REVLON INC /DE/
Form 11-K
June 25, 2018

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

FORM 11-K

(MARK ONE)

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

For the fiscal year ended December 31, 2017
OR

¨ TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _________ to __________

Commission file number 1-11178

Full title of the plan and the address of the plan, if different from
that of the issuer named below:

REVLON EMPLOYEES' SAVINGS, INVESTMENT AND PROFIT SHARING PLAN

Name of issuer of the securities held pursuant to the plan and the
address of its principal executive office:

REVLON, INC.
One New York Plaza
New York, N.Y. 10004
212-527-4000

REVLON EMPLOYEES' SAVINGS, INVESTMENT
AND PROFIT SHARING PLAN
December 31, 2017 and 2016

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23.1	Consent of Independent Registered Public Accounting Firm

Report of Independent Registered Public Accounting Firm

To the Plan Participants and the Administrative Committee of the
Revlon Employees' Savings, Investment and Profit Sharing Plan:

Opinion on the Financial Statements

We have audited the accompanying statements of net assets available for benefits of the Revlon Employees' Savings, Investment and Profit Sharing Plan (the Plan) as of December 31, 2017 and 2016, the related statements of changes in net assets available for benefits for the years then ended, and the related notes (collectively, the financial statements). In our opinion, the financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2017 and 2016, and the changes in net assets available for benefits for the years then ended, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Plan in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Accompanying Supplemental Information

The accompanying supplemental Schedule H, line 4i - schedule of assets (held at end of year) as of December 31, 2017 has been subjected to audit procedures performed in conjunction with the audit of the Plan's financial statements. The supplemental information is the responsibility of the Plan's management. Our audit procedures included determining whether the supplemental information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental information. In forming our opinion on the supplemental information, we evaluated whether the supplemental information, including its form and content, is presented in conformity with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the financial statements as a whole.

/s/ KPMG LLP

We have served as the Plan's auditor since 2008.

New York, New York
June 25, 2018

REVLON EMPLOYEES' SAVINGS, INVESTMENT AND PROFIT SHARING PLAN

Statements of Net Assets Available for Benefits
As of December 31, 2017 and 2016
(Dollars in thousands)

	2017	2016
Investments at fair value:		
Equity securities	$1,365	$2,127
Mutual funds	209,290	175,437
Investments at contract value:		
Stable value fund	24,468	24,518
Total investments (see Note 3)	235,123	202,082
Receivables:		
Employer contributions	1,038	960
Loans receivable from participants	3,866	3,395
Total receivables	4,904	4,355
Net assets available for benefits	$240,027	$206,437

See accompanying notes to the Plan’s financial statements

REVLON EMPLOYEES' SAVINGS, INVESTMENT AND PROFIT SHARING PLAN

Statements of Changes in Net Assets Available for Benefits
For the years ended December 31, 2017 and 2016
(Dollars in thousands)

	2017	2016
Additions to net assets attributable to:		
Investment income:		
Dividends	$6,623	$6,641
Net appreciation in fair value of investments	30,731	3,078
Total investment income	37,354	9,719
Participant loan interest	157	145
Contributions:		
Employees	12,112	9,201
Employer matching, net of forfeitures (see Note 1(g))	3,455	3,119
Employer discretionary	4,841	4,669
Total contributions	20,408	16,989
Total additions	57,919	26,853
Deductions from net assets attributable to:		
Distributions to and withdrawals made by participants	24,199	21,584
Loan fees and administrative expenses	130	42
Total deductions	24,329	21,626
Net increase prior to plan transfer	33,590	5,227
Plan transfers in	—	18
Increase in net assets available for benefits	33,590	5,245
Net assets available for benefits:		
Beginning of year	206,437	201,192
End of year	$240,027	$206,437

See accompanying notes to the Plan’s financial statements

REVLON EMPLOYEES’ SAVINGS, INVESTMENT AND PROFIT SHARING PLAN
Notes to Financial Statements
December 31, 2017 and 2016

NOTE 1 Description of the Plan

The following description of the Revlon Employees’ Savings, Investment and Profit Sharing Plan, as amended (the "Plan"), is provided for general information purposes only. Participants should refer to the Plan document for a definitive and more complete description of the Plan’s provisions. In the case of any ambiguity or discrepancy, the Plan document shall prevail in all cases.

(a) General

The Plan is a qualified defined contribution plan subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). The Plan is sponsored by Revlon Consumer Products Corporation, a Delaware corporation (hereafter, "Products Corporation" and together with its participating subsidiaries, the "Company"). Effective January 1, 1997, a profit sharing component was added to the Plan, under which eligible employees’ Plan accounts could receive a contribution from the Company, provided certain financial objectives established by the Company at the beginning of a Plan year are met. Effective January 1, 2003 and December 31, 2009, discretionary employer contribution components were added to the Plan enabling the Company, should it elect to do so, to make discretionary contributions to eligible employees’ Plan accounts.

(b) Administration of the Plan

The Plan sponsor is Products Corporation.

Pursuant to the Plan, Products Corporation’s Board of Directors has appointed an Administrative Committee, which is responsible for directing the Plan’s administrative activities. An Investment Committee, also appointed by Products Corporation’s Board of Directors, oversees the selection of funds available to Plan participants for investment and reinvestment of the assets in the Plan’s trust fund.

At December 31, 2017 and 2016, the Plan’s record-keeper for the Plan’s assets and Plan trustee was Great-West Financial Retirement Plan Services ("Great-West"), under the brand name Empower™ Retirement ("Empower").

