Term Debt Instruments” and Note 11, “Long-Term Debt,” in the Company’s Consolidated Financial Statements.

The table below shows the high and low quarterly closing stock prices of Revlon’s Class A Common Stock on the NYSE consolidated tape for 2016 and 2015.

	<b>Year Ended December 31, 2016</b>			
	<b>1st Quarter</b>	<b>2nd Quarter</b>	<b>3rd Quarter</b>	<b>4th Quarter</b>
High .....	\$37.97	\$37.20	\$37.59	\$36.81
Low .....	24.50	30.20	30.73	27.75
	<b>Year Ended December 31, 2015</b>			
	<b>1st Quarter</b>	<b>2nd Quarter</b>	<b>3rd Quarter</b>	<b>4th Quarter</b>
High .....	\$41.20	\$41.18	\$37.34	\$32.36
Low .....	32.32	35.52	28.97	26.25

For information on securities authorized for issuance under the Company’s equity compensation plans, see “Item 12 - Security Ownership of Certain Beneficial Owners and Related Stockholder Matters.”

**REVLON, INC. AND SUBSIDIARIES**  
(all tabular amounts in millions, except share and per share amounts)

**Item 6. Selected Financial Data**

The Consolidated Statements of Operations Data for each of the years in the 5-year period ended December 31, 2016 and the Consolidated Balance Sheet Data as of December 31, 2016, 2015, 2014, 2013 and 2012 are derived from the Company's Consolidated Financial Statements, which have been audited by an independent registered public accounting firm. The results of operations related to the Elizabeth Arden Acquisition are included beginning on the Elizabeth Arden Acquisition Date of September 7, 2016. The results of operations related to the CBB Acquisition are included beginning on the CBB Acquisition Date of April 21, 2015. The results of the operations related to the Colomer Acquisition are included beginning on the Colomer Acquisition Date of October 9, 2013. The results of the operations related to the Pure Ice acquisition is included beginning on the acquisition date of July 2, 2012. The Selected Consolidated Financial Data should be read in conjunction with the Company's Consolidated Financial Statements and the Notes to the Consolidated Financial Statements and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

<b>Statement of Operations Data:</b>	<b>Year Ended December 31,</b> <b>(in millions, except per share amounts)</b>				
	<b>2016<sup>(a)</sup></b>	<b>2015<sup>(b)</sup></b>	<b>2014<sup>(c)</sup></b>	<b>2013<sup>(d)</sup></b>	<b>2012<sup>(e)</sup></b>
Net sales . . . . .	\$2,334.0	\$1,914.3	\$1,941.0	\$1,494.7	\$1,396.4
Gross profit . . . . .	1,416.9	1,246.5	1,272.7	949.6	902.6
Selling, general and administrative expenses . . . . .	1,161.0	1,002.5	1,009.5	731.7	682.6
Acquisition and integration costs . . . . .	43.2	8.0	6.4	25.4	—
Restructuring charges and other, net. . . . .	34.0	10.5	21.3	3.5	20.5
Impairment charge . . . . .	23.4	9.7	—	—	—
Operating income . . . . .	155.3	215.8	235.5	189.0	199.5
Interest expense . . . . .	105.2	83.3	84.4	73.8	79.1
Interest expense - preferred stock dividend. . . . .	—	—	—	5.0	6.5
Amortization of debt issuance costs . . . . .	6.8	5.7	5.5	5.2	5.3
Loss on early extinguishment of debt, net . . . . .	16.9	—	2.0	29.7	—
Foreign currency losses, net . . . . .	18.5	15.7	25.0	3.7	2.8
Provision for income taxes . . . . .	25.5	51.4	77.8	46.0	43.7
(Loss) Income from continuing operations, net of taxes . . . . .	(17.0)	59.3	39.6	24.6	61.2
(Loss) income from discontinued operations, net of taxes . . . . .	(4.9)	(3.2)	1.3	(30.4)	(10.1)
Net (loss) income . . . . .	(21.9)	56.1	40.9	(5.8)	51.1
<b>Basic (loss) income per common share:</b>					
Continuing operations . . . . .	(0.33)	1.13	0.76	0.47	1.17
Discontinued operations . . . . .	(0.09)	(0.06)	0.02	(0.58)	(0.19)
Net (loss) income . . . . .	<u>\$ (0.42)</u>	<u>\$ 1.07</u>	<u>\$ 0.78</u>	<u>\$ (0.11)</u>	<u>\$ 0.98</u>
<b>Diluted (loss) income per common share:</b>					
Continuing operations . . . . .	(0.33)	1.13	0.76	0.47	1.17
Discontinued operations . . . . .	(0.09)	(0.06)	0.02	(0.58)	(0.19)
Net (loss) income . . . . .	<u>\$ (0.42)</u>	<u>\$ 1.07</u>	<u>\$ 0.78</u>	<u>\$ (0.11)</u>	<u>\$ 0.98</u>
<b>Weighted average number of common shares outstanding</b> <b>(in millions)<sup>(f)</sup>:</b>					
Basic . . . . .	<u>52.5</u>	<u>52.4</u>	<u>52.4</u>	<u>52.4</u>	<u>52.3</u>
Diluted . . . . .	<u>52.5</u>	<u>52.6</u>	<u>52.4</u>	<u>52.4</u>	<u>52.4</u>

**REVLON, INC. AND SUBSIDIARIES**  
(all tabular amounts in millions, except share and per share amounts)

Year Ended December 31,  
(in millions, except per share amounts)

Balance Sheet Data:	2016 <sup>(a)</sup>	2015 as adjusted <sup>(b)(i)</sup>	2014 as adjusted <sup>(c)(i)</sup>	2013 as adjusted <sup>(d)(i)</sup>	2012 as adjusted <sup>(e)(i)</sup>
Total current assets . . . . .	\$1,124.1	\$ 808.9	\$ 715.4	\$ 734.0	\$ 492.7
Total non-current assets . . . . .	<u>1,899.4</u>	<u>1,158.4</u>	<u>1,203.8</u>	<u>1,253.1</u>	<u>731.5</u>
Total assets . . . . .	<u>\$3,023.5</u>	<u>\$1,967.3</u>	<u>\$1,919.2</u>	<u>\$1,987.1</u>	<u>\$1,224.2</u>
Total current liabilities <sup>(g)(h)</sup> . . . . .	\$ 708.7	\$ 515.0	\$ 464.9	\$ 552.7	\$ 453.1
Total other non-current liabilities . . . . .	<u>2,929.6</u>	<u>2,039.8</u>	<u>2,098.4</u>	<u>2,030.9</u>	<u>1,420.4</u>
Total liabilities . . . . .	<u>\$3,638.3</u>	<u>\$2,554.8</u>	<u>\$2,563.3</u>	<u>\$2,583.6</u>	<u>\$1,873.5</u>
Total indebtedness . . . . .	\$2,692.0	\$1,825.0	\$1,845.6	\$1,905.8	\$1,208.3
Total stockholders' deficiency . . . . .	(614.8)	(587.5)	(644.1)	(596.5)	(649.3)

(a) Comparability of results from continuing operations for 2016 are affected by: (1) \$43.2 million of acquisition and integration costs incurred during 2016 primarily related to the Elizabeth Arden Acquisition; (2) \$34.0 million in restructuring charges and other, net, primarily related to the EA Integration Restructuring Program (See Note 3, "Restructuring Charges," to the Consolidated Financial Statements in this Form 10-K); (3) a \$23.4 million non-cash impairment charge related to goodwill and acquired identifiable intangible assets for the Company's Other reporting unit (see Note 8, "Goodwill and Intangible Assets, Net," to the Consolidated Financial Statements in this Form 10-K); and (4) a \$16.9 million aggregate loss on the early extinguishment of debt in connection with Products Corporation entering into the 2016 Senior Credit Facilities and the corresponding complete refinancing and repayment of Products Corporation's Old Term Loan Facility.

(b) Comparability of results from continuing operations for 2015 are affected by: (1) a \$20.7 million pension lump sum settlement charge related to a one-time lump sum payment option offered to certain former employees (See Note 14, "Savings Plan, Pension and Post-Retirement Benefits," to the Consolidated Financial Statements in this Form 10-K); (2) a decrease in the provision for income taxes primarily driven by a non-cash benefit related to the net reduction of the Company's deferred tax valuation allowance on its net deferred tax assets for certain foreign jurisdictions (See Note 16, "Income Taxes," to the Consolidated Financial Statements in this Form 10-K); (3) \$10.5 million in restructuring charges and other, net, primarily related to the 2015 Efficiency Program (See Note 3, "Restructuring Charges" to the Consolidated Financial Statements in this Form 10-K); (4) a \$9.7 million non-cash goodwill impairment charge related to goodwill for the Company's Global Color Brands reporting unit (see Note 8, "Goodwill and Intangible Assets, Net," to the Consolidated Financial Statements in this Form 10-K); and (5) \$8.0 million of acquisition and integration costs incurred during 2015 primarily related to costs incurred in connection with the 2015 CBB Acquisition and the 2014 Integration Program.

(c) Comparability of results from continuing operations for 2014 are affected by: (1) \$21.3 million in restructuring charges and other, net, primarily related to the 2014 Integration Program (See Note 3, "Restructuring Charges," to the Consolidated Financial Statements in this Form 10-K); (2) \$6.4 million of acquisition and integration costs incurred during 2014 (see note (d)(3) below) related to the Colomer Acquisition; and (3) a \$6.0 million foreign currency loss recognized in the second quarter of 2014 as a result of the re-measurement of Revlon Venezuela's monetary assets and liabilities (See Note 1, "Description of Business and Summary of Significant Accounting Policies," to the Consolidated Financial Statements in this Form 10-K).

(d) Comparability of results from continuing operations for 2013 are affected by: (1) a \$29.7 million aggregate loss on the early extinguishment of debt primarily in connection with Products Corporation's issuance in February 2013 of \$500.0 million aggregate principal amount of its 5¾% Senior Notes due February 15, 2021, of which Products Corporation used \$491.2 million of the net proceeds (net of underwriters' fees) to repay and redeem all of the \$330 million outstanding aggregate principal amount of its previous 9¾% Senior Secured Notes due November 2015 (the "9¾% Senior Secured Notes" and such transaction being the "2013 Senior Notes Refinancing"); (2) a \$26.4 million gain from insurance proceeds due to the settlement of the Company's claims for business interruption and property losses as a result of the June 2011 fire at the Company's facility in Venezuela; (3) \$25.4 million of acquisition and integration costs incurred in 2013 (see note (c)(2) above) related to the Colomer Acquisition; and (4) \$21.4 million in restructuring and related charges, of which \$20.0 million related to the Company's exit of its direct manufacturing, warehousing and sales business operations in mainland China within the Consumer segment in 2013 and is reflected in loss from discontinued operations, net of taxes. (See Note 3, "Restructuring Charges," and Note 4, "Discontinued Operations," to the Consolidated Financial Statements in this Form 10-K).

(e) Comparability of results from continuing operations for 2012 are affected by: (1) \$24.1 million in restructuring and related charges recorded as a result of the September 2012 Program (See Note 3, "Restructuring Charges," of the Consolidated Financial Statements in this Form 10-K); and (2) an increase in net income driven by a non-cash benefit of \$15.8 million related to the reduction of the Company's deferred tax valuation allowance on its net deferred tax assets for certain jurisdictions in the U.S. at December 31, 2012; and (3) an \$8.9 million loss contingency recognized related to previously outstanding litigation associated with the Company's 2009 Exchange Offer.

(f) Represents the weighted average number of common shares outstanding for each respective period presented.

**REVLON, INC. AND SUBSIDIARIES**  
**(all tabular amounts in millions, except share and per share amounts)**

- (g) Total current liabilities at December 31, 2013 included \$58.4 million related to a loan that was outstanding to various third parties that was prepaid in May 2014 (the “Non-Contributed Loan”).
- (h) Total current liabilities at December 31, 2012 included \$48.4 million related to the carrying amount of the Revlon’s Series A Preferred Stock, which matured and was fully redeemed in October 2013.
- (i) 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 for 2015. For 2014, 2013 and 2012, total current and non-current assets, total current and other non-current liabilities and total indebtedness were adjusted as follows:

<u>Consolidated Balance Sheet</u>	<u>Total as reported at 12/31/2014</u>	<u>Adjustment for ASU No. 2015-17</u>	<u>Adjustment for ASU No. 2015-3</u>	<u>Total as adjusted at 12/31/2014</u>
Total current assets . . . . .	\$ 773.8	\$(58.4)	\$ —	\$ 715.4
Total non-current assets . . . . .	1,170.3	58.4	(24.9)	1,203.8
Total current liabilities . . . . .	464.9	—	—	464.9
Total other non-current liabilities . . . . .	2,123.3	—	(24.9)	2,098.4
Total indebtedness . . . . .	1,870.5	—	(24.9)	1,845.6

<u>Consolidated Balance Sheet</u>	<u>Total as reported at 12/31/2013</u>	<u>Adjustment for ASU No. 2015-17</u>	<u>Adjustment for ASU No. 2015-3</u>	<u>Total as adjusted at 12/31/2013</u>
Total current assets . . . . .	\$ 799.1	\$(65.1)	\$ —	\$ 734.0
Total non-current assets . . . . .	1,217.8	65.1	(29.8)	1,253.1
Total current liabilities . . . . .	552.7	—	—	552.7
Total other non-current liabilities . . . . .	2,060.7	—	(29.8)	2,030.9
Total indebtedness . . . . .	1,935.6	—	(29.8)	1,905.8

<u>Consolidated Balance Sheet</u>	<u>Total as reported at 12/31/2012</u>	<u>Adjustment for ASU No. 2015-17</u>	<u>Adjustment for ASU No. 2015-3</u>	<u>Total as adjusted at 12/31/2012</u>
Total current assets . . . . .	\$ 541.2	\$(48.5)	\$ —	\$ 492.7
Total non-current assets . . . . .	695.4	48.5	(12.4)	731.5
Total current liabilities . . . . .	453.1	—	—	453.1
Total other non-current liabilities . . . . .	1,432.8	—	(12.4)	1,420.4
Total indebtedness . . . . .	1,220.7	—	(12.4)	1,208.3

**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)**

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

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is intended to provide a reader of our financial statements with a narrative from the perspective of our management on our financial condition, results of operations, liquidity and certain other factors that may affect our future results. Our MD&A is presented as follows:

- Overview;
- Operating Segments;
- Results of Operations;
- Financial Condition, Liquidity and Capital Resources;
- Disclosures about Contractual Obligations and Commercial Commitments;
- Off-Balance Sheet Transactions (there are none);
- Discussion of Critical Accounting Policies;
- Recently Adopted Accounting Pronouncements;
- Recently Issued Accounting Standards or Updates Not Yet Effective; and
- Inflation.

The Company (as defined below) is providing this overview in accordance with the SEC's December 2003 interpretive guidance regarding MD&A.

**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 segments: the consumer division ("Consumer"); the professional division ("Professional"); Elizabeth Arden; and Other. The Company manufactures, markets and sells an extensive array of beauty and personal care products worldwide, including color cosmetics, fragrances, skin care, hair color, hair care and hair treatments, beauty tools, men's grooming products, anti-perspirant deodorants and other beauty care products.

For additional information regarding our business, see "Part 1, Item 1 - Business" in this Form 10-K.

*Discontinued Operations Presentation*

As a result of the Company's decision on December 30, 2013 to exit its direct manufacturing, warehousing and sales business operations in mainland China within its Consumer segment effective December 31, 2013, the Company is reporting the results of its former China operations within income (loss) from discontinued operations, net of taxes in the Company's Consolidated Statements of Operations and Comprehensive (Loss) Income. Unless otherwise stated, financial results discussed within "Overview" and "Results of Operations" refer only to continuing operations. See Note 4, "Discontinued Operations," to the Consolidated Financial Statements in this Form 10-K for further discussion.

*Overview of Net Sales and Earnings Results*

Consolidated net sales in 2016 were \$2,334.0 million, an increase of \$419.7 million, or 21.9%, compared to \$1,914.3 million in 2015. Excluding the \$43.9 million unfavorable impact of foreign currency fluctuations (referred to herein as "FX," "XFX" or on an "XFX basis"), consolidated net sales increased by \$463.6 million, or 24.2%,

**REVLON, INC. AND SUBSIDIARIES**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**  
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in 2016 compared to the 2015. The XFX increase in 2016 was primarily driven by the inclusion of \$441.4 million of net sales as a result of the Elizabeth Arden Acquisition from and after the September 7, 2016 Elizabeth Arden Acquisition Date; a \$11.1 million, or 2.4%, increase in Professional segment net sales; and a \$9.7 million, or 0.7%, increase in Consumer segment net sales.

Consolidated loss from continuing operations, net of taxes, in 2016 was \$17.0 million, compared to \$59.3 million of consolidated income from continuing operations, net of taxes, in 2015. The \$76.3 million decrease in consolidated income from continuing operations, net of taxes, in 2016 was primarily due to:

- \$158.5 million of higher SG&A expenses, primarily driven by the inclusion of the SG&A expenses of the Elizabeth Arden segment, commencing on and after the Elizabeth Arden Acquisition Date;
- \$35.2 million increase in acquisition and integration costs, primarily related to the Elizabeth Arden Acquisition;
- \$23.5 million increase in restructuring charges and other, net, in 2016, which primarily included \$31.7 million in restructuring charges recognized in 2016 related to the EA Integration Restructuring Program, as compared to \$9.5 million of restructuring charges and other, net, recognized in 2015, primarily due to the 2015 Efficiency Program;
- a \$23.4 million non-cash impairment loss on goodwill and acquired intangible assets for the Company's Other reporting unit recognized in 2016, as compared to a \$9.7 million non-cash impairment loss on goodwill for the Company's Global Color Brands reporting unit recognized in 2015;
- a \$21.9 million increase in interest expense incurred during 2016 primarily as a result of the debt-related transactions completed during the third quarter of 2016 in connection with financing the Elizabeth Arden Acquisition and the complete refinancing of the Old Term Loan Facility, as discussed below; and
- 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 Old Term Loan Facility in connection with the Elizabeth Arden Acquisition;

with the foregoing partially offset by:

- \$170.4 million of higher gross profit in 2016, primarily due to the inclusion of gross profit of the Elizabeth Arden segment, commencing on and after the Elizabeth Arden Acquisition Date, partially offset by lower gross profit within the Consumer segment; and
- a \$25.9 million decrease in the provision for income taxes recognized in 2016, primarily due to lower pre-tax income for 2016, as compared to 2015, partially offset by the impairment in 2016 related to the Company's Other segment for which there was no tax benefit and the tax benefit realized in 2015 for the reduction of the deferred tax valuation allowance that did not exist in 2016.

These items are discussed in more detail within "Results of Operations" and within "Financial Condition, Liquidity and Capital Resources" below.

### ***Recent Events***

#### ***Acquisition of Elizabeth Arden***

On September 7, 2016, the Company completed the Elizabeth Arden Acquisition. Elizabeth Arden is a global prestige beauty products company with an iconic portfolio of fragrance, skin care and color cosmetics brands that are highly complementary to the Company's existing brand portfolio and are sold worldwide. Elizabeth Arden's brands include **Skin Illuminating, SUPERSTART, Prevenge, Eight Hour Cream, Elizabeth Arden Ceramide and Visible Difference** in the Elizabeth Arden skin care brands; **Elizabeth Arden Red Door, Elizabeth Arden 5th Avenue, Elizabeth Arden Green Tea** and **UNTOLD** in Elizabeth Arden fragrances; **Juicy Couture, John Varvatos, and Wildfox Couture** in designer fragrances; and **Curve, Elizabeth Taylor, Britney Spears, Christina Aguilera, Halston, Ed Hardy, Geoffrey Beene, Alfred Sung, Giorgio Beverly Hills, Lucky Brand, PS Fine Cologne for Men, White Shoulders** and **Jennifer Aniston** in heritage fragrances. In North America, Elizabeth Arden's principal

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customers include prestige retailers, specialty stores, the mass retail channel, distributors, department stores and other retailers, as well as direct sales to consumers via its Elizabeth Arden Red Door branded retail stores and Elizabeth Arden.com 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.

*EA Integration Restructuring Program*

In December 2016, in connection with integrating the Elizabeth Arden and Revlon organizations, the Company determined to begin the process of implementing the EA Integration Restructuring Program, consisting of certain integration activities, including consolidating offices, eliminating certain duplicative activities and streamlining back-office support. The EA Integration Restructuring Program is designed to reduce the Company's SG&A expenses. As a result of the EA Integration Restructuring Program the Company expects to eliminate approximately 350 positions worldwide and expects to recognize approximately \$65 million to \$75 million of EA Integration Restructuring Charges, consisting of: (i) approximately \$40 million to \$50 million of employee-related costs, including severance, retention and other contractual termination benefits; (ii) approximately \$15 million of lease termination costs; and (iii) approximately \$10 million of other related charges.

As a result of the EA Integration Restructuring Program, as well as other actions related to integrating the Elizabeth Arden organization into the Company's business, the Company has identified annualized synergies and cost reductions of approximately \$190 million. The approximately \$190 million of expected annualized synergies and cost reductions are expected to be generated over a multi-year period, with approximately 90% expected to be achieved by the end of 2020. For 2016, the Company realized approximately \$3 million of these annualized cost reductions, which primarily benefited the Elizabeth Arden segment results.

In order to capture these annualized synergies and cost reductions, the Company anticipates that it will incur, over a multi-year period, approximately \$100 million to \$110 million of cumulative integration-related capital expenditures and approximately \$70 million to \$80 million of cumulative non-restructuring integration costs.

In 2016, the Company incurred \$34.5 million of restructuring charges in connection with the EA Integration Restructuring Program and \$41.7 million of acquisition and integration costs related to the Elizabeth Arden Acquisition.

For further discussion of the Elizabeth Arden Acquisition and the EA Integration Restructuring Program, see Note 2, "Business Combinations," and Note 3, "Restructuring Charges - EA Integration Restructuring Program," to the Consolidated Financial Statements in this Form 10-K.

*Acquisition of Cutex International*

On May 31, 2016, the Company completed the Cutex International Acquisition, consisting of the acquisition of certain international Cutex businesses from Coty Inc., 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 Cutex U.S. Acquisition, combined with other Cutex businesses that the Company acquired in 1998, the Cutex International Acquisition completed the Company's global consolidation of the Cutex brand, enhancing and complementing 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. See Note 2, "Business Combinations," to the Consolidated Financial Statements in this Form 10-K for further details related to the Cutex International Acquisition.

*2016 Debt-Related Transactions*

In connection with and substantially concurrently with the closing of the Elizabeth Arden Acquisition, Products Corporation entered into: (i) its 7-year \$1,800.0 million senior secured 2016 Term Loan Facility; and (ii) its 5-year \$400.0 million 2016 Revolving Credit Facility. As part of financing the Elizabeth Arden Acquisition, in August 2016 Products Corporation also completed the issuances of \$450.0 million aggregate principal amount of its 6.25% Senior



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Notes due 2024, which funds were released from escrow on the Elizabeth Arden Acquisition Date. In connection with entering into the 2016 Senior Credit Facilities, Products Corporation maintained on the 2016 Term Loan Facility its existing floating-to-fixed 2013 Interest Rate Swap based on a notional amount of \$400 million that previously applied to Products Corporation’s Old Acquisition Term Loan, which loan was refinanced in full in connection with Products Corporation’s consummation of the 2016 Senior Credit Facilities and the 6.25% Senior Notes. 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: (A) to fund the Elizabeth Arden Acquisition, including: (i) repurchasing the entire \$350.0 million aggregate principal amount outstanding of the Elizabeth Arden Senior Notes; (ii) repaying the entire \$142.0 million aggregate principal amount of borrowings outstanding as of the Elizabeth Arden Acquisition Date under Elizabeth Arden’s then-existing \$300.0 million revolving credit facility (which facility was terminated upon such repayment); (iii) repaying the entire \$25.0 million aggregate principal amount of borrowings then-outstanding as of the Elizabeth Arden Acquisition Date under Elizabeth Arden’s second lien credit facility (which facility was terminated upon such repayment); and (iv) retiring the entire \$55.0 million liquidation preference of all 50,000 shares of Elizabeth Arden’s issued and outstanding Preferred Stock (which amount included a \$5.0 million change of control premium); and (B) to completely refinance and repay all of the \$651.4 million in aggregate principal balance outstanding under Products Corporation’s 2011 Term Loan and all of the \$658.6 million in aggregate principal balance outstanding under Products Corporation’s Old Acquisition Term Loan (each of which facilities were terminated upon such repayment). The Company did not incur any material early termination penalties in connection with repaying the Old Term Loan Facility or the Elizabeth Arden indebtedness and preferred stock.

In February 2016, Products Corporation prepaid \$23.2 million of indebtedness then outstanding under the Old Term Loan Facility, representing 50% of its 2015 “excess cash flow” as defined by, and as required under, the Old Term Loan Agreement. The prepayment was applied on a ratable basis between the principal amounts outstanding under the 2011 Term Loan and the Old 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 Old Acquisition Term Loan reduced Products Corporation’s future annual amortization payments under such loan on a ratable basis from \$6.9 million prior to the prepayment to \$6.8 million after giving effect to the prepayment.

See Part II, Item 7 - “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Financial Condition, Liquidity and Capital Resources – Long-Term Debt Instruments,” for further discussion of the above debt transactions.

*Non-cash Impairment Charges*

For purposes of the annual goodwill impairment test, the CBB business, which was acquired in April 2015, is included within the Company’s Other reporting unit. The results of the step one test indicated that impairment indicators may have existed for the Company’s Other reporting unit due to the termination of certain fragrance licenses that were not replaced, and accordingly, the Company performed step two of the goodwill impairment test for this reporting unit. As a result, in conjunction with the Company’s annual impairment test, the Company recognized \$23.4 million in non-cash impairment charges during the fourth quarter of 2016. Of this amount, \$16.7 million related to goodwill and \$6.7 million related to intangible assets acquired in the CBB Acquisition. These non-cash impairment charges are primarily due to the Company’s expectations regarding the future performance of the Other reporting unit, in relation to the carrying amounts of CBB’s goodwill and acquired intangible assets. See Note 8, “Goodwill and Intangible Assets,” to the Consolidated Financial Statements in this Form 10-K for further details on these non-cash goodwill and intangible asset impairment charges.

**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**

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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 skin care line under the **Natural Honey** brand and a hair color line under the **Llongueras** brand (licensed from a third party) 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, skin care and cosmetic brands, which includes the **Elizabeth Arden** skin care brands, color cosmetics and fragrances; designer fragrances such as **Juicy Couture**, **John Varvatos** and **Wildfox Couture**; heritage fragrances such as **Curve**, **Elizabeth Taylor**, **Britney Spears** and **Christina Aguilera**; and celebrity fragrances.
- The Other segment primarily includes the operating results of the CBBBeauty Group and certain of its related entities, which the Company acquired in April 2015. CBB develops, 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.

## Results of Operations

### *Consolidated Net Sales:*

#### *Year-to-date results:*

Consolidated net sales in 2016 were \$2,334.0 million, a \$419.7 million increase, or 21.9%, as compared to \$1,914.3 million in 2015. Excluding the \$43.9 million unfavorable FX impact, consolidated net sales increased on an XFX basis by \$463.6 million, or 24.2%, during 2016.

Consolidated net sales in 2015 were \$1,914.3 million, a decrease of \$26.7 million, or 1.4%, compared to \$1,941.0 million in 2014. Excluding the \$121.2 million unfavorable impact of foreign currency fluctuations, consolidated net sales increased \$94.5 million, or 4.9%, during 2015, primarily driven by an increase in Consumer segment net sales of \$53.9 million, or 3.7%, and the inclusion of \$28.4 million of net sales as a result of the CBB Acquisition.

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

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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; (vi) costs of sales resulting from a fair value adjustment to inventory acquired in the Elizabeth Arden Acquisition; (vii) goodwill and acquired intangible asset impairment charges; and (viii) pension lump sum settlement charges. 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 19, "Segment Data and Related Information," to the Consolidated Financial Statements in this Form 10-K.

The following tables provide a comparative summary of the Company's segment results for each of 2016, 2015 and 2014.

	Net Sales						Segment Profit					
	Year Ended December 31,		Change		XFX Change <sup>(a)</sup>		Year Ended December 31,		Change		XFX Change <sup>(a)</sup>	
	2016	2015	\$	%	\$	%	2016	2015	\$	%	\$	%
Consumer . . . . .	\$1,389.8	\$1,414.8	\$(25.0)	(1.8)%	\$ 9.7	0.7%	\$349.2	\$360.2	\$(11.0)	(3.1)%	\$(8.3)	(2.3)%
Professional . . . . .	476.5	471.1	5.4	1.1%	11.1	2.4%	99.4	103.9	(4.5)	(4.3)%	(3.5)	(3.4)%
Elizabeth Arden . . . . .	441.4	—	441.4	N.M.	441.4	N.M.	68.2	—	68.2	N.M.	68.2	N.M.
Other . . . . .	26.3	28.4	(2.1)	(7.4)%	1.4	4.9%	\$(2.7)	\$ 1.4	(4.1)	(292.9)%	(4.3)	(307.1)%
Total . . . . .	<u>\$2,334.0</u>	<u>\$1,914.3</u>	<u>\$419.7</u>	<u>21.9%</u>	<u>\$463.6</u>	<u>24.2%</u>	<u>\$514.1</u>	<u>\$465.5</u>	<u>\$ 48.6</u>	<u>10.4%</u>	<u>\$52.1</u>	<u>11.2%</u>

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

	Net Sales						Segment Profit					
	Year Ended December 31,		Change		XFX Change <sup>(a)</sup>		Year Ended December 31,		Change		XFX Change <sup>(a)</sup>	
	2015	2014	\$	%	\$	%	2015	2014	\$	%	\$	%
Consumer . . . . .	\$1,414.8	\$1,438.3	\$(23.5)	(1.6)%	\$53.9	3.7%	\$360.2	\$339.4	\$20.8	6.1%	\$30.0	8.8%
Professional . . . . .	471.1	502.7	(31.6)	(6.3)%	12.2	2.4%	103.9	104.8	(0.9)	(0.9)%	2.8	2.7%
Elizabeth Arden . . . . .	—	—	—	N.M.	—	N.M.	—	—	—	N.M.	—	N.M.
Other . . . . .	28.4	—	28.4	N.M.	28.4	N.M.	1.4	—	1.4	N.M.	1.4	N.M.
Total . . . . .	<u>\$1,914.3</u>	<u>\$1,941.0</u>	<u>\$(26.7)</u>	<u>(1.4)%</u>	<u>\$94.5</u>	<u>4.9%</u>	<u>\$465.5</u>	<u>\$444.2</u>	<u>\$21.3</u>	<u>4.8%</u>	<u>\$34.2</u>	<u>7.7%</u>

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

**Consumer Segment**

Consumer segment net sales in 2016 were \$1,389.8 million, a \$25.0 million or 1.8% decrease, compared to \$1,414.8 million in 2015. Excluding the \$34.7 million unfavorable FX impact, total Consumer net sales in 2016 increased by \$9.7 million, or 0.7%, compared to 2015. This increase was primarily driven by higher net sales of **Cutex** nail care products from the Company's global consolidation of the **Cutex** brand, which was completed with two separate acquisitions that closed for the U.S. in October 2015 and for the U.K., Australia and certain other International territories in May 2016, as well as higher net sales of **Revlon** beauty tools and **Mitchum** anti-perspirant deodorant products, partially offset by lower net sales of **Almay** color cosmetics. Net sales of **Revlon** color cosmetics were essentially flat, as strong sales growth internationally was offset by lower net sales in North America due to softening trade conditions in core cosmetics categories.

Consumer segment profit in 2016 was \$349.2 million, a \$11.0 million, or 3.1%, decrease, as compared to \$360.2 million in 2015. Excluding the \$2.7 million unfavorable FX impact, Consumer segment profit in 2016

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decreased by \$8.3 million, or 2.3%, compared to 2015. This decrease was partially due to a 2015 gain of \$3.5 million related to the sale of a non-core consumer brand. In addition, Consumer segment profit decreased due to the unfavorable impact of FX transaction within cost of sales, partially offset by decreased brand support on lower performing brands.

Consumer segment net sales in 2015 were \$1,414.8 million, a decrease of \$23.5 million, or 1.6%, as compared to \$1,438.3 million in 2014. Excluding the \$77.4 million unfavorable FX impact, total Consumer net sales in 2015 increased \$53.9 million, or 3.7%, as compared to 2014, primarily driven by higher net sales of **Revlon** color cosmetics, **Mitchum** anti-perspirant deodorant products, **Revlon ColorSilk** hair color and **Cutex** nail products, partially offset by lower net sales of **Almay** color cosmetics. Consumer segment net sales were negatively impacted in connection with the Company's exit of its business operations in Venezuela in the second quarter of 2015 and change to a distributor model, as such change resulted in \$1.0 million of net sales in Venezuela in 2015, compared to \$16.3 million of net sales in Venezuela in 2014. Excluding Venezuela, on an XFX basis, Consumer net sales would have increased by 4.4% in 2015, as compared to 2014.

Consumer segment profit in 2015 was \$360.2 million, an increase of \$20.8 million, or 6.1%, as compared to \$339.4 million in 2014. Excluding the \$9.2 million unfavorable impact of foreign currency fluctuations, Consumer segment profit in 2015 increased \$30.0 million, or 8.8%, as compared to 2014, primarily driven by higher gross profit as a result of the increases in net sales discussed above, partially offset by \$8.7 million of higher brand support expenses for the Company's Consumer brands. In connection with the Company's exit of its business operations in Venezuela in the second quarter of 2015 and change to a distributor model, there was no profit in Venezuela in 2015, compared to \$6.6 million of profit in Venezuela in 2014. Excluding Venezuela, on an XFX basis, Consumer segment profit would have increased by 11.1% in 2015, as compared to 2014.

**Professional Segment**

Professional segment net sales in 2016 were \$476.5 million, a \$5.4 million, or 1.1%, increase, as compared to \$471.1 million in 2015. Excluding the \$5.7 million unfavorable FX impact, total Professional net sales in 2016 increased by \$11.1 million as compared to 2015. This increase was driven primarily by higher net sales of **American Crew** men's grooming products as a result of the Elvis Presley branded marketing campaign and **Revlon Professional** hair products in part due to the launch of **Revlon Professional Be Fabulous** and **Revlonissimo Colorsmetique**. These increases were partially offset by lower net sales of **CND** nail products.

Professional segment profit in 2016 was \$99.4 million, a \$4.5 million, or 4.3%, decrease, as compared to \$103.9 million in 2015, primarily driven by the absence in 2016 of a \$3.0 million gain related to the sale of a non-core professional brand that was completed in 2015.

Professional segment net sales in 2015 were \$471.1 million, a decrease of \$31.6 million, or 6.3%, compared to \$502.7 million in 2014. Excluding the \$43.8 million unfavorable impact of foreign currency fluctuations, total Professional net sales increased by \$12.2 million in 2015, as compared to 2014, primarily as a result of higher net sales of **American Crew** men's grooming products, **Revlon Professional** hair products and **Creme of Nature** hair products, partially offset by lower net sales of **CND** nail products in the U.S.

Professional segment profit in 2015 was \$103.9 million, a decrease of \$0.9 million, or 0.9%, compared to \$104.8 million in 2014. Excluding the \$3.7 million unfavorable impact of foreign currency fluctuations, Professional segment profit increased \$2.8 million in 2015, as compared to 2014, primarily due to higher net sales, partially offset by \$5.1 million of higher brand support expenses for the Company's Professional brands and a favorable adjustment in 2014 of \$3.4 million related to the inventory obsolescence reserve, with no similar adjustment in 2015.

**Elizabeth Arden Segment**

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

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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***

Other segment net sales in 2016 were \$26.3 million, a \$2.1 million, or 7.4%, decrease, compared to \$28.4 million in 2015. Excluding the \$3.5 million unfavorable FX impact, total Other segment net sales in 2016 increased by \$1.4 million, or 4.9%, compared to 2015. This increase was primarily driven by net sales associated with newly-acquired distribution rights in Europe.

Other segment loss in 2016 was \$2.7 million, a \$4.1 million decrease, compared to a \$1.4 million profit in 2015. This decrease was primarily driven by higher packaging and design expenses.

***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 2016, 2015 and 2014 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 years ended December 31, 2016, 2015 and 2014:

	<u>Year Ended December 31,</u>		<u>Change</u>		<u>XFX Change<sup>(a)</sup></u>	
	<u>2016</u>	<u>2015</u>	<u>\$</u>	<u>%</u>	<u>\$</u>	<u>%</u>
<b>Consumer</b>						
North America . . . . .	\$ 882.4	\$ 921.3	\$ (38.9)	(4.2)%	\$ (36.9)	(4.0)%
International . . . . .	507.4	493.5	13.9	2.8%	46.6	9.4%
<b>Professional</b>						
North America . . . . .	\$ 204.9	\$ 201.8	\$ 3.1	1.5%	\$ 3.9	1.9%
International . . . . .	271.6	269.3	2.3	0.9%	7.2	2.7%
<b>Elizabeth Arden</b>						
North America . . . . .	\$ 274.8	\$ —	\$274.8	N.M.	\$274.8	N.M.
International . . . . .	166.6	—	\$166.6	N.M.	\$166.6	N.M.
<b>Other</b>						
North America . . . . .	\$ —	\$ —	\$ —	N.M.	\$ —	—%
International . . . . .	<u>26.3</u>	<u>28.4</u>	<u>(2.1)</u>	<u>(7.4)%</u>	<u>1.4</u>	<u>4.9%</u>
Total Net Sales . . . . .	<u>\$2,334.0</u>	<u>\$1,914.3</u>	<u>\$419.7</u>	<u>21.9%</u>	<u>\$463.6</u>	<u>24.2%</u>

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

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	<u>Year Ended December 31,</u>		<u>Change</u>		<u>XFX Change<sup>(a)</sup></u>	
	<u>2015</u>	<u>2014</u>	<u>\$</u>	<u>%</u>	<u>\$</u>	<u>%</u>
<b>Consumer</b>						
North America . . . . .	\$ 921.3	\$ 900.7	\$ 20.6	2.3%	\$29.3	3.3%
International . . . . .	493.5	537.6	(44.1)	(8.2)%	24.6	4.6%
<b>Professional</b>						
North America . . . . .	\$ 201.8	\$ 214.3	\$(12.5)	(5.8)%	\$(8.8)	(4.1)%
International . . . . .	269.3	288.4	(19.1)	(6.6)%	21.0	7.3%
<b>Elizabeth Arden</b>						
North America . . . . .	\$ —	\$ —	\$ —	N.M.	\$ —	N.M.
International . . . . .	—	—	—	N.M.	\$ —	N.M.
<b>Other</b>						
North America . . . . .	\$ —	\$ —	\$ —	—%	\$ —	—%
International . . . . .	28.4	—	28.4	N.M.	28.4	N.M.
Total Net Sales . . . . .	<u>\$1,914.3</u>	<u>\$1,941.0</u>	<u>\$(26.7)</u>	<u>(0.2)%</u>	<u>\$94.5</u>	<u>(51.9)%</u>

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

**Consumer Segment**

**North America**

In the Consumer segment, North America net sales in 2016 decreased by \$38.9 million, or 4.2%, to \$882.4 million, as compared to \$921.3 million in 2015. Excluding the \$2.0 million unfavorable FX impact, Consumer segment net sales in North America in 2016 decreased by \$36.9 million, or 4.0%, as compared to 2015. This decrease was primarily driven by the results of softening trade conditions in core categories, which impacted **Revlon** color cosmetics and **Almay** color cosmetics, as well as increased competition impacting **Revlon ColorSilk** hair color. These decreases were partially offset by incremental net sales in connection with the Company completing the global consolidation of the **Cutex** nail care brand, as well as higher net sales of **Revlon** beauty tools.

In the Consumer segment, North America net sales in 2015 increased by \$20.6 million, or 2.3%, to \$921.3 million, as compared to \$900.7 million in 2014. Excluding the \$8.7 million unfavorable FX impact, Consumer segment net sales in North America increased by \$29.3 million, or 3.3%, in 2015, as compared to 2014. This increase was primarily driven by higher net sales of **Revlon** color cosmetics, **Mitchum** anti-perspirant deodorant products and **Revlon ColorSilk** hair color, partially offset by lower net sales of **Almay** color cosmetics.

