

Item 1. Financial Statements of Revlon, Inc. and Subsidiaries

Audited Financial Statements

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

	December 31, 2019	December 31, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 104.3	\$ 87.3
Trade receivables, less allowance for doubtful accounts of \$11.4 and \$15.6 as of December 31, 2019 and December 31, 2018, respectively	423.4	431.3
Inventories	448.4	523.2
Prepaid expenses and other assets	135.3	152.0
Total current assets	1,111.4	1,193.8
Property, plant and equipment, net of accumulated depreciation of \$488.1 and \$425.2 as of December 31, 2019 and December 31, 2018, respectively	408.6	354.5
Deferred income taxes	175.1	131.8
Goodwill	673.7	673.9
Intangible assets, net of accumulated amortization of \$226.4 and \$187.3 as of December 31, 2019 and December 31, 2018, respectively	490.7	532.0
Other assets	121.1	130.8
Total assets	\$ 2,980.6	\$ 3,016.8
LIABILITIES AND STOCKHOLDERS' DEFICIENCY		
Current liabilities:		
Short-term borrowings	\$ 2.2	\$ 9.3
Current portion of long-term debt	288.0	348.1
Accounts payable	251.8	332.1
Accrued expenses and other current liabilities	414.9	430.9
Total current liabilities	956.9	1,120.4
Long-term debt	2,906.2	2,727.7
Long-term pension and other post-retirement plan liabilities	181.2	169.0
Other long-term liabilities	157.5	56.5
Stockholders' deficiency:		
Class A Common Stock, par value \$0.01 per share: 900,000,000 shares authorized; 56,470,490 and 55,556,466 shares issued as of December 31, 2019 and December 31, 2018, respectively	0.5	0.5
Additional paid-in capital	1,071.9	1,063.8
Treasury stock, at cost: 1,625,580 and 1,533,320 shares of Class A Common Stock as of December 31, 2019 and December 31, 2018, respectively	(33.5)	(31.9)
Accumulated deficit	(2,012.7)	(1,855.0)
Accumulated other comprehensive loss	(247.4)	(234.2)
Total stockholders' deficiency	(1,221.2)	(1,056.8)
Total liabilities and stockholders' deficiency	\$ 2,980.6	\$ 3,016.8

See Accompanying Notes to Consolidated Financial Statements

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

	Year Ended December 31,	
	2019	2018
Net sales	\$ 2,419.6	\$ 2,564.5
Cost of sales	1,052.2	1,117.0
Gross profit	1,367.4	1,447.5
Selling, general and administrative expenses	1,316.6	1,460.5
Acquisition, integration and divestiture costs	3.9	13.9
Restructuring charges and other, net	12.8	20.2
Impairment charges	—	18.0
(Gain) loss on divested assets	(26.6)	20.1
Operating income (loss)	60.7	(85.2)
Other expenses:		
Interest expense, net	196.6	176.6
Amortization of debt issuance costs	14.6	13.0
Foreign currency (gains) losses, net	(1.9)	15.8
Miscellaneous, net	16.4	1.3
Other expenses	225.7	206.7
Loss from continuing operations before income taxes	(165.0)	(291.9)
Provision for income taxes	0.2	2.2
Loss from continuing operations, net of taxes	(165.2)	(294.1)
Income (loss) from discontinued operations, net of taxes	7.5	(0.1)
Net loss	\$ (157.7)	\$ (294.2)
Other comprehensive (loss) income:		
Foreign currency translation adjustments ^(a)	(2.9)	(9.4)
Amortization of pension related costs, net of tax ^{(b)(c)}	9.0	8.4
Pension re-measurement, net of tax ^(d)	(19.3)	(5.5)
Reclassification into earnings of accumulated losses from the de-designated 2013 Interest Rate Swap, net of tax ^(e)	—	0.7
Other comprehensive loss, net	(13.2)	(5.8)
Total comprehensive loss	\$ (170.9)	\$ (300.0)
Basic and Diluted (loss) earnings per common share:		
Continuing operations	\$ (3.11)	\$ (5.57)
Discontinued operations	0.14	—
Net loss	\$ (2.97)	\$ (5.57)
Weighted average number of common shares outstanding:		
Basic	53,081,321	52,797,686
Diluted	53,081,321	52,797,686

^(a) Net of tax expense of \$1.8 million and a tax benefit of \$0.1 million for 2019 and 2018, respectively.