(c) Contributions

Eligible employees may participate in the Plan by contributing, through payroll deductions (on either a pre-tax or Roth after-tax basis or a combination of both), up to 25% of their eligible compensation. Highly compensated employees (which for both 2017 and 2016 included employees with 2016 and 2015 annual earnings of $120,000 or more) were restricted to a maximum contribution of 8% in both 2017 and 2016. All Plan participants are subject to certain U.S. Internal Revenue Service ("IRS") rules concerning income ceiling limitations and certain maximum contribution restrictions.

Plan participants who will be age 50 or older at any time during the Plan year may make additional pre-tax contributions (of up to $6,000 in both 2017 and 2016) only if they are contributing the maximum amount allowable under the Plan for the Plan year. A participant can make such contributions on a pre-tax basis, Roth after-tax basis or a combination of both.

The Company's matching contributions are equal to 50% of each employee's contributions up to 6% of the employee's eligible compensation (i.e., up to 3% in Company matching contributions). The Company's matching contributions are made in cash and are invested in the Plan in accordance with each Plan participant's instructions.

For participant contributions under the Plan, eligible compensation is defined as eligible base earnings plus shift differential before contributions are deducted for the Revlon Medical Plan, the Revlon Dental Plan, the Flexible Spending Accounts, the mass transit fringe benefit program and/or the Plan. Eligible compensation does not include overtime, bonuses, Employee Cash Incentive Plan compensation, any other incentive compensation or any other earnings. Participant eligible compensation that may be taken into account for Plan contribution purposes is limited by law and may be adjusted by the IRS from time to time. For 2017 and 2016, the IRS eligible compensation limit was $270,000 and $265,000, respectively.

Effective December 31, 2009, the Company may make discretionary profit sharing contributions (the "2009 Discretionary Profit Sharing Contribution Program") should it elect to do so, in any given year. Under the 2009 Discretionary Profit Sharing Contribution Program, the Company will determine each year whether to make such a discretionary profit sharing contribution and, if so, to what extent profit sharing contributions would be made (including no contributions at all) and credited at each quarter for the given Plan year. Under the 2009 Discretionary Profit Sharing Contribution Program, during any given year, profit sharing contributions remain at the Company's discretion and can be discontinued at any point during the year. For Company contributions under the 2009 Discretionary Profit Sharing Contribution Program, eligible compensation is defined as base salary, overtime, shift differential, bonus (to the extent that bonus does not exceed 50% of base salary) and any other incentive compensation.

For each of 2017 and 2016, discretionary profit sharing contributions under the 2009 Discretionary Profit Sharing Contribution Program were 3% of each Plan participant's eligible compensation, which was credited on a quarterly basis. Under the 2009 Discretionary Profit Sharing Contribution Program, profit sharing contributions, if any, are invested in the Plan in accordance with each Plan participant's instructions.

Employee contributions are deposited timely into a trust fund and invested in the Plan investment funds referred to in Note 3, "Investments," in accordance with each Plan participant's directions.

A Plan participant is permitted to redesignate all or a portion of his or her account balance in any fund available under the Plan to another fund available under the Plan in multiples of 1% at any time, provided that any investments in the Revlon Common Stock Fund (which holds investments in shares of Revlon, Inc. Class A common stock) may not be purchased, sold or redesignated during certain restricted periods in accordance with Revlon, Inc.'s Confidentiality of Information and Securities Trading Policy, as in effect from time to time. Such restricted periods are equally applicable to all Plan participants, including all of the Company's senior executives. The Revlon Common Stock Fund was not available at any time for purposes of the 2009 Discretionary Profit Sharing Contribution Program.

(d) Eligibility

Company employees can participate in the Plan immediately upon hire or attainment of age 18, whichever is later. Eligible employees classified as part-time, temporary, seasonal or certain other employees may elect to participate in the Plan immediately upon completing at least 1,000 hours of service in a consecutive twelve-month period and attainment of age 21.

The following categories of employees are not eligible to participate in the Plan: (i) union employees, unless their respective union's collective bargaining agreement with Products Corporation (and any of its participating subsidiaries) specifically provides for participation in the Plan; (ii) employees with the job title "direct pay beauty advisor;" (iii) employees with the job title "field merchandiser" (unless the employee was otherwise a participant in the Plan as of January 1, 1994); (iv) employees with the job title "On-Call Distribution" or "On-Call Warehouse;" (v) employees who are interns; and (vi) leased employees. Independent contractors are not eligible to participate in the Plan.

Eligible employees may participate in the 2009 Discretionary Profit Sharing Contribution Program regardless of whether they make employee contributions under the Plan.

(e) Loans to Plan Participants

A Plan participant may borrow up to 50% of their vested account balance. The minimum amount for a loan is $1,000 and the maximum amount for a loan is $50,000. Regardless of the amount borrowed, the amount of the Plan participant's loan request will be reduced by their highest outstanding loan balance under the Plan in the preceding 12 months. Loan proceeds are taken pro-rata from a participant's investment funds. Moreover, loans are made from before-tax savings, vested Company matching contributions, after-tax savings and profit sharing contributions and discretionary employer contributions on a pro-rata basis. Any outstanding loans under the Plan reduce the amount available to a Plan participant for a new loan, as well as the amount that can be paid to the Plan participant when their employment terminates.