**International**

In the Consumer segment, International net sales in 2016 increased by \$13.9 million, or 2.8%, to \$507.4 million, as compared to \$493.5 million in 2015. Excluding the \$32.7 million unfavorable FX impact, Consumer segment International net sales in 2016 increased by \$46.6 million, or 9.4%, as compared to 2015. This increase was primarily driven by higher net sales of **Revlon** color cosmetics, **Revlon ColorSilk** hair color, as well as incremental net sales of **Cutex** nail care products. The increase in International net sales was mainly driven by higher net sales in Argentina, the U.K. and Mexico.

In the Consumer segment, International net sales in 2015 decreased by \$44.1 million, or 8.2% to \$493.5 million, as compared to \$537.6 million in 2014. Excluding the \$68.7 million unfavorable FX impact, Consumer segment International net sales increased by 24.6 million, or 4.6%, in 2015, as compared to 2014. The increase was primarily due to higher net sales of **Revlon** color cosmetics. The Company's exit of its business operations in Venezuela in 2015 negatively impacted International net sales. Excluding Venezuela, on an XFX basis, International net sales would have increased by 10.0% in 2015, as compared to 2014.

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**Professional Segment**

**North America**

In the Professional segment, North America net sales in 2016 increased by \$3.1 million, or 1.5%, to \$204.9 million, as compared to \$201.8 million in 2015. Excluding the \$0.8 million unfavorable FX impact, Professional segment net sales in North America in 2016 increased on an XFX basis by \$3.9 million, or 1.9%, as compared to 2015. This increase was primarily driven by increased net sales of **American Crew** men's grooming products as a result of the Elvis Presley branded marketing campaign as well as **Creme of Nature** hair products, partially offset by lower net sales of **CND** nail products.

In the Professional segment, North America net sales in 2015 decreased by \$12.5 million, or 5.8%, to \$201.8 million, as compared to \$214.3 million in 2014. Excluding the \$3.7 million unfavorable FX impact, Professional segment net sales in North America decreased on an XFX basis by \$8.8 million, or 4.1%, in 2015, as compared to 2014. This decrease was primarily driven by lower net sales of **CND** nail products.

**International**

In the Professional segment, International net sales in 2016 increased by \$2.3 million, or 0.9%, to \$271.6 million, as compared to \$269.3 million in 2015. Excluding the \$4.9 million unfavorable FX impact, Professional segment International net sales increased by \$7.2 million, or 2.7%, in 2016, as compared to 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. These increases were partially offset by lower net sales of **CND** nail products.

In the Professional segment, International net sales in 2015 decreased by \$19.1 million, or 6.6%, to \$269.3 million, as compared to \$288.4 million in 2014. Excluding the \$40.1 million unfavorable FX impact, Professional segment International net sales in 2015 increased by \$21.0 million, or 7.3%, as compared to 2014. This increase was primarily due to higher net sales of **American Crew** men's grooming products and **Revlon Professional** hair products throughout most of the International region.

**Elizabeth Arden Segment**

The Elizabeth Arden segment is comprised of the operations acquired by the Company in the Elizabeth Arden Acquisition which closed on September 7, 2016. Therefore, an analysis of net sales and segment profit for the Elizabeth Arden segment for 2016 is not included in this Form 10-K, 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 Elizabeth Arden Acquisition Date include the effects of seasonality.

**Other Segment**

**North America**

The Other segment consists of operations primarily 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-K.

**International**

In the Other segment, net sales during 2016 decreased by \$2.1 million, or 7.4%, to \$26.3 million, as compared to \$28.4 million in 2015. Excluding the \$3.5 million unfavorable FX impact, Other segment net sales increased by \$1.4 million, or 4.9%, in 2016. This increase was primarily driven by higher net sales associated with newly-acquired distribution rights in Europe.

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**Gross profit:**

	<u>Year Ended December 31,</u>			<u>Change</u>	
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2016 vs. 2015</u>	<u>2015 vs. 2014</u>
Gross profit . . . . .	\$1,416.9	\$1,246.5	\$1,272.7	\$170.4	\$(26.2)
Percentage of net sales . . . . .	60.7%	65.1%	65.6%	(4.4)%	(0.5)%

Gross profit increased by \$170.4 million in 2016, as compared to 2015. Gross profit decreased as a percentage of net sales in 2016 by 4.4 percentage points, as compared to 2015. The drivers of the increase in gross profit in 2016, as compared to 2015, primarily included:

- the inclusion of gross profit from the Elizabeth Arden Acquisition, which increased gross profit by \$222.2 million, however decreased gross profit as a percentage of net sales by 2.4 percentage points;
- favorable volume, which increased gross profit by \$25.8 million, with no impact on gross profit as a percentage of net sales; and
- the favorable impact in 2016 related to the portion of the 2015 pension lump sum settlement charge recorded in the fourth quarter of 2015 within cost of sales in the amount of \$10.5 million, which did not recur in 2016 and increased gross profit as a percentage of net sales by 0.3 percentage points;

with the foregoing partially offset by:

- unfavorable foreign currency fluctuations, which decreased gross profit by \$38.7 million and decreased gross profit as a percentage of net sales by 1.0 percentage point;
- higher promotional allowances, which decreased gross profit by \$23.8 million and decreased gross profit as a percentage of net sales by 0.6 percentage points;
- additional inventory costs as a result of the recognition of an increase in the fair value of inventory acquired in the Elizabeth Arden Acquisition, which reduced gross profit by \$20.7 million and reduced gross profit as a percentage of net sales by 0.5 percentage points; and
- unfavorable product mix, which decreased gross profit by \$17.7 million and decreased gross profit as a percentage of net sales by 0.5 percentage points.

Gross profit decreased in 2015 as a percentage of net sales by 0.5 percentage points, decreasing by \$26.2 million in 2015, as compared to 2014. The drivers of the changes in gross profit in 2015, as compared to 2014, primarily included:

- unfavorable foreign currency fluctuations, which reduced gross profit by \$90.0 million and reduced gross profit as a percentage of net sales by 0.5 percentage points;
- the unfavorable impact of a portion of the 2015 pension lump sum settlement charge recorded in the fourth quarter of 2015 within cost of sales in the amount of \$10.5 million, which decreased gross profit by as a percentage of net sales by 0.6 percentage points.
- the effects of the favorable sales returns accrual adjustments made in 2015 and 2014, due to lower expected discontinued products in the future related to the Company's strategy to focus on fewer, bigger and better innovations, which 2014 adjustment was \$4.1 million more favorable than the 2015 adjustment, and which had no impact on gross profit as a percentage of net sales;

with the foregoing partially offset by:

- favorable volume, which increased gross profit by \$67.8 million and increased gross profit as a percentage of net sales by 0.2 percentage points; and
- lower manufacturing and freight costs as a result of supply chain cost reduction initiatives, which increased gross profit by \$9.5 million and increased gross profit as a percentage of net sales by 0.5 percentage points.



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**SG&A expenses:**

	<u>Year Ended December 31,</u>			<u>Change</u>	
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2016 vs. 2015</u>	<u>2015 vs. 2014</u>
SG&A expenses . . . . .	\$1,161.0	\$1,002.5	\$1,009.5	\$158.5	\$(7.0)

SG&A expenses increased by \$158.5 million in 2016, as compared to 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 Elizabeth Arden Acquisition Date, which contributed \$184.2 million to the increase in SG&A expenses; and
- \$6.5 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 2015 related to the sales of certain non-core assets, partially offset by \$10.2 million of charges recognized in 2015 related to a pension lump sum settlement recorded as a component of SG&A expense and lower non-restructuring severance;

with the foregoing partially offset by:

- \$19.8 million of favorable FX impacts; and
- a \$24.3 million decrease in brand support expenses for lower performing brands, primarily within the Consumer segment.

SG&A expenses decreased by \$7.0 million in 2015, as compared to 2014, primarily driven by:

- \$72.2 million of favorable impact due to foreign currency fluctuations in 2015;

with the foregoing partially offset by:

- \$16.2 million of higher brand support expenses for the Company's brands within the Consumer and Professional segments in 2015; and
- \$49.3 million of higher general and administrative expenses in 2015, primarily due to:
  - (i) \$14.7 million of severance costs related to a 2015 initiative to upgrade the Company's people and talent; (ii) \$10.2 million of charges related to the 2015 pension lump sum settlement discussed above; (iii) \$9.8 million in expenses related to the 2015 operations of the CBB business acquired in April 2015; and (iv) higher incentive compensation expenses.

**Acquisition and Integration Costs:**

	<u>Year Ended December 31,</u>			<u>Change</u>	
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2016 vs. 2015</u>	<u>2015 vs. 2014</u>
Acquisition Costs . . . . .	\$21.5	\$5.9	\$0.5	\$15.6	\$ 5.4
Integration Costs . . . . .	<u>21.7</u>	<u>2.1</u>	<u>5.9</u>	<u>19.6</u>	<u>(3.8)</u>
Total acquisition and integration costs . . . . .	\$43.2	\$8.0	\$6.4	\$35.2	\$ 1.6

The Company incurred \$43.2 million of acquisition and integration costs in 2016, primarily related to the Elizabeth Arden Acquisition.

Acquisition costs in 2016 of \$21.5 million primarily included legal and consulting fees related to the Elizabeth Arden Acquisition. Acquisition costs in 2015 primarily included legal and consulting fees related to the CBB Acquisition. Acquisition costs in 2014 primarily included legal and consulting fees related to the Colomer Acquisition.

Integration costs in 2016 of \$21.7 million primarily included non-restructuring costs such as consulting fees related to the Company's integration of Elizabeth Arden's operations into the Company's business. (For additional details on the EA Integration Restructuring Program, please see "Overview - Recent Events - EA Integration Restructuring Program.")

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Integration costs incurred during 2015 consisted of non-restructuring costs related to integrating Colomer’s operations into the Company’s business primarily, including legal and professional fees. Integration costs incurred during 2014 primarily included employee-related costs related to management changes and audit-related fees related to the Colomer Acquisition.

***Restructuring charges and other, net:***

	<u>Year Ended December 31,</u>			<u>Change</u>	
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2016 vs. 2015</u>	<u>2015 vs. 2014</u>
Restructuring charges and other, net . . . . .	\$34.0	\$10.5	\$21.3	\$23.5	\$(10.8)

***EA Integration Restructuring Program***

During 2016, the Company recorded charges totaling \$34.5 million related to the EA Integration Restructuring Program that were incurred in connection with integrating the Elizabeth Arden and Revlon organizations. Of the \$34.5 million charge: (a) \$31.7 million is recorded in restructuring charges and other, net; (b) \$0.5 million is recorded in cost of goods sold; and (c) \$2.3 million is recorded in SG&A expenses.

***2015 Efficiency Program***

In 2016, the Company recognized \$1.3 million of restructuring charges and other, net, in connection with the 2015 Efficiency Program, as compared to \$10.5 million of restructuring charges and other, net, in 2015.

The Company achieved approximately \$9 million in annualized cost reductions during 2016 from the 2015 Efficiency Program and annualized cost reductions in 2017 and thereafter related to such program are expected to be approximately \$10 million.

***2014 Integration Program***

During 2014, the Company recorded charges totaling \$20.1 million related to restructuring and related actions under the Company’s integration initiatives in connection with the Colomer Acquisition (the “2014 Integration Program”), of which \$18.9 million was recorded in restructuring charges and other, net, \$0.6 million was recorded in cost of sales and \$0.6 million was recorded in SG&A expenses. The 2014 Integration Program was substantially completed as of December 31, 2015.

See Note 3, “Restructuring Charges,” to the Consolidated Financial Statements in this Form 10-K for further discussion.

***Interest expense:***

	<u>Year Ended December 31,</u>			<u>Change</u>	
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2016 vs. 2015</u>	<u>2015 vs. 2014</u>
Interest expense . . . . .	\$105.2	\$83.3	\$84.4	\$21.9	\$(1.1)

The \$21.9 million increase in interest expense in 2016, as compared to 2015, 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. See Part II, Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Overview - Recent Events - Debt-Related Transactions.”

The \$1.1 million decrease in interest expense in 2015, compared to 2014, was primarily due to lower average debt outstanding, partially offset by higher weighted average borrowing rates. The lower average debt outstanding was the result of: (i) regularly scheduled quarterly amortization payments made towards the Old Acquisition Term Loan through December 31, 2015; (ii) the favorable benefit to 2015 as a result of the May 1, 2014 prepayment of the remaining \$58.4 million principal amount outstanding under the Non-Contributed Loan; and (iii) the \$24.6 million March 2015 excess cash flow prepayment under the Old Term Loan Facility. The higher weighted average borrowing rates were primarily due to the impact of the 2013 Interest Rate Swap going into effect in May 2015.

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

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***Loss on early extinguishment of debt:***

	<u>Year Ended December 31,</u>			<u>Change</u>	
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2016 vs. 2015</u>	<u>2015 vs. 2014</u>
Loss on early extinguishment of debt . . . . .	\$16.9	\$—	\$2.0	\$16.9	\$(2.0)

The Company recognized a \$16.9 million aggregate loss on the early extinguishment of debt during in 2016, primarily due to approximately \$6.0 million of fees and expenses that were expensed as incurred in connection with entering into the 2016 Senior Credit 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 September 2016 repayment of the Old Term Loan Facility.

The Company recognized an aggregate loss on the early extinguishment of debt of \$2.0 million during 2014, primarily due to \$1.1 million of fees and expenses which were expensed as incurred in connection with the then-existing term loan facility, as well as the write-off of \$0.8 million of unamortized debt discount and deferred financing fees as a result of such transaction. The remaining \$0.1 million was related to the write-off of deferred financing costs in connection with the early repayment of the principal amount outstanding under the Non-Contributed Loan.

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

***Foreign currency (gains) losses, net:***

	<u>Year Ended December 31,</u>			<u>Change</u>	
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2016 vs. 2015</u>	<u>2015 vs. 2014</u>
Foreign currency losses (gains), net . . . . .	\$18.5	\$15.7	\$25.0	\$2.8	\$(9.3)

The \$2.8 million increase in foreign currency losses in 2016, as compared to 2015, was primarily driven by:

- a \$2.1 million gain in 2016, compared to a \$3.8 million gain in 2015 related to the Company’s foreign currency forward exchange contracts; and
- the net unfavorable impact of the revaluation of certain U.S. Dollar denominated intercompany payables and foreign currency denominated receivables.

The \$9.3 million decrease in foreign currency losses in 2015, as compared to 2014, was primarily driven by:

- a \$6.0 million foreign currency loss recognized in 2014 as a result of the re-measurement of Revlon Venezuela’s balance sheet, as compared to a \$1.9 million foreign currency loss recognized in 2015;
- a \$3.8 million gain in 2015, compared to a \$0.5 million gain in 2014, related to the Company’s foreign currency forward exchange contracts; and
- the favorable impact of the revaluation of certain U.S. Dollar and foreign currency denominated intercompany payables during 2015, as compared to 2014.

***Provision for income taxes:***

	<u>Year Ended December 31,</u>			<u>Change</u>	
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2016 vs. 2015</u>	<u>2015 vs. 2014</u>
Provision for income taxes . . . . .	\$25.5	\$51.4	\$77.8	\$(25.9)	\$(26.4)

The provision for income taxes decreased by \$25.9 million in 2016, as compared to 2015, primarily due to lower pre-tax income for 2016, as compared to 2015, partially offset by the lack of benefit from 2016 goodwill and intangible assets impairment, as well as the benefit in 2015 for the reduction of the deferred tax valuation allowance that did not exist in 2016.

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The provision for income taxes decreased by \$26.4 million in 2015, compared to 2014, primarily due to the favorable impact of certain discrete items, including: (i) the net reduction of valuation allowances in certain foreign jurisdictions; (ii) lower pre-tax income in certain jurisdictions for 2015, as compared to 2014; (iii) the impact of the favorable resolution of certain tax matters in 2015; and (iv) the unfavorable impact of certain tax matters in 2014 that did not recur in 2015.

The Company's effective tax rate for 2016 was higher than the 35% federal statutory rate as a result of: (i) state and local taxes; (ii) foreign dividends and earnings taxable in the U.S.; and (iii) the impairment related to the Company's Other segment for which there was no tax benefit.

The Company's effective tax rate for 2015 was higher than the federal statutory rate of 35% due principally to: (i) foreign and U.S. tax effects attributable to operations outside the U.S.; (ii) state and local taxes; and (iii) foreign dividends and earnings taxable in the U.S., partially offset by the net reduction of valuation allowances in certain foreign jurisdictions.

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.

In assessing the recoverability of its deferred tax assets, management regularly considers whether some portion or all of the deferred tax assets will not be realized based on the recognition threshold and measurement of a tax position. The ultimate realization of deferred tax assets is generally dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. See Note 16, "Income Taxes," to the Consolidated Financial Statements in this Form 10-K for further discussion.

### **Financial Condition, Liquidity and Capital Resources**

At December 31, 2016, the Company had a liquidity position of \$545.9 million, consisting of \$167.1 million of unrestricted cash and cash equivalents, as well as \$378.8 million in available borrowings under Products Corporation's \$400.0 million 2016 Revolving Credit Facility, based upon the borrowing base of \$389.2 million, less \$10.4 million of outstanding undrawn letters of credit, and nil outstanding under the 2016 Revolving Credit Facility at such date.

The Company's foreign operations held \$128.5 million out of the total \$186.8 million in cash and cash equivalents (net of any outstanding checks) as of December 31, 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.

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***Changes in Cash Flows***

At December 31, 2016, the Company had cash and cash equivalents of \$186.8 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 in 2016, 2015 and 2014:

	<b>Year Ended December 31,</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
Net cash provided by operating activities . . . . .	\$ 116.9	\$155.3	\$174.0
Net cash used in investing activities . . . . .	(1,087.5)	(83.8)	(52.1)
Net cash provided by (used in) financing activities . . . . .	833.1	(12.1)	(75.1)
Effect of exchange rate changes on cash and cash equivalents . . . . .	(2.6)	(7.8)	(15.6)

*Operating Activities*

Net cash provided by operating activities was \$116.9 million, \$155.3 million and \$174.0 million for 2016, 2015 and 2014, respectively. The increase in cash used in 2016, as compared to 2015, was primarily driven by the payment of acquisition and integration costs in 2016, higher interest payments in 2016 as a result of increased debt incurred in connection with the Elizabeth Arden acquisition, as well as the timing of certain accounts payable disbursements and accounts receivable collections at the end of 2015 compared to 2016. The decrease in cash from operating activities in 2015, as compared to 2014, was primarily driven by higher inventory and tax payments, partially offset by less cash used in discontinued operations, as well as lower payments for restructuring and interest in 2015 compared to 2014.

*Investing Activities*

Net cash used in investing activities was \$1,087.5 million, \$83.8 million and \$52.1 million for 2016, 2015 and 2014, respectively, which included \$59.3 million, \$48.3 million and \$55.5 million of cash used for capital expenditures, respectively. Net cash used in investing activities in 2016 included \$1,034.3 million 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. Net cash used in investing activities in 2015 included \$41.7 million in cash payments, net of cash acquired, primarily for the Company's April 2015 CBB Acquisition, partially offset by \$6.2 million in cash proceeds from the sale of certain immaterial, non-core assets. Net cash used in investing activities in 2014 included cash used for capital expenditures, partially offset by \$3.4 million in proceeds from the sale of property, plant and equipment, primarily related to other immaterial restructuring actions.

*Financing Activities*

Net cash provided by (used in) financing activities was \$833.1 million, \$(12.1) million and \$(75.1) million for 2016, 2015 and 2014, respectively.

Net cash provided by financing activities in 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; and
- cash proceeds received in connection with issuance of the 6.25% Senior Notes, in the aggregate principal amount of \$450.0 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 Old Acquisition Term Loan;

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- (i) \$45.0 million of fees paid in connection with completing the 2016 Term Loan Facility; (ii) \$5.7 million of fees paid in connection with completing the 2016 Revolving Credit Facility; and (iii) \$10.9 million of fees paid in connection with issuing Products Corporation's 6.25% Senior Notes;
- a \$23.2 million required excess cash flow prepayment made under the Old Term Loan Facility, as discussed below; and
- \$2.7 million utilized for the repurchase of shares from a former executive.

Net cash used in financing activities for 2015 primarily included:

- a \$24.6 million required excess cash flow prepayment made under the Old Term Loan Facility; and
- \$6.8 million of scheduled amortization payments on the Old Acquisition Term Loan;

with the foregoing partially offset by:

- \$23.0 million increase in short-term borrowings and overdrafts.

Net cash used in financing activities for 2014 included:

- the repayment in May 2014 of the \$58.4 million aggregate principal amount outstanding of the Non-Contributed Loan;
- \$7.0 million of scheduled amortization payments on the Old Acquisition Term Loan;
- \$4.7 million decrease in short-term borrowings and overdrafts; and
- the payment of \$1.8 million of financing costs primarily related to a February 2014 amendment to the Old Term Loan Facility.

Refer below for further discussion of the debt instruments and related financing activities discussed above.

***Long-Term Debt Instruments***

**(a) Recent Debt Transactions**

The Company completed several debt transactions during 2016, 2015 and 2014:

**2016 Debt-Related 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 its 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: (A) to fund the Elizabeth Arden Acquisition, including: (i) repurchasing the entire \$350.0 million aggregate principal amount outstanding of the then-existing Elizabeth Arden Senior Notes; (ii) repaying the entire \$142.0 million aggregate principal amount of borrowings outstanding as of the Elizabeth Arden Acquisition Date under Elizabeth Arden's \$300.0 million revolving credit facility (which facility was terminated upon such repayment); (iii) repaying the entire \$25.0 million aggregate principal amount of borrowings outstanding as of the Elizabeth Arden Acquisition Date under Elizabeth Arden's second lien credit facility (which facility was terminated upon such repayment); and (iv) retiring the entire \$55.0 million liquidation preference of all 50,000 shares of Elizabeth Arden's then-issued and outstanding preferred stock (which amount included a \$5.0 million change of control premium); and (B) to completely refinance and repay all of the \$651.4 million in aggregate principal balance outstanding under Products Corporation's then-existing 2011 Term Loan and all of the \$658.6 million in aggregate principal balance outstanding under Products Corporation's Old Acquisition Term Loan (each of which facilities were terminated upon such repayment). The Company did not incur any material early termination penalties in connection with repaying the Old Term Loan Facility or the Elizabeth Arden indebtedness and preferred stock.

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***2016 Term Loan Facility***

*Principal and Maturity:* On the Elizabeth Arden 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 matures on the earlier of: (x) the seventh anniversary of the Elizabeth Arden Acquisition 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. 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 of Products Corporation's existing and future direct or indirect wholly-owned domestic restricted subsidiaries (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

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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 Elizabeth Arden Acquisition 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 Elizabeth Arden Acquisition 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 matures on the earlier of: (x) the fifth anniversary of the Elizabeth Arden Acquisition 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 of Products Corporation's existing and future direct or indirect wholly-owned domestic restricted subsidiaries (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:* Under the 2016 Revolving Credit Facility, interest is payable quarterly and accrues on borrowings under such 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



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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 of 0.25% for any unused amounts. 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 Products Corporation and/or Revlon issuing certain equity securities and Products Corporation receiving capital contributions from Revlon, with such cash being 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. The above descriptions of the terms of the 2016 Term Loan Facility and the 2016 Revolving Credit Facility and the related security and collateral agreements are qualified in their entirety by reference to such agreements, which are attached as exhibits to this Form 10-K.

#### ***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 the 6.25% Senior Notes 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 the 6.25% Senior Notes. The 6.25% Senior Notes are unsecured and were issued by the Escrow Issuer to the initial purchasers under the 6.25% Senior Notes Indenture, between the Escrow Issuer and U.S. Bank National Association, as trustee (the "6.25% Senior Notes 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. The proceeds from the 6.25% Senior Notes were released from escrow on the September 7, 2016 Elizabeth Arden Acquisition Date (the "Escrow Release"). On the Elizabeth Arden 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 "6.25% Senior Notes Guarantors"), and the 6.25% Senior Notes Trustee entered into a supplemental indenture (the "6.25% Senior Notes 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 6.25% Senior Notes Guarantors jointly and severally, fully and unconditionally guaranteed the 6.25% Senior Notes on a senior unsecured basis (the "6.25% Senior Notes Guarantees"). The 6.25% Senior Notes Guarantors are the same entities that are subsidiary guarantors under the 2016 Senior Credit Facilities.

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In December 2016, Products Corporation consummated an offer to exchange the original 6.25% Senior Notes for \$450 million of new 6.25% Senior Notes, which have substantially the same terms as the original 6.25% Senior Notes, except that they are registered under the Securities Act (such registered new notes being the “6.25% Senior Notes”).

*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 6.25% Senior Notes Guarantors’ future subordinated indebtedness; and (iii) effectively junior to all of Products Corporation’s and the 6.25% Senior Notes Guarantors’ existing and future senior secured indebtedness, including, indebtedness under Products Corporation’s 2016 Senior Credit Facilities, to the extent of the value of the assets securing such indebtedness. The 6.25% Senior Notes and the 6.25% Senior Notes 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 6.25% Senior Notes Guarantors other than expressly subordinated indebtedness. The 6.25% Senior Notes and the 6.25% Senior Notes Guarantees rank effectively junior to indebtedness and preferred stock of Products Corporation’s foreign and immaterial subsidiaries (the “6.25% Senior Notes Non-Guarantor Subsidiaries”), none of which guarantee the 6.25% Senior Notes.

*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 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 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:

<u>Period</u>	<u>Optional Redemption Premium Percentage</u>
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 6.25% Senior Notes 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.

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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***

In February 2016, Products Corporation prepaid \$23.2 million of indebtedness, representing 50% of its 2015 "excess cash flow" as defined under, and as required by, the Old Term Loan Agreement. The prepayment was applied on a ratable basis between the principal amounts outstanding at such time under the 2011 Term Loan and the Old 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 Old Acquisition Term Loan reduced Products Corporation's future annual amortization payments under such loan on a ratable basis from \$6.9 million prior to the prepayment to \$6.8 million after giving effect to the prepayment. The 2011 Term Loan and Old Acquisition Term Loan were completely refinanced and terminated in connection with Products Corporation's completing the 2016 Senior Credit Facilities and issuing the 6.25% Senior Notes.

**2015 Debt Related Transaction**

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

In March 2015, Products Corporation prepaid \$24.6 million of indebtedness, representing 50% of its 2014 "excess cash flow," in accordance with the terms of its Old Term Loan Facility. The prepayment was applied on a ratable basis between the principal amounts outstanding under the 2011 Term Loan and the Old Acquisition Term Loan. The amount of the prepayment applied to the 2011 Term Loan reduced the principal amount outstanding at such time by \$12.1 million to \$662.9 million (as all amortization payments under the 2011 Term Loan had been paid). The \$12.5 million applied to the Old Acquisition Term Loan reduced Products Corporation's future regularly scheduled quarterly amortization payments under such loan on a ratable basis from \$1.8 million prior to the prepayment to \$1.7 million after giving effect to the prepayment. The 2011 Term Loan and Old Acquisition Term Loan were completely refinanced and terminated in connection with Products Corporation's completing the 2016 Senior Credit Facilities and issuing the 6.25% Senior Notes.

**2014 Debt Related Transactions**

***February 2014 Term Loan Amendment***

In February 2014, Products Corporation entered into an amendment (the "February 2014 Term Loan Amendment") to its Old Term Loan Agreement among Products Corporation, as borrower, a syndicate of lenders and Citicorp USA, Inc. ("CUSA"), as administrative agent and collateral agent.

Pursuant to the February 2014 Term Loan Amendment, the interest rates applicable to Eurodollar Loans under the 2011 Term Loan bore interest at the Eurodollar Rate plus 2.5% per annum, with the Eurodollar Rate not to be less than 0.75% (compared to 3.0% and 1.0%, respectively, prior to the February 2014 Term Loan Amendment), while Alternate Base Rate Loans under the 2011 Term Loan bore interest at the Alternate Base Rate plus 1.5%, with the Alternate Base Rate not to be less than 1.75% (compared to 2.0% in each case prior to the February 2014 Term Loan Amendment) (and as each such term is defined in the Old Term Loan Agreement).

Products Corporation's Old Acquisition Term Loan and Old Revolving Credit Facility were not amended in connection with the February 2014 Term Loan Amendment. The 2011 Term Loan, the Old Acquisition Term Loan and the Old Revolving Credit Facility were completely refinanced and terminated in connection with Products Corporation's completing the 2016 Senior Credit Facilities and issuing the 6.25% Senior Notes.

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During 2014, the Company incurred approximately \$1.1 million of fees and expenses in connection with the February 2014 Term Loan Amendment, which were expensed as incurred, and wrote-off \$0.8 million of unamortized debt discount and deferred financing costs as a result of the February 2014 Term Loan Amendment. These amounts, totaling \$1.9 million, were recognized within loss on the early extinguishment of debt in the Company's Consolidated Statements of Operations and Comprehensive (Loss) Income for the year ended December 31, 2014.

***Repayment of Non-Contributed Loan***

In May 2014, Products Corporation used available cash on hand to optionally prepay in full the remaining \$58.4 million principal amount then outstanding under the Non-Contributed Loan, which would have otherwise matured on October 8, 2014. In connection with such prepayment, the Company wrote-off \$0.1 million of deferred financing costs, which were recognized within loss on early extinguishment of debt in the Company's Consolidated Statements of Operations and Comprehensive (Loss) Income for 2014.

***5.75% Senior Notes***

In February 2013, Products Corporation completed its offering (the "2013 Senior Notes Refinancing"), pursuant to an exemption from registration under the Securities Act,) of \$500.0 million aggregate principal amount of the 5.75% Senior Notes. The 5.75% Senior Notes are unsecured and were issued under the 5.75% Senior Notes Indenture to investors at par. The 5.75% Senior Notes mature on February 15, 2021. Interest on the 5.75% Senior Notes accrues at 5.75% per annum, paid every six months on February 15<sup>th</sup> and August 15<sup>th</sup>. The 5.75% Senior Notes were issued pursuant to the 5.75% Senior Notes Indenture, dated as of February 8, 2013 (the "5.75% Senior Notes Closing Date"), by and among Products Corporation, Products Corporation's domestic subsidiaries (the "5.75% Senior Notes Guarantors"), which also currently guarantee Products Corporation's 2016 Senior Credit Facilities and 6.25% Senior Notes, and U.S. Bank National Association, as trustee (the "5.75% Senior Notes Trustee"). The 5.75% Senior Notes Guarantors issued guarantees (the "5.75% Senior Notes Guarantees") of Products Corporation's obligations under the 5.75% Senior Notes and the 5.75% Senior Notes Indenture on a joint and several, senior unsecured basis.

In December 2013, Products Corporation consummated an offer to exchange the original 5.75% Senior Notes for \$500 million of new 5.75% Senior Notes, which have substantially the same terms as the original 5.75% Senior Notes, except that they are registered under the Securities Act (such registered new notes being the "5.75% Senior Notes").

Products Corporation used a portion of the \$491.2 million of net proceeds from the issuance of the 5.75% Senior Notes (net of underwriters' fees) to repay and redeem all of the \$330.0 million outstanding aggregate principal amount of its 9.75% Senior Secured Notes, as well as to pay \$8.6 million of accrued interest. Products Corporation incurred an aggregate of \$19.4 million of fees for the applicable redemption and tender offer premiums, related fees and expenses in connection with redemption and repayment of the 9.75% Senior Secured Notes and other fees and expenses in connection with the issuance of the 5.75% Senior Notes. Products Corporation used a portion of the remaining proceeds from the issuance of the 5.75% Senior Notes, together with existing cash, to pay approximately \$113.0 million of principal on its 2011 Term Loan. Products Corporation used the remaining balance available from the issuance of the 5.75% Senior Notes for general corporate purposes, including, without limitation, debt reduction transactions, such as repaying a loan to Revlon at its maturity on October 8, 2013, which proceeds Revlon used to pay the liquidation preference of Revlon's then outstanding Series A Preferred Stock in connection with its mandatory redemption on such date.

***Ranking***

The 5.75% Senior Notes are Products Corporation's unsubordinated, unsecured obligations and rank senior in right of payment to any future subordinated obligations of Products Corporation and rank pari passu in right of payment with all existing and future senior debt of Products Corporation. Similarly, each 5.75% Senior Notes Guarantee is the relevant 5.75% Senior Notes Guarantor's joint and several, unsubordinated and unsecured obligation, ranking senior in right of payment to any future subordinated obligations of such 5.75% Senior Notes Guarantor and ranking pari passu in right of payment with all existing and future senior debt of such 5.75% Senior Notes Guarantor. The 5.75% Senior Notes Guarantees were issued on a joint and several basis.

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The 5.75% Senior Notes and the 5.75% Senior Notes Guarantees rank effectively junior to Products Corporation’s 2016 Senior Credit Facilities, which are secured, as well as indebtedness and preferred stock of Products Corporation’s foreign and immaterial subsidiaries (the “5.75% Senior Notes Non-Guarantor Subsidiaries and together with the 6.25% Senior Notes Non-Guarantor Subsidiaries, the “Non-Guarantor Subsidiaries”), none of which guarantee the 5.75% Senior Notes.

*Optional Redemption*

The 5.75% Senior Notes may be redeemed at Products Corporation’s 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 the date of redemption, if redeemed during the 12-month period beginning on February 15<sup>th</sup> of the years indicated below:

<u>Year</u>	<u>Percentage</u>
2017 .....	102.875%
2018 .....	101.438%
2019 and thereafter.....	100.000%

*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 5.75% Senior Notes at a purchase price of 101% of the outstanding principal amount of the 5.75% Senior Notes as of the date of any such repurchase, plus accrued and unpaid interest to the date of repurchase.

*Certain Covenants*

The 5.75% Senior Notes Indenture limits Products Corporation’s and the 5.75% Senior Notes Guarantors’ ability, and the ability of certain other subsidiaries, to:

- incur or guarantee additional indebtedness (“Limitation on Debt”);
- pay dividends, make repayments on indebtedness that is subordinated in right of payment to the 5.75% Senior Notes and make other “restricted payments” (“Limitation on Restricted Payments”);
- make certain investments;
- create liens on their assets to secure debt;
- enter into transactions with affiliates;
- merge, consolidate or amalgamate with another company (“Successor Company”);
- transfer and sell assets (“Limitation on Asset Sales”); and
- permit restrictions on the payment of dividends by Products Corporation’s subsidiaries (“Limitation on Dividends from Subsidiaries”).

These covenants are subject to important qualifications and exceptions. The 5.75% Senior Notes Indenture also contains customary affirmative covenants and events of default.

In addition, if during any period of time the 5.75% 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 5.75% Senior Notes Indenture, Products Corporation and its subsidiaries will not be subject to the covenants on Limitation on Debt, Limitation on Restricted Payments, Limitation on Asset Sales, Limitation on Dividends from Subsidiaries and certain provisions of the Successor Company covenant.

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*Covenants*

Products Corporation was in compliance with all applicable covenants under the 2016 Credit Agreements as of December 31, 2016. At December 31, 2016, the aggregate principal amount outstanding under the 2016 Term Loan Facility was \$1,795.5 million and availability under the \$400.0 million 2016 Revolving Credit Facility, based upon the calculated borrowing base of \$389.2 million, less \$10.4 million of outstanding undrawn letters of credit, and nil drawn on the 2016 Revolving Credit Facility, was \$378.8 million.

Products Corporation was in compliance with all applicable covenants under its Senior Notes Indentures as of December 31, 2016.

*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 Credit Agreements, and the Senior Notes Indentures 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 (including, without limitation, for the EA Integration Restructuring Program); 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 and/or channels of trade. The Company's cash contributions to its pension and post-retirement benefit plans in 2016 were \$8.3 million. The Company expects cash contributions to its pension and post-retirement benefit plans to be approximately \$8 million in the aggregate for 2017. The Company's cash taxes paid in 2016 were \$21.9 million. The Company expects to pay cash taxes of approximately \$21 million in the aggregate during 2017. The Company's purchases of permanent wall displays and capital expenditures in 2016 were \$52.1 million and \$59.3 million, respectively. The Company expects purchases of permanent wall displays to be approximately \$65.0 million during 2017 and expects capital expenditures to be approximately \$100.0 million to \$120 million in 2017. Capital expenditures for 2017 include Revlon and Elizabeth Arden expected spend, as well as approximately \$40 million expected for the Elizabeth Arden Integration Program.

As a result of the EA Integration Restructuring Program, as well as other actions that the Company is continuing to evaluate related to integrating the Elizabeth Arden organization into the Company's business, such as through the elimination of duplicative functions, leveraging purchasing scale and optimizing the manufacturing and distribution networks of the combined company, the Company currently expects to realize over a multi-year period annualized synergies and cost reductions of approximately \$190 million. In order to capture these annualized cost reductions, the Company anticipates that it will incur, over a multi-year period, approximately \$100 million to \$110 million of integration-related capital expenditures and approximately \$70 million to \$80 million of non-restructuring integration costs. 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.

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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, block trades, privately negotiated purchase transactions or otherwise and may seek to refinance some or all of its indebtedness based upon market conditions. Any such 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 2017, 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 Credit Agreements and/or the Senior Notes Indentures and in such event the Company could be required to take measures, including, among other things, reducing discretionary spending. (See Item 1A. "Risk Factors" for further discussion of certain risks associated with the Company's business and indebtedness.)

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***Spanish Government Loan***

In connection with the Colomer Acquisition, the Company acquired the Colomer Group's euro-denominated loan payable to the Spanish government (the "Spanish Government Loan"), which loan had \$0.5 million aggregate principal amount outstanding as of December 31, 2016 (based on foreign exchange rates in effect as of such date). The Spanish Government Loan does not bear interest and is payable in 10 equal installments on June 30th of each year beginning in 2016 through 2025.

***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 December 31, 2016, the FX Contracts outstanding had a notional amount of \$79.6 million and a net asset fair value of \$1.2 million.

*Interest Rate Swap Transaction*

In November 2013, Products Corporation executed a forward-starting floating-to-fixed interest rate swap transaction that, at its inception, was based on a notional amount of \$400 million in respect of indebtedness under the Old Acquisition Term Loan over a period of three years (the "2013 Interest Rate Swap"). The 2013 Interest Rate Swap initially had a floor of 1% that in December 2016 was amended to 0.75%. 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 initially 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 Old Acquisition Term Loan over the three-year term of the 2013 Interest Rate Swap (and subsequently to the \$400 million notional amount under the 2016 Term Loan Facility for the remaining balance of the term of such swap). Commencing in May 2015, Products Corporation receives from the counterparty a floating interest rate based on the higher of three-month U.S. Dollar LIBOR or the floor percentage in effect, 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 December 31, 2016 and December 31, 2015, the fair value of the 2013 Interest Rate Swap was a liability of \$4.7 million and \$6.5 million, respectively.

As a result of completely refinancing the Old Acquisition Term Loan with a portion of the proceeds from Products Corporation's consummation of the 2016 Senior Credit Facilities and the 6.25% Senior Notes Offering in connection with consummating 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 the September 7, 2016 Elizabeth Arden Acquisition Date (the "De-designation 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 de-designation 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 \$4.9 million, or \$3.0 million net of tax, at December 31, 2016 that were previously recorded as a component of accumulated other comprehensive loss will be amortized into earnings over the remaining term of the 2013 Interest Rate Swap through its maturity.