^(b) Net of tax expense of \$1.1 million and \$1.0 million for 2019 and 2018, respectively.

^(c) This amount is included in the computation of net periodic benefit costs (income). See Note 12, "Pension and Post-Retirement Benefits," for additional information regarding net periodic benefit costs (income).

^(d) Net of tax benefit of \$5.2 million and \$2.5 million for 2019 and 2018, respectively.

^(e) Net of tax benefit of nil and \$0.5 million for 2019 and 2018, respectively.

See Accompanying Notes to Consolidated Financial Statements

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

	Year Ended December 31,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (157.7)	\$ (294.2)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	162.9	177.2
Foreign currency (gains) losses from re-measurement	(1.9)	15.8
Amortization of debt discount	1.6	1.4
Stock-based compensation amortization	8.1	17.2
Impairment charges	—	18.0
(Benefit from) provision for deferred income taxes	(29.8)	1.7
Amortization of debt issuance costs	14.6	13.0
Non-cash loss (gain) on divested assets	0.9	(0.7)
(Gain) loss on divested assets	(26.6)	20.1
Pension and other post-retirement cost	7.2	2.6
Change in assets and liabilities:		
Decrease (increase) in trade receivables	9.3	(0.3)
Decrease (increase) in inventories	74.5	(36.4)
Decrease (increase) in prepaid expenses and other current assets	16.8	(42.8)
(Decrease) increase in accounts payable	(73.2)	1.6
(Decrease) increase in accrued expenses and other current liabilities	(42.4)	23.9
Pension and other post-retirement plan contributions	(12.1)	(8.8)
Purchases of permanent displays	(46.2)	(80.7)
Other, net	25.7	0.6
Net cash used in operating activities	(68.3)	(170.8)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(29.0)	(57.2)
Proceeds from the sale of certain assets	31.1	—
Net cash provided by (used in) investing activities	2.1	(57.2)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net decrease in short-term borrowings and overdraft	(17.3)	(1.1)
Net (repayments) borrowings under the Amended 2016 Revolving Credit Facility	(62.6)	178.0
Net borrowings under the 2019 Term Loan Facility	200.0	—
Net borrowings under the 2018 Foreign Asset-Based Term Loan	—	88.9
Repayments under the 2016 Term Loan Facility	(18.0)	(18.0)
Payment of financing costs	(15.3)	(9.7)
Tax withholdings related to net share settlements of restricted stock units and awards	(1.6)	(3.6)
Other financing activities	(0.9)	(1.4)
Net cash provided by financing activities	84.3	233.1
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(1.1)	(5.0)
Net increase in cash, cash equivalents and restricted cash	17.0	0.1
Cash, cash equivalents and restricted cash at beginning of period ^(a)	87.5	87.4
Cash, cash equivalents and restricted cash at end of period ^(a)	<u>\$ 104.5</u>	<u>\$ 87.5</u>
<i>Supplemental schedule of cash flow information:</i> ^(b)		
Cash paid during the period for:		
Interest	\$ 194.6	\$ 163.7
Income taxes, net of refunds	9.9	16.0

^(a) These amounts include restricted cash of \$0.2 million and \$0.2 million as of December 31, 2019 and 2018, respectively, which represent cash on deposit in lieu of a mandatory prepayment under the 2018 Foreign Asset-Based Term Facility, and cash on deposit to support outstanding undrawn letters of credit, which were included within other assets in the Company's consolidated balance sheets.

^(b) See Note 6, "Property, Plant, and Equipment," for supplemental disclosure of non-cash financing and investing activities in relation to the lease liabilities arising from obtaining right-of-use assets following the implementation of ASC Topic 842, *Leases*.

See Accompanying Notes to Consolidated Financial Statements