Normally, unless the first loan is currently in default, a Plan participant may have up to two loans outstanding at any time (provided that one of the loans is for the purchase of a principal residence). A Plan participant may not obtain more than one loan in any 12-month period. The interest rate for loans is determined by the Investment Committee. For 2017 and 2016, the interest rate for loans remained at a rate equal to the prime rate plus 1% as of the last business day of the month immediately preceding the month in which the loan was made. The repayment period for these loans may be up to five years, or, if the loan was used to purchase a principal residence, may be up to as long as fifteen years. Loans under the Plan, including interest, are repaid through payroll deductions, except in the case where a participant goes on unpaid leave, in which case the participant remits repayment directly to Great-West; in either case the repayments are credited to the individual participant's Plan account according to their current investment elections. Administrative fees associated with a loan to a Plan participant under the Plan are charged directly to the Plan participant's account. As of December 31, 2017, there were 773 active and outstanding loans to participants at interest rates ranging from 4.25% to 9.25%, with maturities through 2032.

If a participant loan is in default, the participant is treated as having received a taxable deemed distribution for the amount in default. Participant payments on loans subsequent to the dates in which the loans were deemed distributed are treated as employee contributions to the Plan for purposes of increasing the tax basis in the participant's account. These payments are not treated as employee contributions for any other purpose under the Plan. For 2017 and 2016, deemed distributions related to participant loans were $145,036 and $64,852, respectively.

(f) Vesting

Plan participants are fully vested at all times with respect to their own contributions to the Plan and the earnings on such contributions. Under the 2009 Discretionary Profit Sharing Contribution Program, profit sharing contributions are fully vested immediately upon being credited into a Plan participant’s account.

Regardless of years of service, participants also become fully vested upon the earliest of: (i) reaching age 65; (ii) termination of employment on account of disability (as defined in the Plan); (iii) death while employed by the Company, after reaching age 65; or (iv) termination of the Plan.

Effective January 1, 2015, the Company merged the Colomer USA 401(k) Profit Sharing Plan and the Colomer USA Defined Contribution Plan into the Plan, following the Company's October 2013 acquisition of The Colomer Group Participations, S.L., now known as Beautyge Participations, S.L. Matching contributions from the merged Colomer USA 401(k) Profit Sharing Plan vest according to a graded schedule, as follows: 33.33% after one year of service; 66.66% after two years; and 100% after three years. Annual employer contributions from the merged Colomer USA Defined Contribution Plan vest according to a graded schedule, as follows: 20% after one year of service; 40% after 2 years; 60% after 3 years; 80% after 4 years; and 100% after 5 years.

(g) Forfeitures

Non-vested Company contributions that are forfeited after a Plan participant’s employment terminates are used to reduce future Company contributions under the Plan, to pay permissible expenses of Plan administration and as otherwise permitted under the Plan’s provisions. Forfeitures were $31,900 and $78,272 in 2017 and 2016, respectively. The Company uses forfeitures from the current year, as well as any unused forfeitures from prior years, to reduce annual employer contributions to the Plan. Aggregate forfeitures used to reduce 2017 and 2016 Company contributions under the Plan were $34,211 and $84,900, respectively.

(h) Distribution of Benefits

Upon termination of employment, death, disability or retirement, a Plan participant is entitled to receive his or her employee contributions and vested Company contributions, subject to the vesting requirements of the Plan. The Plan permits the participant or the participant’s designated beneficiary to elect to have a distribution paid to the designated beneficiary after the participant’s death over a period of 2 to 5 years. A participant may elect to have any investment in the Revlon Common Stock Fund distributed in either cash or in shares of Revlon, Inc. Class A common stock. Plan participants are eligible for a distribution due to financial hardship under certain conditions in accordance with the Plan documents. The amount of a hardship withdrawal may not exceed the cost associated with the financial hardship in addition to any mandatory federal income tax withholding, state and local income taxes or penalties incurred. Under the Plan’s provisions, withdrawals of funds other than at disability, retirement or other termination of employment or death will be permitted, subject to certain limitations.

(i) Administrative Expenses

The Plan has reserved the right to charge participant accounts the cost of administering the Plan, although it did not do so during 2016 and for the first quarter of 2017, as such expenses were

paid by Products Corporation (excluding loan fees, which were borne by participants with loans in accordance with the terms of the Plan, as well as short-term trading and investment fees). Starting with the second quarter of 2017, the Plan exercised its right and commenced charging participants quarterly account maintenance fees. Expenses relating to short-term trading fees, investment fees and loan fees are charged against the applicable Plan participants’ investment balances.

NOTE 2 Summary of Significant Accounting Policies

(a) Basis of Presentation

The Plan’s accompanying financial statements have been prepared in accordance with the United States Department of Labor’s (the "DOL") Rules and Regulations for Reporting and Disclosure under ERISA and the accrual basis of accounting under U.S. generally accepted accounting principles ("U.S. GAAP") and present the net assets available for Plan benefits and changes in the Plan’s net assets. All tabular amounts are presented in thousands.

(b) Use of Estimates

The preparation of the Plan’s financial statements in accordance with the DOL’s Rules and Regulations for Reporting and Disclosure under ERISA and U.S. GAAP requires the Plan’s management to make certain estimates and assumptions that affect the reported amounts of the Plan’s assets and liabilities and the disclosure of contingent assets and liabilities at the date of the Plan’s financial statements and the reported amounts of additions and deductions to the Plan’s net assets during the reporting period. Actual results could differ from those estimates.