*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 \$2.3 million and \$2.0 million as of December 31, 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



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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 December 31, 2016:

<u>Contractual Obligations</u>	<b>Payments Due by Period</b> (dollars in millions)				
	<u>Total</u>	<u>Less than 1 year</u>	<u>1-3 years</u>	<u>4-5 years</u>	<u>After 5 years</u>
Long-term debt, including current portion <sup>(a)</sup> . . . . .	\$2,746.0	\$ 18.1	\$ 36.2	\$536.2	\$2,155.5
Interest on long-term debt <sup>(b)</sup> . . . . .	865.8	141.1	268.3	248.6	207.8
Capital lease obligations . . . . .	3.5	1.9	1.5	0.1	—
Operating leases <sup>(c)</sup> . . . . .	216.0	38.9	64.7	41.8	70.6
Purchase obligations <sup>(d)</sup> . . . . .	287.5	252.2	22.5	10.9	1.9
Other long-term obligations <sup>(e)</sup> . . . . .	<u>77.4</u>	<u>49.4</u>	<u>17.5</u>	<u>5.9</u>	<u>4.6</u>
Total contractual obligations . . . . .	<u>\$4,196.2</u>	<u>\$501.6</u>	<u>\$410.7</u>	<u>\$843.5</u>	<u>\$2,440.4</u>

<sup>(a)</sup> Consists primarily of (i) the \$1,795.5 million aggregate principal amount outstanding under the 2016 Term Loan Facility as of December 31, 2016; (ii) the \$450.0 million aggregate principal amount outstanding under the 6.25% Senior Notes as of December 31, 2016; and (iii) the \$500.0 million aggregate principal amount outstanding under the 5.75% Senior Notes as of December 31, 2016.

<sup>(b)</sup> 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 December 31, 2016.

<sup>(c)</sup> Included in the obligations for operating leases as of December 31, 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. The Company acquired these facilities in Virginia as part of the Elizabeth Arden Acquisition.

<sup>(d)</sup> 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.

<sup>(e)</sup> 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-K.

**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**

In the ordinary course of its business, the Company has made a number of estimates and assumptions relating to the reporting of results of operations and financial condition in the preparation of its financial statements in conformity with U.S. generally accepted accounting principles (“U.S. GAAP”). Actual results could differ significantly from those estimates and assumptions. The Company believes that the following discussion addresses the Company’s most critical accounting policies, which are those that are most important to the portrayal of the

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Company's financial condition and results of operations and require management's most difficult, subjective and complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain.

*Allowance for Doubtful Accounts:*

The allowance for doubtful accounts is determined based on historical experience and ongoing evaluations of the Company's receivables and evaluations of the risks of payment. The allowance for doubtful accounts is recorded against trade receivable balances when they are deemed uncollectible. Recoveries of trade receivables previously reserved are recorded in the consolidated statements of operations and comprehensive (loss) income when received.

*Sales Returns:*

The Company allows customers, primarily within its Consumer and Elizabeth Arden segment, to return their unsold products when they meet certain company-established criteria as outlined in the Company's trade terms. The Company regularly reviews and revises, when deemed necessary, the Company's estimates of sales returns based primarily upon historical product returns experience, planned product discontinuances and promotional sales, which would permit customers to return products based upon the Company's trade terms. The Company records estimated sales returns as a reduction to sales and cost of sales, and an increase in accrued liabilities and inventories.

Returned products, which are recorded as inventories, are valued based upon the amount that the Company expects to realize upon their subsequent disposition. The physical condition and marketability of the returned products are the major factors the Company considers in estimating realizable value. Cost of sales includes the cost of refurbishment of returned products. Actual returns, as well as realized values on returned products, may differ significantly, either favorably or unfavorably, from the Company's estimates if factors such as product discontinuances, customer inventory levels or competitive conditions differ from the Company's estimates and expectations and, in the case of actual product returns, if economic conditions differ significantly from the Company's estimates and expectations.

*Trade Support Costs:*

In order to support the retail trade, the Company has various performance-based arrangements with retailers to reimburse them for all or a portion of their promotional activities related to the Company's products. The Company regularly reviews and revises, when deemed necessary, estimates of costs to the Company for these promotions based on estimates of what has been incurred by the retailers. Actual costs incurred by the Company may differ significantly if factors such as the level and success of the retailers' programs, as well as retailer participation levels, differ from the Company's estimates and expectations.

*Inventories:*

Inventories are stated at the lower of cost or market value. Cost is based on standard cost and production variances, which approximates actual cost on the first-in, first-out method. Cost components include direct materials, direct labor and direct overhead, as well as in-bound freight. The Company records adjustments to the value of inventory based upon its forecasted plans to sell its inventories, as well as planned discontinuances. The physical condition (e.g., age and quality) of the inventories is also considered in establishing its valuation. These adjustments are estimates, which could vary significantly, either favorably or unfavorably, from the amounts that the Company may ultimately realize upon the disposition of inventories if future economic conditions, customer inventory levels, product discontinuances, sales return levels or competitive conditions differ from the Company's estimates and expectations.

*Pension Benefits:*

The Company sponsors both funded and unfunded pension and other retirement plans in various forms covering employees who meet the applicable eligibility requirements. The Company uses several statistical and other factors in an attempt to estimate future events in calculating the liability and net periodic benefit income/cost related to these

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plans. These factors include assumptions about the discount rate, expected long-term return on plan assets and rate of future compensation increases as determined annually by the Company, within certain guidelines, which assumptions would be subject to revisions if significant events occur during the year. The Company uses December 31<sup>st</sup> as its measurement date for defined benefit pension plan obligations and plan assets.

As of December 31, 2015, the Company adopted an 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. Under this method, the discount rate assumption was built through the application of specific spot rates along the yield curve used in the determination of the benefit obligation to the relevant projected cash flows for each of the Company's pension and other retirement plans. Prior to December 31, 2015, the Company estimated the service and interest cost components utilizing a single weighted average discount rate derived from the yield curve used to measure the benefit obligation at the beginning of the period. This change does not affect the measurement of the Company's total benefit obligations, as the change in service and interest costs is exactly offset in the actuarial loss (gain) recognized for each year. The Company made this change to provide a more precise measurement of service and interest costs by improving the correlation between projected benefit cash flows to the corresponding spot yield curve rates. The change has been accounted for as a change in accounting estimate that is inseparable from a change in accounting principle, and accordingly, has been accounted for prospectively.

The Company utilized a 3.92% weighted average discount rate in 2016 for the Company's U.S. defined benefit pension plans, compared to a 4.15% weighted average discount rate in 2015. The Company utilized a 2.66% weighted average discount rate for the Company's international defined benefit pension plans in 2016, compared to a 3.68% weighted average discount rate selected in 2015. The discount rates are used to measure the benefit obligations at the measurement date and the net periodic benefit income/cost for the subsequent calendar year and are reset annually using data available at the measurement date. The changes in the discount rates used for 2016 were primarily due to observed decreases in long-term interest yields on high-quality corporate bonds during 2016. At December 31, 2016, the decrease in the discount rates from December 31, 2015 had the effect of increasing the Company's projected pension benefit obligation by approximately \$24.3 million.

In selecting its expected long-term rate of return on its plan assets, the Company considers a number of factors, including, without limitation, recent and historical performance of plan assets, the plan portfolios' asset allocations over a variety of time periods compared with third-party studies, the performance of the capital markets in recent years and other factors, as well as advice from various third parties, such as the plans' advisors, investment managers and actuaries. While the Company considered both the recent performance and the historical performance of plan assets, the Company's assumptions are based primarily on its estimates of long-term, prospective rates of return. The difference between actual and expected return on plan assets is reported as a component of accumulated other comprehensive (loss) income and the resulting gains or losses are amortized over future periods as a component of the net periodic benefit cost. For the Company's U.S. defined benefit pension plans, the expected long-term rate of return on the pension plan assets used was 7.00% for 2016 and 7.50% for 2015. The weighted average expected long-term rate of return used for the Company's international plans was 6.00% for both 2016 and 2015. For 2016, the actual return on pension plan assets was \$35.8 million, as compared with expected return on plan assets of \$31.0 million. The resulting \$4.8 million difference (a net deferred gain), when combined with gains and losses from previous years, will be amortized over periods ranging from approximately 10 to 30 years. The actual return on plan assets for 2016 was above expectations, primarily due to higher returns from investments in developed equity markets, bank loans and bond yields.

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The table below reflects the Company’s estimates of the possible effects that changes in the discount rates and expected long-term rates of return would have had on its 2016 net periodic benefit costs and its projected benefit obligation at December 31, 2016 for the Company’s principal defined benefit pension plans, with all other assumptions remaining constant:

	Effect of 25 basis points increase		Effect of 25 basis points decrease	
	Net periodic benefit costs	Projected pension benefit obligation	Net periodic benefit costs	Projected pension benefit obligation
Discount rate . . . . .	\$ 0.1	\$(16.1)	\$(0.5)	\$16.9
Expected long-term rate of return . . . . .	(1.3)	—	1.0	—

The rate of future compensation increases is another assumption used by the Company’s third party actuarial consultants for pension accounting. The rate of future compensation increases used for the Company’s projected pension benefit obligation in 2016 and 2015 was 3.50% for the U.S. defined benefit pension plans. Such increase was not applied to the Revlon Employees’ Retirement Plan and the Revlon Pension Equalization Plan, as the rate of future compensation increases is no longer relevant to such plans due to plan amendments which effectively froze these plans as of December 31, 2009.

In addition, the Company’s actuarial consultants also use other factors such as withdrawal and mortality rates. The actuarial assumptions used by the Company may differ materially from actual results due to changing market and economic conditions, higher or lower withdrawal rates or longer or shorter life spans of participants, among other things. Differences from these assumptions could significantly impact the actual amount of net periodic benefit cost and liability recorded by the Company.

To determine the fiscal 2017 net periodic benefit income/cost, the Company is using the “full yield curve approach” described above to separately calculate discount rates for each of the service and interest components. The following table represents the weighted average discount rates used in calculating each component of service and interest costs for the Company’s U.S. and international defined benefit pension plans:

	U.S. Plans	International Plans
Interest cost on projected benefit obligation . . . . .	3.23%	2.34%
Service cost . . . . .	4.53%	0.69%
Interest cost on service cost . . . . .	4.07%	0.51%

For 2017, the Company is using long-term rates of return on pension plan assets of 6.50% and 5.56% for its U.S. and international defined benefit pension plans, respectively. The Company expects that the impact of the changes in discount rates and the return on plan assets in 2017 will result in net periodic benefit income of \$0.2 million for 2017, compared to \$0.6 million of net periodic benefit income in 2016.

*Goodwill and Acquired Intangible Assets:*

In determining the fair values of net assets acquired, including trade names, customer relationships and other intangible assets, and resulting goodwill related to the Company’s business acquisitions, the Company considers, among other factors, the analyses of historical financial performance and an estimate of the future performance of the acquired business. The fair values of the acquired intangible assets are primarily calculated using a discounted cash flow approach.

Determining fair value requires significant estimates and assumptions based on evaluating a number of factors, such as marketplace participants, product life cycles, consumer awareness, brand history and future expansion expectations. There are significant judgments inherent in a discounted cash flow approach, including in selecting

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

Determining an acquired intangible asset's useful life requires management judgment and is based on evaluating a number of factors, including the expected use of the asset, consumer awareness, trade name history and future expansion expectations, as well as any contractual provisions that could limit or extend an asset's useful life. The Company believes that an acquired trade name has an indefinite life if it has a history of strong revenue and cash flow performance, and the Company has the intent and ability to support the trade name with marketplace spending for the foreseeable future. If this indefinite-lived criteria is not met, acquired trade names are amortized over their expected useful lives, which generally range from 5 to 20 years.

Goodwill totaled \$689.5 million and \$469.7 million as of December 31, 2016 and 2015, respectively. As of December 31, 2016, goodwill of \$227.5 million, \$240.3 million, \$221.7 million and nil (see "Non-cash Impairment Charges") related to the Consumer, Professional, Elizabeth Arden and Other segments, respectively. Indefinite-lived intangibles totaled \$243.3 million and \$95.0 million as of December 31, 2016 and 2015, respectively.

Goodwill and indefinite-lived intangible assets are not amortized, but rather are reviewed annually for impairment using October 1st carrying values, or when there is evidence that events or changes in circumstances indicate that the current carrying amounts may not be recovered. If the carrying amount exceeds its fair value, an impairment loss is recognized in an amount equal to any such excess. Goodwill is tested for impairment at the reporting unit level. The Company establishes its reporting units based on its current reporting structure, product characteristics and management. Within the Consumer segment, the Company has identified two reporting units: (i) "Global Color Brands," which include the SinfulColors and Pure Ice nail enamel brands; and (ii) "Revlon, Almay and Other," which includes the remainder of the Company's Consumer brands and does not include brands of the Company's Elizabeth Arden and Other reportable segments. The Company's other reporting units are consistent with the reportable segments identified in Note 19, "Segment Data and Related Information." For purposes of testing goodwill for impairment, goodwill has been allocated to each reporting unit to the extent that goodwill relates to each reporting unit.

For 2016, in assessing whether goodwill was impaired in connection with its annual impairment test performed during the fourth quarter of 2016 using October 1st carrying values, the Company performed qualitative assessments to determine whether it would be necessary to perform the two-step process, as prescribed by Accounting Standards Codification ("ASC") 350, *Intangibles - Goodwill and Other*, to assess the Company's indefinite-lived intangible assets for indicators of impairment. In performing the qualitative assessments, the Company considered the results of the step one test performed in 2015 and the financial performance of the Revlon, Almay and Other and Professional reporting units. Based upon such assessment, the Company determined that it is more likely than not that the fair value of each of the Company's reporting units and indefinite-lived intangible assets exceeded their carrying amounts for such reporting units.

The Company determined that it would utilize the two-step process to test the Global Color Brands and Other reporting units for impairment. In the first step of this test, the Company compared the fair value of each of the Company's Global Color Brands and Other reporting units, determined based upon discounted estimated future cash flows, to the carrying amount of each reporting unit, including goodwill. Where the fair values of such reporting units exceeded the carrying amount, no further work was required and no impairment loss was indicated. The results of the step one test indicated that impairment indicators may have existed for the Company's Other reporting unit due to the termination of certain fragrance licenses that were not replaced, and accordingly, the Company performed step two of the goodwill impairment test for this reporting unit.

In the second step, the Company measured the potential impairment of its Other reporting unit by comparing the implied fair value of the Other reporting unit's goodwill with the carrying amount of its goodwill at October 1, 2016. The implied fair value of the Other reporting unit's goodwill was determined in the same manner as the amount of goodwill recognized in a business combination, where the estimated fair value of the Other reporting unit was allocated to all the assets and liabilities of that reporting unit (including both recognized and unrecognized intangible

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assets) as if the Other reporting unit had been acquired in a business combination and the estimated fair value of the Other reporting unit was the purchase price paid. When the carrying amount of the reporting unit's goodwill is greater than the implied fair value of that reporting unit's goodwill, an impairment loss is recognized within operations. The Company determined the fair value of the Other reporting unit using discounted estimated future cash flows. The weighted average cost of capital used in testing the Other reporting unit for impairment was 23.0% with a perpetual growth rate of 2.0%. As a result of this annual impairment test, the Company recognized an aggregate \$16.7 million non-cash goodwill impairment charge related to the Other reporting unit in the fourth quarter of 2016. Following the recognition of this non-cash goodwill impairment charge, the Other reporting unit had no remaining goodwill as of December 31, 2016.

In conjunction with the annual impairment test, the Company reviews finite-lived intangible assets for impairment whenever facts and circumstances indicate that their carrying values may not be fully recoverable. This test compares the current carrying values of the intangible assets to the undiscounted pre-tax cash flows expected to result from the use of the assets. Based upon the results of the annual goodwill impairment test for the Other reporting unit during 2016, the Company performed an impairment review of the finite-lived intangible assets acquired as part of the 2015 CBB Acquisition. As a result of this review, the Company recognized during the fourth quarter of 2016 within the Other reporting unit \$4.2 million, \$2.0 million and \$0.5 million of non-cash impairment charges as a result of the change in the fair value of customer relationships, distribution rights and trade names, respectively, in the aggregate amount of \$6.7 million. For the year ended December 31, 2016, no impairment was recognized related to the carrying value of any other finite or indefinite-lived intangible assets.

As of the date of the Company's latest impairment testing, the fair values of the Global Color Brands reporting unit exceeded its carrying values by approximately \$17 million. As of December 31, 2016, there were no significant events since the timing of the Company's annual impairment test that would have triggered additional impairment testing.

For 2015, the Company utilized the two-step process in assessing whether goodwill was impaired for each of the Company's four reporting units. As a result of the 2015 annual impairment test, the Company recognized a \$9.7 million non-cash goodwill impairment charge related to the Global Color Brands reporting unit in the fourth quarter of 2015.

For 2014, the Company performed a qualitative assessment to determine whether it would be necessary to perform the two-step goodwill impairment test and to assess the Company's indefinite lived intangible assets for indicators of impairment, and determined that it was more likely than not that the fair value of each of the Company's reporting units and indefinite-lived intangible assets exceeded their carrying amounts. The Company did not record any impairment of goodwill or identifiable intangible assets during the year ended December 31, 2014.

See Note 2, "Business Combinations," and Note 8, "Goodwill and Intangible Assets, Net," for further discussion of the Company's goodwill and intangible assets.

*Income Taxes:*

The Company records income taxes based on amounts payable with respect to the current year and includes the effect of deferred taxes. The effective tax rate reflects statutory tax rates, tax-planning opportunities that may be available in various jurisdictions in which the Company operates, and the Company's estimate of the ultimate outcome of various tax audits and issues. Determining the Company's effective tax rate and evaluating tax positions requires significant judgment.

The Company recognizes deferred tax assets and liabilities for the future impact of differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases, as well as for operating loss and tax credit carryforwards. The Company measures deferred tax assets and liabilities using enacted tax rates expected to apply to taxable income in the years in which management expects that the Company will recover or settle those differences. The realization of the deferred tax assets is primarily dependent on forecasted future taxable income. The Company has established valuation allowances for deferred tax assets when management has determined that it is more likely than not that the Company will realize a tax benefit. Any reduction in estimated forecasted future taxable income may require the Company to record valuation allowances against deferred tax assets on which a

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valuation allowance was not previously established. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Provision for income taxes,” for further discussion.

The Company recognizes a tax position in its financial statements when it is more likely than not that the position will be sustained upon examination, based on the merits of such position. The Company recognizes liabilities for unrecognized tax positions in the U.S. and other tax jurisdictions based on an estimate of whether and the extent to which additional taxes will be due. If payment of these amounts is ultimately not required, the reversal of the liabilities would result in additional tax benefits recognized in the period in which the Company determines that the liabilities are no longer required. If the estimate of tax liabilities is ultimately less than the final assessment, this will result in a further charge to expense. The Company recognizes interest and penalties related to income tax matters in income tax expense.

The Company provides for U.S. federal income taxes and foreign withholding taxes on foreign subsidiaries’ cumulative undistributed earnings when it is not the Company’s intent to indefinitely reinvest such earnings overseas. No provision is made for U.S. income taxes where the Company’s plan is to indefinitely reinvest such undistributed earnings from the Company’s foreign operations in its overseas operations. If these future foreign earnings are repatriated to the U.S., or if the Company determines that such foreign earnings will be remitted to the U.S. in the foreseeable future, additional U.S. tax provisions may be required.

**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 Sheet for the fiscal year ended December 31, 2015 and the Consolidated Statements of Cash Flows for the years ended December 31, 2015 and 2014:

<u>Consolidated Balance Sheet</u>	<u>Total as reported at 12/31/2015</u>	<u>Adjustment</u>	<u>Total as adjusted at 12/31/2015</u>
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
<u>Consolidated Statement of Cash Flows</u>	<u>Total as reported at 12/31/2015</u>	<u>Adjustment</u>	<u>Total as adjusted at 12/31/2015</u>
Increase in prepaid expense and other current assets . . . . .	\$(20.5)	\$ 7.1	\$(13.4)
Increase in accrued expenses and other current liabilities . . . . .	7.3	—	7.3
Increase in other, net . . . . .	6.6	(7.1)	(0.5)
<u>Consolidated Statement of Cash Flows</u>	<u>Total as reported at 12/31/2014</u>	<u>Adjustment</u>	<u>Total as adjusted at 12/31/2014</u>
Increase in prepaid expense and other current assets . . . . .	\$ 15.2	\$(7.2)	\$ 8.0
Decrease in accrued expenses and other current liabilities . . . . .	(22.2)	(0.1)	(22.3)
Increase in other, net . . . . .	1.1	7.3	8.4

In September 2015, the FASB issued ASU No. 2015-16, “Business Combinations (Topic 805): Simplifying the Accounting for Measurement Period Adjustments,” which eliminated 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 such adjustments, including the effect on earnings of any amounts they would have recorded in previous periods if the accounting had been completed at the

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acquisition date. The Company adopted ASU No. 2015-16 beginning on January 1, 2016 and the adoption of this 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. This guidance became effective for annual periods beginning after December 15, 2015, with early adoption permitted, and is 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 Sheet for the fiscal year ended December 31, 2015:

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

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 explicitly requires 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 financial statement’s issuance date. The likelihood threshold of “probable,” similar to its current use in U.S. GAAP for loss contingencies, is used to define substantial doubt. Disclosures are 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. This guidance became 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 this new guidance did not have a material impact on the Company’s results of operations, financial condition and financial statement disclosures.

**Recently Issued Accounting Standards or Updates Not Yet Effective**

In January 2017, the FASB issued ASU No. 2017-04, “Simplifying the Test for Goodwill Impairment,” which simplifies the annual goodwill impairment analysis test by eliminating Step 2 of the current two-step impairment test. Under the new guidance, an entity would continue to perform the first step of the annual impairment test by comparing the carrying amount of a reporting unit with its fair value. If the carrying value of the reporting unit exceeds the fair value of the reporting unit, the goodwill impairment charge would be equal to the amount of such difference. This guidance is effective for annual periods beginning after December 15, 2019, with early adoption permitted. The Company expects to adopt ASU No. 2017-04 beginning as of January 1, 2020 and is in the process of assessing the impact that this new guidance is expected to have on the Company’s results of operations, financial condition and/or financial statement disclosures.

In November 2016, the FASB issued ASU No. 2016-18, “Statement of Cash Flows (Topic 230): Restricted Cash,” which provides specific guidance on the presentation of changes in restricted cash and restricted cash equivalents on the statement of cash flows. Under the new standard, the changes in restricted cash and restricted cash equivalents will be required to be disclosed in reconciling the opening and closing balances on the statement of cash flows. This guidance is effective for annual periods beginning after December 15, 2017, with early adoption permitted. The Company expects to adopt ASU No. 2016-18 beginning as of January 1, 2018 and is in the process of assessing the impact that this new guidance is expected to have on the Company’s results of operations, financial condition and/or financial statement disclosures.

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



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business combination. This 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 as of January 1, 2018 and is in the process of assessing the impact that this new guidance is expected to have on the Company's results of operations, financial condition and/or 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. This guidance is effective for annual periods beginning after December 15, 2016, with early adoption permitted. The Company adopted ASU No. 2016-09 beginning as of January 1, 2017 and expects that this new guidance will not have a material impact on the Company's results of operations, financial condition and/or 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. This 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 as of January 1, 2019 and is in the process of assessing the impact that this new guidance is expected to have on the Company's results of operations, financial condition and/or financial statement disclosures.

In July 2015, the FASB issued ASU No. 2015-11, "Inventory (Topic 330): Simplifying the Measurement of Inventory," which simplifies the subsequent measurement of inventories by requiring inventory to be measured at the lower of cost or net realizable value, rather than at the lower of cost or market. Net realizable value is defined as the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. This guidance is effective for annual periods beginning after December 15, 2016, with early adoption permitted. The Company adopted ASU No. 2015-11 beginning as of January 1, 2017 and expects that this new guidance will not have a material impact on the Company's results of operations, financial condition and/or financial statement disclosures.

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers". This new standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The underlying principle of this new standard is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration for which the entity expects to be entitled in exchange for those goods or services. Entities may adopt this new standard either retrospectively for all periods presented in the financial statements (i.e., the full retrospective method) or as a cumulative-effect adjustment as of the date of adoption (i.e., the modified retrospective method), without applying to comparative years' financial statements.

In August 2015, the FASB issued ASU No. 2015-14, "Revenue from Contracts with Customers: Deferral of the Effective Date," which allows for a deferral of the adoption date for ASU No. 2014-09 until January 1, 2018 and permits early adoption of ASU No. 2014-09, but not before the effective date of January 1, 2017.

The Company plans to adopt ASU No. 2014-09 on January 1, 2018 and anticipates adopting this standard using the modified retrospective method. The Company is currently in the process of evaluating the impact that ASU No. 2014-09 will have on the Company's results of operations, financial condition and financial statement disclosures. While the Company is continuing to assess all impacts of ASU No. 2014-09, it currently believes the most significant areas potentially impacted by this new standard relate to its accounting for customer incentives and cooperative advertising. The Company expects to complete its evaluation of the impact of adopting ASU No. 2014-09 in 2017 and will provide further updates in future periods.

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**Inflation**

The Company's costs are affected by inflation and the effects of inflation that the Company may experience in future periods. Management believes, however, that such effects have not been material to the Company during the past three years in the U.S. and in foreign non-hyperinflationary countries. The Company operates in certain countries around the world, such as Argentina, which has experienced hyperinflation. In hyperinflationary foreign countries, the Company attempts to mitigate the effects of inflation by increasing prices in line with inflation, where possible, and efficiently managing its costs and working capital levels.

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

*Interest Rate Sensitivity*

The Company has exposure to changing interest rates primarily under Products Corporation's 2016 Senior Credit Facilities. 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 table below provides information about the Company's indebtedness as of December 31, 2016 that is sensitive to changes in interest rates. The table presents cash flows with respect to principal on indebtedness and related weighted average interest rates by expected maturity dates. Weighted average variable rates are based on implied forward rates in the U.S. Dollar LIBOR yield curve at December 31, 2016. The information is presented in U.S. dollar equivalents, which is the Company's reporting currency:

	<u>Expected Maturity Date for the Year Ended December 31,</u>						<u>Total</u>	<u>Fair Value December 31, 2016</u>
	(dollars in millions, except for rate information)							
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>Thereafter</u>		
<b>Debt</b>								
Short-term variable rate (third-party - various currencies) . . . . .	\$ 8.7						\$ 8.7	\$ 8.7
Average interest rate <sup>(a)</sup> . . . . .	3.8%							
Short-term fixed rate (third party - EUR) . .	\$ 2.1						\$ 2.1	\$ 2.1
Average interest rate . . . . .	11.8%							
Long-term fixed rate (third party - USD) . .					\$500.0	\$ 450.0	\$ 950.0	\$ 956.9
Average interest rate . . . . .					5.75%	6.25%		
Long-term fixed rate (third party - EUR) . .	\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.1	\$ —	\$ 0.5	\$ 0.5
Average interest rate . . . . .	—%	—%	—%	—%	—%	—%		
Long-term variable rate (third party - USD) <sup>(b)</sup> . . . . .	\$18.0	\$18.0	\$18.0	\$18.0	\$ 18.0	\$1,705.5	\$1,795.5	\$1,813.5
Average interest rate <sup>(a)(c)</sup> . . . . .	4.7%	5.4%	5.5%	5.6%	5.7%	5.8%		
Total debt . . . . .	<u>\$28.9</u>	<u>\$18.1</u>	<u>\$18.1</u>	<u>\$18.1</u>	<u>\$518.1</u>	<u>\$2,155.5</u>	<u>\$2,756.8</u>	<u>\$2,781.7</u>

<sup>(a)</sup> Weighted average variable rates are based upon implied forward rates from the U.S. Dollar LIBOR and Euribor yield curves at December 31, 2016.

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

<sup>(c)</sup> At December 31, 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%). See Note 11, "Long-Term Debt," to the Consolidated Financial Statements in this Form 10-K.

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 Senior Credit Facilities and other short-term borrowings (which, in the aggregate, are Products Corporation's only debt currently subject to floating interest rates) as of December 31, 2016, a 1% increase in both the LIBOR and Euribor rates would increase the Company's annual interest expense by \$14.2 million.

In November 2013, Products Corporation executed the 2013 Interest Rate Swap, which is a forward-starting, floating-to-fixed interest rate swap transaction that, at its inception, was based on a notional amount of \$400 million in respect of indebtedness under the Old Acquisition Term Loan over a period of three years. The 2013 Interest Rate Swap initially had a floor of 1% that in December 2016 was amended to 0.75%. 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 initially designated the 2013 Interest Rate Swap as a cash flow hedge of the variability of the forecasted three-month LIBOR interest rate payments initially related to the \$400 million notional amount under the Old Acquisition Term Loan over the three-year term of the 2013 Interest Rate Swap (and subsequently to the \$400 million notional amount under the

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2016 Term Loan Facility for the remaining balance of the term of such swap). Commencing in May 2015, Products Corporation receives from the counterparty a floating interest rate based on the higher of three-month U.S. Dollar LIBOR or the floor percentage in effect, 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 December 31, 2016 and December 31, 2015, the fair value of the 2013 Interest Rate Swap was a liability of \$4.7 million and \$6.5 million, respectively.

As a result of completely refinancing the Old Acquisition Term Loan 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 De-designation 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 de-designation 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 \$4.9 million, or \$3.0 million net of tax, at December 31, 2016 that were previously recorded as a component of accumulated other comprehensive loss will be amortized to earnings over the remaining term of the 2013 Interest Rate Swap through its maturity.

*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.

<b>Forward Contracts ("FC")</b>	<b>Average Contractual Rate \$/FC</b>	<b>U.S. Dollar Equivalent Notional Amount</b>	<b>Contract Value December 31, 2016</b>	<b>Asset (Liability) Fair Value December 31, 2016</b>
Sell Canadian Dollars/Buy USD . . . . .	0.7525	19.1	19.3	0.2
Sell British Pound/Buy USD . . . . .	1.3154	14.4	15.3	0.9
Sell Australian Dollars/Buy USD . . . . .	0.7345	13.5	13.9	0.4
Buy Mexican Peso/Sell USD . . . . .	0.0518	8.2	7.5	(0.7)
Sell USD/Buy Swiss Franc . . . . .	1.0190	5.9	5.8	(0.1)
Sell Euro/Buy USD . . . . .	1.1025	5.7	5.9	0.2
Sell Japanese Yen/Buy USD . . . . .	0.0096	4.8	5.3	0.5
Sell South African Rand/Buy USD . . . . .	0.0684	3.6	3.4	(0.2)
Buy Australian Dollars/Sell NZ dollars . . . . .	1.0608	2.7	2.7	—
Sell New Zealand Dollars/Buy USD . . . . .	0.7041	1.7	1.7	—
Total forward contracts . . . . .		<u>\$79.6</u>	<u>\$80.8</u>	<u>\$ 1.2</u>

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

Reference is made to the Index on page F-1 of the Company's Consolidated Financial Statements and the Notes thereto.

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

None.

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**Item 9A. 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 year covered by this Annual Report on Form 10-K. 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) **Management's Annual Report on Internal Control over Financial Reporting.** The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control system was designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation and fair presentation of published financial statements in accordance with generally accepted accounting principles and includes those policies and procedures that:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of its assets;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of its financial statements in accordance with generally accepted accounting principles, and that its receipts and expenditures are being made only in accordance with authorizations of its management and directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on its financial statements.

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

The Company's management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2016 and in making this assessment used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission *Internal Control-Integrated Framework* (2013).

Revlon's management determined that the Company's internal control over financial reporting was effective as of December 31, 2016.

KPMG LLP, the Company's independent registered public accounting firm that audited the Company's consolidated financial statements included in this Annual Report on Form 10-K for the period ended December 31, 2016, has issued a report on the Company's internal control over financial reporting. This report appears on page F-3.

As provided in Section 13a-15 of the Securities Exchange Act of 1934, the entities acquired in the Elizabeth Arden Acquisition have been excluded from management's assessment of internal control over financial reporting as of December 31, 2016 because they were acquired by the Company in a business combination on the September 7, 2016 Elizabeth Arden Acquisition Date. These entities are 100% owned subsidiaries whose total assets and total net sales represent approximately 22% and 20%, respectively, of the Company's related consolidated financial statement amounts as of and for the year ended December 31, 2016.

(c) **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 December 31, 2016 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

**Item 9B. Other Information**

None.

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**Forward-Looking Statements**

This Annual Report on Form 10-K for the year ended December 31, 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, plans and estimates (whether qualitative or quantitative) as to:

- (i) the Company's future financial performance and/or sales growth, including, without limitation, the Company's anticipation of achieving growth through opportunities presented by the combined Company's expanded sales channels and geographies, a broadened product portfolio and cost synergy opportunities;
- (ii) 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 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 and acquisition-related integration costs, costs related to the Company's synergy and integration programs in connection with the Elizabeth Arden Acquisition, restructuring 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;
- (iii) 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 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, 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) strengthening our portfolio of brands by: continuing to develop the leadership and aspiration for our flagship brands; Revlon, Elizabeth Arden and Almay; continuing to develop our product offerings across

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beauty segments with a focus on large and/or fast growing categories; leveraging our creativity, insights and agility to accelerate innovation to develop trend-relevant and first-of-its kind beauty solutions; delighting our customers with high performing products, superior services and unique experiences that exceed their expectations; and continuing to communicate our brand's heritage, expertise and purpose to create authentic, meaningful and lasting connections with consumers of all ages; (b) strategically expanding consumer's access to our brands by: taking steps to ensure that consumers have real-time access to our brands wherever and however they shop for beauty; strengthening and diversifying our channels, especially direct to consumer; accelerating our development in high-growth channels, with a focus on specialty e-commerce and m-commerce; continuing to win in traditional channels (including mass, drug, selective and department stores) and expanding our combined reach into travel retail; and strengthening our position in the U.S., to ensure our growth base, and expanding into untapped geographic regions, with a focus on growth in Asia; and (c) developing a cost structure that fuels investment in our brands by: growing profitably and improving its operating performance; aligning strategic investments behind the biggest growth opportunities and innovation that differentiates our brands; continuing to improve our category mix by shifting toward higher gross margin categories (e.g., skin care and fragrance); reducing product returns, markdowns and inventory levels; and optimizing resource allocation;

- (v) the Company's belief and expectations that: (A) its new brand-centric organization structure is designed to advance the Company's pursuit of its business strategy; (B) its global brand team structure is designed to optimize and focus on building brand equity and delighting and winning with beauty consumers; and (C) its regional structure is designed to ensure that the Company benefits from its broad commercial expertise in the local countries within each region and continues to develop strategic customer relationships in the local countries;
- (vi) 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 \$12.2 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 \$3.3 million was paid in 2016, with the remaining balance expected to be paid in 2017; and (d) that annualized cost reductions from the 2015 Efficiency Program in 2017 and thereafter are expected to be approximately \$10 million;
- (vii) 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 2017, including the cash requirements referred to in item (ix) 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 and/or taxes on repatriation of foreign earnings will not have a material effect on the Company's liquidity during such period;
- (viii) 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;
- (ix) 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 (including, without limitation, for the EA Integration Restructuring

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- Program); 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, 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 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, block trades, privately negotiated purchase transactions or otherwise and may seek to refinance some or all of its indebtedness based upon market conditions and that any such 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;
- (x) matters concerning the Company's market-risk sensitive instruments, including that any risk of loss under its derivative instruments arising from any non-performance by any of the counterparties is remote;
  - (xi) 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;
  - (xii) the Company's expectations regarding its future net periodic benefit cost for its U.S. and international defined benefit plans;
  - (xiii) 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 and its belief that it is reasonably possible that its unrecognized tax benefits during 2017 will decrease by approximately \$9.6 million due to the resolution of audits and the expiration of statutes of limitation;
  - (xiv) the Company belief the allegations contained in the Second 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, 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
  - (xvi) the Company's expected benefits and other impacts from the Elizabeth Arden Acquisition, including, without limitation: (a) achieving additional growth through opportunities presented by the combined company's expanded sales channels and geographies, a broadened product portfolio and cost synergy opportunities; (b) as a result of the EA Integration Restructuring Program, as well as other actions related to integrating the Elizabeth Arden organization into the Company's business, achieving annualized synergies and cost reductions of approximately \$190 million over a multi-year period, with approximately 90% expected to be achieved by the end of 2020; (c) incurring, over a multi-year period, approximately \$100 million to \$110 million of integration-related capital expenditures and approximately \$70 million to \$80 million of non-restructuring integration costs related to these actions; and (d) in connection with implementing the EA Integration Restructuring Program: (1) consolidating offices, eliminating certain duplicative activities and streamlining back-office support (which are designed to reduce the Company's



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SG&A expenses) and eliminating approximately 350 positions worldwide and (2) recognizing approximately \$65 million to \$75 million of the EA Integration Restructuring Charges, consisting of: (i) approximately \$40 million to \$50 million of employee-related costs, including severance, retention and other contractual termination benefits; (ii) approximately \$15 million of lease termination costs; and (iii) approximately \$10 million of other related charges.

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 Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, in each case filed with the SEC in 2017 and 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-K, the information available from time to time on such websites shall not be deemed incorporated by reference into this Form 10-K. 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" 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:

- (i) unanticipated circumstances or results affecting the Company's financial performance and or sales growth, 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 restructuring costs, acquisition costs and/or acquisition-related integration costs, including, without limitation, synergy and integration program costs and expenses related to the Elizabeth Arden Acquisition; 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;

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- (ii) 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);
- (iii) 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 (including difficulties or delays in and/or the Company's inability to integrate the Elizabeth Arden business which could result in less than expected cost reductions, more than expected costs to achieve the expected cost reductions or delays in achieving the expected cost reductions and/or less than expected benefits from the EA Integration Restructuring Program, more than expected costs in implementing such program and/or difficulties or delays, in whole or in part, in executing the EA Integration Restructuring Program), 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;
- (iv) (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, having 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; and/or (B) difficulties, delays in or less than expected results from the Company's efforts to strengthen its portfolio of brands, strategically expand consumer's access to the Company's brands and/or develop a cost structure that fuels investment in the Company's brands, such as due to less than expected investment behind such activities, less than effective new product development and/or advertising, marketing or promotional programs, less than expected success in expanding geographically, into new channels and/or expanding the Company's digital capabilities and/or less than expected results from the Company's efforts to reduce costs, including, without limitation, due to 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 with, delays in and/or the Company's inability to achieve the benefits expected from its new organization structure, such as difficulties with, delays in and/or the Company's inability to (A) optimize and focus on building brand equity and delighting and winning with beauty consumers; and/or (B) benefit from its broad commercial expertise in the local countries within each region, continue to develop strategic customer relationships in the local countries and/or optimize global sales and brand presence;

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- (vi) 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 EA Integration Restructuring Program and/or the risk that such programs may not satisfy the Company's objectives;
- (vii) 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 (ix) below, and/or less than anticipated cash generated by the Company's domestic operations or unanticipated restrictions or taxes on repatriation of foreign earnings;
- (viii) 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;
- (ix) 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, (including, without limitation, in connection with implementing the EA Integration Restructuring Program), 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, without limitation, through licensing transactions, if any), and discontinuing non-core business lines and/or exiting and/or entering certain territories and/or channels of trade;
- (x) 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;
- (xi) difficulties, delays or the inability of the Company to efficiently manage its cash and working capital;
- (xii) lower than expected returns on pension plan assets and/or lower discount rates, which could result in higher than expected cash contributions, higher net periodic benefit costs and/or less than expected net periodic benefit income;
- (xiii) unexpected significant variances in the Company's tax provision, effective tax rate and/or unrecognized tax benefits;
- (xiv) unanticipated adverse effects on the Company's business, prospects, results of operations, financial condition and/or cash flows 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 Elizabeth Arden Acquisition and/or the Cutex International Acquisition due to, among other things, unanticipated future performance of the acquired licenses and/or other brands; and/or
- (xvi) difficulties with, delays in and/or the Company's inability to achieve, in whole or in part, or within the expected timeframe the 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 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 Elizabeth Arden Acquisition will not be realized or will not be realized within the expected time period; (c) difficulties, delays or the inability of the Company to successfully complete the EA Integration Restructuring Program, in whole or in part, which could result in less than expected operating and financial benefits from such actions; (d) difficulties, delays or the

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inability of the Company to realize, in whole or in part, the anticipated benefits from the EA Integration Restructuring Program, such as difficulties with, delays in or the Company's inability to generate certain reductions in its SG&A and/or eliminate certain positions; (e) delays in completing the EA Integration Restructuring Program, which could reduce the benefits realized from such activities; (f) higher than anticipated restructuring charges and/or payments in connection with completing the EA Integration Restructuring Program and/or changes in the expected timing of such charges and/or payments; and/or (g) difficulties with, delays in and/or the Company's inability to achieve, in whole or in part, or within the expected timeframe approximately \$190 million of multi-year annualized synergies and cost reductions, such as due to the Company being unable to successfully implement integration strategies and/or changes in the timing of realizing such synergies and cost reductions, such as due to less than anticipated liquidity to fund such activities and/or more than expected capital expenditures, non-restructuring integration costs or other costs to achieve the expected synergies and/or cost reductions.

