

Audited Financial Statements

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

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 87.3	\$ 87.1
Trade receivables, less allowance for doubtful accounts of \$15.6 and \$13.5 as of December 31, 2018 and December 31, 2017, respectively	431.3	444.8
Inventories	523.2	497.9
Prepaid expenses and other assets	152.0	113.4
Total current assets	1,193.8	1,143.2
Property, plant and equipment, net of accumulated depreciation of \$425.2 and \$385.5 as of December 31, 2018 and December 31, 2017, respectively	354.5	372.7
Deferred income taxes	131.8	138.0
Goodwill	673.9	692.5
Intangible assets, net of accumulated amortization of \$187.3 and \$130.9 as of December 31, 2018 and December 31, 2017, respectively	532.0	592.1
Other assets	130.8	118.4
Total assets	<u>\$ 3,016.8</u>	<u>\$ 3,056.9</u>
LIABILITIES AND STOCKHOLDERS' DEFICIENCY		
Current liabilities:		
Short-term borrowings	\$ 9.3	\$ 12.4
Current portion of long-term debt	348.1	170.2
Accounts payable	332.1	336.9
Accrued expenses and other current liabilities	430.9	412.8
Total current liabilities	1,120.4	932.3
Long-term debt	2,727.7	2,653.7
Long-term pension and other post-retirement plan liabilities	169.0	172.8
Other long-term liabilities	56.5	68.5
Stockholders' deficiency:		
Class A Common Stock, par value \$0.01 per share: 900,000,000 shares authorized; 55,556,466 and 54,556,100 shares issued as of December 31, 2018 and December 31, 2017, respectively	0.5	0.5
Additional paid-in capital	1,063.8	1,040.0
Treasury stock, at cost: 1,533,320 and 1,114,528 shares of Class A Common Stock as of December 31, 2018 and December 31, 2017, respectively	(31.9)	(21.7)
Accumulated deficit	(1,855.0)	(1,560.8)
Accumulated other comprehensive loss	(234.2)	(228.4)
Total stockholders' deficiency	(1,056.8)	(770.4)
Total liabilities and stockholders' deficiency	<u>\$ 3,016.8</u>	<u>\$ 3,056.9</u>

See Accompanying Notes to Audited Consolidated Financial Statements

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

	Year Ended December 31,	
	2018	2017 (as adjusted) ^(*)
Net sales	\$ 2,564.5	\$ 2,693.7
Cost of sales	1,117.0	1,152.3
Gross profit	1,447.5	1,541.4
Selling, general and administrative expenses	1,460.5	1,468.1
Acquisition and integration costs	13.9	52.9
Restructuring charges and other, net	20.2	33.4
Impairment charges	18.0	10.8
Loss on disposal of minority investment	20.1	—
Operating loss	(85.2)	(23.8)
Other expenses:		
Interest expense	176.6	149.8
Amortization of debt issuance costs	13.0	9.1
Foreign currency losses (gains), net	15.8	(18.5)
Miscellaneous, net	1.3	(0.7)
Other expenses	\$ 206.7	139.7
Loss from continuing operations before income taxes	(291.9)	(163.5)
Provision for income taxes	2.2	21.8
Loss from continuing operations, net of taxes	(294.1)	(185.3)
(Loss) income from discontinued operations, net of taxes	(0.1)	2.1
Net loss	\$ (294.2)	\$ (183.2)
Other comprehensive (loss) income:		
Foreign currency translation adjustments, net of tax ^(a)	(9.4)	9.0
Amortization of pension related costs, net of tax ^{(b)(c)}	8.4	8.1
Pension re-measurement, net of tax ^(d)	(5.5)	1.8
Pension curtailment, net of tax ^(e)	—	2.1
Reclassification into earnings of accumulated losses from the de-designated 2013 Interest Rate Swap, net of tax ^(f)	0.7	2.3
Other comprehensive (loss) income, net	(5.8)	23.3
Total comprehensive loss	\$ (300.0)	\$ (159.9)
Basic (loss) earnings per common share:		
Continuing operations	\$ (5.57)	\$ (3.52)
Discontinued operations	—	0.04
Net loss	\$ (5.57)	\$ (3.48)
Diluted (loss) earnings per common share:		
Continuing operations	\$ (5.57)	\$ (3.52)
Discontinued operations	—	0.04
Net loss	\$ (5.57)	\$ (3.48)
Weighted average number of common shares outstanding:		
Basic	52,797,686	52,597,582
Diluted	52,797,686	52,597,582