(c) Investment Valuation and Income Recognition

The Plan’s investments are stated at fair value, with the exception of the Prudential Stable Value Fund ("Stable Value Fund"), a guaranteed income fund, which is stated at contract value. The fair value of a financial instrument is the amount that would be received upon sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Quoted market prices are used to value investments in equity securities. Shares held in mutual funds are valued at the net asset value of shares held by the Plan at year-end based on closing prices as of the last business day of each period presented. The Stable Value Fund is fully benefit-responsive and therefore, contract value is the relevant measurement. Contract value represents contributions made under the contract, plus earnings, less participant withdrawals and administrative expenses.

Purchases and sales of securities are recorded on a trade-date basis (i.e., the date on which the security trade occurs). Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date (i.e., the date on which a stockholder must hold a security in order to be entitled to receive a dividend). Net appreciation or depreciation in fair value of investments consists of realized gains and losses and unrealized appreciation or depreciation in investments. Realized gains and losses are calculated using the average cost method. Unrealized appreciation or depreciation is calculated as the difference between the fair value of investments at the end of the Plan year and their fair value at the beginning of the Plan year, or acquisition cost if acquired during the Plan year. Capital gain distributions from the Plan’s investments are included in dividend income.

(d) Participant Loans

Participant loans are measured at their unpaid principal balance, plus any accrued but unpaid interest.

NOTE 3 Investments

As of December 31, 2017, the Plan’s investment options consisted of: (i) 23 mutual funds, including 13 mutual funds with various investment and income objectives and 10 American Funds "Target Date Retirement Funds," each with an objective of balancing risk and seeking certain returns based upon the Plan participant’s self-targeted retirement date; (ii) the Revlon Common Stock Fund, consisting solely of shares of Revlon, Inc. Class A common stock; and (iii) the Prudential Stable Value Fund, a stable value fund that seeks to preserve principal and liquidity and invests primarily in public bonds, commercial mortgages and private placement bonds.

For information about any of the funds offered under the Plan, including risk factors, investment objectives and expenses, Plan participants should refer to the particular fund’s prospectus.

REVLON EMPLOYEES’ SAVINGS, INVESTMENT AND PROFIT SHARING PLAN
Notes to Financial Statements
December 31, 2017 and 2016

Included in the Statements of Net Assets Available for Benefits as of December 31, 2017 and 2016 are the following investments, each stated at fair value, with the exception of the Stable Value Fund, which is stated at contract value:

	December 31,	
	2017	2016
	(Dollars in thousands)	
Equity Securities:		
Revlon Common Stock Fund	$1,365	$2,127
Mutual Funds:		
American Funds 2010 Target Date Retirement Fund	836	—
American Funds 2015 Target Date Retirement Fund	7,832	—
American Funds 2020 Target Date Retirement Fund	16,739	—
American Funds 2025 Target Date Retirement Fund	12,130	—
American Funds 2030 Target Date Retirement Fund	21,198	—
American Funds 2035 Target Date Retirement Fund	10,513	—
American Funds 2040 Target Date Retirement Fund	10,477	—
American Funds 2045 Target Date Retirement Fund	6,398	—
American Funds 2050 Target Date Retirement Fund	5,611	—
American Funds 2055 Target Date Retirement Fund	2,017	—
American Funds EuroPacific Growth Fund	10,546	8,550
JPMorgan SmartRetirement Income Fund	—	2,632
JPMorgan SmartRetirement 2015	—	6,410
JPMorgan SmartRetirement 2020	—	14,694
JPMorgan SmartRetirement 2025	—	9,637
JPMorgan SmartRetirement 2030	—	17,133
JPMorgan SmartRetirement 2035	—	8,522
JPMorgan SmartRetirement 2040	—	7,508
JPMorgan SmartRetirement 2045	—	4,452
JPMorgan SmartRetirement 2050	—	3,682
JPMorgan SmartRetirement 2055	—	880
JP Morgan U.S. Small Company Institutional Fund	—	2,289
JPMorgan Large Cap Growth Fund	—	24,399
JPMorgan U.S. Small Company	2,419	—
MassMutual Select Mid Cap Growth I	14,468	—
Columbia Dividend Income Institutional 3	20,774	—
JHancock III Disciplined Value Fund	—	19,109
Artisan Mid Cap Fund – Investor Class	—	12,816
American Beacon Mid Cap Value Institutional	1,274	—
American Beacon Mid Cap Value Fund	—	897
Vanguard Russell 1000 Growth Index I	30,403	—
Vanguard 500 Index Admiral Fund	13,482	11,150
Vanguard Extended Market Index Admiral Fund	—	4,536
Vanguard Extended Market Index Admiral Institutional	5,268	—
Vanguard Inflation Protected Securities Fund Admiral Shares	1,065	—
Vanguard Inflation Fund	—	1,193
Janus Flexible Bond	6,385	7,007

PIMCO Income Fund – Institutional Class	5,617	4,896
Oppenheimer Developing Markets Fund	3,349	2,674
Templeton Global Bond	489	—
Templeton Global Bond Fund	—	371
Total Mutual Funds	209,290	175,437
Total Investments at Fair Value [(a)]	210,655	177,564
Stable Value Fund:		
Prudential Stable Value Fund [(b)]	24,468	24,518
Total Investments	$235,123	$202,082

REVLON EMPLOYEES' SAVINGS, INVESTMENT AND PROFIT SHARING PLAN
Notes to Financial Statements
December 31, 2017 and 2016

[a] Assets and liabilities measured at fair value 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 value of the asset or liability is determined using observable inputs, such as quoted prices in active markets for identical assets or liabilities;

- Level 2: Fair value of the asset or liability is determined 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 value of the asset or liability is determined using unobservable inputs that reflect the Company's own assumptions regarding the applicable asset or liability.