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.

## PART III

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

A list of Revlon's directors and executive officers and biographical information and other information about them may be found under the caption "Proposal No. 1 - Election of Directors" and "Executive Officers," respectively, of Revlon's Proxy Statement for the 2017 Annual Stockholders' Meeting (the "2017 Proxy Statement"), which sections are incorporated by reference herein.

The information set forth under the caption "Code of Business Conduct and Senior Financial Officer Code of Ethics" in the 2017 Proxy Statement is also incorporated herein by reference.

The information set forth under the caption "Section 16(a) Beneficial Ownership Reporting Compliance" in the 2017 Proxy Statement is also incorporated herein by reference.

The information set forth under the captions "Compensation Discussion and Analysis," "Executive Compensation," "Summary Compensation Table," "Grants of Plan-Based Awards," "Outstanding Equity Awards at Fiscal Year-End," "Option Exercises and Stock Vested," "Pension Benefits," "Non-Qualified Deferred Compensation" and "Director Compensation" in the 2017 Proxy Statement is also incorporated herein by reference.

Information regarding the Company's director nomination process, audit committee and audit committee financial expert matters may be found in the 2017 Proxy Statement under the captions "Corporate Governance-Board of Directors and its Committees-Director Nominating Processes; Diversity" and "Corporate Governance-Board of Directors and its Committees-Audit Committee-Composition of the Audit Committee," respectively. That information is incorporated herein by reference.

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

The information set forth under the captions "Compensation Discussion and Analysis," "Executive Compensation," "Summary Compensation Table," "Grants of Plan-Based Awards," "Outstanding Equity Awards at Fiscal Year-End," "Option Exercises and Stock Vested," "Pension Benefits," "Non-Qualified Deferred Compensation" and "Director Compensation" in the 2017 Proxy Statement is incorporated herein by reference. The information set forth under the caption "Corporate Governance-Board of Directors and its Committees-Compensation Committee-Composition of the Compensation Committee" and "Compensation Committee Report" in the 2017 Proxy Statement is also incorporated herein by reference.

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

The information set forth under the captions "Security Ownership of Certain Beneficial Owners and Management" and "Equity Compensation Plan Information" in the 2017 Proxy Statement is incorporated herein by reference.

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

The information set forth under the captions "Certain Relationships and Related Transactions" and "Corporate Governance-Board of Directors and its Committees-Controlled Company Exemption" and "Corporate Governance-Board of Directors and its Committees-Audit Committee-Composition of the Audit Committee," respectively, in the 2017 Proxy Statement is incorporated herein by reference.

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

Information concerning principal accountant fees and services set forth under the caption "Audit Fees" in the 2017 Proxy Statement is incorporated herein by reference.

### **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's Board of Directors, Revlon's Board Guidelines for Assessing Director Independence and charters for Revlon's Audit Committee and Compensation Committee. Revlon 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's corporate governance materials and certain SEC filings (such as Revlon'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'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 posts printable copies of the latest versions of its Corporate Governance Guidelines, Board Guidelines for Assessing Director Independence, charters for Revlon's Audit Committee and Compensation Committee, as well as Revlon's Code of Conduct and Business Ethics, which includes Revlon'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.

## PART IV

### Item 15. Exhibits and Financial Statement Schedules

- (a) List of documents filed as part of this Report:
- (1) Consolidated Financial Statements and Reports of Independent Registered Public Accounting Firm included herein: See Index on page F-1.
  - (2) Financial Statement Schedule: See Index on page F-1.
- All other schedules are omitted as they are inapplicable or the required information is furnished in the Company's Consolidated Financial Statements or the Notes thereto.
- (3) List of Exhibits:
    2. ***Plan of acquisition, reorganization, arrangement, liquidation or succession***
      - 2.1 Share Sale and Purchase Agreement, dated as of August 3, 2013, by and among Products Corporation, Beauty Care Professional Products Participations, S.A., Romol Hair & Beauty Group, S.L., Norvo, S.L. and Staubinus España, S.L. (incorporated by reference to Exhibit 2.1 to Revlon's Current Report on Form 8-K filed with the SEC on August 5, 2013).
      - 2.2 Agreement and Plan of Merger, dated as of June 16, 2016, by and among Revlon, Products Corporation, RR Transaction Corp. and Elizabeth Arden (incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K of Revlon filed with the SEC on June 17, 2016 (the "Revlon June 2016 Form 8-K"))).
    3. ***Certificate of Incorporation and By-laws.***
      - 3.1 Restated Certificate of Incorporation of Revlon, dated February 25, 2014 (incorporated by reference to Exhibit 3.1 of Revlon's Annual Report on Form 10-K for the fiscal year ended December 31, 2013 filed with the SEC on March 5, 2014).
      - 3.2 Second Amended and Restated By-Laws of Revlon, dated November 3, 2016 (incorporated by reference to Exhibit 3.1 to Revlon's Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2016 filed with the SEC on November 4, 2016 (the "Revlon Q3 2016 Form 10-Q"))).
    4. ***Instruments Defining the Rights of Security Holders, Including Indentures.***
      - 4.1 Indenture, dated as of February 8, 2013, among Products Corporation, certain subsidiaries of Products Corporation as guarantors thereto, and U.S. Bank National Association, as trustee, relating to Products Corporation's 5.75% Senior Notes due 2021 (the "5.75% Senior Notes Indenture") (incorporated by reference to Exhibit 4.3 to Products Corporation's Quarterly Report on Form 10-Q for the fiscal period ended March 30, 2013 filed with the SEC on April 25, 2013 (the "Products Corporation Q1 2013 Form 10-Q"))).
      - 4.2 Form of 5.75% Senior Notes (included in Exhibit 4.1) (incorporated by reference to Exhibit 4.4 to the Products Corporation Q1 2013 Form 10-Q).
      - 4.3 Registration Rights Agreement, dated as of February 8, 2013, among Products Corporation, certain subsidiaries of Products Corporation and Citigroup Global Markets Inc. ("CGMI"), as representative of the several initial purchasers of the 5.75% Senior Notes (incorporated by reference to Exhibit 4.5 to the Products Corporation Q1 2013 Form 10-Q).
      - 4.4 Supplemental Indenture to the 5.75% Senior Notes Indenture, dated as of February 8, 2013, among Products Corporation, Revlon and certain subsidiaries of Products Corporation, as guarantors thereto, and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.6 to the Products Corporation Q1 2013 Form 10-Q).

- 4.5 Supplemental Indenture to the 5.75% Senior Notes Indenture, dated as of January 21, 2014, among Products Corporation, Revlon and certain subsidiaries of Products Corporation, as guarantors thereto, and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.27 to Products Corporation’s Annual Report on Form 10-K for the fiscal year ended December 31, 2013 filed with the SEC on March 5, 2014 (the “Products Corporation 2013 Form 10-K”)).
- 4.6 Third Supplemental Indenture to the 5.75% Senior Notes Indenture, dated as of January 14, 2015, among Realistic Roux Professional Products Inc., Products Corporation, the Guarantors defined in the 5.75% Senior Notes Indenture, and U.S Bank National Association (incorporated by reference to Exhibit 10.1 to Products Corporation’s Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2015, filed with the SEC on July 29, 2015 (the “Products Corporation Q2 2015 Form 10-Q”)).
- 4.7 Fourth Supplemental Indenture to the 5.75% Senior Notes Indenture, dated as of May 8, 2015, among RML, LLC, Products Corporation, the Guarantors defined in the 5.75% Senior Notes Indenture, and U.S Bank National Association (incorporated by reference to Exhibit 10.2 to the Products Corporation Q2 2015 Form 10-Q).
- 4.8 Escrow Agreement for the 6.25% Senior Notes, dated as of August 4, 2016, by and among Revlon Escrow Corporation (“Escrow Corp.”), U.S. Bank National 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 filed with the SEC on August 5, 2016 (the “Revlon August 2016 Form 8-K”)).
- 4.9 Indenture for the 6.25% Senior Notes, dated as of August 4, 2016 (the “6.25% Senior Notes Indenture”), by and between Escrow Corp. and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.2 to the Revlon August 2016 Form 8-K).
- 4.10 Registration Rights Agreement, dated as of August 4, 2016, by and among Escrow Corp, Merrill Lynch, Pierce, Fenner & Smith Incorporated (“Merrill Lynch”) and CGMI as representatives of the initial purchasers (incorporated by reference to Exhibit 4.3 to the Revlon August 2016 Form 8-K).
- 4.11 First Supplemental Indenture to the 6.25% Senior Notes Indenture, dated as of September 7, 2016, by and among Products 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 filed with the SEC on September 9, 2016 (the “Revlon September 2016 Form 8-K”)).
- 4.12 Joinder Agreement to the Registration Rights Agreement, dated as of September 7, 2016, by and among Products Corporation, the guarantors party thereto and Merrill Lynch and CGMI, as representatives of the initial purchasers (incorporated by reference to Exhibit 4.2 to the Revlon September 2016 Form 8-K).
- 4.13 Term Loan Agreement, dated as of September 7, 2016, by and among Products Corporation, Revlon (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 Revlon September 2016 Form 8-K).
- 4.14 Asset-Based Revolving Credit Agreement, dated as of September 7, 2016, by and among Products Corporation, certain local borrowing subsidiaries from time to time party thereto, Revlon (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 Revlon September 2016 Form 8-K).
- 4.15 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 2016 Term Loan Agreement (incorporated by reference to Exhibit 10.3 to the Revlon September 2016 Form 8-K).



- 4.16 Holdings Term Loan Guarantee and Pledge Agreement, dated as of September 7, 2016, made by Revlon in favor of Citibank, N.A., as collateral agent, for the benefit of the secured parties under the 2016 Term Loan Agreement (incorporated by reference to Exhibit 10.4 to the Revlon September 2016 Form 8-K).
- 4.17 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 2016 Asset-Based Revolving Credit Agreement (incorporated by reference to Exhibit 10.5 to the Revlon September 2016 Form 8-K).
- 4.18 Holdings ABL Guarantee and Pledge Agreement, dated as of September 7, 2016, made by Revlon in favor of Citibank, N.A., as collateral agent, for the benefit of the secured parties under the 2016 Asset-Based Revolving Credit Agreement (incorporated by reference to Exhibit 10.6 to the Revlon September 2016 Form 8-K).
- 4.19 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, 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 Revlon September 2016 Form 8-K).
10. ***Material Contracts.***
- 10.1 Tax Sharing Agreement, dated as of June 24, 1992, among MacAndrews & Forbes, Revlon, Products Corporation and certain subsidiaries of Products Corporation, as amended and restated as of January 1, 2001 (incorporated by reference to Exhibit 10.2 to Products Corporation’s Annual Report on Form 10-K for the fiscal year ended December 31, 2001 filed with the SEC on February 25, 2002).
- 10.2 Tax Sharing Agreement, dated as of March 26, 2004, by and among Revlon, Products Corporation and certain subsidiaries of Products Corporation (incorporated by reference to Exhibit 10.25 to Products Corporation’s Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2004 filed with the SEC on May 17, 2004).
- 10.3 Employment Agreement, dated as of March 27, 2016, by and among Revlon, Products Corporation and Fabian T. Garcia (incorporated by reference to Exhibit 10.1 to Revlon’s Current Report on Form 8-K filed with the SEC on March 28, 2016 (the “Revlon March 2016 Form 8-K”)).
- 10.4 Form of Restricted Stock Agreement (incorporated by reference to Exhibit 10.2 to the Revlon March 2016 Form 8-K).
- 10.5 Employment Agreement, dated as of April 12, 2016, by and among Revlon, Products Corporation and Juan R. Figueroa (incorporated by reference to Exhibit 10.1 to Revlon’s Current Report on Form 8-K filed with the SEC on April 12, 2016).
- 10.6 Consulting Agreement by and among Revlon, Products Corporation and E. Scott Beattie, dated as of November 3, 2016 (incorporated by reference to Exhibit 10.1 to the Revlon Q3 2016 Form 10-Q).
- 10.7 Restricted Stock Unit Agreement between Revlon and E. Scott Beattie, dated November 3, 2016 (incorporated by reference to Exhibit 10.2 to the Revlon Q3 2016 Form 10-Q).
- 10.8 Employment Agreement, dated as of October 9, 2014, by and among Revlon, Products Corporation and Gianni Pieraccioni (incorporated by reference to Exhibit 10.11 to Revlon’s Annual Report on Form 10-K for the fiscal year ended December 31, 2014 filed with the SEC on March 12, 2015 (the “Revlon 2014 Form 10-K”)).
- 10.9 First Amendment to Employment Agreement by and among Revlon, Products Corporation and Gianni Pieraccioni, dated as of February 26, 2016 (incorporated by reference to Exhibit 10.7 to Revlon’s Annual Report on Form 10-K for the fiscal year ended December 31, 2015 filed with the SEC on February 26, 2016).

- 10.10 Amended and Restated Employment Agreement, dated as of December 12, 2014, by and between Products Corporation and Lorenzo Delpani (incorporated by reference to Exhibit 10.9 to the Revlon 2014 Form 10-K).
- 10.11 Transition and Separation Agreement and Release dated March 1, 2016 by and among Revlon, Products Corporation and Lorenzo Delpani (incorporated by reference to Exhibit 10.1 to Revlon's Current Report on Form 8-K filed with the SEC on March 4, 2016).
- 10.12 Amendment, dated April 21, 2016, to the Transition and Separation Agreement and Release by and among Revlon, Products Corporation and Lorenzo Delpani (incorporated by reference to Exhibit 10.1 to Revlon's Current Report on Form 8-K filed with the SEC on April 22, 2016).
- 10.13 Amended and Restated Employment Agreement, dated as of July 28, 2015, by and among Revlon, Products Corporation and Roberto Simon (incorporated by reference to Exhibit 10.3 to Revlon's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2015 filed with the SEC on July 29, 2015).
- 10.14 Separation Agreement, dated as of November 3, 2015, by and among Revlon, Products Corporation and Roberto Simon (incorporated by reference to Exhibit 10.1 to Revlon's Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2015 filed with the SEC on November 4, 2015).
- 10.15 Fourth Amended and Restated Revlon, Inc. Stock Plan (as amended, the "Stock Plan") (incorporated by reference to Annex A to Revlon's Definitive Information Statement on Schedule 14C filed with the SEC on July 3, 2014).
- 10.16 Form of Restricted Stock Agreement under the Stock Plan (incorporated by reference to Exhibit 10.3 to Revlon's Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2014 filed with the SEC on October 29, 2014).
- 10.17 Revlon Amended and Restated Executive Incentive Compensation Plan, dated as of March 24, 2016 (incorporated by reference to Annex D to Revlon's Annual Proxy Statement on Schedule 14A filed with the SEC on April 29, 2016).
- 10.18 Amended and Restated Revlon Pension Equalization Plan, amended and restated as of December 14, 1998 (the "PEP") (incorporated by reference to Exhibit 10.15 to Revlon's Annual Report on Form 10-K for the fiscal year ended December 31, 1998 filed with the SEC on March 3, 1999).
- 10.19 Amendment to the PEP, dated as of May 28, 2009 (incorporated by reference to Exhibit 10.13 to Revlon's Annual Report on Form 10-K for the fiscal year ended December 31, 2009 filed with the SEC on February 25, 2010).
- 10.20 Executive Supplemental Medical Expense Plan Summary, dated July 2000 (incorporated by reference to Exhibit 10.10 to Revlon's Annual Report on Form 10-K for the fiscal year ended December 31, 2002 filed with the SEC on March 21, 2003).
- 10.21 Benefit Plans Assumption Agreement, dated as of July 1, 1992, by and among Revlon Holdings, Revlon and Products Corporation (incorporated by reference to Exhibit 10.25 to Products Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1992 filed with the SEC on March 12, 1993).
- 10.22 Revlon Executive Severance Pay Plan (incorporated by reference to Exhibit 10.2 to Revlon's Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2009 filed with the SEC on April 30, 2009).
- 10.23 Preferred Stock Repurchase and Warrant Cancellation Agreement, dated June 16, 2016, by and among Revlon, Products Corporation, RR Transaction Corp., Elizabeth Arden, Nightingale Onshore Holdings L.P. and Nightingale Offshore Holdings L.P. (incorporated by reference to Exhibit 10.1 to the Revlon June 2016 Form 8-K).

- 21. ***Subsidiaries.***
- \*21.1 Subsidiaries of Revlon, Inc.
- 23. ***Consents of Experts and Counsel.***
- \*23.1 Consent of KPMG LLP.
- 24. ***Powers of Attorney.***
- \*24.1 Power of Attorney executed by Ronald O. Perelman.
- \*24.2 Power of Attorney executed by E. Scott Beattie.
- \*24.3 Power of Attorney executed by Alan S. Bernikow.
- \*24.4 Power of Attorney executed by Viet D. Dinh.
- \*24.5 Power of Attorney executed by Meyer Feldberg.
- \*24.6 Power of Attorney executed by Robert K. Kretzman.
- \*24.7 Power of Attorney executed by Ceci Kurzman.
- \*24.8 Power of Attorney executed by Paul Meister.
- \*24.9 Power of Attorney executed by Tamara Mellon.
- \*24.10 Power of Attorney executed by Debra G. Perelman.
- \*24.11 Power of Attorney executed by Paul Savas.
- \*24.12 Power of Attorney executed by Barry F. Schwartz.
- \*24.13 Power of Attorney executed by Cristiana Falcone Sorrell.
- \*31.1 Certification of Fabian T. Garcia, Chief Executive Officer, dated March 3, 2017, pursuant to Rule 13a-14(a)/15d-14(a) of the Exchange Act.
- \*31.2 Certification of Juan R. Figueroe, Chief Financial Officer, dated March 3, 2017, 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 March 3, 2017, 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. Figueroe, Chief Financial Officer, dated March 3, 2017, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- \*99.1 Revlon, Inc. Audit Committee Pre-Approval Policy.
- \*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.

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**REVLON, INC. AND SUBSIDIARIES**  
**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SCHEDULE**

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders  
Revlon, Inc.:

We have audited the accompanying consolidated balance sheets of Revlon, Inc. and subsidiaries (the “Company”) as of December 31, 2016 and 2015, and the related consolidated statements of operations and comprehensive (loss) income, stockholders’ deficiency, and cash flows for each of the years in the three-year period ended December 31, 2016. In connection with our audits of the consolidated financial statements, we also have audited financial statement schedule II. These consolidated financial statements and financial statement schedule are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Revlon, Inc. and subsidiaries as of December 31, 2016 and 2015, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2016, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Revlon, Inc. and its subsidiaries’ internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 3, 2017 expressed an unqualified opinion on the effectiveness of the Company’s internal control over financial reporting.

/s/ KPMG LLP

New York, New York  
March 3, 2017

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders  
Revlon, Inc.:

We have audited Revlon, Inc. and subsidiaries' (the "Company") internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Revlon, Inc. and subsidiaries' management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

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

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

In our opinion, Revlon, Inc. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Revlon, Inc. and subsidiaries acquired Elizabeth Arden, Inc. on September 7, 2016, and management excluded from its assessment of the effectiveness of Revlon, Inc. and subsidiaries' internal control over financial reporting as of December 31, 2016, Elizabeth Arden, Inc.'s internal control over financial reporting associated with total assets and total net sales representing approximately 22% and 20%, respectively, of the Company's related consolidated financial statement amounts as of and for the year ended December 31, 2016. Our audit of internal control over financial reporting of Revlon, Inc. and subsidiaries also excluded an evaluation of the internal control over financial reporting of Elizabeth Arden, Inc..

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Revlon, Inc. and subsidiaries as of December 31, 2016 and 2015, and the related consolidated statements of operations and comprehensive (loss) income, stockholders' deficiency, and cash flows for each of the years in the three-year period ended December 31, 2016, and our report dated March 3, 2017 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

New York, New York  
March 3, 2017

**Item 1. Financial Statements**

**REVLON, INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS**  
(dollars in millions, except share and per share amounts)

	<u>December 31, 2016</u>	<u>December 31, 2015</u> (as adjusted) <sup>(a)</sup>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents . . . . .	\$ 186.8	\$ 326.9
Trade receivables, less allowance for doubtful accounts of \$11.1 and \$10.5 as of December 31, 2016 and December 31, 2015, respectively . . . . .	423.9	244.9
Inventories . . . . .	424.6	183.8
Prepaid expenses and other . . . . .	<u>88.8</u>	<u>53.3</u>
Total current assets . . . . .	1,124.1	808.9
Property, plant and equipment, net of accumulated depreciation of \$304.7 and \$271.7 as of December 31, 2016 and December 31, 2015, respectively . . . . .	320.5	215.3
Deferred income taxes . . . . .	149.7	71.3
Goodwill . . . . .	689.5	469.7
Intangible assets, net of accumulated amortization of \$84.8 and \$61.1 as of December 31, 2016 and December 31, 2015, respectively . . . . .	636.6	318.0
Other assets . . . . .	<u>103.1</u>	<u>84.1</u>
Total assets . . . . .	<u>\$ 3,023.5</u>	<u>\$ 1,967.3</u>
<b>LIABILITIES AND STOCKHOLDERS' DEFICIENCY</b>		
Current liabilities:		
Short-term borrowings . . . . .	\$ 10.8	\$ 11.3
Current portion of long-term debt . . . . .	18.1	30.0
Accounts payable . . . . .	296.9	201.3
Accrued expenses and other . . . . .	<u>382.9</u>	<u>272.4</u>
Total current liabilities . . . . .	708.7	515.0
Long-term debt . . . . .	2,663.1	1,783.7
Long-term pension and other post-retirement plan liabilities . . . . .	184.1	185.3
Other long-term liabilities . . . . .	82.4	70.8
Stockholders' deficiency:		
Class A Common Stock, par value \$0.01 per share; 900,000,000 shares authorized; 53,956,073 and 54,088,174 shares issued as of December 31, 2016 and December 31, 2015, respectively . . . . .	0.5	0.5
Additional paid-in capital . . . . .	1,033.2	1,026.3
Treasury stock, at cost: 1,024,908 and 859,921 shares of Class A Common Stock as of December 31, 2016 and December 31, 2015, respectively . . . . .	(19.2)	(13.3)
Accumulated deficit . . . . .	(1,377.6)	(1,355.7)
Accumulated other comprehensive loss . . . . .	<u>(251.7)</u>	<u>(245.3)</u>
Total stockholders' deficiency . . . . .	(614.8)	(587.5)
Total liabilities and stockholders' deficiency . . . . .	<u>\$ 3,023.5</u>	<u>\$ 1,967.3</u>

<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.



**REVLON, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE (LOSS) INCOME**  
(dollars in millions, except share and per share amounts)

	<b>Year Ended December 31,</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
Net sales	\$ 2,334.0	\$ 1,914.3	\$ 1,941.0
Cost of sales	917.1	667.8	668.3
Gross profit	1,416.9	1,246.5	1,272.7
Selling, general and administrative expenses	1,161.0	1,002.5	1,009.5
Acquisition and integration costs	43.2	8.0	6.4
Restructuring charges and other, net	34.0	10.5	21.3
Impairment charge	23.4	9.7	—
Operating income	155.3	215.8	235.5
Other expenses, net:			
Interest expense	105.2	83.3	84.4
Amortization of debt issuance costs	6.8	5.7	5.5
Loss on early extinguishment of debt, net	16.9	—	2.0
Foreign currency losses, net	18.5	15.7	25.0
Miscellaneous, net	(0.6)	0.4	1.2
Other expenses, net	146.8	105.1	118.1
Income from continuing operations before income taxes	8.5	110.7	117.4
Provision for income taxes	25.5	51.4	77.8
(Loss) income from continuing operations, net of taxes	(17.0)	59.3	39.6
(Loss) income from discontinued operations, net of taxes	(4.9)	(3.2)	1.3
Net (loss) income	\$ (21.9)	\$ 56.1	\$ 40.9
Other comprehensive income (loss):			
Foreign currency translation adjustments, net of tax <sup>(a)</sup>	(0.5)	(18.1)	(24.6)
Amortization of pension related costs, net of tax <sup>(b)(c)</sup>	7.6	7.2	4.5
Pension re-measurement, net of tax <sup>(d)</sup>	(14.3)	(6.9)	(69.6)
Pension settlement, net of tax <sup>(e)</sup>	—	17.3	—
Revaluation of derivative financial instruments, net of reclassifications into earnings <sup>(f)</sup>	0.8	(1.6)	(3.7)
Other comprehensive loss, net	(6.4)	(2.1)	(93.4)
Total comprehensive (loss) income	\$ (28.3)	\$ 54.0	\$ (52.5)
Basic (loss) earnings per common share:			
Continuing operations	\$ (0.33)	\$ 1.13	\$ 0.76
Discontinued operations	(0.09)	(0.06)	0.02
Net (loss) income	\$ (0.42)	\$ 1.07	\$ 0.78
Diluted (loss) earnings per common share:			
Continuing operations	\$ (0.33)	\$ 1.13	\$ 0.76
Discontinued operations	(0.09)	(0.06)	0.02
Net (loss) income	\$ (0.42)	\$ 1.07	\$ 0.78
Weighted average number of common shares outstanding:			
Basic	52,504,196	52,431,193	52,359,897
Diluted	52,504,196	52,591,545	52,423,939

<sup>(a)</sup> Net of tax expense (benefit) of \$1.1 million, \$(5.1) million and \$(2.1) million for 2016, 2015 and 2014, respectively.

<sup>(b)</sup> Net of tax expense of \$1.3 million for each of 2016 and 2015 and \$0.1 million for 2014.

<sup>(c)</sup> This other comprehensive income component is included in the computation of net periodic benefit (income) costs. See Note 14, "Pension and Post-Retirement Benefits," for additional information regarding net periodic benefit (income) costs.

<sup>(d)</sup> Net of tax benefit of \$4.1 million, \$3.3 million and \$42.0 million for 2016, 2015 and 2014, respectively.

<sup>(e)</sup> Net of tax expense of \$3.7 million for 2015.

<sup>(f)</sup> Net of tax expense (benefit) of \$0.5 million, \$(1.0) million and \$(2.3) million for 2016, 2015 and 2014, respectively.

See Accompanying Notes to Consolidated Financial Statements

**REVLON, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF STOCKHOLDERS' DEFICIENCY**  
(dollars in millions, except share and per share amounts)

	<u>Common Stock</u>	<u>Additional Paid-In- Capital</u>	<u>Treasury Stock</u>	<u>Accumulated Deficit</u>	<u>Accumulated Other Comprehensive Loss</u>	<u>Total Stockholders' Deficiency</u>
Balance, January 1, 2014 . . . . .	\$0.5	\$1,015.3	\$ (9.8)	\$(1,452.7)	\$(149.8)	\$(596.5)
Treasury stock acquired, at cost <sup>(a)</sup> . . . . .			(0.7)			(0.7)
Stock-based compensation amortization . . . . .		5.5				5.5
Excess tax benefits from stock-based compensation . . . . .		0.1				0.1
Net income . . . . .				40.9		40.9
Other comprehensive loss, net <sup>(b)</sup> . . . . .					(93.4)	(93.4)
Balance, December 31, 2014 . . . . .	\$0.5	\$1,020.9	\$(10.5)	\$(1,411.8)	\$(243.2)	\$(644.1)
Treasury stock acquired, at cost <sup>(a)</sup> . . . . .			(2.8)			(2.8)
Stock-based compensation amortization . . . . .		5.1				5.1
Excess tax benefits from stock-based compensation . . . . .		0.3				0.3
Net income . . . . .				56.1		56.1
Other comprehensive loss, net <sup>(b)</sup> . . . . .					(2.1)	(2.1)
Balance, December 31, 2015 . . . . .	\$0.5	\$1,026.3	\$(13.3)	\$(1,355.7)	\$(245.3)	\$(587.5)
Treasury stock acquired, at cost <sup>(a)</sup> . . . . .			(3.2)			(3.2)
Repurchase of common stock <sup>(c)</sup> . . . . .			(2.7)			(2.7)
Stock-based compensation amortization . . . . .		6.4				6.4
Excess tax benefits from stock-based compensation . . . . .		0.5				0.5
Net loss . . . . .				(21.9)		(21.9)
Other comprehensive loss, net <sup>(b)</sup> . . . . .					(6.4)	(6.4)
Balance, December 31, 2016 . . . . .	<u>\$0.5</u>	<u>\$1,033.2</u>	<u>\$(19.2)</u>	<u>\$(1,377.6)</u>	<u>\$(251.7)</u>	<u>\$(614.8)</u>

<sup>(a)</sup> 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 92,092, 82,740 and 22,328 shares of Revlon Class A Common Stock during 2016, 2015 and 2014, respectively, 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 weighted average price per share of \$34.83, \$34.40 and \$33.54 during 2016, 2015 and 2014, respectively, based on the closing price of Revlon Class A Common Stock as reported on the New York Stock Exchange (the "NYSE") consolidated tape on each respective vesting date, for a total of \$3.2 million, \$2.8 million and \$0.7 million in 2016, 2015 and 2014, respectively. See Note 15, "Stock Compensation Plan," for details regarding restricted stock awards under the Stock Plan.

<sup>(b)</sup> See Note 17, "Accumulated Other Comprehensive Loss," regarding the changes in the accumulated balances for each component of other comprehensive loss during 2016, 2015 and 2014.

<sup>(c)</sup> On April 21, 2016, in connection with his separation from the Company, the Company repurchased 72,895 shares of Revlon 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 Class A Common Stock on April 20, 2016, for a total purchase price of \$2.7 million.

**REVLON, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(dollars in millions)

	Year Ended December 31,		
	2016	2015	2014
	(as adjusted) <sup>(a)</sup>		(as adjusted) <sup>(a)</sup>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net (loss) income . . . . .	\$ (21.9)	\$ 56.1	\$ 40.9
Adjustments to reconcile net (loss) income to net cash provided by operating activities:			
Depreciation and amortization . . . . .	123.2	103.2	102.6
Foreign currency losses from re-measurement . . . . .	20.6	19.5	25.5
Amortization of debt discount . . . . .	1.4	1.4	1.4
Stock-based compensation amortization . . . . .	6.4	5.1	5.5
Impairment charge . . . . .	23.4	9.7	—
(Benefit from) provision for deferred income taxes . . . . .	(6.2)	28.3	64.3
Loss on early extinguishment of debt, net . . . . .	16.9	—	2.0
Amortization of debt issuance costs . . . . .	6.8	5.7	5.5
Loss (gain) on sale of certain assets . . . . .	0.4	(6.4)	(2.1)
Pension and other post-retirement (income) costs . . . . .	(0.6)	19.0	(5.3)
Change in assets and liabilities, net of acquisitions:			
Increase in trade receivables . . . . .	(59.5)	(18.5)	(5.5)
Decrease (increase) in inventories . . . . .	74.5	(30.6)	9.2
(Increase) decrease in prepaid expenses and other current assets . . . . .	(8.2)	(13.4)	8.0
(Decrease) increase in accounts payable . . . . .	(12.6)	34.9	0.2
Increase (decrease) in accrued expenses and other current liabilities . . . . .	8.5	7.3	(22.3)
Pension and other post-retirement plan contributions . . . . .	(8.3)	(18.1)	(19.0)
Purchases of permanent displays . . . . .	(52.1)	(47.4)	(45.3)
Other, net . . . . .	4.2	(0.5)	8.4
Net cash provided by operating activities . . . . .	<u>116.9</u>	<u>155.3</u>	<u>174.0</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Capital expenditures . . . . .	(59.3)	(48.3)	(55.5)
Business acquisitions, net of cash acquired . . . . .	(1,028.7)	(41.7)	—
Proceeds from the sale of certain assets . . . . .	0.5	6.2	3.4
Net cash used in investing activities . . . . .	<u>(1,087.5)</u>	<u>(83.8)</u>	<u>(52.1)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Net increase (decrease) in short-term borrowings and overdraft . . . . .	—	23.0	(4.7)
Prepayments under the Old Acquisition Term Loan . . . . .	(15.1)	(19.3)	(7.0)
Prepayments under the 2011 Term Loan . . . . .	(11.5)	(12.1)	—
Repayment under the Non-Contributed Term Loan . . . . .	—	—	(58.4)
Repayment of Old Acquisition Term Loan . . . . .	(658.6)	—	—
Repayment of 2011 Term Loan . . . . .	(651.4)	—	—
Borrowings under the 2016 Term Loan Facility . . . . .	1,791.0	—	—
Repayments under the 2016 Term Loan Facility . . . . .	(4.5)	—	—
Proceeds from the issuance of 6.25% Senior Notes . . . . .	450.0	—	—
Payment of financing costs . . . . .	(61.6)	—	(1.8)
Treasury stock purchased . . . . .	(2.7)	—	—
Other financing activities . . . . .	(2.5)	(3.7)	(3.2)
Net cash provided by (used in) financing activities . . . . .	<u>833.1</u>	<u>(12.1)</u>	<u>(75.1)</u>
Effect of exchange rate changes on cash and cash equivalents . . . . .	(2.6)	(7.8)	(15.6)
Net (decrease) increase in cash and cash equivalents . . . . .	(140.1)	51.6	31.2
Cash and cash equivalents at beginning of period . . . . .	326.9	275.3	244.1
Cash and cash equivalents at end of period . . . . .	<u>\$ 186.8</u>	<u>\$326.9</u>	<u>\$275.3</u>
<i>Supplemental schedule of cash flow information:</i>			
Cash paid during the period for:			
Interest . . . . .	\$ 91.7	\$ 79.9	\$ 85.6
Income taxes, net of refunds . . . . .	\$ 21.9	\$ 25.4	\$ 21.1
<i>Supplemental schedule of non-cash investing and financing activities:</i>			
Treasury stock received to satisfy certain minimum tax withholding liabilities . . . . .	\$ 3.2	\$ 2.8	\$ 0.7

<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 Consolidated Financial Statements

**REVLON, INC. AND SUBSIDIARIES**  
**NOTES TO 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. 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 is a leading global beauty company with an iconic portfolio of brands. The Company develops, manufactures, markets, distributes and sells an extensive array of color cosmetics, hair color, hair care and hair treatments, fragrances, skin care, 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. 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 “Elizabeth Arden Acquisition Date”), the Company completed the acquisition of Elizabeth Arden, Inc. (“Elizabeth Arden” and 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. The Company’s principal customers for its products in the Elizabeth Arden segment include prestige retailers, the mass retail channel, perfumeries, boutiques, department and specialty stores, travel retailers and distributors, as well as direct sales to consumers via Elizabeth Arden branded retail stores and e-commerce business. Elizabeth Arden products are also sold through the Elizabeth Arden Red Door Spa beauty salons and spas. 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.

Unless the context otherwise requires, all references to the Company mean Revlon and its subsidiaries. Revlon as a public holding company, has no business operations of its own and owns, as its only material asset, all of the outstanding capital stock of Products Corporation. As such, its net income/(loss) has historically consisted predominantly of the net income/(loss) of Products Corporation, and in 2016, 2015 and 2014 included \$9.4 million, \$9.0 million and \$9.8 million, respectively, in expenses incidental to being a public holding company.

The accompanying Consolidated Financial Statements include the Company’s accounts after the elimination of all material intercompany balances and transactions. Certain prior year amounts have been reclassified to conform to the current year presentation.

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

**REVLON, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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(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.

***Discontinued Operations Presentation***

As a result of the Company's decision on December 30, 2013 to exit its direct manufacturing, warehousing and sales business operations in mainland China within the Consumer segment, the Company has reported the results of its former China operations within (loss) income from discontinued operations, net of taxes in the Company's Consolidated Statements of Operations and Comprehensive (Loss) Income for all periods presented. See Note 4, "Discontinued Operations," for further discussion.

***Cash and Cash Equivalents:***

Cash equivalents are primarily investments in high-quality, short-term money market instruments with original maturities of three months or less and are carried at cost, which approximates fair value. Cash equivalents were \$2.5 million and \$1.6 million as of December 31, 2016 and 2015, respectively. Accounts payable include \$19.3 million and \$19.5 million of outstanding checks not yet presented for payment at December 31, 2016 and 2015, respectively.

***Trade Receivables:***

Trade receivables represent payments due to the Company for previously recognized net sales, reduced by an allowance for doubtful accounts for balances which are estimated to be uncollectible at December 31, 2016 and 2015, respectively. The Company grants credit terms in the normal course of business to its customers. Trade credit is extended based upon periodically updated evaluations of each customer's ability to perform its payment obligations. The Company does not normally require collateral or other security to support credit sales. The allowance for doubtful accounts is determined based on historical experience and ongoing evaluations of the Company's receivables and evaluations of the risks of payment. The allowance for doubtful accounts is recorded against trade receivable balances when they are deemed uncollectible. Recoveries of trade receivables previously reserved are recorded in the consolidated statements of operations and comprehensive (loss) income when received. At each of December 31, 2016 and 2015, the Company's three largest customers accounted for an aggregate of approximately 27% of the Company's outstanding trade receivables.

***Inventories:***

Inventories are stated at the lower of cost or market value. Cost is based on standard cost and production variances, which approximates actual cost on the first-in, first-out method. Cost components include direct materials, direct labor and direct overhead, as well as in-bound freight. The Company records adjustments to the value of inventory based upon its forecasted plans to sell products included in inventory, as well as planned product discontinuances. The physical condition (e.g., age and quality) of the inventories is also considered in establishing its valuation. These adjustments are estimates, which could vary significantly, either favorably or unfavorably, from the amounts that the Company may ultimately realize upon the disposition of inventories if future economic conditions, customer inventory levels, product discontinuances, sales return levels or competitive conditions differ from the Company's estimates and expectations.

***Property, Plant and Equipment and Other Assets:***

Property, plant and equipment is recorded at cost and is depreciated on a straight-line basis over the estimated useful lives of such assets as follows: land improvements, 20 to 30 years; buildings and improvements, 5 to 50 years; machinery and equipment, 3 to 15 years; counters and trade fixtures, 3 to 5 years; office furniture and fixtures, 3 to 15 years; and capitalized software, 2 to 10 years. Leasehold improvements and building improvements are amortized over their estimated useful lives or the terms of the leases or remaining life of the original structure, respectively, whichever is shorter. Repairs and maintenance are charged to operations as incurred, and expenditures for additions

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and improvements are capitalized. Counters and trade fixtures are amortized over their estimated useful life of the in-store counter and display related assets. The estimated useful life may be subject to change based upon declines in net sales and/or changes in merchandising programs. See Note 7, "Property, Plant and Equipment," for further discussion.

Included in other assets are permanent wall displays amounting to \$64.1 million and \$65.6 million as of December 31, 2016 and 2015, respectively, which are amortized generally over a period of 1 to 3 years. In the event of product discontinuances, from time to time, the Company may accelerate the amortization of related permanent wall displays based on the estimated remaining useful life of the asset. Amortization expense for permanent wall displays was \$47.8 million, \$41.3 million and \$42.5 million for 2016, 2015 and 2014, respectively. The Company capitalizes deferred financing costs related to the issuance of its revolving credit facilities, which costs were \$6.0 million and \$1.3 million as of December 31, 2016 and 2015, respectively, and amortizes such costs over the terms of the related debt instruments using the effective-interest method.

Long-lived assets, such as property, plant and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. If events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable, the Company estimates the undiscounted future cash flows (excluding interest) resulting from the use of the asset and its ultimate disposition. If the sum of the undiscounted cash flows (excluding interest) is less than the carrying value, the Company recognizes an impairment loss, measured as the amount by which the carrying value exceeds the fair value of the asset. There were no significant impairment charges to long-lived assets during the years ended December 31, 2016, 2015 and 2014.