^(*) Adjusted as a result of the adoption of certain accounting pronouncements during 2018. See Note 1, "Description of Business and Summary of Significant Accounting Policies - Recently Adopted Accounting Pronouncements," for details of these adjustments.

^(a) Net of tax benefit of \$0.1 million and \$0.4 million for the years ended December 31, 2018 and 2017, respectively.

^(b) Net of tax expense of \$1.0 million and \$1.6 million for the years ended December 31, 2018 and 2017, respectively.

^(c) This amount is included in the computation of net periodic benefit costs (income). See Note 13, "Pension and Post-Retirement Benefits," for additional information regarding net periodic benefit costs (income).

^(d) Net of tax benefit of \$2.5 million and \$0.3 million for the years ended December 31, 2018 and 2017, respectively.

^(e) Net of tax expense of \$0.3 million for the year ended December 31, 2017.

^(f) Net of tax benefit of \$0.5 million and \$1.4 million for the years ended December 31, 2018 and 2017, respectively.

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

	Year Ended December 31,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (294.2)	\$ (183.2)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	177.2	155.8
Foreign currency losses (gains) from re-measurement	15.8	(22.5)
Amortization of debt discount	1.4	1.2
Stock-based compensation amortization	17.2	6.8
Impairment charges	18.0	10.8
Provision for deferred income taxes	1.7	22.6
Amortization of debt issuance costs	13.0	9.1
Non-cash loss on disposal of minority investment	18.6	—
Loss on sale of certain assets	0.8	1.6
Pension and other post-retirement cost	2.6	1.5
Change in assets and liabilities:		
Increase in trade receivables	(0.3)	(9.9)
Increase in inventories	(36.4)	(63.0)
Increase in prepaid expenses and other current assets	(42.8)	(21.2)
Increase in accounts payable	1.6	26.8
Increase in accrued expenses and other current liabilities	23.9	12.3
Pension and other post-retirement plan contributions	(8.8)	(8.5)
Purchases of permanent displays	(80.7)	(65.5)
Other, net	0.6	(14.0)
Net cash used in operating activities	(170.8)	(139.3)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(57.2)	(108.3)
Net cash used in investing activities	(57.2)	(108.3)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net (decrease) increase in short-term borrowings and overdraft	(1.1)	3.3
Net borrowings under the 2016 Revolving Credit Facility	178.0	157.0
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	(9.7)	(1.2)
Tax withholdings related to net share settlements of restricted stock units and awards	(3.6)	(2.5)
Other financing activities	(1.4)	(1.7)
Net cash provided by financing activities	233.1	136.9
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(5.0)	11.3
Net increase (decrease) in cash, cash equivalents and restricted cash	0.1	(99.4)
Cash, cash equivalents and restricted cash at beginning of period ^(a)	87.4	186.8
Cash, cash equivalents and restricted cash at end of period ^(a)	\$ 87.5	\$ 87.4
<i>Supplemental schedule of cash flow information:</i>		
Cash paid during the period for:		
Interest	\$ 163.7	\$ 149.1
Income taxes, net of refunds	16.0	0.4

^(a) These amounts include restricted cash of \$0.2 million and \$0.3 million as of December 31, 2018 and 2017, respectively, which represent cash on deposit to support the Company's outstanding undrawn letters of credit and were included within other assets in the Company's consolidated balance sheets.

See Accompanying Notes to Audited Consolidated Financial Statements