The fair values of the Plan's investments were determined as follows:

- Revlon Common Stock Fund: The fair value of the investments in the Revlon Common Stock Fund reflects the closing price of shares of Revlon, Inc. Class A common stock as reported on the New York Stock Exchange (the "NYSE") where such shares are listed. The Company classifies the Revlon Common Stock Fund investments within Level 1 of the fair value hierarchy.

- Mutual funds: The fair values of the investments included in the mutual funds asset class are determined using net asset value ("NAV") provided by the administrator of the funds. 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.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There were no changes in methodologies used at December 31, 2017 and 2016 and there were no transfers between fair value levels during the years ended December 31, 2017 and 2016.

REVLON EMPLOYEES’ SAVINGS, INVESTMENT AND PROFIT SHARING PLAN
Notes to Financial Statements
December 31, 2017 and 2016

As of December 31, 2017, the fair values of the Plan’s investments were categorized as presented in the table below:

(Dollars in thousands)	Total	Level 1	Level 2	Level 3
Plan Assets:				
Revlon Common Stock Fund	$1,365	$1,365	$ —	$ —
Mutual funds:				
U.S. large cap equities	64,659	64,659	—	—
U.S. small/mid cap equities	23,429	23,429	—	—
Target date blended	93,752	93,752	—	—
International equities	10,545	10,545	—	—
Emerging market equities	3,349	3,349	—	—
Corporate bonds	7,847	7,847	—	—
Government bonds	5,709	5,709	—	—
Total assets at fair value	$210,655	$210,655	$ —	$ —

As of December 31, 2016, the fair values of the Plan’s investments were categorized as presented in the table below:

(Dollars in thousands)	Total	Level 1	Level 2	Level 3
Plan Assets:				
Revlon Common Stock Fund	$ 2,127	$2,127	$ —	$ —
Mutual funds:				
U.S. large cap equities	54,659	54,659	—	—
U.S. small/mid cap equities	20,538	20,538	—	—
Target date blended				

In July 2015, the FASB issued ASU No. 2015-11, “Inventory (Topic 330), Simplifying the Measurement of Inventory.” ASU 2015-11 requires inventory measured using any method other than last-in, first-out (LIFO) or the retail inventory method to be subsequently measured at the lower of cost or net realizable value, rather than at the lower of cost or market. Subsequent measurement of inventory using the LIFO and retail inventory method is unchanged. We are required to adopt the new pronouncement in the first quarter of fiscal 2018, and plan to do so at that time. Early adoption is permitted. We are evaluating the effect of adopting this pronouncement, but do not, at this time, anticipate a material impact to our financial statements once implemented.

In August 2015, the FASB issued ASU No. 2015-15, “Interest – Imputation of Interest (Subtopic 835-30), Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements.” This ASU states that ASU No. 2015-3, “Interest – Imputation of Interest (Subtopic 835-30), Simplifying the Presentation of Debt Issuance Costs” does not address debt issuance costs for line-of-credit arrangements, and therefore the SEC staff would not object to an entity deferring and presenting these related debt issuance costs as an asset and subsequently amortizing the deferred issuance costs ratably over

the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement. At this time, we do not believe that ASU No. 2015-15 will have a material impact on our financial statements and related disclosures.
In September 2015, the FASB issued ASU No. 2015-16, "Business Combinations (Topic 805), Simplifying the Accounting for Measurement-Period Adjustments." This ASU requires that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The amendments in this ASU require an entity to present separately on the face of the income statement or disclose in the notes the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date. We are required to adopt the new pronouncement in the first quarter of fiscal 2017, with early adoption permitted. We are evaluating the effect and timing of adopting this pronouncement, but do not, at this time, anticipate a material impact to the financial statements once implemented.
In November 2015, the FASB issued ASU No. 2015-17, "Income Taxes (Topic 740), Balance Sheet Classification of Income Taxes." This ASU eliminates the current requirement for an entity to separate deferred income tax liabilities and assets into current and noncurrent amounts in a classified statement of financial position. This ASU requires that deferred tax liabilities and assets be classified as noncurrent in the classified statement of financial position. We are required to adopt the ASU in the first quarter of fiscal 2018, with early adoption permitted. We are evaluating the effect and timing of adopting this pronouncement, but do not, at this time, anticipate a material impact to the financial statements once implemented.

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)." This ASU requires lessees to recognize assets and liabilities on the balance sheet for the rights and obligations created by most leases, as well as requires additional qualitative and quantitative disclosures. We are required to adopt the ASU in the first quarter of fiscal 2020, with early adoption permitted. We are evaluating the impact of adopting this pronouncement.
Reclassifications
Certain prior year amounts have been reclassified to conform to the current year presentation, as described further in Note 3 and Note 9 to the Condensed Consolidated Financial Statements.

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Note 2. Acquisitions

During our first fiscal quarter of 2016, we completed the acquisition of Animal Health International, Inc., a leading production animal health distribution company in the U.S. This acquisition more than doubled the revenue previously attributable to our animal health business, which was previously focused on the companion animal health market. Our animal health business now offers an expanded range of products and services to a broader base of customers in North America and the U.K. Under terms of the merger agreement, we acquired all of Animal Health International's stock for $1,106,583 in cash.