**Goodwill:**

Goodwill represents the excess purchase price for businesses acquired over the fair value of net assets acquired. Goodwill is not amortized, but rather is reviewed annually for impairment at the reporting unit level using October 1st carrying values, or when there is evidence that events or changes in circumstances indicate that the Company's carrying amount may not be recovered.

For 2016, in assessing whether goodwill was impaired in connection with its annual impairment test performed during the fourth quarter using October 1, 2016 carrying values, the Company performed qualitative assessments to determine whether it would be necessary to perform the two-step process, as prescribed by Accounting Standards Codification ("ASC") 350, Intangibles - *Goodwill and Other*; to assess the Company's goodwill for indicators of impairment. In performing the qualitative assessments, the Company determined that for the Revlon, Almay and Other and Professional reporting units, it was more likely than not that the fair value of each of the Company's reporting units exceeded their carrying amounts.

The Company determined it would utilize the two-step process to test the Global Color Brands ("GCB") and Other reporting units for impairment. In the first step of this test, the Company compared the fair values of the GCB and Other reporting units, determined based upon discounted estimated future cash flows, to the carrying amounts of each reporting unit, including goodwill. The fair value of the GCB reporting unit exceeded its carrying amount and therefore no further impairment testing was performed and no impairment loss was indicated. The carrying amount of the Other reporting unit exceeded its fair value and the goodwill of the reporting unit was considered potentially impaired. The Company performed step two of the goodwill impairment test for its Other reporting unit to measure the amount of such unit's impairment loss. As a result of the annual impairment test for 2016, the Company recognized a \$16.7 million non-cash goodwill impairment charge in the fourth quarter of 2016 related to the Other reporting unit.

For 2015, the Company utilized the two-step process in assessing whether goodwill was impaired for each of the Company's four reporting units. In the first step of this test, the Company compared the fair value of each of the Company's four reporting units, determined based upon discounted estimated future cash flows, to the carrying amount of such reporting unit, including goodwill. Where the fair value of such reporting unit exceeded the carrying amount, no further impairment testing was required and no impairment loss was indicated. Where the carrying amount of the reporting unit exceeded the fair value, the goodwill of the reporting unit was considered potentially impaired and the Company performed step two of the goodwill impairment test to measure the amount of the

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impairment loss. As a result of the annual impairment test for 2015, the Company recognized a \$9.7 million non-cash goodwill impairment charge in the fourth quarter of 2015 related to the Global Color Brands reporting unit.

For 2014, the Company performed qualitative assessments to determine whether it would be necessary to perform the two-step goodwill impairment test and to assess the Company's indefinite-lived intangible assets for indicators of impairment, and in each case determined that it was more likely than not that the fair value of each of the Company's reporting units and indefinite-lived intangible assets exceeded their carrying amounts for such reporting years. The Company did not record any impairment of goodwill during the year ended December 31, 2014 as a result of its annual impairment test.

See Note 2, "Business Combinations," and Note 8, "Goodwill and Intangible Assets, Net," for further discussion of the Company's goodwill and annual impairment test.

***Intangible Assets, net:***

Intangible Assets, net, include trade names and trademarks, customer relationships, patents and internally developed intellectual property ("IP") and acquired licenses. Indefinite-lived intangible assets, consisting of certain trade names, are not amortized, but rather are tested for impairment annually during the fourth quarter using October 1, 2016 carrying values, similar to goodwill, and the Company recognizes an impairment if the carrying amount of its intangible assets exceeds its fair value. Intangible assets with finite useful lives are amortized over their respective estimated useful lives to their estimated residual values. The Company writes off the gross carrying amount and accumulated amortization for intangible assets in the year in which the asset becomes fully amortized. Finite-lived intangible assets are considered for impairment upon the occurrence of certain "triggering events" and the Company recognizes an impairment if the carrying amount of the long-lived asset group exceeds the Company's estimate of the asset group's undiscounted future cash flows. As a result of the annual impairment test (described above), the Company also recognized a \$6.7 million non-cash intangible assets impairment charge in the fourth quarter of 2016 related to the Other reporting unit. There was no impairment of intangible assets in 2015 or 2014.

See Note 2, "Business Combinations," and Note 8, "Goodwill and Intangible Assets, Net," for further discussion of the Company's intangible assets, including a summary of finite-lived and indefinite-lived intangible assets.

***Revenue Recognition and Sales Returns:***

The Company's policy is to recognize revenue when persuasive evidence of an arrangement exists, delivery has occurred, the sales price is fixed or determinable and collection is probable. The Company records revenue from the sale of its products when risk of loss and title to the products transfers to the customer. Net sales are comprised of gross revenues less expected product returns, trade discounts and customer allowances, which include costs associated with off-invoice mark-downs and other price reductions, as well as trade promotions and coupons. These incentive costs are recognized at the later of the date on which the Company recognizes the related revenue or the date on which the Company offers the incentive.

The Company allows customers to return their unsold products if and when they meet certain Company-established criteria as set forth in the Company's trade terms. The Company regularly reviews and revises, when deemed necessary, its estimates of sales returns based primarily upon the historical rate of actual product returns, planned product discontinuances, new product launches and estimates of customer inventory and promotional sales. The Company records sales returns as a reduction to sales and cost of sales, and an increase to accrued liabilities and inventories. Returned products, which are recorded as inventories, are valued based upon the amount that the Company expects to realize upon their subsequent disposition. The physical condition and marketability of the returned products are the major factors considered by the Company in estimating their realizable value.

Revenues derived from licensing arrangements, including any pre-payments, are recognized in the period in which they are earned, but not before the initial license term commences.

***Cost of Sales:***

Cost of sales includes all of the costs to manufacture the Company's products. For products manufactured in the Company's own facilities, such costs include raw materials and supplies, direct labor and factory overhead. For

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products manufactured for the Company by third-party contractors, such cost represents the amounts invoiced by the contractors. Cost of sales also includes the cost of refurbishing products returned by customers that will be offered for resale and the cost of inventory write-downs associated with adjustments of held inventories to their net realizable value. These costs are reflected in the Company's consolidated statements of operations and comprehensive (loss) income when the product is sold and net sales revenues are recognized or, in the case of inventory write-downs, when circumstances indicate that the carrying value of inventories is in excess of their recoverable value. Additionally, cost of sales reflects the costs associated with any free products included as sales and promotional incentives. These incentive costs are recognized on the later of the date that the Company recognizes the related revenue or the date on which the Company offers the incentive.

***Selling, General and Administrative Expenses:***

Selling, general and administrative ("SG&A") expenses include expenses to advertise the Company's products, such as television advertising production costs and air-time costs, print advertising costs, digital marketing costs, promotional displays and consumer promotions. SG&A expenses also include the amortization of permanent wall displays and finite-lived intangible assets, depreciation of certain fixed assets, distribution costs (such as freight and handling), non-manufacturing overhead (principally personnel and related expenses), selling and trade education fees, insurance and professional service fees.

***Advertising:***

Advertising within SG&A expenses includes television, print, digital marketing and other advertising production costs which are expensed the first time the advertising takes place. The costs of promotional displays are expensed in the period in which they are shipped to customers. Advertising expenses were \$421.1 million, \$368.7 million and \$383.2 million for 2016, 2015 and 2014, respectively, and were included in SG&A expenses in the Company's Consolidated Statements of Operations and Comprehensive (Loss) Income. The Company also has various arrangements with customers pursuant to its trade terms to reimburse them for a portion of their advertising costs, which provide advertising benefits to the Company. Additionally, from time to time, the Company may pay fees to customers in order to expand or maintain shelf space for its products. The costs that the Company incurs for "cooperative" advertising programs, end cap placement, shelf placement costs, slotting fees and marketing development funds, if any, are expensed as incurred and are recorded as a reduction within net sales.

***Distribution Costs:***

Costs associated with product distribution, such as freight and handling costs, are recorded within SG&A expenses when incurred. Distribution costs were \$98.4 million, \$80.2 million and \$84.9 million for 2016, 2015 and 2014, respectively.

***Income Taxes:***

Income taxes are calculated using the asset and liability method. Under this method, the Company recognizes deferred tax assets and liabilities for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases, as well as for operating loss and tax credit carryforwards. The Company measures deferred tax assets and liabilities using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The Company recognizes the effect of a change in income tax rates on deferred tax assets and liabilities in income in the period that includes the enactment date. The Company records valuation allowances to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized.

The Company recognizes a tax position in its financial statements when it is more likely than not that the position will be sustained upon examination, based on the merits of such position. The Company recognizes liabilities for unrecognized tax positions in the U.S. and other tax jurisdictions based on an estimate of whether and the extent to which additional taxes will be due. If payment of these amounts is ultimately not required, the reversal of the liabilities would result in additional tax benefits recognized in the period in which the Company determines that the liabilities are no longer required. If the estimate of tax liabilities is ultimately less than the final assessment, this will result in a further charge to expense. The Company recognizes interest and penalties related to income tax matters in income tax expense.



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***Research and Development:***

Research and development expenditures are expensed as incurred and included within SG&A expenses. The amounts charged in 2016, 2015 and 2014 for research and development expenditures were \$37.0 million, \$31.2 million and \$31.6 million, respectively.

***Foreign Currency Translation:***

Assets and liabilities of foreign operations, whose functional currency is the local currency, are translated into U.S. Dollars at the rates of exchange in effect at the balance sheet date. Income and expense items are translated at the weighted average exchange rates prevailing during each period presented. Gains and losses resulting from foreign currency transactions are included in the results of operations. Gains and losses resulting from translation of financial statements of foreign subsidiaries and branches operating in non-hyperinflationary economies are recorded as a component of accumulated other comprehensive loss until either the sale or upon the complete or substantially complete liquidation by the Company of its investment in a foreign entity. To the extent that foreign subsidiaries and branches operate in hyperinflationary economies, non-monetary assets and liabilities are translated at historical rates and translation adjustments are included in the Company's results of operations.

***Basic and Diluted Earnings per Common Share and Classes of Stock:***

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 shares under the stock plan using the treasury stock method. (See Note 20, "Basic and Diluted Earnings (Loss) Per Common Share").

***Stock-Based Compensation:***

The Company recognizes stock-based compensation costs for its restricted stock, measured at the fair value of each award at the time of grant, as an expense over the period during which an employee is required to provide service. Upon the vesting of restricted stock, any resulting tax benefits are recognized in additional paid-in-capital. Any resulting tax deficiencies are recognized in the consolidated statements of operations and comprehensive (loss) income as tax expense to the extent that the tax deficiency amount exceeds any existing additional paid-in-capital resulting from previously realized excess tax benefits from previous awards. The Company reflects such excess tax benefits as cash flows from financing activities in the consolidated statements of cash flows.

***Derivative Financial Instruments:***

The Company is exposed to certain risks relating to its ongoing business operations. The Company uses derivative financial instruments, including: (i) foreign currency forward exchange contracts ("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 intended for the purpose of managing interest rate risk associated with Products Corporation's variable rate indebtedness.

*Foreign Currency Forward Exchange Contracts*

Products Corporation enters into FX Contracts 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 Company does not apply hedge accounting to its FX Contracts. The Company records FX Contracts in its consolidated balance sheet at fair value and immediately recognizes changes in fair value in earnings. Fair value of the Company's FX Contracts is determined by using observable market transactions of spot and forward rates. See Note 13, "Financial Instruments," for further discussion of the Company's FX Contracts.

*Interest Rate Swap*

As a result of the Company completing several debt transactions in connection with the Elizabeth Arden Acquisition, the critical terms of the 2013 Interest Rate Swap (as hereinafter defined) no longer matched the terms of the underlying debt and the 2013 Interest Rate Swap was determined to no longer be highly effective. Accordingly,

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the Company discontinued hedge accounting for the 2013 Interest Rate Swap during the third quarter of 2016. Following the de-designation of the 2013 Interest Rate Swap, changes in the fair value of the Interest Rate Swap are accounted for as a component of other non-operating expenses. Accumulated deferred losses on the 2013 Interest Rate Swap of \$4.9 million, or \$3.0 million net of tax, at December 31, 2016 that were previously recorded as a component of accumulated other comprehensive loss will be amortized into earnings over the remaining term of the 2013 Interest Rate Swap. See Note 13, "Financial Instruments," for further discussion of the Company's 2013 Interest Rate Swap. Refer to Note 11, "Long-Term Debt," for further details related to financing the Elizabeth Arden Acquisition and related debt restructuring transactions.

***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 Sheet as of December 31, 2015 and the Consolidated Statements of Cash Flows for 2015 and 2014:

<u>Consolidated Balance Sheet</u>	<u>Total as reported at 12/31/2015</u>	<u>Adjustment</u>	<u>Total as adjusted at 12/31/2015</u>
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

<u>Consolidated Statement of Cash Flows</u>	<u>Total as reported at 12/31/2015</u>	<u>Adjustment</u>	<u>Total as adjusted at 12/31/2015</u>
Increase in prepaid expense and other current assets . . . . .	\$(20.5)	\$ 7.1	\$(13.4)
Increase in accrued expenses and other current liabilities . . . . .	7.3	—	7.3
Increase in other, net . . . . .	6.6	(7.1)	(0.5)

<u>Consolidated Statement of Cash Flows</u>	<u>Total as reported at 12/31/2014</u>	<u>Adjustment</u>	<u>Total as adjusted at 12/31/2014</u>
Increase in prepaid expense and other current assets . . . . .	\$ 15.2	\$(7.2)	\$ 8.0
Decrease in accrued expenses and other current liabilities . . . . .	(22.2)	(0.1)	(22.3)
Increase in other, net . . . . .	1.1	7.3	8.4

In September 2015, the FASB issued ASU No. 2015-16, "Business Combinations (Topic 805): Simplifying the Accounting for Measurement Period Adjustments," which eliminated 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 such adjustments, 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. This 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 this 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. This guidance became effective for annual periods beginning after December 15, 2015, with early adoption permitted, and is applied retrospectively. The Company

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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 Company's previously reported Consolidated Balance Sheet as of December 31, 2015:

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

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 explicitly requires 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 financial statement's issuance date. The likelihood threshold of "probable," similar to its current use in U.S. GAAP for loss contingencies, is used to define substantial doubt. Disclosures are 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. This guidance became 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 this 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 January 2017, the FASB issued ASU No. 2017-04, "Simplifying the Test for Goodwill Impairment," which simplifies the annual goodwill impairment analysis test by eliminating Step 2 of the current two-step impairment test. Under this new guidance, an entity would continue to perform the first step of the annual impairment test by comparing the carrying amount of a reporting unit with its fair value. If the carrying value of the reporting unit exceeds the fair value of the reporting unit, the goodwill impairment charge would be equal to the amount of such difference. This guidance is effective for annual periods beginning after December 15, 2019, with early adoption permitted. The Company expects to adopt ASU No. 2017-04 beginning as of January 1, 2020 and is in the process of assessing the impact that this new guidance is expected to have on the Company's results of operations, financial condition and/or financial statement disclosures.

In November 2016, the FASB issued ASU No. 2016-18, "Statement of Cash Flows (Topic 230): Restricted Cash," which provides specific guidance on the presentation of changes in restricted cash and restricted cash equivalents on the statement of cash flows. Under this new standard, the changes in restricted cash and restricted cash equivalents will be required to be disclosed in reconciling the opening and closing balances on the statement of cash flows. This guidance is effective for annual periods beginning after December 15, 2017, with early adoption permitted. The Company expects to adopt ASU No. 2016-18 beginning as of January 1, 2018 and is in the process of assessing the impact that this new guidance is expected to have on the Company's results of operations, financial condition and/or financial statement disclosures.

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. This 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 as of January 1, 2018 and is in the process of assessing the impact that this new guidance is expected to have on the Company's results of operations, financial condition and/or 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. This guidance is effective for annual periods

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beginning after December 15, 2016, with early adoption permitted. The Company adopted ASU No. 2016-09 beginning as of January 1, 2017 and expects that this new guidance will not have a material impact on the Company's results of operations, financial condition and/or 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. This 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 as of January 1, 2019 and is in the process of assessing the impact that this new guidance is expected to have on the Company's results of operations, financial condition and/or financial statement disclosures.

In July 2015, the FASB issued ASU No. 2015-11, "Inventory (Topic 330): Simplifying the Measurement of Inventory," which simplifies the subsequent measurement of inventories by requiring inventory to be measured at the lower of cost or net realizable value, rather than at the lower of cost or market. Net realizable value is defined as the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. This guidance is effective for annual periods beginning after December 15, 2016, with early adoption permitted. The Company adopted ASU No. 2015-11 beginning as of January 1, 2017 and expects that this new guidance will not have a material impact on the Company's results of operations, financial condition and/or financial statement disclosures.

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers". This new standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The underlying principle of this new standard is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration for which the entity expects to be entitled in exchange for those goods or services. Entities may adopt this new standard either retrospectively for all periods presented in the financial statements (i.e., the full retrospective method) or as a cumulative-effect adjustment as of the date of adoption (i.e., the modified retrospective method), without applying to comparative years' financial statements.

In August 2015, the FASB issued ASU No. 2015-14, "Revenue from Contracts with Customers: Deferral of the Effective Date," which allows for a deferral of the adoption date for ASU No. 2014-09 until January 1, 2018 and permits early adoption of ASU No. 2014-09, but not before the effective date of January 1, 2017.

The Company plans to adopt ASU No. 2014-09 on January 1, 2018 and anticipates adopting this standard using the modified retrospective method. The Company is currently in the process of evaluating the impact that ASU No. 2014-09 will have on the Company's results of operations, financial condition and financial statement disclosures. While the Company is continuing to assess all impacts of ASU No. 2014-09, it currently believes the most significant areas potentially impacted by this new standard relate to its accounting for customer incentives and cooperative advertising. The Company expects to complete its evaluation of the impact of adopting ASU No. 2014-09 in 2017 and will provide further updates in future periods.

## **2. BUSINESS COMBINATIONS**

### ***The Elizabeth Arden Acquisition***

On the September 7, 2016 Elizabeth Arden 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. ("Acquisition Sub," then a wholly-owned subsidiary of Products Corporation), and Elizabeth Arden. On the Elizabeth Arden Acquisition Date, Elizabeth Arden merged (the "Merger") with and into 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, specialty stores, the mass retail channel, distributors, department stores and other retailers, as well as direct sales to consumers via its

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Elizabeth Arden Red Door branded retail stores and ElizabethArden.com 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.

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 “2016 Senior Credit Facilities” and such agreements being the “2016 Credit Agreements”); (iii) \$450.0 million aggregate principal amount of Products Corporation’s 6.25% Senior Notes due 2024 (the “6.25% Senior Notes”); and (iv) approximately \$126.7 million of cash on hand. Refer to Note 11, “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 Elizabeth Arden Acquisition Date. For the net sales and segment profit related to Elizabeth Arden operations for the period from the Elizabeth Arden Acquisition Date through December 31, 2016, refer to the Elizabeth Arden segment disclosure in Note 19, “Segment Data and Related Information.”

For the year ended December 31, 2016 the Company incurred \$40.7 million of acquisition and integration costs in the Consolidated Statement of Operations and Comprehensive (Loss) Income, related to the Elizabeth Arden Acquisition, which consist of \$19.3 million of acquisition costs and \$21.4 million of integration costs. The acquisition costs primarily include legal and consulting fees to complete the Elizabeth Arden Acquisition. The integration costs consist of non-restructuring costs related to integrating Elizabeth Arden’s operations into the Company’s business.

Purchase Price of the Elizabeth Arden Acquisition

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

	<b>As of September 7, 2016</b>
Purchase price of Elizabeth Arden common stock <sup>(1)</sup> . . . . .	\$ 431.5
Repayment of 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 Senior Notes <sup>(5)</sup> . . . . .	27.4
Payment of Elizabeth Arden dividends payable at Elizabeth Arden Acquisition Date <sup>(6)</sup> . . . . .	<u>2.9</u>
Total Purchase Price . . . . .	<u>\$1,034.3</u>

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

<sup>(2)</sup> The purchase price included 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 Old Senior Notes”).

<sup>(3)</sup> The purchase price includes the repayment of the entire \$142.0 million aggregate principal amount of borrowings outstanding as of the Elizabeth Arden 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 Elizabeth Arden Acquisition Date under Elizabeth Arden’s second lien credit facility, each of which facilities were terminated as of the Elizabeth Arden Acquisition Date;

<sup>(4)</sup> The purchase price includes \$55.0 million that was paid to retire the entire \$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 included a \$5.0 million change of control premium.

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- (5) Interest on the Elizabeth Arden Old 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 Elizabeth Arden Acquisition Date. Pursuant to the terms of the indenture governing the Elizabeth Arden Old 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 Old 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 Elizabeth Arden Acquisition Date to the holders of the Elizabeth Arden Preferred Stock.

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 preliminary recorded based on the respective estimated fair values of the net assets acquired on the Elizabeth Arden Acquisition Date with resulting goodwill, as follows:

	Amounts recognized at September 7, 2016 (Provisional) <sup>(a)</sup>	Measurement Period Adjustments	Amounts recognized at September 7, 2016 (Adjusted)
Cash . . . . .	\$ 41.1	\$ —	\$ 41.1
Accounts Receivable . . . . .	132.6	—	132.6
Inventories <sup>(b)</sup> . . . . .	342.5	(19.2)	323.3
Prepaid expenses and other current assets . . . . .	30.7	—	30.7
Property and equipment . . . . .	91.2	—	91.2
Deferred taxes, net <sup>(c)</sup> . . . . .	68.7	—	68.7
Intangible assets <sup>(d)</sup> . . . . .	332.8	4.0	336.8
Goodwill . . . . .	202.0	19.7	221.7
Other assets <sup>(e)</sup> . . . . .	21.1	(4.5)	16.6
Total assets acquired . . . . .	1,262.7	—	1,262.7
Accounts payable . . . . .	(116.0)	—	(116.0)
Accrued expenses . . . . .	(109.3)	—	(109.3)
Other long-term liabilities . . . . .	(3.1)	—	(3.1)
Total liabilities acquired . . . . .	(228.4)	—	(228.4)
Total consideration transferred . . . . .	<u>\$1,034.3</u>	<u>\$ —</u>	<u>\$1,034.3</u>

- (a) As previously reported in Revlon's third quarter 2016 Form 10-Q.
- (b) The Measurement Period Adjustments to inventories during the three months ended December 31, 2016 relate to: (i) further evaluations of the inventory components at the Elizabeth Arden Acquisition Date, which resulted in a \$16.6 million decrease in value of Elizabeth Arden's inventory on the Elizabeth Arden Acquisition Date; and (ii) a \$2.6 million decrease in the step-up for the estimated fair value of Elizabeth Arden's inventory, which was 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, based upon the adjusted acquisition date value. 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 2016, the Company recognized a \$20.7 million charge within cost of sales related to this step-up.
- (c) 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).
- (d) The Measurement Period Adjustments to intangible assets during the three months ended December 31, 2016 relate to a change in the fair value of acquired customer relationships and license agreement intangible assets, which increased the fair value of acquired customer relationship intangible assets by \$6.0 million and decreased the fair value of acquired license agreement intangible assets by \$2.0 million due to the decrease in the estimated fair value of Elizabeth Arden's inventory, as discussed above.
- (e) The Measurement Period Adjustments to other assets during the three months ended December 31, 2016 relate to a change in assumptions used to calculate the fair value of Elizabeth Arden's minority investment in Elizabeth Arden Salon-Holdings, Inc., an unrelated party whose subsidiaries operate the Elizabeth Arden Red Door Spas and the Mario Tricoci Hair Salons, which resulted in a decrease in the estimated fair value of the from \$20.3 million to \$16.2 million.

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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 Elizabeth Arden 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 was \$165.0 million and the Company estimates that approximately \$32.4 million was 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.

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:

	<b>Amounts Recognized at September 7, 2016</b>	<b>Remaining Useful Life at the Elizabeth Arden Acquisition Date (in years)</b>
Trademarks, indefinite-lived . . . . .	\$142.0	Indefinite
Trademarks, finite-lived . . . . .	15.0	15.0
Technology . . . . .	2.5	10.0
Customer relationships . . . . .	123.0	16.0
License agreements . . . . .	22.0	19.0
Distribution rights . . . . .	31.0	18.0
Favorable lease commitments . . . . .	<u>1.3</u>	3.0
Total acquired intangible assets . . . . .	<u>\$336.8</u>	

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 Elizabeth Arden 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 Prevsage 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.

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There are significant judgments inherent in a discounted cash flow approach, including, selecting appropriate discount rates, hypothetical royalty rates and contributory asset capital charges; estimating the amount and timing of estimated future cash flows; and identifying 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 \$60.2 million deferred tax liability related to the \$336.8 million of acquired intangible assets outlined in the above table. This deferred tax liability represents the tax effect of the difference between the \$336.8 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 \$221.7 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.

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 years ended December 31, 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, which primarily operate in Australia and the U.K., and related assets ("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.

	<b>Unaudited Pro Forma Results</b>	
	<b>Year Ended December 31,</b>	
	<b>2016</b>	<b>2015</b>
Net sales . . . . .	\$2,858.9	\$2,863.5
Income (loss) from continuing operations, before income taxes . . . . .	\$ (16.1)	\$ (74.6)

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 \$38.0 million increase in the fair value of acquired inventory at the Elizabeth Arden Acquisition Date, the Company recognized a \$20.7 million increase in the cost of sales during the year ended December 31, 2016 in the consolidated financial statements. The pro forma adjustments include an adjustment to reverse the \$20.7 million recognized in the year ended December 31, 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 \$0.5 million and acquired finite-lived intangible assets of \$0.8 million recorded in connection with the Elizabeth Arden Acquisition for the year ended December 31, 2016;
- (iii) a pro forma decrease in depreciation and amortization expense as a result of the preliminary fair value adjustments to property and equipment of \$6.1 million and acquired finite-lived intangible assets of \$0.4 million recorded in connection with the Elizabeth Arden Acquisition for the year ended December 31, 2015;
- (iv) the elimination of \$68.0 million of acquisition and integration costs recognized by the Company and Elizabeth Arden during the year ended December 31, 2016; and



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- (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 11, “Long-Term Debt,” for further details on financing the Elizabeth Arden Acquisition and related debt refinancing transactions.

(\$ in millions)	<b>Year Ended December 31,</b>	
	<b>2016<sup>(a)</sup></b>	<b>2015</b>
<b>Interest Expense</b>		
Pro forma interest on 2016 Senior Credit Facilities and 6.25% Senior Notes . . . . .	\$105.3	\$106.4
Reversal of Elizabeth Arden’s historical interest expense. . . . .	(18.2)	(26.2)
Company historical interest expense, as reflected in the historical consolidated financial statements. . . . .	<u>(76.1)</u>	<u>(50.9)</u>
Total Adjustment for Pro Forma Interest Expense . . . . .	<b>\$ 11.0</b>	<b>\$ 29.3</b>
<b>Debt issuance costs</b>		
Pro forma amortization of debt issuance costs . . . . .	\$ 6.1	\$ 8.1
Company historical amortization of debt issuance costs, as reflected in the historical consolidated financial statements . . . . .	(3.3)	(4.4)
Reversal of Elizabeth Arden’s historical amortization of debt issuance costs. . . . .	<u>(1.3)</u>	<u>(1.5)</u>
Total Adjustment for Pro Forma Amortization of Debt Issuance Costs . . . . .	<b>\$ 1.5</b>	<b>\$ 2.2</b>

<sup>(a)</sup> 2016 pro forma adjustments are for the period January 1, 2016 through the Elizabeth Arden Acquisition Date of September 7, 2016.

The unaudited pro forma results do not include: (1) any incremental revenue generation, synergies 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 Cutex International from Coty Inc. (the “Cutex International Acquisition”) 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 U.S. Acquisition” and together with the Cutex International Acquisition, the “Cutex Acquisitions”), combined with other Cutex businesses that the Company acquired in 1998, the Cutex International Acquisition completed the Company’s global consolidation of the Cutex brand, enhancing and complementing the Company’s existing 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:

	<b>Amounts Recognized at May 31, 2016 (Provisional)<sup>(a)</sup></b>	<b>Measurement Period Adjustments</b>	<b>Amounts Recognized at May 31, 2016 (Adjusted)</b>
Inventory . . . . .	\$ 0.8	\$ —	\$ 0.8
Purchased Intangible Assets <sup>(b)</sup> . . . . .	19.7	(2.5)	17.2
Goodwill . . . . .	<u>8.6</u>	<u>2.5</u>	<u>11.1</u>
Total consideration transferred. . . . .	<u>\$29.1</u>	<u>\$ —</u>	<u>\$29.1</u>

<sup>(a)</sup> As previously reported in Revlon’s second quarter 2016 Form 10-Q.

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- (b) Purchased intangible assets include customer networks fair valued at \$11.9 million and intellectual property fair valued at \$0.8 million, which are amortized over useful lives of 15 and 10 years, respectively, and indefinite lived trade names fair valued at \$4.5 million.

As part of the Cutex International Acquisition, the Company reacquired the Cutex trade name from Coty, under an assignment of a license agreement 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 agreement 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. Neither the intangible assets nor goodwill acquired in the Cutex International Acquisition are deductible for income tax purposes.

**Acquisitions Completed in 2015**

The Company completed the following acquisitions during 2015:

	<u>Purchase Consideration</u>	<u>Total Net Assets Acquired</u>	<u>Purchased Intangible Assets</u>	<u>Goodwill</u>
CBBBeauty Group <sup>(1)</sup> . . . . .	\$33.9	\$2.3	\$12.1	\$19.5
American Crew and Revlon Professional Distribution Rights - Australia <sup>(2)</sup> . . . . .	4.4	1.4	2.9	—
Cutex U.S. <sup>(3)</sup> . . . . .	<u>14.4</u>	<u>1.0</u>	<u>5.2</u>	<u>8.2</u>
Total . . . . .	<u>\$52.7</u>	<u>\$4.7</u>	<u>\$20.2</u>	<u>\$27.7</u>

(1) In April 2015, the Company completed the acquisition of the CBBBeauty Group and certain of its related entities, (collectively "CBB" and such transaction, the "CBB Acquisition") for total cash consideration of \$48.6 million. On the CBB acquisition date, the Company used cash on hand to pay 70% of the total cash consideration, or \$33.9 million, net of certain measurement period adjustments. The remaining \$14.0 million of the total cash consideration was payable in equal installments over 4 years from the CBB acquisition date. The first installment was paid in April 2016 and the remaining installments have been recorded as a component of SG&A expenses ratably over the remaining 3-year installment period. Purchased intangible assets include customer networks valued at \$7.0 million, distribution rights valued at \$3.5 million and trade names valued at \$1.6 million, with weighted average remaining useful lives at the CBB acquisition date of 14, 5 and 8 years, respectively. (See Note 8, "Goodwill and Intangible Assets, Net," for discussion of the non-cash impairment charge recorded in 2016 in connection with CBB).

(2) In March 2015, the Company re-acquired rights to distribute its American Crew and Revlon Professional brands in Australia. The Company acquired customer relationships valued at \$2.9 million, with weighted average remaining useful lives of 10 years.

(3) In October 2015, the Company completed the Cutex U.S. Acquisition. The Company acquired inventory at fair value of approximately \$1.0 million, trade names valued at \$3.6 million and customer relationships valued at \$1.6 million, with weighted average remaining useful lives of 10 years. In August of 2016, the Company recorded an additional \$6.3 million as a component of goodwill related to purchase price adjustments following the completion of the Cutex U.S. Acquisition.

The results of operations of these acquisitions are included in the Company's statement of operations commencing on each respective acquisition date. The results of operations of the CBB business are included within the Other segment. The American Crew and Revlon Professional distribution rights acquisition is included within the Company's Professional segment and the Cutex U.S. Acquisition is included within the Company's Consumer segment. The results of operations of these acquisitions did not have a material impact on the Company's results of operations for 2016 and 2015.

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**3. RESTRUCTURING CHARGES**

*EA Integration Restructuring Program*

In December 2016, in connection with integrating the Elizabeth Arden and Revlon organizations, the Company determined to begin the process of implementing certain integration activities, including consolidating offices, eliminating certain duplicative activities and streamlining back-office support (the “EA Integration Restructuring Program”). The EA Integration Restructuring Program are designed to reduce the Company’s SG&A expenses. As a result of the EA Integration Restructuring Program, the Company expects to eliminate approximately 350 positions worldwide.

In connection with implementing the EA Integration Restructuring Program, the Company expects to recognize approximately \$65 million to \$75 million of total pre-tax restructuring charges (the “EA Integration Restructuring Charges”), consisting of: (i) approximately \$40 million to \$50 million of employee-related costs, including severance, retention and other contractual termination benefits; (ii) approximately \$15 million of lease termination costs; and (iii) approximately \$10 million of other related charges.

A summary of the restructuring and related charges incurred through December 31, 2016 in connection with the EA Integration Restructuring Program is presented in the following table:

	<b>Restructuring Charges and Other, Net</b>					
	<b>Employee Severance and Other Personnel Benefits</b>	<b>Other</b>	<b>Total Restructuring Charges</b>	<b>Inventory Adjustments<sup>(a)</sup></b>	<b>Other Related Charges<sup>(b)</sup></b>	<b>Total Restructuring and Related Charges</b>
Charges incurred through						
December 31, 2016 . . . . .	<u>\$31.5</u>	<u>\$0.2</u>	<u>\$31.7</u>	<u>\$0.5</u>	<u>\$2.3</u>	<u>\$34.5</u>

<sup>(a)</sup> Inventory adjustments are recorded within cost of sales in the Company’s Consolidated Statement of Operations and Comprehensive (Loss) Income.

<sup>(b)</sup> Other restructuring related charges are recorded within SG&A in the Company’s Consolidated Statement of Operations and Comprehensive (Loss) Income.

Of the \$31.7 million of EA Integration Restructuring Charges recognized in 2016, \$6.5 million related to the Elizabeth Arden segment, \$5.6 million related to the Professional segment, \$4.2 million related to the Consumer Segment and the remaining charges of \$15.4 million were included in unallocated corporate expenses.

The Company expects that cash payments will total approximately \$65 million to \$75 million in connection with the EA Integration Restructuring Charges, with approximately \$30 million to \$40 million expected to be paid in 2017 and the remaining balance to be substantially paid by the end of 2020.

*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 \$1.3 million of restructuring and related charges recognized in 2016 for the 2015 Efficiency Program, \$0.4 million related to the Consumer segment and \$0.5 million related to the Professional segment, with the remaining charges included within unallocated corporate expenses.

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A summary of the restructuring and related charges incurred through December 31, 2016 in connection with the 2015 Efficiency Program is presented in the following table:

	<u>Restructuring Charges and Other, Net</u>		
	<u>Employee Severance and Other Personnel Benefits</u>	<u>Other</u>	<u>Total Restructuring Charges</u>
Charges incurred through December 31, 2015 .....	\$ 9.4	\$0.1	\$ 9.5
Charges incurred through December 31, 2016 .....	<u>0.6</u>	<u>0.7</u>	<u>1.3</u>
Cumulative charges incurred through December 31, 2016.....	<u>\$10.0</u>	<u>\$0.8</u>	<u>\$10.8</u>
Total expected charges .....	<u>\$10.0</u>	<u>\$2.2</u>	<u>\$12.2</u>

Of the cumulative \$10.8 million of restructuring and related charges recognized through 2016 related to the 2015 Efficiency Program, \$6.4 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 \$3.3 million was paid in 2016 and \$2.8 million was paid in 2015. The remaining balance is expected to be paid in 2017.

***Restructuring Reserve***

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

	<u>Balance Beginning of Year</u>	<u>(Income) Expense, Net</u>	<u>Foreign Currency Translation</u>	<u>Utilized, Net</u>		<u>Balance End of Period</u>
				<u>Cash</u>	<u>Non-cash</u>	
<b>2016</b>						
EA Integration Restructuring Program: <sup>(a)</sup>						
Employee severance and other personnel benefits ..	\$ —	\$31.5	\$—	\$ —	\$ —	\$31.5
Other .....	—	3.0	—	—	—	3.0
2015 Efficiency Program:						
Employee severance and other personnel benefits ..	6.6	0.6	—	(2.7)	—	4.5
Other .....	0.1	0.7	—	(0.6)	—	0.2
2014 Integration Program: <sup>(b)</sup>						
Employee severance and other personnel benefits ..	0.8	—	—	(0.8)	—	—
Other .....	0.1	—	—	(0.1)	—	—
December 2013 Program: <sup>(c)</sup>						
Employee severance and other personnel benefits ..	1.2	—	—	—	—	1.2
Other .....	—	—	—	—	—	—
Other immaterial actions: <sup>(d)</sup>						
Employee severance and other personnel benefits ..	2.3	2.1	—	(3.0)	—	1.4
Other .....	<u>0.7</u>	<u>1.5</u>	<u>—</u>	<u>(1.5)</u>	<u>0.3</u>	<u>1.0</u>
Total restructuring reserve .....	<u>\$11.8</u>	<u>\$39.4</u>	<u>\$—</u>	<u>\$(8.7)</u>	<u>\$0.3</u>	<u>\$42.8</u>

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	Balance Beginning of Year	(Income) Expense, Net	Foreign Currency Translation	Utilized, Net		Balance End of Period
				Cash	Non-cash	
<b>2015</b>						
2015 Efficiency Program:						
Employee severance and other personnel benefits . . .	\$ —	\$ 9.4	\$ —	\$ (2.8)	\$—	\$ 6.6
Other . . . . .	—	0.1	—	—	—	0.1
2014 Integration Program:						
Employee severance and other personnel benefits . . .	9.6	(3.4)	(0.2)	(5.2)	—	0.8
Other . . . . .	0.1	0.6	—	(0.6)	—	0.1
December 2013 Program:						
Employee severance and other personnel benefits . . .	1.2	—	—	—	—	1.2
Other . . . . .	—	—	—	—	—	—
Other immaterial actions:						
Employee severance and other personnel benefits . . .	3.1	1.7	(0.1)	(2.4)	—	2.3
Other . . . . .	—	2.1	—	(1.4)	—	0.7
Total restructuring reserve . . . . .	<u>\$14.0</u>	<u>\$10.5</u>	<u>\$(0.3)</u>	<u>\$(12.4)</u>	<u>\$—</u>	<u>\$11.8</u>

- (a) Includes \$2.8 million in charges related to inventory adjustments and other restructuring related charges that are reflected within cost of sales and SG&A, respectively, in the Company's 2016 Consolidated Statement of Operations and Comprehensive (Loss) Income.
- (b) 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 "2014 Integration Program"). The 2014 Integration Program was substantially completed as of December 31, 2015.
- (c) In December 2013, the Company announced restructuring actions that primarily included exiting its direct manufacturing, warehousing and sales business operations in mainland China within the Consumer segment (the "December 2013 Program"). The December 2013 Program resulted in the elimination of approximately 1,100 positions in 2014, primarily in China.
- (d) Includes \$2.6 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 December 31, 2016 and 2015, all of the restructuring reserve balances were included within accrued expenses and other in the Company's Consolidated Balance Sheets.

**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 within the Consumer segment.

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:

	Year Ended December 31,		
	2016	2015	2014
Net sales <sup>(a)</sup> . . . . .	\$ —	\$ —	\$2.6
(Loss) income from discontinued operations, before taxes . . . . .	(4.9)	(3.2)	1.5
Provision for income taxes . . . . .	—	—	0.2
(Loss) income from discontinued operations, net of taxes . . . . .	(4.9)	(3.2)	1.3

- (a) Net sales during 2014 include favorable adjustments to sales returns related to the Company's exit of its direct manufacturing, warehousing and sales business operations in mainland China within the Consumer segment.