In connection with the acquisition, we entered into a credit agreement consisting of a $1,000,000 unsecured term loan and a $500,000 unsecured cash flow revolving line of credit, described further in Note 11 to the Condensed Consolidated Financial Statements.

The acquisition has been accounted for in accordance with ASC 805, Business Combinations, with identifiable assets acquired and liabilities assumed recorded at their estimated fair values on the acquisition date. A valuation of the assets and liabilities from the business acquisition was performed utilizing cost, income and market approaches resulting in $588,213 allocated to identifiable net assets. The initial accounting for the acquisition is not complete because certain information and analysis that may impact our initial valuations are still being obtained or reviewed. The significant assets and liabilities for which provisional amounts are recognized at the acquisition date are property and equipment, intangible assets, goodwill, working capital adjustments and deferred income taxes. The provisional amounts recognized are subject to revision until our valuations are completed, not to exceed one year, and any material adjustments identified that existed as of the acquisition date will be retroactively recorded.

The following table summarizes the total purchase price consideration and the preliminary fair value amounts recognized for the assets acquired and liabilities assumed related to the acquisition, as of the acquisition date:

Total purchase price consideration	$1,106,583
Receivables	$161,427
Inventory	195,367
Prepaid expenses and other current assets	33,005
Property and equipment	44,178
Identifiable intangibles	434,300
Other long-term assets	40,869
Total assets acquired	909,146
Accounts payable	122,129
Accrued liabilities and other current liabilities	21,015
Deferred tax liability	177,789
Total liabilities assumed	320,933

Identifiable net assets acquired	588,213
Goodwill	518,370
Net assets acquired	$1,106,583

As a result of recording the stepped up fair market basis for GAAP purposes, but receiving primarily carryover basis for tax purposes in the acquisition, we recorded a deferred tax asset and deferred tax liability of $2,569 and $177,789, respectively.

The goodwill of $518,370 resulting from the acquisition reflects the excess of our purchase price over the fair value of the net assets acquired. The goodwill recorded as part of the acquisition primarily reflects the value of the assembled workforce, cost synergies, and the potential to integrate and expand existing product lines. We allocated all of the goodwill to our Animal Health reporting segment. None of the goodwill recognized is deductible for income tax purposes, and as such, no deferred taxes have been recorded related to goodwill.

Revenues of $992,538 and operating income of $22,196 attributable to the acquisition are included in our condensed consolidated statement of income for the nine months ended January 30, 2016. Included in operating income for the nine

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months ended January 30, 2016 is amortization expense of $20,080 related to the identifiable intangible assets acquired in the transaction.

The following summarizes the intangible assets, excluding goodwill, acquired as of June 16, 2015. Intangible assets are amortized using methods that approximate the pattern of economic benefit provided by the utilization of the assets.

	Gross Carrying Value	Weighted Average Life (years)
Unamortized – indefinite lived:		
Trade names	$12,300	indefinite
Amortized:		
Customer relationships	291,900	15.0
Trade names	111,400	10.0
Developed technology and other	18,700	12.2
Total amortized intangible assets	422,000	13.6
Total identifiable intangible assets	$434,300	

The following unaudited pro forma financial results for the combined results of Patterson and Animal Health International for the nine month periods ended January 30, 2016 and January 24, 2015 assume the acquisition occurred on April 27, 2014. The unaudited pro forma financial results may not be indicative of the results that would have occurred had the acquisition been completed as of April 27, 2014, nor are they indicative of future results of operations.

	Nine Months Ended	
	January 30, 2016	January 24, 2015
Pro forma net sales	$4,125,969	$4,033,188
Pro forma net income from continuing operations	128,174	122,842

Pro forma net income from continuing operations for the nine month period ended January 30, 2016 includes $12,300 of income tax expense related to the repatriation of foreign earnings, described further in Note 12 to the Condensed Consolidated Financial Statements.

Note 3. Discontinued Operations

On July 1, 2015, we entered into a definitive agreement to sell all of the outstanding shares of common stock of Patterson Medical Holdings, Inc., our wholly owned subsidiary responsible for our rehabilitation supply business known as Patterson Medical ("Patterson Medical"), for $715,000 in cash to Madison Dearborn Partners. The definitive agreement included a working capital adjustment provision that impacted the final sale price. On August 28, 2015, we completed the sale of Patterson Medical for $718,078, with such sales price including the above-described

working capital adjustment. During the third quarter of fiscal 2016, working capital adjustments reduced the sales price to $716,886. As additional consideration for the shares of Patterson Medical, we obtained a number of common units of the parent company of the buyer equal to 10% of the common units outstanding at closing. Unlike the other common units, these units will only become entitled to begin participating in distributions to the common unit holders at such time, if any, as the Madison Dearborn Partners' investor cash inflows equal or exceed 2.5 times the Madison Dearborn Partners' investor cash outflows. These units are non-transferrable. We recorded a pre-tax gain of $24,328 on the sale of Patterson Medical during the nine months ended January 30, 2016 within discontinued operations in the condensed consolidated statements of income.

In connection with the above described transaction, we also entered into a transition services agreement with our former subsidiary, pursuant to which Patterson Medical Holdings, Inc., as owned by Madison Dearborn Partners, is paying us to provide, among other things, certain information technology, distribution, facilities, finance, tax and treasury, and human resources services for up to 24 months after closing.

As of January 30, 2016, we classified Patterson Medical's results of operations as discontinued operations for all periods presented in the condensed consolidated statements of income. The assets and liabilities of Patterson Medical were reflected as

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held for sale in the condensed consolidated balance sheets as of April 25, 2015. The operations and cash flows of Patterson Medical have been eliminated from our continuing operations, which were previously recorded as the rehabilitation supply reportable segment.

The following summarizes the assets and liabilities of Patterson Medical as of April 25, 2015:

	April 25, 2015
Assets held for sale	
Receivables, net of allowance for doubtful accounts	$57,876
Inventory	48,265
Prepaid expenses and other current assets	12,206
Property and equipment, net	22,672
Goodwill	537,175
Identifiable intangibles, net	74,804
Other long-term assets	1,143
Total assets held for sale	$754,141
Liabilities held for sale	
Accounts payable	$26,341
Accrued liabilities and other current liabilities	12,975
Long-term liabilities	49,414
Total liabilities held for sale	$88,730

The following summarizes the results of operations of our discontinued Patterson Medical operations for the periods presented:

	Three Months Ended		Nine Months Ended	
	January 30, 2016	January 24, 2015	January 30, 2016 (a)	January 24, 2015
Net sales	$—	$ 104,684	$168,504	$ 350,362
Cost of sales	—	64,567	107,359	218,102
Operating expenses	—	26,738	54,954	81,042
Loss (gain) on sale	1,192	—	(24,328)	—
Other expense (income)	—	224	150	109
Income (loss) before taxes	(1,192)	13,155	30,369	51,109
Income taxes	(442)	4,913	28,869	18,990
Net (loss) income from discontinued operations	$(750)	$ 8,242	$1,500	$ 32,119

(a) Includes activity up until the sale date of August 28, 2015.

The net loss for the three months ended January 30, 2016, was due to working capital adjustments related to the sales price which reduced the overall gain recognized. Operating expenses for the nine months ended January 30, 2016 include professional fees of

$13,692 incurred in connection with the sale of Patterson Medical. Depreciation and amortization were ceased during the nine months ended January 30, 2016 in accordance with accounting for discontinued operations. Income taxes have been allocated to Patterson Medical based on the accounting requirements for presenting discontinued operations. Income taxes as a percent of income before taxes for the nine months ended January 30, 2016 are higher than in the prior period as a result of the requirement to calculate the tax due on the sale of Patterson Medical including certain basis differences that were appropriately not previously recognized for financial reporting purposes.

Note 4. Goodwill and Other Intangible Assets

Goodwill balances and related activity by business segment are as follows:

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	Balance at April 25, 2015	Acquisition Activity and Divestitures	Other Activity	Balance at January 30, 2016
Corporate	$—	$ —	$ —	$ —
Dental	139,449	—	(1,381)	138,068
Animal Health	160,475	518,370	(1,597)	677,248
Total	$299,924	$ 518,370	$ (2,978)	$ 815,316

Balances of other intangible assets, excluding goodwill, are as follows:

	January 30, 2016	April 25, 2015
Unamortized – indefinite lived:		
Copyrights, trade names and trademarks	$ 29,900	$ 17,600
Amortized:		
Distribution agreement, customer lists and other	638,854	221,359
Less: Accumulated amortization	(146,539)	(113,934)
Net amortized intangible assets	492,315	107,425
Total identifiable intangible assets, net	$ 522,215	$ 125,025

Note 5. Derivative Financial Instruments

Patterson is a party to certain offsetting and identical interest rate cap agreements. These interest rate cap agreements are not designated for hedge accounting treatment and were entered into to fulfill certain covenants of an equipment finance contracts sale agreement between a commercial paper conduit managed by The Bank of Tokyo-Mitsubishi UFJ, Ltd. and PDC Funding. On November 24, 2015, this sale agreement was amended on terms generally consistent with the expiring agreement. The interest rate cap agreements provide a credit enhancement feature for the financing contracts sold by PDC Funding to the commercial paper conduit.

The interest rate cap agreements are canceled and new agreements entered into periodically to maintain consistency with the dollar maximum of the sale agreements and the maturity of the underlying financing contracts. As of January 30, 2016, PDC Funding had purchased an interest rate cap from a bank with a notional amount of $575,000 and a maturity date of November 2023. Patterson sold an identical interest rate cap to the same bank.

Similar to the above agreements, PDC Funding II and Patterson entered into offsetting and identical interest rate cap agreements with a notional amount of $100,000 in fiscal 2014. In August 2015, these agreements were terminated and replaced with offsetting and identical interest rate cap agreements. The notional amount remained at $100,000 and the new maturity date is July 2023.

In addition to the purchased and sold identical interest rate cap agreements described above, in May 2012 we entered into an interest rate swap agreement with a bank to economically hedge the interest rate risk associated with a portion of the finance contracts we had sold through the special purpose entities. This agreement expired in April 2015.

These interest rate contracts do not qualify for hedge accounting treatment and, accordingly, we record the fair value of the agreements as an asset or liability and the change as income or expense during the period in which the change occurs.

In January 2014 we entered into a forward interest rate swap agreement with a notional amount of $250,000 and accounted for as cash flow hedge, to hedge interest rate fluctuations in anticipation of refinancing the 5.17% senior notes due March 25, 2015 with a loan for $250,000 and a term of ten years. This note was repaid on March 25, 2015 and replaced with new $250,000 3.48% senior notes due March 24, 2025. A cash payment of $29,003 was made in March 2015 to settle the interest rate swap. This amount will be recognized as interest expense over the ten-year life of the new notes.