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

	December 31,	
	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 . . . . .	\$0.5	\$0.7
Accrued expenses and other . . . . .	3.3	3.6
Total current liabilities . . . . .	3.8	4.3
Total liabilities . . . . .	\$3.8	\$4.3

**5. INVENTORIES**

	December 31,	
	2016	2015
Raw materials and supplies . . . . .	\$ 72.9	\$ 58.2
Work-in-process . . . . .	33.5	8.3
Finished goods . . . . .	318.2	117.3
	\$424.6	\$183.8

**6. PREPAID EXPENSES AND OTHER**

	December 31,	
	2016	2015
Prepaid expenses . . . . .	\$34.6	\$18.2
Other . . . . .	54.2	35.1
	\$88.8	\$53.3

**7. PROPERTY, PLANT AND EQUIPMENT**

	December 31,	
	2016	2015
Land and improvements . . . . .	\$ 10.4	\$ 10.7
Building and improvements . . . . .	88.6	84.7
Machinery, equipment and capital leases . . . . .	243.3	213.0
Office furniture, fixtures and capitalized software . . . . .	122.7	118.1
Counters and trade fixtures . . . . .	60.8	—
Leasehold improvements . . . . .	46.0	29.0
Construction-in-progress . . . . .	53.4	31.5
Property, plant and equipment, gross . . . . .	625.2	487.0
Accumulated depreciation and amortization . . . . .	(304.7)	(271.7)
Property, plant and equipment, net . . . . .	\$ 320.5	\$ 215.3

Depreciation and amortization expense for 2016, 2015 and 2014 was \$45.0 million, \$37.0 million and \$36.9 million, respectively.

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**8. GOODWILL AND INTANGIBLE ASSETS, NET**

*Goodwill*

The following table presents the changes in goodwill by segment during each of 2016 and 2015:

	<u>Consumer</u>	<u>Professional</u>	<u>Elizabeth Arden</u>	<u>Other</u>	<u>Total</u>
Balance at January 1, 2015 . . . . .	\$217.9	\$246.2	\$ —	\$ —	\$464.1
Goodwill acquired <sup>(a)</sup> . . . . .	1.9	—	—	19.5	21.4
Foreign currency translation adjustment . . . . .	—	(5.5)	—	(0.6)	(6.1)
Goodwill impairment charge . . . . .	<u>(9.7)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(9.7)</u>
Balance at December 31, 2015. . . . .	\$210.1	\$240.7	\$ —	\$ 18.9	\$469.7
Goodwill acquired <sup>(b)</sup> . . . . .	17.4	—	221.7	—	239.1
Foreign currency translation adjustment . . . . .	—	(0.4)	—	(2.2)	(2.6)
Goodwill impairment charge . . . . .	<u>—</u>	<u>—</u>	<u>—</u>	<u>(16.7)</u>	<u>(16.7)</u>
Balance at December 31, 2016. . . . .	<u>\$227.5</u>	<u>\$240.3</u>	<u>\$221.7</u>	<u>\$ —</u>	<u>\$689.5</u>
Cumulative goodwill impairment charges . . . . .	<u>\$ (9.7)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$(16.7)</u>	<u>\$(26.4)</u>

<sup>(a)</sup> The goodwill acquired during 2015 relates to: (i) \$19.5 million of goodwill acquired in the CBB Acquisition, which was assigned to the Company's Other segment; and (ii) \$1.9 million of goodwill acquired in the Cutex U.S. Acquisition. See Note 2, "Business Combinations," for further discussion of the Cutex U.S. and CBB acquisitions.

<sup>(b)</sup> The goodwill acquired during 2016 relates to: (i) \$221.7 million of goodwill acquired in the Elizabeth Arden Acquisition; and (ii) \$17.4 million of goodwill acquired in the Cutex Acquisitions. See Note 2, "Business Combinations," for further discussion of the Elizabeth Arden Acquisition and Cutex International Acquisition.

For 2016, in assessing whether goodwill was impaired in connection with its annual impairment test performed during the fourth quarter of 2016 using October 1st, 2016 carrying values, the Company performed qualitative assessments to determine whether it would be necessary to perform the two-step process, as prescribed by ASC 350, *Intangibles - Goodwill and Other*, to assess the Company's indefinite-lived intangible assets for indicators of impairment. In performing the qualitative assessments, the Company considered the results of the step one test performed in 2015 and the financial performance of the Revlon, Almay and Other and Professional reporting units. Based upon such assessment, the Company determined that it is more likely than not that the fair values of these two reporting units exceeded their carrying amounts for 2016.

However, for 2016, the Company determined that it would utilize the two-step process to test the Global Color Brands and Other reporting units for impairment. In the first step of this test, the Company compared the fair values of the GCB and Other reporting units, determined based upon discounted estimated future cash flows, to the carrying amounts of each reporting unit, including goodwill. Where the fair value of such reporting unit exceeded the carrying amounts, no further impairment testing was required and no impairment loss was indicated, which was the result for the GCB step one test. The results of the step one test indicated that impairment indicators may have existed for the Company's Other reporting unit due to the termination of certain fragrance licenses that were not replaced, and accordingly, the Company performed step two of the goodwill impairment test for the Other reporting unit.

In the second step, the Company measured the potential impairment of its Other reporting unit by comparing the implied fair value of the Other reporting unit's goodwill with the carrying amount of its goodwill at October 1, 2016. The implied fair value of the Other reporting unit's goodwill was determined in the same manner as the amount of goodwill recognized in a business combination, where the estimated fair value of the Other reporting unit was allocated to all the assets and liabilities of that reporting unit (including both recognized and unrecognized intangible assets) as if the Other reporting unit had been acquired in a business combination and the estimated fair value of the Other reporting unit was the purchase price paid. When the carrying amount of the reporting unit's goodwill is greater than the implied fair value of that reporting unit's goodwill, an impairment loss is recognized within operations. The Company determined the fair value of the Other reporting unit using discounted estimated future cash flows. The weighted average cost of capital used in testing the Other reporting unit for impairment was 23.0% with a perpetual

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growth rate of 2.0%. As a result of this annual impairment test, the Company recognized an aggregate \$16.7 million non-cash goodwill impairment charge related to the Other reporting unit in the fourth quarter of 2016. Following the recognition of this non-cash goodwill impairment charge, the Other reporting unit had no remaining goodwill as of December 31, 2016.

For 2015, the Company utilized the two-step process in assessing whether goodwill was impaired for each of the Company's four reporting units. As a result of the annual impairment testing for 2015, the Company recognized a \$9.7 million non-cash goodwill impairment charge related to the GCB reporting unit in the fourth quarter of 2015.

The Company did not record any impairment of goodwill during the year ended December 31, 2014 as a result of its annual impairment testing.

***Intangible Assets, Net***

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

	<b>December 31, 2016</b>			
	<b>Gross Carrying Amount</b>	<b>Accumulated Amortization</b>	<b>Net Carrying Amount</b>	<b>Weighted Average Useful Life (in Years)</b>
<b><i>Finite-lived intangible assets:</i></b>				
Trademarks and Licenses . . . . .	\$177.9	\$(47.9)	\$130.0	13
Customer relationships . . . . .	247.6	(30.1)	217.5	14
Patents and Internally-Developed IP . . . . .	20.3	(6.1)	14.2	8
Distribution rights . . . . .	31.0	(0.5)	30.5	18
Other . . . . .	1.3	(0.2)	1.1	3
Total finite-lived intangible assets . . . . .	<u>\$478.1</u>	<u>\$(84.8)</u>	<u>\$393.3</u>	
<b><i>Indefinite-lived intangible assets:</i></b>				
Trade Names . . . . .	\$243.3	\$ —	\$243.3	
Total indefinite-lived intangible assets . . . . .	<u>\$243.3</u>	<u>\$ —</u>	<u>\$243.3</u>	
Total intangible assets . . . . .	<u>\$721.4</u>	<u>\$(84.8)</u>	<u>\$636.6</u>	
	<b>December 31, 2015</b>			
	<b>Gross Carrying Amount</b>	<b>Accumulated Amortization</b>	<b>Net Carrying Amount</b>	<b>Weighted Average Useful Life (in Years)</b>
<b><i>Finite-lived intangible assets:</i></b>				
Trademarks and Licenses . . . . .	\$145.0	\$(36.0)	\$109.0	15
Customer relationships . . . . .	118.8	(20.5)	98.3	16
Patents and Internally-Developed IP . . . . .	16.8	(4.0)	12.8	10
Distribution rights . . . . .	3.5	(0.6)	2.9	5
Total finite-lived intangible assets . . . . .	<u>\$284.1</u>	<u>\$(61.1)</u>	<u>\$223.0</u>	
<b><i>Indefinite-lived intangible assets:</i></b>				
Trade Names . . . . .	\$ 95.0	\$ —	\$ 95.0	
Total indefinite-lived intangible assets . . . . .	<u>\$ 95.0</u>	<u>\$ —</u>	<u>\$ 95.0</u>	
Total intangible assets . . . . .	<u>\$379.1</u>	<u>\$(61.1)</u>	<u>\$318.0</u>	

Amortization expense for finite-lived intangible assets was \$27.5 million, \$22.4 million and \$21.3 million for 2016, 2015 and 2014, respectively.



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The Company reviews finite-lived intangible assets for impairment whenever facts and circumstances indicate that their carrying values may not be fully recoverable. This test compares the current carrying values of the intangible assets to the undiscounted pre-tax cash flows expected to result from the use of the assets. Based upon the results of the annual goodwill impairment testing for the Other reporting unit during 2016, the Company performed an impairment review of the finite-lived intangible assets acquired as part of the 2015 CBB Acquisition. As a result of this review, the Company recognized during the fourth quarter of 2016 within the Other reporting unit \$4.2 million, \$2.0 million and \$0.5 million of non-cash impairment charges as a result of the change in the fair value of customer relationships, distribution rights and trade names, respectively, in the aggregate amount of \$6.7 million. For the year ended December 31, 2016, no impairment was recognized related to the carrying value of any other finite- or indefinite-lived intangible assets. The Company did not recognize any impairment charges related to the carrying value of identifiable intangible assets in 2015 or 2014.

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 December 31, 2016:

	<b>Estimated Amortization Expense</b>
2017 .....	\$ 34.1
2018 .....	33.2
2019 .....	30.6
2020 .....	29.8
2021 .....	28.7
Thereafter .....	<u>236.9</u>
Total .....	<u>\$393.3</u>

**9. ACCRUED EXPENSES AND OTHER**

	<b>December 31, 2016</b>	<b>December 31, 2015</b>
Compensation and related benefits .....	75.8	75.6
Advertising and promotional costs .....	66.7	38.4
Sales returns and allowances .....	51.9	61.1
Taxes .....	39.2	20.8
Restructuring reserve .....	38.0	11.8
Interest .....	24.4	12.4
Other .....	<u>86.9</u>	<u>52.3</u>
	<u>\$382.9</u>	<u>\$272.4</u>

**10. SHORT-TERM BORROWINGS**

Products Corporation had outstanding short-term borrowings (excluding borrowings under the 2016 Senior Credit Facilities for 2016, and the Old Term Loan Facility (as hereinafter defined) for 2015, which are reflected in Note 11, "Long-Term Debt"), aggregating to \$10.8 million and \$11.3 million at December 31, 2016 and 2015, respectively. The weighted average interest rate on these short-term borrowings outstanding at December 31, 2016 and 2015 was 5.0% and 4.9%, respectively.

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**11. LONG-TERM DEBT**

	<b>December 31, 2016</b>	<b>December 31, 2015</b>
2016 Term Loan Facility: 2016 Term Loan due 2023, net of discounts and debt issuance costs (see (a) below) . . . . .	\$1,747.8	\$ —
Old Term Loan Facility: Old Acquisition Term Loan due 2019, net of discounts and debt issuance costs <sup>(i)</sup> . . . . .	—	662.1
Old Term Loan Facility: 2011 Term Loan due 2017, net of discounts and debt issuance costs <sup>(i)</sup> . . . . .	—	658.5
2016 Revolving Credit Facility, due 2021 (see (b) below) . . . . .	—	—
6.25% Senior Notes due 2024, net of debt issuance costs (see (c) below) . . . . .	439.1	—
5.75% Senior Notes due 2021, net of debt issuance costs (see (d) below) . . . . .	493.8	492.5
Spanish Government Loan due 2025 . . . . .	0.5	0.6
	2,681.2	1,813.7
Less current portion <sup>(ii)</sup> . . . . .	(18.1)	(30.0)
	<u>\$2,663.1</u>	<u>\$1,783.7</u>

(i) The Old Term Loan Facility, which was in place as of December 31, 2015, 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 “Old 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 “Old Term Loan Facility” and the “Old Term Loan Agreement,” respectively). In connection with the Elizabeth Arden Acquisition and related financing transactions, the Old Term Loan Facility was completely refinanced and terminated on the Elizabeth Arden Acquisition Date. See below for 2016 debt-related transactions.

(ii) At December 31, 2016, the Company classified \$18.1 million as the current portion of long-term debt, comprised primarily of \$18.0 million of amortization payments on the 2016 Term Loan Facility 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) a \$23.2 million required “excess cash flow” prepayment (as defined under the Old Term Loan Agreement, as hereinafter defined) that was paid on February 29, 2016, and (b) the Company’s regularly scheduled \$1.7 million quarterly principal amortization payments under the Old Term Loan Facility due in 2016.

The Company completed the following debt transactions during 2016 and 2015.

**2016 Debt-Related Transactions**

In connection with and substantially concurrently with closing the Elizabeth Arden Acquisition, Products Corporation entered into the 2016 Term Loan Facility and the 2016 Revolving Credit Facility (together the “2016 Senior Credit Facilities”). Additionally, as part of financing the Elizabeth Arden Acquisition, in August 2016 Products Corporation completed the issuance of \$450.0 million aggregate principal amount of its 6.25% Senior Notes (the “6.25% Senior Notes Offering”), which funds were released from escrow (the “Escrow Release”) on the Elizabeth Arden Acquisition Date. In connection with entering into the 2016 Senior Credit Facilities, Products Corporation maintained on the 2016 Term Loan Facility its existing floating-to-fixed 2013 Interest Rate Swap (as hereinafter defined) based on a notional amount of \$400 million that previously applied to Products Corporation’s Old Acquisition Term Loan, which loan was refinanced in full in connection with Products Corporation’s consummation of the 2016 Senior Credit Facilities and the 6.25% Senior Notes Offering. 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: (A) fund the Elizabeth Arden Acquisition, including: (i) repurchasing the entire \$350.0 million aggregate principal amount then-outstanding of the Elizabeth Arden Old Senior Notes; (ii) repaying the entire \$142.0 million aggregate principal amount of borrowings outstanding as of the Elizabeth Arden Acquisition Date under Elizabeth Arden’s \$300.0 million revolving credit facility (which facility was terminated upon such repayment); (iii) repaying the entire \$25.0 million aggregate principal amount of borrowings outstanding as of the Elizabeth Arden Acquisition Date under Elizabeth Arden’s second lien credit facility (which facility was terminated upon such repayment); and (iv) retiring the entire \$55.0 million liquidation preference of all 50,000 shares of

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Elizabeth Arden's issued and outstanding preferred stock, which amount included a \$5.0 million change of control premium; and (B) to completely refinance and repay all of the \$651.4 million in aggregate principal balance outstanding under Products Corporation's then-existing 2011 Term Loan and all of the \$658.6 million in aggregate principal balance outstanding under Products Corporation's Old Acquisition Term Loan (each of which facilities were terminated upon such prepayment). The Company did not incur any material early termination penalties in connection with repaying such facilities and preferred stock. See below for a summary description of the agreements governing the 2016 Senior Credit Facilities and 6.25% Senior Notes.

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

In February 2016, Products Corporation prepaid \$23.2 million of indebtedness, then outstanding under its Old Term Loan Facility, representing 50% of its 2015 "excess cash flow" as defined by, and required under, Old Term Loan Agreement. The prepayment was applied on a ratable basis between the principal amounts outstanding under the 2011 Term Loan and the Old 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 Old Acquisition Term Loan reduced Products Corporation's future annual amortization payments under such 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. The 2011 Term Loan and Old Acquisition Term Loan were completely refinanced and terminated in connection with financing the Elizabeth Arden Acquisition.

**2015 Debt Related Transaction**

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

In March 2015, Products Corporation prepaid \$24.6 million of indebtedness then outstanding under its Old Term Loan Facility, representing 50% of its 2014 "excess cash flow" as defined by, and as required under, the Old Term Loan Agreement. The prepayment was applied on a ratable basis between the principal amounts then outstanding under the 2011 Term Loan and the Old Acquisition Term Loan. The amount of the prepayment that was applied to the 2011 Term Loan reduced the principal amount then outstanding by \$12.1 million to \$662.9 million (as all amortization payments under the 2011 Term Loan had been paid). The \$12.5 million that was applied to the Old Acquisition Term Loan reduced Products Corporation's future regularly scheduled quarterly amortization payments under the Old Acquisition Term Loan on a ratable basis from \$1.8 million prior to the prepayment to \$1.7 million after giving effect to the prepayment. The 2011 Term Loan and Old Acquisition Term Loan were completely refinanced and terminated in connection with financing the Elizabeth Arden Acquisition.

**Long-Term Debt Agreements**

***(a) 2016 Term Loan Facility***

***Principal and Maturity:*** On the Elizabeth Arden 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 matures on the earlier of: (x) the seventh anniversary of the Elizabeth Arden Acquisition 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.

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*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 of Products Corporation's existing and future direct or indirect wholly-owned domestic restricted subsidiaries (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 Elizabeth Arden Acquisition Date in connection with a repricing transaction (in which case a 1.00% premium is payable).

During 2016, the Company incurred approximately \$45.2 million of fees and expenses in connection with consummating the 2016 Term Loan Facility, of which \$39.3 million were capitalized and are being amortized over the remaining term of the 2016 Term Loan Credit Facility 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

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deferred financing costs related to the Old Term Loan Facility. 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 (Loss) Income for the year ended December 31, 2016.

***(b) 2016 Revolving Credit Facility***

*Principal and Maturity:* On the Elizabeth Arden Acquisition 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 matures on the earlier of: (x) the fifth anniversary of the Elizabeth Arden Acquisition 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 of Products Corporation's existing and future direct or indirect wholly-owned domestic restricted subsidiaries (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:* Under the 2016 Revolving Credit Facility, interest is payable quarterly and accrues on borrowings under such 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 of 0.25% for any unused amounts. 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

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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 Products Corporation and/or Revlon issuing certain equity securities and Products Corporation receiving capital contributions from Revlon, with such cash being 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. The above descriptions of the terms of the 2016 Term Loan Agreement and the 2016 Revolving Credit Facility and the related security and collateral agreements are qualified in their entirety by reference to such agreements, which are incorporated by reference as exhibits to this Form 10-K.

During 2016, the Company incurred approximately \$5.7 million of fees and expenses in connection with consummating the 2016 Revolving Credit Facility, of which \$5.6 million were capitalized as deferred financing costs 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 (Loss) Income for the year ended December 31, 2016.

***(c) 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 the 6.25% Senior Notes 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 the 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 “6.25% Senior Notes 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. The proceeds from the 6.25% Senior Notes were released from escrow on the September 7, 2016 The Elizabeth Arden Acquisition Date (the “Escrow Release”). On the Elizabeth Arden 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 “6.25% Senior Notes Guarantors”), and the 6.25% Senior Notes Trustee entered into a supplemental indenture (the “6.25% Senior Notes 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 6.25% Senior Notes Guarantors jointly and severally, fully and unconditionally guaranteed the 6.25% Senior Notes on a senior unsecured basis (the “6.25% Senior Notes Guarantees”). The 6.25% Senior Notes Guarantors are the same entities that are subsidiary guarantors under the 2016 Senior Credit Facilities.

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In December 2016, Products Corporation consummated an offer to exchange the original 6.25% Senior Notes for \$450 million of new 6.25% Senior Notes, which have substantially the same terms as the original 6.25% Senior Notes, except that they are registered under the Securities Act (such registered new notes being the “6.25% Senior Notes”).

*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 6.25% Senior Notes Guarantors’ future subordinated indebtedness; and (iii) effectively junior to all of Products Corporation’s and the 6.25% Senior Notes Guarantors’ existing and future senior secured indebtedness, including, indebtedness under Products Corporation’s 2016 Senior Credit Facilities, to the extent of the value of the assets securing such indebtedness. The 6.25% Senior Notes and the 6.25% Senior Notes 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 6.25% Senior Notes Guarantors other than expressly subordinated indebtedness. The 6.25% Senior Notes and the 6.25% Senior Notes Guarantees rank effectively junior to indebtedness and preferred stock of Products Corporation’s foreign and immaterial subsidiaries (the “6.25% Senior Notes Non-Guarantor Subsidiaries”), none of which guarantee the 6.25% Senior Notes.

*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:

<u>Period</u>	<u>Optimal Redemption Premium Percentage</u>
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 6.25% Senior Notes 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.

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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 2016, in connection with consummating the 6.25% Senior Notes Offering, the Company incurred approximately \$11.3 million of fees and expenses, all of which were capitalized and are being amortized over the remaining term of the 6.25% Senior Notes using the effective interest method.

***(d) 5.75% Senior Notes***

On February 8, 2013, Products Corporation completed its offering (the "2013 Senior Notes Refinancing"), pursuant to an exemption from registration under the Securities Act, of \$500.0 million aggregate principal amount of the 5.75% Senior Notes. The 5.75% Senior Notes are unsecured and were issued to investors at par. The 5.75% Senior Notes mature on February 15, 2021. Interest on the 5.75% Senior Notes accrues at 5.75% per annum, paid every six months on February 15<sup>th</sup> and August 15<sup>th</sup>.

The 5.75% Senior Notes were issued pursuant to the 5.75% Senior Notes Indenture (the "5.75% Senior Notes Indenture" and together with the 6.25% Senior Notes Indenture, the "Senior Notes Indentures"), dated as of February 8, 2013 (the "5.75% Senior Notes Closing Date"), by and among Products Corporation, Products Corporation's domestic subsidiaries (the "5.75% Senior Notes Guarantors"), which also currently guarantee Products Corporation's 2016 Senior Credit Facilities and the 6.25% Senior Notes, and U.S. Bank National Association, as trustee (the "5.75% Senior Notes Trustee"). The 5.75% Senior Notes Guarantors issued guarantees (the "5.75% Senior Notes Guarantees") of Products Corporation's obligations under the 5.75% Senior Notes and the 5.75% Senior Notes Indenture on a joint and several, senior unsecured basis.

In December 2013, Products Corporation consummated an offer to exchange the original 5.75% Senior Notes for \$500 million of new 5.75% Senior Notes, which have substantially the same terms as the original 5.75% Senior Notes, except that they are registered under the Securities Act (such registered new notes being the "5.75% Senior Notes").

Products Corporation used a portion of the \$491.2 million of net proceeds from the issuance of the 5.75% Senior Notes (net of underwriters' fees) to repay and redeem all of the \$330.0 million outstanding aggregate principal amount of its 9.75% Senior Secured Notes, as well as to pay \$8.6 million of accrued interest. Products Corporation incurred an aggregate of \$19.4 million of fees for the applicable redemption and tender offer premiums, related fees and expenses in connection with redemption and repayment of the 9.75% Senior Secured Notes and other fees and expenses in connection with the issuance of the 5.75% Senior Notes. Products Corporation used a portion of the remaining proceeds from the issuance of the 5.75% Senior Notes, together with existing cash, to pay approximately \$113.0 million of principal on its 2011 Term Loan in conjunction with the February 2013 Term Loan Amendments. Products Corporation used the remaining balance available from the issuance of the 5.75% Senior Notes for general corporate purposes, including, without limitation, debt reduction transactions, such as repaying a loan to Revlon at its maturity on October 8, 2013, which proceeds Revlon used to pay the liquidation preference of Revlon's then outstanding Series A Preferred Stock, in connection with its mandatory redemption on such date.

***Ranking***

The 5.75% Senior Notes are Products Corporation's unsubordinated, unsecured obligations and rank senior in right of payment to any future subordinated obligations of Products Corporation and rank pari passu in right of payment with all existing and future senior debt of Products Corporation. Similarly, each 5.75% Senior Notes Guarantee is the relevant 5.75% Senior Notes Guarantor's joint and several, unsubordinated and unsecured obligation, ranking senior in right of payment to any future subordinated obligations of such 5.75% Senior Notes



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Guarantor and ranking pari passu in right of payment with all existing and future senior debt of such 5.75% Senior Notes Guarantor. The 5.75% Senior Notes Guarantees were issued on a joint and several basis.

The 5.75% Senior Notes and the 5.75% Senior Notes Guarantees rank effectively junior to Products Corporation’s 2016 Senior Credit Facilities, which are secured, as well as indebtedness and preferred stock of Products Corporation’s foreign and immaterial subsidiaries (the “5.75% Senior Notes Non-Guarantor Subsidiaries” and together with the 6.25% Senior Notes Non-Guarantor Subsidiaries, the “Non-Guarantor Subsidiaries”), none of which guarantee the 5.75% Senior Notes.

*Optional Redemption*

The 5.75% Senior Notes may be redeemed at Products Corporation’s 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 the date of redemption, if redeemed during the 12-month period beginning on February 15<sup>th</sup> of the years indicated below:

<u>Year</u>	<u>Percentage</u>
2016 .....	104.313%
2017 .....	102.875%
2018 .....	101.438%
2019 and thereafter .....	100.000%

*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 5.75% Senior Notes at a purchase price of 101% of the outstanding principal amount of the 5.75% Senior Notes as of the date of any such repurchase, plus accrued and unpaid interest to the date of repurchase.

*Certain Covenants*

The 5.75% Senior Notes Indenture limits Products Corporation’s and the 5.75% Senior Notes Guarantors’ ability, and the ability of certain other subsidiaries, to:

- incur or guarantee additional indebtedness (“Limitation on Debt”);
- pay dividends, make repayments on indebtedness that is subordinated in right of payment to the 5.75% Senior Notes and make other “restricted payments” (“Limitation on Restricted Payments”);
- make certain investments;
- create liens on their assets to secure debt;
- enter into transactions with affiliates;
- merge, consolidate or amalgamate with another company (“Successor Company”);
- transfer and sell assets (“Limitation on Asset Sales”); and
- permit restrictions on the payment of dividends by Products Corporation’s subsidiaries (“Limitation on Dividends from Subsidiaries”).

These covenants are subject to important qualifications and exceptions. The 5.75% Senior Notes Indenture also contains customary affirmative covenants and events of default.

In addition, if during any period of time the 5.75% 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 5.75% Senior Notes Indenture, Products Corporation and its subsidiaries will not be subject to the covenants on Limitation on Debt, Limitation on Restricted Payments, Limitation on Asset Sales, Limitation on Dividends from Subsidiaries and certain provisions of the Successor Company covenant.

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***Covenants***

Products Corporation was in compliance with all applicable covenants under the 2016 Senior Credit Facilities as of December 31, 2016. At December 31, 2016, the aggregate principal amounts outstanding under the 2016 Term Loan Facility and the 2016 Revolving Credit Facility were \$1,795.5 million and nil, respectively, and availability under the \$400.0 million 2016 Revolving Credit Facility, based upon the calculated borrowing base of \$389.2 million less \$10.4 million of outstanding undrawn letters of credit, net of any outstanding checks, was \$378.8 million.

Products Corporation was in compliance with all applicable covenants under its Senior Notes Indentures as of December 31, 2016.

***Spanish Government Loan***

In connection with the Colomer Acquisition, the Company acquired the Colomer Group's euro-denominated loan payable to the Spanish government (the "Spanish Government Loan"), which loan had \$0.5 million aggregate principal amount outstanding as of December 31, 2016 (based on foreign exchange rates in effect as of such date). The Spanish Government Loan does not bear interest and is payable in 10 equal installments on June 30<sup>th</sup> of each year beginning in 2016 through 2025.

***Long-Term Debt Maturities***

The aggregate amounts of contractual long-term debt maturities at December 31, 2016 in the years 2017 through 2021 and thereafter are as follows:

<u>Years Ended December 31,</u>	<u>Long-Term Debt Maturities</u>
2017 .....	\$ 18.1 <sup>(a)</sup>
2018 .....	18.1 <sup>(a)</sup>
2019 .....	18.1 <sup>(a)</sup>
2020 .....	18.1 <sup>(a)</sup>
2021 .....	518.1 <sup>(b)</sup>
Thereafter .....	<u>2,155.5</u>
Total long-term debt .....	<u>2,746.0</u>
Discounts and deferred finance charges .....	<u>(64.8)</u>
Total long-term debt, net of discounts and deferred finance charges .....	<u>\$2,681.2</u>

<sup>(a)</sup> Amount consists primarily of the quarterly amortization payments required under the 2016 Term Loan Facility.

<sup>(b)</sup> Amount is primarily comprised of the \$500.0 million aggregate principal amount outstanding as of December 31, 2016 under the 5.75% Senior Notes, which mature on February 21, 2021, and the quarterly amortization payment described in (a) above.

**12. 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 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.

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As of December 31, 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:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<b>Assets:</b>				
Derivatives:				
FX Contracts <sup>(a)</sup> . . . . .	\$2.3	\$—	\$2.3	\$—
Total assets at fair value . . . . .	<u>\$2.3</u>	<u>\$—</u>	<u>\$2.3</u>	<u>\$—</u>
<b>Liabilities:</b>				
Derivatives:				
FX Contracts <sup>(a)</sup> . . . . .	\$1.1	\$—	\$1.1	\$—
2013 Interest Rate Swap <sup>(b)</sup> . . . . .	4.7	—	4.7	—
Total liabilities at fair value . . . . .	<u>\$5.8</u>	<u>\$—</u>	<u>\$5.8</u>	<u>\$—</u>

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:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<b>Assets:</b>				
Derivatives:				
FX Contracts <sup>(a)</sup> . . . . .	\$2.0	\$—	\$2.0	\$—
Total assets at fair value . . . . .	<u>\$2.0</u>	<u>\$—</u>	<u>\$2.0</u>	<u>\$—</u>
<b>Liabilities:</b>				
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 . . . . .	<u>\$7.1</u>	<u>\$—</u>	<u>\$7.1</u>	<u>\$—</u>

<sup>(a)</sup> 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 13, "Financial Instruments."

<sup>(b)</sup> The fair value of Products Corporation's 2013 Interest Rate Swap was measured based on the implied forward rates from the U.S. Dollar three-month LIBOR yield curve on the respective dates. See Note 13, "Financial Instruments."

As of December 31, 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:

	<u>Fair Value</u>				<u>Carrying Value</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>	
<b>Liabilities:</b>					
Long-term debt, including current portion . . . . .	\$—	\$2,770.9	\$—	\$2,770.9	\$2,681.2

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:

	<u>Fair Value</u>				<u>Carrying Value<sup>(a)</sup></u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>	
<b>Liabilities:</b>					
Long-term debt, including current portion . . . . .	\$—	\$1,818.0	\$—	\$1,818.0	\$1,813.7

<sup>(a)</sup> As adjusted pursuant to ASU No. 2015-03. See Note 1, "Description of Business and Summary of Significant Accounting Policies" for more information.

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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.

### **13. FINANCIAL INSTRUMENTS**

Products Corporation maintains standby and trade letters of credit for various corporate purposes under which Products Corporation is obligated, of which \$10.4 million and \$8.8 million (including amounts available under credit agreements in effect at that time) were maintained at December 31, 2016 and December 31, 2015, respectively. Included in these amounts are approximately \$7.3 million and \$7.5 million at December 31, 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, 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 December 31, 2016 and December 31, 2015 was \$79.6 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 that, at its inception, was based on a notional amount of \$400 million in respect of indebtedness under the Old Acquisition Term Loan over a period of three years (the "2013 Interest Rate Swap"). The 2013 Interest Rate Swap initially had a floor of 1.00% that in December 2016 was amended to 0.75%. 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 initially designated the 2013 Interest Rate Swap as a cash flow hedge of the variability of the forecasted three-month LIBOR interest rate payments initially related to the \$400 million notional amount under the Old Acquisition Term Loan over the three-year term of the 2013 Interest Rate Swap (and subsequently to the \$400 million notional amount under the 2016 Term Loan Facility for the remaining balance of the term of such swap). Commencing in May 2015, Products Corporation receives from the counterparty a floating interest rate based on the higher of three-month U.S. Dollar LIBOR or the floor percentage in effect, 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 December 31, 2016 the fair value of the 2013 Interest Rate Swap was a liability of \$4.7 million and the accumulated loss recorded in accumulated other comprehensive loss was \$3.0 million net of tax.

As a result of completely refinancing the Old Acquisition Term Loan with a portion of the proceeds from Product's Corporation's consummation of the 2016 Senior Credit Facilities and the 6.25% Senior Notes Offering in connection with consummating 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, which was the same as the September 7, 2016 Elizabeth Arden Acquisition Date (the "De-designation Date"), the 2013 Interest

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Rate Swap was determined to no longer be highly effective and the Company discontinued hedge accounting for the 2013 Interest Rate Swap. Following the de-designation of the 2013 Interest Rate Swap, changes in fair value are accounted for as a component of other non-operating expenses. Accumulated deferred losses of \$6.3 million, or \$3.9 million net of tax, at the De-designation Date that were previously recorded as a component of accumulated other comprehensive loss will be amortized into earnings over the remaining term of the 2013 Interest Rate Swap through its maturity. At December 31, 2016, \$4.9 million, or \$3.0 million net of tax, remains as a component of accumulated other comprehensive loss related to the 2013 Interest Rate Swap. See “*Quantitative Information – Derivative Financial Instruments*” below).

The Company expects that \$2.3 million of the net of 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 \$2.3 million and \$2.0 million as of December 31, 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:

<b>Fair Values of Derivative Instruments</b>					
Assets			Liabilities		
Balance Sheet Classification	December 31, 2016 Fair Value	December 31, 2015 Fair Value	Balance Sheet Classification	December 31, 2016 Fair Value	December 31, 2015 Fair Value
<i>Derivatives designated as hedging instruments:</i>					
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
<i>Derivatives not designated as hedging instruments:</i>					
FX Contracts <sup>(ii)</sup> . . . . .	Prepaid expenses and other	\$2.3	\$2.0	Accrued Expenses	\$1.1
				\$1.1	\$0.6
2013 Interest Rate Swap <sup>(i)</sup> . . . . .	Prepaid expenses and other	\$ —	\$ —	Accrued expenses and other	\$3.7
				\$3.7	\$ —
	Other assets	\$ —	\$ —	Other long-term liabilities	\$1.0
					\$ —

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

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

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(b) Effects of Derivative Financial Instruments on the Consolidated Statements of Operations and Comprehensive (Loss)Income for each of 2016, 2015 and 2014:

	Amount of Gain (Loss) Recognized in Other Comprehensive (Loss) Income		
	Year Ended December 31,		
	2016	2015	2014
<i>Derivatives designated as hedging instruments:</i>			
2013 Interest Rate Swap, net of tax <sup>(a)</sup> . . . . .	\$0.8	\$(1.6)	\$(3.7)

<sup>(a)</sup> Net of tax expense (benefit) of \$0.5 million, \$(1.0) million and \$(2.3) million for 2016, 2015 and 2014, respectively.

	Statement of Operations Classification	Amount of Gain (Loss) Recognized in Net (Loss) Income		
		Year Ended December 31,		
		2016	2015	2014
<i>Derivatives designated as hedging instruments:</i>				
2013 Interest Rate Swap . . . . .	Interest Expense	\$(4.3)	\$(2.6)	\$ —
<i>Derivatives not designated as hedging instruments:</i>				
FX Contracts . . . . .	Foreign currency gain, net	\$ 2.1	\$ 3.8	\$0.5
2013 Interest Rate Swap . . . . .	Miscellaneous, net	0.7	—	—

**14. PENSION AND POST-RETIREMENT BENEFITS**

*Savings Plan:*

The Company offers a qualified defined contribution plan for its U.S.-based employees, the Revlon Employees' Savings, Investment and Profit Sharing Plan (as amended, the "Savings Plan"), which allows eligible participants to contribute up to 25%, and highly compensated participants to contribute up to 6%, of eligible compensation through payroll deductions, subject to certain annual dollar limitations imposed by the Internal Revenue Service (the "IRS"). The Company matches employee contributions at fifty cents for each dollar contributed up to the first 6% of eligible compensation. The Company made cash matching contributions to the Savings Plan of \$2.6 million, \$2.5 million and \$2.4 million during each of 2016, 2015 and 2014, respectively. The Company also offers a non-qualified defined contribution plan (the "Excess Savings Plan") providing benefits for certain U.S. employees who are in excess of IRS limitations. These non-qualified defined contribution benefits are funded from the Company's general assets.

The Company's qualified and non-qualified defined contribution savings plans for its U.S.-based employees contain a discretionary profit sharing component that enables the Company, should it elect to do so, to make discretionary profit sharing contributions. For 2016, the Company made discretionary profit sharing contributions to the Savings Plan and Excess Savings Plan of \$5.0 million (of which \$3.9 million was paid in 2016 and \$1.1 million was paid in January 2017), or 3% of eligible compensation, which was credited on a quarterly basis. For 2015, the Company made discretionary profit sharing contributions to the Savings Plan and Excess Savings Plan of \$4.8 million (of which \$3.7 million was paid in 2015 and \$1.1 million was paid in January 2016), or 3% of eligible compensation, which was credited on a quarterly basis. For 2014, the Company made discretionary profit sharing contributions to the Savings Plan and Excess Savings Plan of \$4.0 million (of which \$3.1 million was paid in 2014 and \$0.9 million was paid in January 2015), or 3% of eligible compensation, which was credited on a quarterly basis.

*Pension Benefits:*

In 2009, Products Corporation's U.S. qualified defined benefit pension plan (the Revlon Employees' Retirement Plan, which covered a substantial portion of the Company's employees in the U.S.) and its non-qualified pension plan (the Revlon Pension Equalization Plan) were amended to cease future benefit accruals under such plans after December 31, 2009. No additional benefits have accrued since December 31, 2009, other than interest credits on participant account balances under the cash balance program of the Company's U.S. pension plans. Also, service credits for vesting and early retirement eligibility will continue to accrue in accordance with the terms of the respective plans. In 2010, the Company amended its Canadian defined benefit pension plan (the Affiliated Revlon

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Companies Employment Plan) to reduce future benefit accruals under such plan after December 31, 2010. Additionally, while the Company closed its U.K. defined pension plan to new entrants in 2002, then-existing participants continue to accrue pension benefits.

Effective December 31, 2012, Products Corporation merged two of its U.S. qualified defined benefit pension plans; therefore, as of December 31, 2012, Products Corporation sponsors two U.S. qualified defined benefit pension plans. The Company also has non-qualified pension plans that provide benefits for certain U.S. and non-U.S. employees, and for U.S. employees in excess of IRS limitations in the U.S. and in certain limited cases contractual benefits for certain former officers of the Company. These non-qualified plans are funded from the Company's general assets.

In the fourth quarter of 2015, the Company offered certain former employees who had vested benefits in the Revlon Employees' Retirement Plan the option of receiving the present value of the participant's pension benefit in a one-time cash lump sum payment, an annuity form of benefit or the ability to maintain their deferred vested status in the pension plan. Based upon the participants' acceptance of that offer, \$53.4 million was paid from the plan's assets in December 2015, with a corresponding decrease in the plan's benefit obligation. As a result of such program, the Company recorded a \$20.7 million charge as a result of the pension lump sum settlement in the fourth quarter of 2015. This charge was included in cost of sales and SG&A expenses.

*Other Post-retirement Benefits:*

The Company previously sponsored an unfunded retiree benefit plan, which provides death benefits payable to beneficiaries of a very limited number of former employees. Participation in this plan was limited to participants enrolled as of December 31, 1993. The Company also administers an unfunded medical insurance plan on behalf of Revlon Holdings, certain costs of which have been apportioned to Revlon Holdings under the transfer agreements among Revlon, Products Corporation and MacAndrews & Forbes. (See Note 22, "Related Party Transactions - Transfer Agreements").

The following table provides an aggregate reconciliation of the projected benefit obligations, plan assets, funded status and amounts recognized in the Company's Consolidated Financial Statements related to the Company's significant pension and other post-retirement benefit plans:

	<u>Pension Plans</u>		<u>Other Post-Retirement Benefit Plans</u>	
	<u>December 31,</u>			
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Change in Benefit Obligation:				
Benefit obligation - beginning of year . . . . .	\$(649.4)	\$(761.7)	\$(13.0)	\$(12.9)
Service cost . . . . .	(0.5)	(0.7)	—	—
Interest cost . . . . .	(20.7)	(28.6)	(0.4)	(0.5)
Actuarial (loss) gain . . . . .	(21.6)	44.4	(1.0)	(0.4)
Lump sum settlement . . . . .	—	53.4	—	—
Other pension settlements . . . . .	—	0.8	—	—
Benefits paid . . . . .	42.8	38.3	1.0	0.8
Foreign currency translation adjustments . . . . .	8.9	4.7	—	—
Other . . . . .	—	—	—	—
Benefit obligation - end of year . . . . .	<u>\$(640.5)</u>	<u>\$(649.4)</u>	<u>\$(13.4)</u>	<u>\$(13.0)</u>

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	<u>Pension Plans</u>		<u>Other Post-Retirement Benefit Plans</u>	
	<u>December 31,</u>			
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Change in Plan Assets:				
Fair value of plan assets - beginning of year . . . . .	\$ 473.9	\$ 567.7	\$ —	\$ —
Actual return on plan assets . . . . .	35.8	(13.9)	—	—
Employer contributions . . . . .	7.3	17.3	1.0	0.8
Lump sum settlement . . . . .	—	(53.4)	—	—
Other pension settlements . . . . .	—	(0.8)	—	—
Benefits paid . . . . .	(42.8)	(38.3)	(1.0)	(0.8)
Foreign currency translation adjustments . . . . .	(10.2)	(4.7)	—	—
Fair value of plan assets - end of year . . . . .	<u>\$ 464.0</u>	<u>\$ 473.9</u>	<u>\$ —</u>	<u>\$ —</u>
Unfunded status of plans at December 31, . . . . .	<u>\$(176.5)</u>	<u>\$(175.5)</u>	<u>\$(13.4)</u>	<u>\$(13.0)</u>

In respect of the Company's pension plans and other post-retirement benefit plans, amounts recognized in the Company's Consolidated Balance Sheets at December 31, 2016 and 2015 consist of the following:

	<u>Pension Plans</u>		<u>Other Post-Retirement Benefit Plans</u>	
	<u>December 31,</u>			
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Other long-term assets . . . . .	\$ —	\$ 3.6	\$ —	\$ —
Accrued expenses and other . . . . .	(6.1)	(6.0)	(0.8)	(0.8)
Pension and other post-retirement benefit liabilities . . . . .	(170.4)	(173.1)	(12.6)	(12.2)
Total liability . . . . .	<u>\$(176.5)</u>	<u>\$(175.5)</u>	<u>\$(13.4)</u>	<u>\$(13.0)</u>
Accumulated other comprehensive loss, gross . . . . .	\$ 266.6	\$ 258.0	\$ 3.6	\$ 2.8
Income tax (benefit) expense . . . . .	(44.3)	(41.9)	(0.4)	(0.1)
Portion allocated to Revlon Holdings . . . . .	(0.9)	(0.9)	(0.2)	(0.2)
Accumulated other comprehensive loss, net . . . . .	<u>\$ 221.4</u>	<u>\$ 215.2</u>	<u>\$ 3.0</u>	<u>\$ 2.5</u>

With respect to the above accrued expenses and other, the Company has recorded receivables from affiliates of \$2.7 million and \$3.0 million at December 31, 2016 and 2015, respectively, relating to pension plan liabilities retained by such affiliates.

The projected benefit obligation, accumulated benefit obligation, and fair value of plan assets for the Company's pension plans are as follows:

	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
Projected benefit obligation . . . . .	\$640.5	\$649.4
Accumulated benefit obligation . . . . .	\$640.2	\$649.0
Fair value of plan assets . . . . .	\$464.0	\$473.9



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*Net Periodic Benefit Cost:*

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

	<u>Pension Plans</u>			<u>Other Post-Retirement Benefit Plans</u>		
	<u>Year Ended December 31,</u>					
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Net periodic benefit (income) costs:						
Service cost . . . . .	\$ 0.5	\$ 0.7	\$ 0.8	\$ —	\$ —	\$ —
Interest cost . . . . .	20.7	28.6	30.1	0.4	0.5	0.5
Expected return on plan assets . . . . .	(31.0)	(40.3)	(41.3)	—	—	—
Amortization of actuarial loss . . . . .	8.8	8.4	4.5	0.2	0.1	0.1
Lump sum settlement charge . . . . .	—	20.7	—	—	—	—
Other pension settlements charge . . . . .	—	0.3	—	—	—	—
	<u>\$ (1.0)</u>	<u>\$ 18.4</u>	<u>\$ (5.9)</u>	<u>\$ 0.6</u>	<u>\$ 0.6</u>	<u>\$ 0.6</u>
Portion allocated to Revlon Holdings . . . . .	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	—
	<u>\$ (1.1)</u>	<u>\$ 18.3</u>	<u>\$ (6.0)</u>	<u>\$ 0.5</u>	<u>\$ 0.5</u>	<u>\$ 0.6</u>

For 2016, the Company recognized net periodic benefit income of \$0.6 million, compared to net periodic benefit cost of \$18.8 million in 2015, primarily due to the pension lump sum settlement charge recorded in the fourth quarter of 2015 which was not repeated in 2016, as well as 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.

For 2015, the Company recognized net periodic benefit cost of \$18.8 million, compared to net periodic benefit income of \$5.4 million in 2014, primarily due to the pension lump sum settlement charge recorded in the fourth quarter of 2015 and higher amortization of actuarial losses.

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

	<u>Year Ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
Net periodic benefit (income) costs:		
Cost of sales . . . . .	\$(2.5)	\$ 6.1
Selling, general and administrative expense . . . . .	1.9	12.7
	<u>\$(0.6)</u>	<u>\$18.8</u>

Amounts recognized in accumulated other comprehensive loss at December 31, 2016 in respect of the Company's pension plans and other post-retirement plans, which have not yet been recognized as a component of net periodic benefit cost, are as follows:

	<u>Pension Benefits</u>	<u>Post-Retirement Benefits</u>	<u>Total</u>
Net actuarial loss . . . . .	\$266.6	\$ 3.6	\$270.2
Prior service cost . . . . .	—	—	—
Accumulated Other Comprehensive Loss, Gross . . . . .	266.6	3.6	270.2
Income tax benefit . . . . .	(44.3)	(0.4)	(44.7)
Portion allocated to Revlon Holdings . . . . .	(0.9)	(0.2)	(1.1)
Accumulated Other Comprehensive Loss, Net . . . . .	<u>\$221.4</u>	<u>\$ 3.0</u>	<u>\$224.4</u>

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The total actuarial losses and prior service costs in respect of the Company's pension plans and other post-retirement plans included in accumulated other comprehensive loss at December 31, 2016 and expected to be recognized in net periodic benefit cost during the fiscal year ended December 31, 2017, is \$9.0 million and \$0.3 million, respectively.

*Pension Plan Assumptions:*

The following weighted average assumptions were used to determine the Company's projected benefit obligation of the Company's U.S. and International pension plans at the end of the respective years:

	<u>U.S. Plans</u>		<u>International Plans</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Discount rate . . . . .	3.92%	4.15%	2.66%	3.68%
Rate of future compensation increases . . . . .	3.50%	3.50%	2.20%	2.22%

The following weighted average assumptions were used to determine the Company's net periodic benefit (income) cost of the Company's U.S. and International pension plans during the respective years:

	<u>U.S. Plans</u>			<u>International Plans</u>		
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Discount rate . . . . .	4.15%	3.89%	4.68%	3.68%	3.74%	4.48%
Expected long-term return on plan assets . . . . .	7.00%	7.50%	7.75%	6.00%	6.00%	6.00%
Rate of future compensation increases . . . . .	3.50%	3.00%	3.00%	2.22%	2.33%	3.40%

Effective December 31, 2015, the Company adopted the "full yield curve" method as an alternative approach to calculating the service and interest components of net periodic benefit cost for the Company's pension and other post-retirement benefits. Under the "full yield curve" method, the discount rate assumption was built through the application of specific spot rates along the yield curve used in the determination of the benefit obligation to the relevant projected cash flows for each of the Company's pension and other post-retirement plans. Prior to December 31, 2015, the Company estimated the service and interest cost components utilizing a single weighted average discount rate derived from the yield curve used to measure the projected benefit obligation at the beginning of the period. The change does not affect the measurement of the Company's total projected benefit obligations, as the change in service and interest costs is exactly offset in the actuarial loss (gain) recognized for each year. The Company made this change to provide a more precise measurement of service and interest costs by improving the correlation between projected benefit cash flows to the corresponding spot yield curve rates. The change to the "full yield curve" method was accounted for as a change in accounting estimate that is inseparable from a change in accounting principle, and accordingly, was accounted for prospectively.

In selecting its expected long-term rate of return on its pension plan assets, the Company considers a number of factors, including, without limitation, recent and historical performance of pension plan assets, the pension plan portfolios' asset allocations over a variety of time periods compared with third-party studies, the performance of the capital markets in recent years and other factors, as well as advice from various third parties, such as the pension plans' advisors, investment managers and actuaries. While the Company considered both the recent performance and the historical performance of pension plan assets, the Company's assumptions are based primarily on its estimates of long-term, prospective rates of return. Using the aforementioned methodologies, the Company selected a 7.00% and 6.00% weighted average long-term rate of return on plan assets assumption during 2016 for the U.S. and International pension plans, respectively. Differences between actual and expected asset returns are recognized in the net periodic benefit cost over the remaining service period of the active participating employees.

The rate of future compensation increases is an assumption used by the actuarial consultants for pension accounting and is determined based on the Company's current expectation for such increases.

*Investment Policy:*

The Investment Committee for the Company's U.S. pension plans (the "Investment Committee") has adopted (and revises from time to time) an investment policy for the Company's U.S. pension plans with the objective of

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realizing a long-term rate of return on pension plan assets that meets or exceeds, over time, the expected long-term rate of return on plan assets assumption, weighed against a reasonable risk level. In connection with this objective, the Investment Committee retains a professional investment advisor who recommends investment managers that invest plan assets in the following asset classes: common and preferred stock, mutual funds, fixed income securities, common and collective funds, hedge funds, group annuity contracts and cash and other investments. The Company's international plans follow a similar methodology in conjunction with local actuarial consultants and asset managers.

The investment policy adopted by the Investment Committee provides for investments in a broad range of publicly-traded securities, among other things. The investments are in domestic and international stocks, ranging from small to large capitalization stocks, debt securities ranging from domestic and international treasury issues, corporate debt securities, mortgages and asset-backed issues. Other investments may include cash and cash equivalents and hedge funds. The investment policy also allows for investments in private equity funds that are not covered in investments described above, provided that the Investment Committee approves any such investments prior to their selection. Also, global balanced strategies are utilized to provide for investments in a broad range of publicly-traded stocks and bonds in both domestic and international markets, as described above. In addition, the global balanced strategies can include commodities, provided that the Investment Committee approves any such investments prior to their selection.

The Investment Committee's investment policy does not allow the use of derivatives for speculative purposes, but such policy does allow its investment managers to use derivatives for the purpose of reducing risk exposures or to replicate exposures of a particular asset class.

The Company's U.S. and international pension plans have target asset allocation ranges which are intended to be flexible guidelines for allocating the plans' assets among various classes of assets. These target ranges are reviewed periodically and considered for readjustment when an asset class weighting is outside of its target range (recognizing that these are flexible target ranges that may vary from time to time) with the objective of meeting or exceeding the expected long-term rate of return on plan assets assumption, weighed against a reasonable risk level. The target ranges per asset class are as follows:

Asset Class:	Target Ranges	
	U.S. Plans	International Plans
Common and preferred stock . . . . .	0% - 10%	—
Mutual funds . . . . .	20% - 30%	—
Fixed income securities . . . . .	10% - 30%	—
Common and collective funds . . . . .	25% - 55%	100%
Hedge funds . . . . .	0% - 15%	—
Group annuity contract . . . . .	0% - 5%	—
Cash and other investments . . . . .	0% - 10%	—

*Fair Value of Pension Plan Assets:*

The following table presents information on the fair value of the Company's U.S. and international pension plan assets at December 31, 2016 and 2015:

	U.S. Plans		International Plans	
	2016	2015	2016	2015
Fair value of plan assets . . . . .	\$400.5	\$407.2	\$63.5	\$66.7

The Company determines the fair values of the Company's U.S. and international pension plan assets as follows:

- Common and preferred stock: The fair values of investments included in the common and preferred stock asset class generally reflect the closing price reported on the major market where the individual securities are traded. The Company classifies common and preferred stock investments within Level 1 of the fair value hierarchy.

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- Mutual funds: The fair values of investments included in the mutual funds asset class are determined using net asset value (“NAV”) provided by the applicable fund administrators. The NAV is based on the closing price reported on the major market where the individual securities within the mutual fund are traded. The Company classifies mutual fund investments within Level 1 of the fair value hierarchy.
- Fixed income securities: The fair values of investments included in the fixed income securities asset class are based on a compilation of primarily observable market information and/or broker quotes. The Company classifies fixed income securities investments primarily within Level 2 of the fair value hierarchy.
- Common and collective funds: The fair values of investments included in the common and collective funds asset class are determined using NAV provided by the applicable fund administrators. The NAV is based on the value of the underlying assets owned by the common and collective fund, minus its liabilities, and then divided by the number of shares outstanding. The Company classifies common and collective fund investments within Level 2 of the fair value hierarchy.
- Hedge funds: The hedge fund asset class includes investments in hedge funds that, in turn, primarily invest in a grouping of equities, fixed income instruments, currencies, derivatives and/or commodities. The fair values of investments included in the hedge funds class are determined using NAV provided by the applicable fund administrators. The NAV is based on securities listed or quoted on a national securities exchange or market, or traded in the over-the-counter market, and is valued at the closing quotation posted by that exchange or trading system. Securities not listed or quoted on a national securities exchange or market are valued primarily through observable market information or broker quotes. The hedge fund investments generally can be sold on a quarterly or monthly basis and may employ leverage. The Company classifies hedge fund investments within Level 2 of the fair value hierarchy.
- Group annuity contract: The group annuity contract asset class primarily invests in equities, corporate bonds and government bonds. The fair values of securities listed or quoted on a national securities exchange or market, or traded in the over-the-counter market, are valued at the closing quotation posted by that exchange or trading system. Securities not listed or quoted on a national securities exchange or market are valued primarily through observable market information or broker quotes. The Company classifies group annuity contract investments within Level 2 of the fair value hierarchy.
- Cash and cash equivalents: Cash and cash equivalents are measured at cost, which approximates fair value. The Company classifies cash and cash equivalents within Level 1 of the fair value hierarchy.

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The fair values of the Company's U.S. and International pension plan assets at December 31, 2016 by asset category were as follows:

	<u>Total</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Common and Preferred Stock:				
U.S. small/mid cap equity . . . . .	\$ 15.5	\$ 15.5	\$ —	\$—
Mutual Funds <sup>(a)</sup> :				
Corporate bonds . . . . .	14.3	14.3	—	—
Government bonds . . . . .	11.9	11.9	—	—
U.S. large cap equity . . . . .	0.1	0.1	—	—
International equities . . . . .	3.9	3.9	—	—
Emerging markets international equity . . . . .	6.3	6.3	—	—
Other . . . . .	3.0	3.0	—	—
Fixed Income Securities:				
Corporate bonds . . . . .	41.0	—	41.0	—
Government bonds . . . . .	13.9	—	13.9	—
Common and Collective Funds <sup>(a)</sup> :				
Corporate bonds . . . . .	56.0	54.3	1.7	—
Government bonds . . . . .	68.4	57.0	11.4	—
U.S. large cap equity . . . . .	68.8	67.5	1.3	—
U.S. small/mid cap equity . . . . .	20.0	20.0	—	—
International equities . . . . .	67.0	34.9	32.1	—
Emerging markets international equity . . . . .	15.3	9.4	5.9	—
Cash and cash equivalents . . . . .	(7.9)	(7.9)	—	—
Other . . . . .	5.5	2.4	3.1	—
Hedge Funds <sup>(a)</sup> :				
Corporate bonds . . . . .	4.5	—	4.5	—
Government bonds . . . . .	6.5	—	6.5	—
U.S. large cap equity . . . . .	2.1	—	2.1	—
Cash and cash equivalents . . . . .	2.4	—	2.4	—
Other . . . . .	31.9	—	31.9	—
Group Annuity Contract . . . . .	3.0	—	3.0	—
Cash and cash equivalents . . . . .	<u>10.6</u>	<u>10.6</u>	<u>—</u>	<u>—</u>
Fair value of plan assets at December 31, 2016 . . . . .	<u>\$464.0</u>	<u>\$303.2</u>	<u>\$160.8</u>	<u>\$—</u>

<sup>(a)</sup> The investments in mutual funds, common and collective funds and hedge funds are disclosed above within the respective underlying investments' class (i.e., various equities, corporate bonds, government bonds and other investment classes), while the fair value hierarchy levels of the investments are based on the Company's direct ownership unit of account.

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The fair values of the Company's U.S. and International pension plan assets at December 31, 2015 by asset category were as follows:

	<u>Total</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Common and Preferred Stock:				
U.S. small/mid cap equity . . . . .	\$ 14.6	\$ 14.6	\$ —	\$—
Mutual Funds <sup>(a)</sup> :				
Corporate bonds . . . . .	14.9	14.9	—	—
Government bonds . . . . .	12.9	12.9	—	—
U.S. large cap equity . . . . .	0.7	0.7	—	—
International equities . . . . .	3.0	3.0	—	—
Emerging markets international equity . . . . .	5.1	5.1	—	—
Other . . . . .	2.0	2.0	—	—
Fixed Income Securities:				
Corporate bonds . . . . .	41.7	—	41.7	—
Government bonds . . . . .	6.9	—	6.9	—
Common and Collective Funds <sup>(a)(b)</sup> :				
Corporate bonds . . . . .	61.5	59.9	1.6	—
Government bonds . . . . .	56.8	43.4	13.4	—
U.S. large cap equity . . . . .	71.9	70.4	1.5	—
U.S. small/mid cap equity . . . . .	15.5	15.5	—	—
International equities . . . . .	77.8	36.8	41.0	—
Emerging markets international equity . . . . .	14.5	8.0	6.5	—
Cash and cash equivalents . . . . .	(0.8)	(0.8)	—	—
Other . . . . .	5.5	2.5	3.0	—
Hedge Funds <sup>(a)</sup> :				
Corporate bonds . . . . .	3.8	—	3.8	—
Government bonds . . . . .	8.6	—	8.6	—
U.S. large cap equity . . . . .	3.8	—	3.8	—
Cash and cash equivalents . . . . .	4.6	—	4.6	—
Other . . . . .	32.1	—	32.1	—
Group Annuity Contract . . . . .	2.8	—	2.8	—
Cash and cash equivalents . . . . .	<u>13.7</u>	<u>13.7</u>	<u>—</u>	<u>—</u>
Fair value of plan assets at December 31, 2015 . . . . .	<u>\$473.9</u>	<u>\$302.6</u>	<u>\$171.3</u>	<u>—</u>

<sup>(a)</sup> The investments in mutual funds, common and collective funds and hedge funds are disclosed above within the respective underlying investments' class (i.e., various equities, corporate bonds, government bonds and other investment classes), while the fair value hierarchy levels of the investments are based on the Company's direct ownership unit of account.

<sup>(b)</sup> Commencing in 2016, the Company determined that certain of its investments in common and collective funds met certain criteria to be considered Level 1 investments within the fair value hierarchy. As such, the 2015 fair value hierarchy schedule was updated to conform to the current presentation.

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There were no transfers into Level 3 assets in the Company's U.S. and International pension plan's fair value hierarchy during 2016 or 2015.

*Contributions:*

The Company's intent is to fund at least the minimum contributions required to meet applicable federal employee benefit laws and local laws, or to directly pay benefit payments where appropriate. During 2016, \$7.3 million and \$1.0 million were contributed to the Company's pension plans and other post-retirement benefit plans, respectively. During 2017, the Company expects to contribute approximately \$8 million in the aggregate to its pension and other post-retirement benefit plans.

*Estimated Future Benefit Payments:*

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid out of the Company's pension and other post-retirement benefit plans:

	<u>Total Pension Benefits</u>	<u>Total Other Benefits</u>
2017.....	\$ 42.0	\$1.1
2018.....	41.9	1.1
2019.....	41.9	1.1
2020.....	42.5	1.1
2021.....	42.7	1.1
Years 2022 to 2026.....	204.8	5.1

**15. STOCK COMPENSATION PLAN**

Revlon maintains the Fourth Amended and Restated Revlon, Inc. Stock Plan (the "Stock Plan"), which provides for awards of stock options, stock appreciation rights, restricted or unrestricted stock and restricted stock units to eligible employees and directors of Revlon and its affiliates, including Products Corporation. An aggregate of 6,565,000 shares are reserved for issuance as Awards under the Stock Plan, subject to the adjustment provisions of the Stock Plan. As of December 31, 2016, there were approximately 4.0 million shares remaining available under the Stock Plan for grant as stock options, stock appreciation rights, restricted or unrestricted stock and/or restricted stock units. In July 2014, the Stock Plan was amended to renew the Stock Plan for a 7-year renewal term expiring on April 14, 2021.

*Stock options:*

Non-qualified stock options granted under the Stock Plan are granted at prices that equal or exceed the fair market value of Class A Common Stock on the grant date and have a term of 7 years. Option grants generally vest over service periods that range from 1 year to 4 years.

At December 31, 2016, 2015 and 2014, there were no options exercisable under the Stock Plan.

There was no stock option activity for 2016 and 2015. A summary of stock option activity for 2014 is presented below:

	<u>Stock Options (000's)</u>	<u>Weighted Average Exercise Price Per Share</u>
Outstanding at January 1, 2014.....	0.8	\$27.50
Forfeited and expired.....	(0.8)	27.50
Outstanding at December 31, 2014.....	—	—

*Restricted stock awards and restricted stock units:*

The Stock Plan allows for awards of restricted stock and restricted stock units to employees and directors of Revlon and its affiliates, including Products Corporation. The restricted stock awards granted under the Stock Plan

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vest over service periods that generally range from 3 years to 5 years. The Company granted 32,082 and 93,458 shares of restricted stock to certain executives in February 2016 and November 2016, respectively, which vest over a 4-year and 3-year period, respectively, with the first tranche vesting in March 2016 and October 2017, respectively. The Company granted 75,551 and 145,084 shares of restricted stock to certain executives in February 2015 and December 2015, respectively, which vest over a 5-year and 4-year period, respectively, with the first tranche of such grants having vested in March 2016. In 2014, the Company granted 693,378 shares of restricted stock to certain executives that vest over a 5-year period, which vesting commenced in March 2015.

Pursuant to the Company's employment agreement with Mr. Fabian Garcia, the Company's President and Chief Executive Officer, on April 15, 2017 (the "Garcia Grant Date"), Revlon will grant to Mr. Garcia 270,489 restricted shares of Revlon Class A Common Stock (the "Garcia Restricted Stock Grant"), being the number of shares equal to \$10 million divided by the \$36.97 NYSE closing price of Revlon Class A Common Stock on the April 15, 2016 commencement date of his employment (the "Garcia Effective Date"). One-fifth of the Garcia Restricted Stock Grant vests on the Garcia Grant Date, with the remaining four-fifths vesting ratably on each of the first 4 anniversaries of the Garcia Grant Date, so long as Mr. Garcia remains employed with the Company on each applicable vesting date, subject to certain earlier vesting provisions. In lieu of making the Garcia Restricted Stock Grant, Revlon's Board of Directors may, at its election based on the occurrence of certain events impacting the price of Revlon's Class A Common Stock, choose to pay Mr. Garcia \$3 million on each of the first 5 anniversaries of the Garcia Effective Date (the "Deferred Cash Award"), so long as Mr. Garcia remains employed with the Company on each applicable payment date, subject to certain earlier payment or vesting provisions.

Pursuant to the Company's employment agreement with Mr. Juan Figueroe, the Company's Chief Financial Officer, on April 12, 2017 (the "Figueroe Grant Date"), Revlon will grant to Mr. Juan Figueroe 102,880 restricted shares of Revlon Class A Common Stock (the "Figueroe Restricted Stock Grant"), being the number of shares equal to \$3,750,000 divided by the \$36.45 NYSE closing price of Revlon Class A Common Stock on the April 12, 2016 commencement date of his employment (the "Figueroe Effective Date"). One-fifth of the Figueroe Restricted Stock Grant vests on the Figueroe Grant Date, with the remaining four-fifths vesting ratably on each of the first 4 anniversaries of the Figueroe Grant Date so long as Mr. Figueroe remains employed with the Company on each applicable vesting date, subject to certain earlier vesting provisions. In lieu of making the Figueroe Restricted Stock Grant, Revlon's Board of Directors may, at its election based on the occurrence of certain events impacting the price of Revlon's Class A Common Stock, choose to pay Mr. Figueroe \$1,125,000 on each of the first 5 anniversaries of the Garcia Effective Date, so long as Mr. Figueroe remains employed with the Company on each applicable payment date, subject to certain earlier payment or vesting provisions.

A summary of the restricted stock and restricted stock unit activity for each of 2016, 2015 and 2014 is presented in the following table:

	<b>Restricted Stock (000's)</b>	<b>Weighted Average Grant Date Fair Value Per Share</b>
Outstanding at January 1, 2014 . . . . .	120.0	\$24.80
Granted . . . . .	693.4	31.01
Vested <sup>(a)</sup> . . . . .	(40.0)	24.80
Outstanding at December 31, 2014. . . . .	773.4	30.37
Granted . . . . .	220.6	29.46
Vested <sup>(a)</sup> . . . . .	(171.7)	29.09
Forfeited. . . . .	(57.5)	30.44
Outstanding at December 31, 2015. . . . .	764.8	30.39
Granted . . . . .	125.5	31.86
Vested <sup>(a)</sup> . . . . .	(221.7)	29.51
Forfeited. . . . .	(257.6)	31.05
Outstanding at December 31, 2016 <sup>(b)</sup> . . . . .	411.0	30.78



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- (a) Of the amounts vested during 2016, 2015 and 2014, 92,092, 82,740 and 22,328 shares, respectively, were withheld by the Company to satisfy certain grantees' minimum withholding tax requirements, which withheld shares became Revlon treasury stock and are not sold on the open market. (See discussion under "Treasury Stock" in Note 18, "Stockholders' Deficiency").
- (b) Excludes the Garcia Restricted Stock Grant and the Figueroa Restricted Stock Grant provided for under their respective employment agreements, as such grants would only be made in April 2017 if the circumstances triggering the alternative cash payments have not occurred.

The Company recognizes non-cash compensation expense related to restricted stock awards and restricted stock units under the Stock Plan using the straight-line method over the remaining service period. The Company recorded compensation expense related to restricted stock awards under the Stock Plan of \$6.4 million, 5.1 million and \$5.5 million during 2016, 2015 and 2014, respectively. The total fair value of restricted stock and restricted stock units that vested during 2016 and 2015 was \$6.5 million and \$5.0 million, respectively. The deferred stock-based compensation related to restricted stock awards was \$21.8 million at December 31, 2016 and will be amortized ratably to compensation expense over a weighted average remaining vesting period of 3.0 years.

**16. INCOME TAXES**

The Company's income before income taxes and the applicable provision for income taxes are as follows:

	<b>Year Ended December 31,</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
Income (loss) from continuing operations before income taxes:			
United States . . . . .	\$ 4.2	\$114.4	\$137.1
Foreign . . . . .	4.3	(3.7)	(19.7)
	<u>\$ 8.5</u>	<u>\$110.7</u>	<u>\$117.4</u>
Provision for income taxes:			
United States federal . . . . .	\$ 7.6	\$ 37.7	\$ 54.6
State and local . . . . .	2.3	16.9	18.1
Foreign . . . . .	15.6	(3.2)	5.1
	<u>\$25.5</u>	<u>\$ 51.4</u>	<u>\$ 77.8</u>
Current:			
United States federal . . . . .	\$ 9.0	\$ (2.7)	\$ 2.6
State and local . . . . .	2.5	4.1	3.7
Foreign . . . . .	20.2	21.7	7.2
	31.7	23.1	13.5
Deferred:			
United States federal . . . . .	(1.4)	40.4	52.0
State and local . . . . .	(0.2)	12.8	14.4
Foreign . . . . .	(4.6)	(24.9)	(2.1)
	<u>(6.2)</u>	<u>28.3</u>	<u>64.3</u>
Total provision for income taxes . . . . .	<u>\$25.5</u>	<u>\$ 51.4</u>	<u>\$ 77.8</u>

The Company classifies interest and penalties as a component of the provision for income taxes. The Company recognized in the Consolidated Statements of Operations and Comprehensive (Loss) Income an expense of \$0.3 million in 2016 and a benefit of \$1.0 million and \$0.9 million during 2015 and 2014, respectively, in accrued interest and penalties.

The Company has not provided for U.S. federal income taxes and foreign withholding taxes on \$321.9 million of foreign subsidiaries' cumulative undistributed earnings as of December 31, 2016 because such earnings are intended to be indefinitely reinvested overseas. If these foreign earnings are repatriated to the U.S., or if the Company determines that such earnings will be remitted in a future period, additional tax provisions may be required. Due to the complexities in the tax laws and the assumptions that would have to be made, it is not practicable to estimate the amounts of income tax provisions that may be required on account of these foreign undistributed earnings.

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The actual tax on income before income taxes is reconciled to the applicable statutory federal income tax rate in the following table:

	<u>Year Ended December 31,</u>		
	<u>2016</u>	<u>2015</u>	<u>2014</u>
Computed income tax expense . . . . .	\$ 3.0	\$ 38.8	\$41.1
State and local taxes, net of U.S. federal income tax benefit . . . . .	1.8	11.1	19.9
Foreign and U.S. tax effects attributable to operations outside the U.S. . . . .	3.1	13.6	5.8
Net establishment (release) of valuation allowance . . . . .	2.0	(15.5)	6.4
Foreign dividends and earnings taxable in the U.S. . . . .	1.7	3.2	5.4
Impairment for which there is no tax benefit. . . . .	8.9	—	—
Acquisition costs for which there is no tax benefit . . . . .	0.7	—	—
Other . . . . .	<u>4.3</u>	<u>0.2</u>	<u>(0.8)</u>
Total provision for income taxes . . . . .	<u>\$25.5</u>	<u>\$ 51.4</u>	<u>\$77.8</u>

Deferred taxes are the result of temporary differences between the bases of assets and liabilities for financial reporting and income tax purposes. Deferred tax assets and liabilities at December 31, 2016 and 2015 were comprised of the following:

	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
Deferred tax assets:		
Inventories . . . . .	\$ 30.9	\$ 7.3
Net operating loss carryforwards - U.S. . . . .	140.4	47.2
Net operating loss carryforwards - foreign . . . . .	50.5	51.4
Employee benefits . . . . .	91.7	96.7
Sales related reserves . . . . .	23.9	25.8
Foreign currency translation adjustment . . . . .	9.9	11.0
Other . . . . .	<u>89.4</u>	<u>52.7</u>
Total gross deferred tax assets . . . . .	436.7	292.1
Less valuation allowance. . . . .	<u>(81.4)</u>	<u>(47.1)</u>
Total deferred tax assets, net of valuation allowance. . . . .	355.3	245.0
Deferred tax liabilities:		
Plant, equipment and other assets . . . . .	(26.0)	(29.9)
Intangibles . . . . .	(132.4)	(82.4)
Other . . . . .	<u>(57.6)</u>	<u>(63.2)</u>
Total gross deferred tax liabilities . . . . .	<u>(216.0)</u>	<u>(175.5)</u>
Net deferred tax assets . . . . .	<u>\$ 139.3</u>	<u>\$ 69.5</u>

In assessing the recoverability of its deferred tax assets, management regularly considers whether for some portion or all of the deferred tax assets it is more likely than not that a benefit will not be realized for these assets. The ultimate realization of deferred tax assets is generally dependent upon the generation of future taxable income during the periods in which those temporary differences may become deductible. In assessing the need for a valuation allowance, management evaluates the available pertinent positive and negative evidence, such as the Company's history of earnings, the scheduled reversal of deferred tax assets and liabilities, projected earnings, and income and available tax planning strategies.

A valuation allowance has been provided for those deferred tax assets for which, in the opinion of the Company's management, it is more likely than not that a benefit will not be realized. At December 31, 2016, the deferred tax valuation allowance primarily represented amounts for foreign jurisdictions where, as of the end of 2016, the Company had a three-year cumulative loss, and for certain U.S. jurisdictions where the Company had tax loss carryforwards and other tax attributes which may expire prior to being utilized. The deferred tax valuation allowance

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increased by \$34.3 million and decreased by \$10.0 million during 2016 and 2015, respectively. The increase in the deferred tax valuation allowance during 2016 was primarily associated with deferred taxes added as a result of the Elizabeth Arden Acquisition, the majority of which were established through purchase accounting. The decrease in the deferred tax valuation allowance during 2015 was primarily due to an \$18.4 million reduction of the Company's valuation allowance against certain deferred tax assets in the U.K., partially offset by additional valuation allowances on current period net operating losses incurred in certain jurisdictions. The UK valuation allowance reduction in 2015 was a result of the Company determining that it was more likely than not that a benefit would be received for U.K. deferred tax assets. This conclusion was reached after consideration of the available positive and negative evidence, with the most significant positive evidence being the recent history of earnings, improved earnings trends, expected taxable income in future periods, and no history of losses expiring unused. There was no significant negative evidence.

As of December 31, 2016, the Company has tax loss carryforwards of approximately \$512.7 million, of which \$215.6 million are foreign and \$297.1 million are domestic (federal). The losses expire in future years as follows: 2017- \$0.2 million; 2018- \$4.8 million; 2019- \$16.6 million; 2020 and beyond- \$323.4 million; and unlimited- \$167.7 million. The Company could receive the benefit of such tax loss carryforwards only to the extent it has taxable income during the carryforward periods in the applicable tax jurisdictions. As of December 31, 2016, there were no consolidated federal net operating losses available from the MacAndrews & Forbes Group (as hereinafter defined) from periods prior to the March 25, 2004 deconsolidation (as described below). The Company has acquired entities which had carryforward balances for tax losses, tax credits and other tax attributes at the time of the acquisition. U.S. Federal and certain state and foreign jurisdictions impose limitations on the amount of these tax losses, tax credits and other carryforward balances that may be utilized after an acquisition. The Company has evaluated the impact of these limitations, and has established a valuation allowance to reduce the deferred tax assets to the amount that the Company expects will be realized.

The Company remains subject to examination of its income tax returns in various jurisdictions, including, without limitation: Australia, Canada, South Africa, Spain and the U.S. (federal) for tax years ended December 31, 2012 and forward; and the U.K. for tax years ended December 31, 2013 and forward.

Elizabeth Arden remains subject to examination of its income tax returns in various jurisdictions, including, without limitation: the U.S. (federal) for the tax years ended June 30, 2010 and forward; and Switzerland for tax years ended June 30, 2014 and forward.

At December 31, 2016 and 2015, the Company had unrecognized tax benefits of \$93.3 million and \$65.0 million, respectively, including \$10.6 million and \$10.3 million, respectively, of accrued interest and penalties. Of the \$93.3 million unrecognized tax benefits, \$57.0 million would affect the Company's effective tax rate, if recognized, and the remaining \$36.3 million would affect the Company's deferred tax accounts. A reconciliation of the beginning and ending amount of the unrecognized tax benefits is provided in the following table:

Balance at January 1, 2015 . . . . .	\$62.0
Increase based on tax positions taken in a prior year . . . . .	5.6
Decrease based on tax positions taken in a prior year . . . . .	(5.8)
Increase based on tax positions taken in the current year . . . . .	8.5
Decrease resulting from the lapse of statutes of limitations . . . . .	<u>(5.3)</u>
Balance at December 31, 2015 . . . . .	65.0
Increase based on tax positions taken in a prior year . . . . .	25.9
Decrease based on tax positions taken in a prior year . . . . .	(1.3)
Increase based on tax positions taken in the current year . . . . .	9.3
Decrease resulting from the lapse of statutes of limitations . . . . .	<u>(5.6)</u>
Balance at December 31, 2016 . . . . .	<u>\$93.3</u>

In addition, the Company believes that it is reasonably possible that its unrecognized tax benefits during 2017 will decrease by approximately \$9.6 million due to the resolution of audits and the expiration of statutes of limitation.

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As a result of the closing of the 2004 Revlon Exchange Transactions (as hereinafter defined in Note 22, “Related Party Transactions - Tax Sharing Agreements”), as of March 25, 2004, Revlon, Products Corporation and their U.S. subsidiaries were no longer included in the affiliated group of which MacAndrews & Forbes was the common parent (the “MacAndrews & Forbes Group”) for federal income tax purposes. Revlon Holdings (as hereinafter defined in Note 22, “Related Party Transactions - Transfer Agreements”), Revlon, Products Corporation and certain of its subsidiaries, and MacAndrews & Forbes Incorporated entered into a tax sharing agreement (as subsequently amended and restated, the “MacAndrews & Forbes Tax Sharing Agreement”), for taxable periods beginning on or after January 1, 1992 through and including March 25, 2004, during which Revlon and Products Corporation or a subsidiary of Products Corporation was a member of the MacAndrews & Forbes Group. In these taxable periods, Revlon’s and Products Corporation’s federal taxable income and loss were included in such group’s consolidated tax return filed by MacAndrews & Forbes Incorporated. During such period, Revlon and Products Corporation were also included in certain state and local tax returns of MacAndrews & Forbes Incorporated or its subsidiaries. Revlon and Products Corporation remain liable under the MacAndrews & Forbes Tax Sharing Agreement for all such taxable periods through and including March 25, 2004 for amounts determined to be due as a result of a redetermination arising from an audit or otherwise, equal to the taxes that Revlon or Products Corporation would otherwise have had to pay if it were to have filed separate federal, state or local income tax returns for such periods.

Following the closing of the 2004 Revlon Exchange Transactions, Revlon became the parent of a new consolidated group for federal income tax purposes and Products Corporation’s federal taxable income and loss are included in such group’s consolidated tax returns. Accordingly, Revlon and Products Corporation entered into a tax sharing agreement (the “Revlon Tax Sharing Agreement”) pursuant to which Products Corporation is required to pay to Revlon amounts equal to the taxes that Products Corporation would otherwise have had to pay if Products Corporation were to file separate federal, state or local income tax returns, limited to the amount, and payable only at such times, as Revlon will be required to make payments to the applicable taxing authorities.

There were no federal tax payments or payments in lieu of taxes from Revlon to Revlon Holdings pursuant to the MacAndrews & Forbes Tax Sharing Agreement in 2016 or 2015 with respect to periods covered by the MacAndrews & Forbes Tax Sharing Agreement, and the Company expects that there will not be any such payments in 2017. During 2016, there were no federal tax payments from Products Corporation to Revlon pursuant to the Revlon Tax Sharing Agreement with respect to 2016 or 2015. During 2015, there were no federal tax payments from Products Corporation to Revlon pursuant to the Revlon Tax Sharing Agreement with respect to 2015. The Company expects that there will be no federal tax payments from Products Corporation to Revlon pursuant to the Revlon Tax Sharing Agreement during 2017 with respect to 2016.

Pursuant to the asset transfer agreement referred to in Note 22, “Related Party Transactions - Transfer Agreements,” Products Corporation assumed all tax liabilities of Revlon Holdings other than (i) certain income tax liabilities arising prior to January 1, 1992 to the extent such liabilities exceeded the reserves on Revlon Holdings’ books as of January 1, 1992 or were not of the nature reserved for and (ii) other tax liabilities to the extent such liabilities are related to the business and assets retained by Revlon Holdings.

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**17. ACCUMULATED OTHER COMPREHENSIVE LOSS**

The components of accumulated other comprehensive loss as of December 31, 2016 are as follows:

	<b>Foreign Currency Translation</b>	<b>Actuarial (Loss) Gain on Post- retirement Benefits</b>	<b>Deferred Gain (Loss) - Hedging</b>	<b>Other</b>	<b>Accumulated Other Comprehensive Loss</b>
Balance at January 1, 2014 .....	\$ 19.2	\$(170.5)	\$ 1.5	\$ —	\$(149.8)
Currency translation adjustment, net of tax of \$2.1 million .....	(24.6)	—	—	—	(24.6)
Amortization of pension related costs, net of tax of \$(0.1) million <sup>(a)</sup> .....	—	4.5	—	—	4.5
Pension re-measurement, net of tax of \$42.0 million .....	—	(69.6)	—	—	(69.6)
Revaluation of derivative financial instrument, net of tax of \$2.3 million <sup>(b)</sup> .....	—	—	(3.7)	—	(3.7)
Other .....	<u>—</u>	<u>0.3</u>	<u>—</u>	<u>(0.3)</u>	<u>—</u>
Balance at December 31, 2014 .....	(5.4)	(235.6)	(2.2)	(0.3)	(243.2)
Currency translation adjustment, net of tax of \$5.1 million .....	(18.1)	—	—	—	(18.1)
Amortization of pension related costs, net of tax of \$(1.3) million <sup>(a)</sup> .....	—	7.2	—	—	7.2
Pension re-measurement, net of tax of \$3.3 million .....	—	(6.9)	—	—	(6.9)
Settlement of certain pension liabilities, net of tax of \$(3.7) million <sup>(b)</sup> .....	—	17.3	—	—	17.3
Revaluation of derivative financial instrument, net of amounts reclassified into earnings and tax of \$1.0 million <sup>(c)</sup> .....	<u>—</u>	<u>—</u>	<u>(1.6)</u>	<u>—</u>	<u>(1.6)</u>
Balance at December 31, 2015 .....	\$(23.5)	\$(217.7)	\$(3.8)	\$(0.3)	\$(245.3)
Currency translation adjustment, net of tax of \$(1.1) million .....	(0.5)	—	—	—	(0.5)
Amortization of pension related costs, net of tax of \$(1.3) million <sup>(a)</sup> .....	—	7.6	—	—	7.6
Pension re-measurement, net of tax of \$4.1 million .....	—	(14.3)	—	—	(14.3)
Revaluation of derivative financial instrument, net of amounts reclassified into earnings and tax of \$(0.5) million <sup>(b)</sup> .....	<u>—</u>	<u>—</u>	<u>0.8</u>	<u>—</u>	<u>0.8</u>
Other comprehensive (loss) income .....	<u>(0.5)</u>	<u>(6.7)</u>	<u>0.8</u>	<u>—</u>	<u>(6.4)</u>
Balance at December 31, 2016 .....	<u><u>\$(24.0)</u></u>	<u><u>\$(224.4)</u></u>	<u><u>\$(3.0)</u></u>	<u><u>\$(0.3)</u></u>	<u><u>\$(251.7)</u></u>

<sup>(a)</sup> 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 14, "Pension and Post-retirement Benefits," for further discussion of the Company's pension and other post-retirement plans.

<sup>(b)</sup> 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 during 2016 and 2015. See Note 13, "Financial Instruments," for further discussion of the 2013 Interest Rate Swap.

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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 as of December 31, 2016 are as follows:

	<u>2013</u> <u>Interest Rate Swap</u>
Beginning accumulated losses at December 31, 2015 . . . . .	\$(3.8)
Reclassifications into earnings (net of \$1.6 million tax expense) <sup>(a)</sup> . . . . .	2.7
Change in fair value (net of \$1.1 million tax benefit) . . . . .	<u>(1.9)</u>
Ending accumulated losses at December 31, 2016 . . . . .	<u>\$(3.0)</u>

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

A rollforward of the amounts reclassified out of accumulated other comprehensive loss into earnings as of December 31, 2015 are as follows:

	<u>2013</u> <u>Interest Rate Swap</u>
Beginning accumulated losses at December 31, 2014 . . . . .	\$(2.2)
Reclassifications into earnings (net of \$1.0 million tax expense) <sup>(a)</sup> . . . . .	1.6
Change in fair value (net of \$2.0 million tax benefit) . . . . .	<u>(3.2)</u>
Ending accumulated losses at December 31, 2015 . . . . .	<u>\$(3.8)</u>

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

There were no amounts reclassified into earnings during 2014.

**18. STOCKHOLDERS' DEFICIENCY**

Information about the Company's common and treasury stock issued and/or outstanding is presented in the following table:

	<u>Class A</u> <u>Common Stock</u>	<u>Treasury Stock</u>
Balance, January 1, 2014 . . . . .	53,231,651	754,853
Restricted stock grants . . . . .	693,378	—
Withholding of restricted stock to satisfy taxes . . . . .	<u>—</u>	<u>22,328</u>
Balance, December 31, 2014 . . . . .	53,925,029	777,181
Restricted stock grants . . . . .	220,635	—
Restricted stock forfeitures . . . . .	(57,490)	—
Withholding of restricted stock to satisfy taxes . . . . .	<u>—</u>	<u>82,740</u>
Balance, December 31, 2015 . . . . .	54,088,174	859,921
Restricted stock grants . . . . .	125,540	—
Restricted stock forfeitures . . . . .	(257,641)	—
Withholding of restricted stock to satisfy taxes . . . . .	<u>—</u>	<u>92,092</u>
Treasury stock repurchased . . . . .	<u>—</u>	<u>72,895</u>
Balance, December 31, 2016 . . . . .	<u>53,956,073</u>	<u>1,024,908</u>

*Common Stock*

As of December 31, 2016, Revlon's authorized common stock consisted of 900 million shares of Class A Common Stock, with a par value of \$0.01 per share (the "Class A Common Stock"), and 200 million shares of Class B common stock, par value \$0.01 per share ("Class B Common Stock" and together with the Class A Common Stock, the "Common Stock").

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As of December 31, 2016, MacAndrews & Forbes beneficially owned approximately 77% of Revlon's Class A Common Stock, which at such date was Revlon's only class of capital stock outstanding.

*Treasury Stock*

Pursuant to the share withholding provisions of the Stock Plan, during 2016 the Company withheld a total of 92,092 shares of Revlon Class A Common Stock to satisfy its minimum statutory tax withholding requirements related to the vesting of shares of restricted stock. These shares were recorded as treasury stock using the cost method, at a weighted average of \$34.83 per share, based on the NYSE closing price per share on each applicable vesting date, for a total of \$3.2 million. During 2015, the Company withheld a total of 82,740 shares of Revlon Class A Common Stock to satisfy its minimum statutory tax withholding requirements related to the vesting of shares of restricted stock, in the aggregate amount of \$2.8 million.

In April 2016, in connection with his separation from the Company, Revlon repurchased 72,895 shares of Revlon Class A Common Stock (representing vested shares of restricted stock, which were included within treasury stock upon repurchase) from Lorenzo Delpiani, 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 Class A Common Stock on April 20, 2016, for a total purchase price of \$2.7 million.

## **19. 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 Executive Officer. As of December 31, 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 December 31, 2016, the Company's operations are organized into the following reportable segments:

- **Consumer** - The Company's Consumer segment is comprised of products that are marketed, distributed and sold in 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 cosmetic stores and perfumeries in the U.S. and internationally under brands such as **Revlon**, **Almay**, **SinfulColors** and **Pure Ice** in cosmetics; **Revlon ColorSilk** in women's hair color; **Revlon** in beauty tools; and **Mitchum** in anti-perspirant deodorants. The Consumer segment also includes a skin care line under the **Natural Honey** brand and hair color line under the **Llongueras** brand (licensed from a third party), that are sold in large volume retailers and other retailers, primarily in Spain. In October 2015 and in May 2016, the Company completed the Cutex U.S. Acquisition and the Cutex International Acquisition and the results of operations relating to the sales of **Cutex** nail care products are included within the Consumer segment.
- **Professional** - The Company's Professional segment markets, distributes and sells professional products primarily to hair and nail salons and professional salon distributors in the U.S. and internationally under brands such as **Revlon Professional** in hair color, hair care and hair treatments; **CND** in nail polishes and nail enhancements, including **CND Shellac** and **CND Vinylux** nail polishes; and **American Crew** in men's grooming products. The Professional segment also includes a multi-cultural hair care line consisting of **Creme of Nature** hair care products, which are sold in both professional salons and in large volume retailers and other retailers, primarily in the U.S.
- **Elizabeth Arden** - The Elizabeth Arden segment markets, distributes and sells fragrances, skin care and color cosmetics to prestige retailers, specialty stores, the mass retail channel, distributors, perfumeries, department stores, boutiques, travel retailers and other retailers in the U.S. and internationally, as well as direct sales to consumers via its Elizabeth Arden Red Door branded retail stores, Elizabeth Arden.com

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e-commerce business and Elizabeth Arden Red Door spa beauty salons and spas under brands such as **Skin Illuminating, SUPERSTART, Prevage, Eight Hour Cream, Elizabeth Arden Ceramide and Visible Difference** in the Elizabeth Arden skin care brands; **Elizabeth Arden Red Door, Elizabeth Arden 5th Avenue, Elizabeth Arden Green Tea and UNTOLD** in Elizabeth Arden fragrances; **Juicy Couture, John Varvatos and Wildfox Couture** in designer fragrances; and **Curve, Elizabeth Taylor, Britney Spears, Christina Aguilera, Halston, Ed Hardy, Geoffrey Beene, Alfred Sung, Giorgio Beverly Hills, Lucky Brand, PS Fine Cologne for Men, White Shoulders and Jennifer Aniston** in heritage fragrances.

- **Other** - The Other segment includes the operating results of the CBB business and related purchase accounting for the CBB Acquisition. CBB develops, 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 results included within the Other segment are not material to the Company's consolidated results of operations.

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 to inventory acquired in acquisitions; (v) charges related to the Elizabeth Arden 2016 Business Transformation Program; (vi) costs of sales resulting from a fair value adjustment to inventory acquired in the Elizabeth Arden Acquisition; (vii) impairment charges; and (viii) pension lump sum settlement charges. 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." 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.



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The following table is a comparative summary of the Company's net sales and segment profit by reportable segment for each of 2016, 2015, and 2014. In the table below, certain prior period amounts have been reclassified to conform to the presentation for 2016.

	<u>Twelve Months Ended December 31,</u>		
	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Segment Net Sales:</b>			
Consumer . . . . .	\$1,389.8	\$1,414.8	\$1,438.3
Professional . . . . .	476.5	471.1	502.7
Elizabeth Arden . . . . .	441.4	—	—
Other . . . . .	26.3	28.4	—
Total . . . . .	<u>\$2,334.0</u>	<u>\$1,914.3</u>	<u>\$1,941.0</u>
<b>Segment Profit:</b>			
Consumer . . . . .	\$ 349.2	\$ 360.2	\$ 339.4
Professional . . . . .	99.4	103.9	104.8
Elizabeth Arden . . . . .	68.2	—	—
Other . . . . .	(2.7)	1.4	—
Total . . . . .	<u>\$ 514.1</u>	<u>\$ 465.5</u>	<u>\$ 444.2</u>
<b>Reconciliation:</b>			
Segment Profit . . . . .	\$ 514.1	\$ 465.5	\$ 444.2
Less:			
Unallocated corporate expenses <sup>(a)</sup> . . . . .	98.8	88.0	69.0
Depreciation and amortization . . . . .	123.2	103.2	102.6
Non-cash stock compensation expense . . . . .	6.4	5.1	5.5
Non-Operating items:			
Restructuring and related charges . . . . .	36.8	11.6	22.6
Acquisition and integration costs . . . . .	43.2	8.0	6.4
Elizabeth Arden 2016 Business Transformation Program . . . . .	2.6	—	—
Elizabeth Arden inventory purchase accounting adjustment, cost of sales . . . . .	20.7	—	—
Inventory purchase accounting adjustment, cost of sales . . . . .	0.2	0.9	2.6
Pension Lump sum settlement . . . . .	—	20.7	—
Impairment charge . . . . .	23.4	9.7	—
Deferred Compensation related to CBB Acquisition . . . . .	3.5	2.5	—
Operating Income . . . . .	155.3	215.8	235.5
Less:			
Interest Expense . . . . .	105.2	83.3	84.4
Amortization of debt issuance costs . . . . .	6.8	5.7	5.5
Loss on early extinguishment of debt . . . . .	16.9	—	2.0
Foreign currency losses, net . . . . .	18.5	15.7	25.0
Miscellaneous, net . . . . .	(0.6)	0.4	1.2
Income from continuing operations before income taxes . . . . .	<u>\$ 8.5</u>	<u>\$ 110.7</u>	<u>\$ 117.4</u>

<sup>(a)</sup> During the second quarter of 2015, the Company removed pension-related costs for its U.S. qualified defined benefit pension plans from the measurement of its operating segment results. As a result, \$8.2 million of pension-related costs were reclassified from the measurement of Consumer segment profit and included as a component of unallocated corporate expenses for 2014.

As of December 31, 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

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by geographic area are presented by attributing revenues from external customers on the basis of where the products are sold. Walmart and its affiliates worldwide accounted for approximately 17%, 18% and 16% of the Company's worldwide net sales in 2016, 2015 and 2014, respectively, and such sales are primarily included within the net sales of the Consumer segment.

	Year Ended December 31,					
	2016		2015		2014	
<b>Geographic area:</b>						
Net sales:						
United States . . . . .	\$1,271.2	54%	\$1,043.7	55%	\$1,021.9	53%
International . . . . .	<u>1,062.8</u>	46%	<u>870.6</u>	45%	<u>919.1</u>	47%
	<u>\$2,334.0</u>		<u>\$1,914.3</u>		<u>\$1,941.0</u>	
			<u>December 31,</u>		<u>December 31,</u>	
			2016		2015	
Long-lived assets, net:						
United States . . . . .			\$1,494.3	85%	\$ 854.7	79%
International . . . . .			<u>255.4</u>	15%	<u>232.4</u>	21%
			<u>\$1,749.7</u>		<u>\$1,087.1</u>	

	Year Ended December 31,					
	2016		2015		2014	
<b>Classes of similar products:</b>						
Net sales:						
Color cosmetics . . . . .	\$ 998.3	43%	\$1,022.4	53%	\$1,030.1	53%
Hair care . . . . .	544.3	23%	522.1	27%	541.7	28%
Fragrance . . . . .	408.4	17%	80.8	4%	54.1	3%
Beauty care . . . . .	294.4	13%	277.5	15%	299.7	15%
Skin care . . . . .	<u>88.6</u>	4%	<u>11.5</u>	1%	<u>15.4</u>	1%
	<u>\$2,334.0</u>		<u>\$1,914.3</u>		<u>\$1,941.0</u>	

**20. 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 December 31, 2016, 2015 and 2014 there were no outstanding stock options under the Company's Stock Plan.

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The components of basic and diluted earnings per common share for each 2016, 2015 and 2014 were as follows:

	Years Ended December 31,		
	2016	2015	2014
<b>Numerator:</b>			
(Loss) income from continuing operations, net of taxes . . . . .	\$ (17.0)	\$ 59.3	\$ 39.6
(Loss) income from discontinued operations, net of taxes . . . . .	(4.9)	(3.2)	1.3
Net (loss) income . . . . .	<u>\$ (21.9)</u>	<u>\$ 56.1</u>	<u>\$ 40.9</u>
<b>Denominator:</b>			
Weighted average common shares outstanding – Basic . . . . .	52,504,196	52,431,193	52,359,897
Effect of dilutive restricted stock . . . . .	—	160,352	64,042
Weighted average common shares outstanding – Diluted . . . . .	<u>52,504,196</u>	<u>52,591,545</u>	<u>52,423,939</u>
<b>Basic (loss) earnings per common share:</b>			
Continuing operations . . . . .	\$ (0.33)	\$ 1.13	\$ 0.76
Discontinued operations . . . . .	(0.09)	(0.06)	0.02
Net (loss) income . . . . .	<u>\$ (0.42)</u>	<u>\$ 1.07</u>	<u>\$ 0.78</u>
<b>Diluted (loss) earnings per common share:</b>			
Continuing operations . . . . .	\$ (0.33)	\$ 1.13	\$ 0.76
Discontinued operations . . . . .	(0.09)	(0.06)	0.02
Net (loss) income . . . . .	<u>\$ (0.42)</u>	<u>\$ 1.07</u>	<u>\$ 0.78</u>
Unvested restricted stock awards under the Stock Plan <sup>(a)</sup> . . . . .	109,481	—	—

<sup>(a)</sup> These are outstanding common stock equivalents that were not included in the computation of diluted EPS because their inclusion would have had an anti-dilutive effect.

**21. COMMITMENTS AND CONTINGENCIES**

Products Corporation currently leases facilities for executive offices, warehousing, research and development and sales operations and leases various types of equipment under operating and capital lease agreements. Rental expense was \$18.5 million, \$18.6 million and \$26.6 million for 2016, 2015 and 2014 and, respectively. Minimum rental commitments under all non-cancelable leases, including those pertaining to idled facilities, are presented in the following table:

<u>Minimum Rental Commitments</u>	<u>Total</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>Thereafter</u>
Capital leases . . . . .	\$ 3.5	\$ 1.9	\$ 1.0	\$ 0.5	\$ 0.1	\$ —	\$ —
Operating leases . . . . .	216.0	38.9	34.7	30.0	21.8	20.0	70.6

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.

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.

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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. The Second Consolidated Amended Class Action Complaint (which superseded the Consolidated Amended Class Action Complaint) was ultimately filed on or about January 26, 2017. Like the Consolidated Amended Class Action complaint, the grounds for relief set forth in the Second Consolidated Amended Class Action Complaint in large part track those grounds as asserted in the five individual complaints.

The Company believes the allegations contained in the Second 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.

## **22. RELATED PARTY TRANSACTIONS**

As of December 31, 2016, MacAndrews & Forbes beneficially owned approximately 77% of Revlon's Class A Common Stock representing approximately 77% of Revlon's outstanding shares of voting capital stock. As a result, MacAndrews & Forbes is able to elect Revlon's entire Board of Directors and control the vote on all matters submitted to a vote of Revlon's stockholders. MacAndrews & Forbes is wholly-owned by Ronald O. Perelman, Chairman of Revlon's Board of Directors.

### **Transfer Agreements**

In June 1992, Revlon and Products Corporation entered into an asset transfer agreement with Revlon Holdings LLC, a Delaware limited liability company and formerly a Delaware corporation known as Revlon Holdings Inc. ("Revlon Holdings"), and which is an affiliate and an indirect wholly-owned subsidiary of MacAndrews & Forbes, and certain of Revlon Holdings' wholly-owned subsidiaries. Revlon and Products Corporation also entered into a real property asset transfer agreement with Revlon Holdings. Pursuant to such agreements, in June 1992, Revlon Holdings transferred certain assets to Products Corporation and Products Corporation assumed all of the liabilities of Revlon Holdings, other than certain specifically excluded assets and liabilities (the liabilities excluded are referred to as the "Excluded Liabilities"). Certain consumer products lines sold in demonstrator-assisted retailers considered not integral to the Company's business and that historically had not been profitable and certain other assets and liabilities were retained by Revlon Holdings. Revlon Holdings agreed to indemnify Revlon and Products Corporation against losses arising from the Excluded Liabilities, and Revlon and Products Corporation agreed to indemnify Revlon Holdings against losses arising from the liabilities assumed by Products Corporation. The amounts reimbursed by Revlon Holdings to Products Corporation for the Excluded Liabilities was \$0.5 million, \$0.3 million and \$0.2 million for 2016, 2015 and 2014, respectively. A receivable balance of nil and \$0.2 million from MacAndrews & Forbes was included within prepaid expenses and other in the Company's Consolidated Balance Sheets for transactions subject to the Transfer Agreements, at December 31, 2016 and 2015, respectively.

### **Reimbursement Agreements**

Revlon, Products Corporation and MacAndrews & Forbes Inc. (a wholly-owned subsidiary of 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

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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 purchased under the Reimbursement Agreements during each 2016, 2015 and 2014 was \$1.5 million, \$2.1 million and \$3.8 million, respectively, which primarily included partial payments made by the Company to MacAndrews & Forbes during the first quarter of 2016, 2015 and 2014 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 (which insurance coverage was renewed in January 2017 through January 2020). As of December 31, 2016 and December 31, 2015, a payable balance of \$0.2 million and a receivable balance of \$0.1 million, respectively, from MacAndrews & Forbes was included in the Company's Consolidated Balance Sheet for transactions subject to the Reimbursement Agreements.

### **Tax Sharing Agreements**

As a result of a debt-for-equity exchange transaction completed in March 2004 (the "2004 Revlon Exchange Transactions"), as of March 25, 2004, Revlon, Products Corporation and their U.S. subsidiaries were no longer included in the MacAndrews & Forbes Group for U.S. federal income tax purposes. See Note 16, "Income Taxes," for further discussion on these agreements and related transactions in 2016, 2015 and 2014.

### **Registration Rights Agreement**

Prior to the consummation of Revlon's initial public equity offering in February 1996, Revlon and Revlon Worldwide Corporation (which subsequently merged into REV Holdings LLC, a Delaware limited liability company and a wholly-owned subsidiary of MacAndrews & Forbes ("REV Holdings")), the then direct parent of Revlon entered into a registration rights agreement (the "Registration Rights Agreement"). In February 2003, MacAndrews

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& Forbes executed a joinder agreement to the Registration Rights Agreement, pursuant to which REV Holdings, MacAndrews & Forbes and certain transferees of Revlon's Common Stock held by REV Holdings (the "Holders") had the right to require Revlon to register under the Securities Act all or part of the Class A Common Stock owned by such Holders, including, without limitation, the shares of Class A Common Stock purchased by MacAndrews & Forbes in connection with Revlon's 2003 \$50.0 million equity rights offering and the shares of Class A Common Stock which were issued to REV Holdings upon its conversion of all 3,125,000 shares of its Class B Common Stock in October 2013 (a "Demand Registration"). In connection with closing the 2004 Revlon Exchange Transactions and pursuant to the 2004 Investment Agreement, MacAndrews & Forbes executed a joinder agreement that provided that MacAndrews & Forbes would also be a Holder under the Registration Rights Agreement and that all shares acquired by MacAndrews & Forbes pursuant to the 2004 Investment Agreement are deemed to be registrable securities under the Registration Rights Agreement. This included all of the shares of Class A Common Stock acquired by MacAndrews & Forbes in connection with Revlon's March 2006 \$110 million rights offering of shares of its Class A Common Stock and related private placement to MacAndrews & Forbes, and Revlon's January 2007 \$100 million rights offering of shares of its Class A Common Stock and related private placement to MacAndrews & Forbes. Pursuant to the Registration Rights Agreement, in 2009 Revlon registered under the Securities Act all 9,336,905 shares of Class A Common Stock issued to MacAndrews & Forbes in the 2009 Exchange Offer, in which, among other things, Revlon issued to MacAndrews & Forbes shares of Class A Common Stock at a ratio of one share of Class A Common Stock for each \$5.21 of outstanding principal amount of the then-outstanding Senior Subordinated Term Loan that MacAndrews & Forbes contributed to Revlon.

Revlon may postpone giving effect to a Demand Registration for a period of up to 30 days if Revlon believes such registration might have a material adverse effect on any plan or proposal by Revlon with respect to any financing, acquisition, recapitalization, reorganization or other material transaction, or if Revlon is in possession of material non-public information that, if publicly disclosed, could result in a material disruption of a major corporate development or transaction then pending or in progress or could result in other material adverse consequences to Revlon. In addition, the Holders have the right to participate in registrations by Revlon of its Class A Common Stock (a "Piggyback Registration"). The Holders will pay all out-of-pocket expenses incurred in connection with any Demand Registration. Revlon will pay any expenses incurred in connection with a Piggyback Registration, except for underwriting discounts, commissions and expenses attributable to the shares of Class A Common Stock sold by such Holders.

**Other**

Pursuant to the terms of Mr. Delpani's Transition and Separation Agreement and Release with Revlon and Products Corporation, dated March 1, 2016 (as amended on April 21, 2016), in April 2016, the Company (i) repurchased from Mr. Delpani 72,895 shares of Revlon Class A Common Stock (representing vested, formerly restricted shares that Revlon granted to Mr. Delpani) for an aggregate purchase price of \$2.7 million, based on the \$36.83 NYSE per share closing price of Revlon Class A Common Stock on April 20, 2016; and (ii) paid Mr. Delpani \$1.6 million as consideration for canceling his 65,703 restricted shares of Revlon Class A Common Stock that were otherwise scheduled to vest on March 15, 2017. Mr. Delpani ceased employment with the Company on March 31, 2016 and ceased to serve as Director in June 2016.

Certain of Products Corporation's debt obligations, including the 2016 Credit Agreements and Products Corporation's Senior Notes, have been, and may in the future be, supported by, among other things, guarantees from all of Products Corporation's domestic subsidiaries (subject to certain limited exceptions) and, for the 2016 Credit Agreements, guarantees from Revlon. The obligations under such guarantees are secured by, among other things, all of the capital stock of Products Corporation and, its domestic subsidiaries (subject to certain limited exceptions) and 66% of the capital stock of Products Corporation's and its domestic subsidiaries' first-tier foreign subsidiaries. See Note 11, "Long Term Debt," for a discussion of the terms of the 2016 Credit Agreements and Senior Notes.

During 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 \$40.9 million and \$32.9 million of coupon redemptions for the Company's retail customers for 2016 and 2015, respectively, for which the Company paid fees of approximately \$0.4 million in both 2016 and 2015, and other similar advertising, coupon redemption and raw material supply services, for which the Company

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paid fees aggregating to less than \$0.1 million in both 2016 and 2015. 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.

**23. QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)**

The following is a summary of the Company's unaudited quarterly results of operations for each of 2016 and 2015:

	<b>Year Ended December 31, 2016</b>			
	<b>1st Quarter</b>	<b>2nd Quarter</b>	<b>3rd Quarter</b>	<b>4th Quarter</b>
Net sales . . . . .	\$439.6	\$488.9	\$604.8	\$800.7
Gross profit . . . . .	285.7	317.4	361.4	452.4
Income (loss) from continuing operations, net of taxes <sup>(a)(b)</sup> . . . . .	10.6	10.8	(4.5)	(33.9)
Income (loss) from discontinued operations, net of taxes <sup>(e)</sup> . . . . .	0.4	(2.5)	(0.2)	(2.6)
Net income (loss) <sup>(a)(b)</sup> . . . . .	11.0	8.3	(4.7)	(36.5)
*Basic income (loss) per common share <sup>(a)(b)(c)</sup> :				
Continuing operations . . . . .	\$ 0.20	\$ 0.21	\$ (0.09)	\$ (0.65)
Discontinued operations . . . . .	0.01	(0.05)	—	(0.05)
Net income (loss) . . . . .	<u>\$ 0.21</u>	<u>\$ 0.16</u>	<u>\$ (0.09)</u>	<u>\$ (0.70)</u>
*Diluted income (loss) per common share <sup>(a)(b)(c)</sup> :				
Continuing operations . . . . .	\$ 0.20	\$ 0.21	\$ (0.09)	\$ (0.65)
Discontinued operations . . . . .	0.01	(0.05)	—	(0.05)
Net income (loss) . . . . .	<u>\$ 0.21</u>	<u>\$ 0.16</u>	<u>\$ (0.09)</u>	<u>\$ (0.70)</u>
<b>Year Ended December 31, 2015</b>				
	<b>1st Quarter</b>	<b>2nd Quarter</b>	<b>3rd Quarter</b>	<b>4th Quarter</b>
Net sales . . . . .	\$438.5	\$482.4	\$471.5	\$521.9
Gross profit . . . . .	296.2	321.1	303.7	325.5
(Loss) Income from continuing operations, net of taxes <sup>(c)(d)</sup> . . . . .	(0.8)	26.0	7.9	26.2
(Loss) from discontinued operations, net of taxes <sup>(e)</sup> . . . . .	(0.1)	—	(1.7)	(1.4)
Net (loss) income <sup>(c)(d)</sup> . . . . .	(0.9)	26.0	6.2	24.8
*Basic (loss) income per common share <sup>(c)(d)(e)</sup> :				
Continuing operations . . . . .	\$ (0.02)	\$ 0.50	\$ 0.15	\$ 0.50
Discontinued operations . . . . .	—	—	(0.03)	(0.03)
Net (loss) income . . . . .	<u>\$ (0.02)</u>	<u>\$ 0.50</u>	<u>\$ 0.12</u>	<u>\$ 0.47</u>
*Diluted (loss) income per common share <sup>(c)(d)(e)</sup> :				
Continuing operations . . . . .	\$ (0.02)	\$ 0.49	\$ 0.15	\$ 0.50
Discontinued operations . . . . .	—	—	(0.03)	(0.03)
Net (loss) income . . . . .	<u>\$ (0.02)</u>	<u>\$ 0.49</u>	<u>\$ 0.12</u>	<u>\$ 0.47</u>

<sup>(\*)</sup> The sum of the quarterly earnings per share amounts may not equal the full year amount reported since per share amounts are computed independently for each quarter and for the full year based upon the respective weighted average common shares outstanding and other dilutive potential common shares for each respective period.

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- (a) Income from continuing operations, net income and basic and diluted income per share for the fourth quarter of 2016 were unfavorably impacted by: (i) \$31.7 million of restructuring charges related to the EA Integration Restructuring Charges (See Note 3, “Restructuring Charges”); and (ii) \$16.7 million and \$6.7 million of non-cash impairment charges on goodwill and intangible assets, respectively, within the Other reporting unit (see Note 8, “Goodwill and Intangible Assets, Net”).
- (b) Income from continuing operations, net income and basic and diluted income per share for the third quarter of 2016 were unfavorably impacted by \$33.5 million of acquisition and integration costs related to the Elizabeth Arden Acquisition and a \$16.9 million loss on early extinguishment of debt related to debt refinancing actions. See Note 2, “Business Combinations” and Note 11, “Long Term Debt,” for further discussion on the Elizabeth Arden Acquisition and related debt refinancing actions, respectively.
- (c) Income from continuing operations, net income and basic and diluted income per share for the first quarter of 2015 were unfavorably impacted by foreign currency losses, net, of \$15.9 million, primarily due to the unfavorable impacts of the revaluation of certain U.S. Dollar denominated intercompany payables, as well as a \$1.9 million foreign currency loss recognized in the first quarter of 2015 as a result of the re-measurement of Revlon Venezuela’s balance sheet during the first quarter of 2015.
- (d) Income from continuing operations, net income and basic and diluted income per share for the fourth quarter of 2015 were impacted by: (i) a \$20.7 million pension lump sum settlement charge related to the accounting for a one-time cash lump sum payment, which requires that a portion of pension losses within accumulated other comprehensive loss be realized in the period that related pension liabilities are settled (see Note 14, “Pension and Post-retirement Benefits”); (ii) an increase in net income driven by the net reduction of the Company’s deferred tax valuation allowance on its net deferred tax assets for certain foreign jurisdictions, which has been reflected in the provision for income taxes for 2015 (See Note 16, “Income Taxes”); (iii) a \$9.7 million non-cash goodwill impairment charge related to the Global Color Brands reporting unit (see Note 8, “Goodwill and Intangible Assets”); and (iv) \$9.5 million in restructuring charges related to the 2015 Efficiency Program (see Note 3, “Restructuring Charges”).
- (e) (Loss) income from discontinued operations includes the results of the Company’s former China operations within the Consumer segment (See Note 4, “Discontinued Operations”).

**Item 16. Form 10-K Summary**

None.



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**VALUATION AND QUALIFYING ACCOUNTS**  
**Years Ended December 31, 2016, 2015 and 2014**  
(dollars in millions)

	<u>Balance at Beginning of Year</u>	<u>Charged to Cost and Expenses</u>	<u>Other Deductions</u>	<u>Balance at End of Year</u>
<b>Allowance for Doubtful Accounts:</b>				
2016. ....	\$10.5	\$ 2.2	\$ (1.6)	\$11.1
2015. ....	9.3	2.8	(1.6)	10.5
2014. ....	4.2	8.4	(3.3)	9.3
<b>Allowance for Volume and Early Payment Discounts:</b>				
2016. ....	\$22.6	\$80.1	\$(79.7)	\$23.0
2015. ....	23.4	51.6	(52.4)	22.6
2014. ....	12.1	84.7	(73.4)	23.4
<b>Allowance for Sales Returns:</b>				
2016. ....	\$39.3	\$64.5	\$(56.6)	\$47.2
2015. ....	45.4	48.5	(54.6)	39.3
2014. ....	53.1	64.3	(72.0)	45.4

## 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: March 3, 2017

Revlon, Inc.  
(Registrant)

<u>By: /s/ Fabian T. Garcia</u>	<u>By: /s/ Juan R. Figuereo</u>	<u>By: /s/ Siobhan Anderson</u>
Fabian T. Garcia President, Chief Executive Officer and Director	Juan R. Figuereo Chief Financial Officer	Siobhan Anderson Senior Vice President, Chief Accounting Officer, Corporate Controller, Treasurer and Investor Relations

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the Registrant on March 3, 2017 and in the capacities indicated.

<u>Signature</u>	<u>Title</u>
* (Ronald O. Perelman)	Chairman of the Board and Director
* (E. Scott Beattie)	Vice Chairman of the Board and Director
* (Alan S. Bernikow)	Director
* (Viet D. Dinh)	Director
* (Meyer Feldberg)	Director
* (Robert K. Kretzman)	Director
* (Ceci Kurzman)	Director
* (Paul Meister)	Director
* (Tamara Mellon)	Director
* (Debra G. Perelman)	Director
* (Paul Savas)	Director
* (Barry F. Schwartz)	Director
* (Cristiana Falcone Sorrell)	Director

\* Mitra Hormozi, by signing her name hereto, does hereby sign this report on behalf of the directors of the registrant above whose typed names asterisks appear, pursuant to powers of attorney duly executed by such directors and filed with the Securities and Exchange Commission.

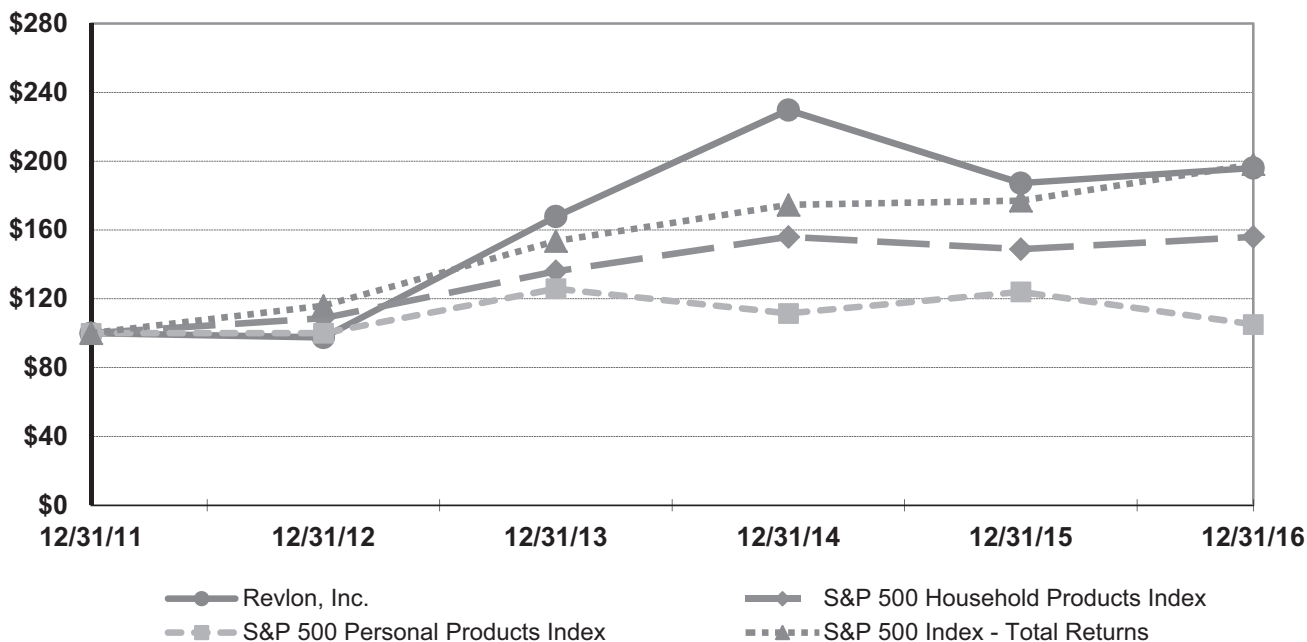
By: /s/ Mitra Hormozi  
Mitra Hormozi  
Attorney-in-fact

## PERFORMANCE GRAPH

The following graph compares the cumulative total stockholder return on shares of Revlon, Inc.'s Common Stock with that of the S&P 500 Index—Total Returns, the S&P 500 Household Products Index and the S&P 500 Personal Products Index through December 31, 2016. The comparison for each of the periods presented below assumes that \$100 was invested on December 31, 2011 in shares of Revlon, Inc.'s Common Stock and the stocks included in the relevant indices, and that all dividends, if any, were reinvested.

These indices, which reflect formulas for dividend reinvestment and weighting of individual stocks, do not necessarily reflect returns that could be achieved by individual investors.

### 5-YEAR TOTAL STOCKHOLDER RETURN REVLON, INC. VS. S&P INDICES



Summary	12/31/2011	12/31/2012	12/31/2013	12/31/2014	12/31/2015	12/31/2016
Revlon, Inc. Common Stock . . . . .	\$100	\$ 98	\$168	\$230	\$187	\$196
S&P 500 Index— Total Returns . . . . .	\$100	\$116	\$154	\$175	\$177	\$198
S&P 500 Personal Products Index . . . . .	\$100	\$100	\$126	\$112	\$124	\$105
S&P 500 Household Products Index . . . . .	\$100	\$109	\$136	\$156	\$149	\$156

- Notes:**
- The lines represent monthly index levels derived from compounded daily returns that include all dividends.
  - The indexes are re-weighted daily, using the market capitalization on the previous trading day.
  - If the monthly interval, based on the fiscal year-end, was not a trading day, the preceding trading day was used.
  - The index level for all series was set to \$100 on 12/31/2011.
  - The dollar amounts listed above have been rounded down to the nearest whole dollar.

**Source:** *Zacks Investment Research, Inc.*

**STOCKHOLDER INFORMATION  
REVLON, INC.**

Revlon, Inc.'s Common Stock, par value \$0.01 per share, is listed on the New York Stock Exchange (the "NYSE") under the symbol "REV." The following table sets forth the range of high and low closing prices as reported by the NYSE for Revlon's Common Stock for each quarter in 2016 and 2015.

<u>QUARTER</u>	<u>2016</u>		<u>2015</u>	
	<u>HIGH</u>	<u>LOW</u>	<u>HIGH</u>	<u>LOW</u>
First . . . . .	\$37.97	\$24.50	\$41.20	\$32.32
Second . . . . .	37.20	30.20	41.18	35.52
Third . . . . .	37.59	30.73	37.34	28.97
Fourth . . . . .	36.81	27.75	32.36	26.25

As of the close of business on December 31, 2016, there were 302 holders of record of Revlon's Common Stock (which does not include the number of beneficial owners holding indirectly through a broker, bank or other nominee). The closing price as reported by the NYSE for Revlon's Common Stock on December 31, 2016 was \$29.15 per share.

The Company has not declared a cash dividend on its Common Stock subsequent to the Company's initial public offering in 1996, and does not anticipate that any cash dividends will be declared on its Common Stock in the foreseeable future. The timing, amount and form of dividends, if any, will depend on, among other things, the Company's results of operations, financial condition, cash requirements and other factors deemed relevant by the Company's Board of Directors. The declaration and payment of dividends are subject to the discretion of the Company's Board of Directors and are subject to certain limitations under Delaware law, and are also limited by the terms of the Company's credit agreements and indentures. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 11 ("Long-Term Debt") of the Company's Consolidated Financial Statements in its Annual Report on Form 10-K for the year ended December 31, 2016, which was filed with the SEC on March 3, 2017, for a discussion of certain matters affecting the declaration and payment of dividends.

**Transfer Agent & Registrar**

American Stock Transfer & Trust Company  
6201 15<sup>th</sup> Avenue  
Brooklyn, NY 11219  
800-937-5449

**Independent Registered  
Public Accounting Firm**

KPMG LLP  
New York, NY

**Notice of Annual Stockholders' Meeting**

The 2017 Annual Stockholders' Meeting will be held on May 31, 2017 at 10:00 a.m. (EDT) at Revlon's Research Center 2121 Route 27 Edison, NJ 08818

**Corporate Address**

Revlon, Inc.  
One New York Plaza  
New York, NY 10004  
212-527-4000

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