The following presents the fair value of interest rate contracts included in the condensed consolidated balance sheets:

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Derivative type	Classification	January 30, 2016	April 25, 2015
Interest rate contracts	Other noncurrent assets	$1,184	$1,255
Interest rate contracts	Other noncurrent liabilities	1,184	1,255

The following table presents the effect of interest rate contracts on the condensed consolidated statements of income and other comprehensive income (OCI):

		Three Months Ended		Nine Months Ended	
Derivative type	Location of gain/(loss) recognized on derivative	January 30, 2016	January 24, 2015	January 30, 2016	January 24, 2015
Interest rate swap	OCI	$442	$(8,143)	$1,496	$(14,319)

We recorded $709 of interest expense during the three months ended January 30, 2016, and $48 as a reduction to interest expense in the three months ended January 24, 2015 related to the interest rate swap. We recorded $2,114 of interest expense during the nine months ended January 30, 2016, and $145 as a reduction to interest expense in the nine months ended January 24, 2015 related to the interest rate swap. We recorded no ineffectiveness during the three and nine month periods ended January 30, 2016 and January 24, 2015.

Note 6. Fair Value Measurements

Fair value is the price at which an asset could be exchanged in a current transaction between knowledgeable, willing parties. The fair value hierarchy of measurements is categorized into one of three levels based on the lowest level of significant input used:

Level 1 - Quoted prices in active markets for identical assets and liabilities at the measurement date.

Level 2 - Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 - Unobservable inputs for which there is little or no market data available. These inputs reflect management’s assumptions of what market participants would use in pricing the asset or liability.

Our hierarchy for assets and liabilities measured at fair value on a recurring basis is as follows:

	January 30, 2016			
	Total	Level 1	Level 2	Level 3
Assets:				
Cash equivalents	$5,151	$5,151	$—	$—

Derivative instruments	1,184	—	1,184	—
Total assets	$6,335	$5,151	$1,184	$—
Liabilities:				
Derivative instruments	$1,184	$—	$1,184	$—

	April 25, 2015			
	Total	Level 1	Level 2	Level 3
Assets:				
Cash equivalents	$90,569	$90,569	$—	$—
Derivative instruments	1,255	—	1,255	—
Total assets	$91,824	$90,569	$1,255	$—
Liabilities:				
Derivative instruments	$1,255	$—	$1,255	$—

Cash equivalents – We value cash equivalents at their current market rates. The carrying value of cash equivalents approximates fair value and maturities are less than three months.

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Derivative instruments – Our derivative instruments consist of interest rate contracts. These instruments are valued using observable inputs such as interest rates and credit spreads.
Certain assets are measured at fair value on a non-recurring basis. These assets are not measured at fair value on an ongoing basis, but are subject to fair value adjustments under certain circumstances, such as when there is evidence of impairment. There were no fair value adjustments to such assets during the nine month periods ended January 30, 2016 or January 24, 2015.
Our debt is not measured at fair value in the condensed consolidated balance sheets. The estimated fair value of our debt as of January 30, 2016 and April 25, 2015 was $1,047,117 and $746,685, respectively. The fair value of debt was measured using a discounted cash flow analysis based on expected market based yields (i.e. level 2 inputs).
The carrying amounts of receivables, net of allowances, accounts payable, and certain accrued and other current liabilities approximated fair value at January 30, 2016 and April 25, 2015.

Note 7. Securities
On October 25, 2013, we invested in three time deposits with total principal of $110,000 Canadian. On October 24, 2014, time deposits with a principal value of $45,000 Canadian matured with a value of $45,436 Canadian. The remaining time deposits with a principal value of $65,000 Canadian matured on October 28, 2015 with a value of $67,031 Canadian. Our time deposit securities were classified as held-to-maturity securities as of April 25, 2015, as we had both the intent and ability to hold them until maturity. As of April 25, 2015, these securities had a carrying value of $53,372 and were recorded in the condensed consolidated balance sheet as short-term investments. They were carried at cost, adjusted for accrued interest and amortization. The carrying value was not materially different than fair value. The fair value was determined based on a discounted cash flow analysis using unobservable inputs (i.e. level 3 inputs), which included a forward yield curve, the estimated timing of payments and the credit quality of the underlying creditor. Significant changes in any of the significant unobservable inputs in isolation would not have resulted in a materially lower fair value estimate. The interrelationship between these inputs was insignificant.

Note 8. Customer Financing
As a convenience to our customers, we offer several different financing alternatives, including a third party program and a Patterson-sponsored program. For the third party program, we act as a facilitator between the customer and the third party financing entity with no on-going involvement in the financing transaction. Under our sponsored program, equipment purchased by customers with strong credit may be financed up to a maximum of $500 for

any one customer. We generally sell our customers' financing contracts to outside financial institutions in the normal course of our business. We currently have two arrangements under which we sell these contracts.

First, we operate under an agreement to sell a portion of our equipment finance contracts to commercial paper conduits with The Bank of Tokyo-Mitsubishi UFJ, Ltd. serving as the agent. We utilize a special purpose entity ("SPE"), PDC Funding, a consolidated, wholly owned subsidiary, to fulfill a requirement of participating in the commercial paper conduit. We receive the proceeds of the contracts upon sale. At least 25% of the proceeds are held by the conduit as security against eventual performance of the portfolio. The capacity under the agreement at January 30, 2016 was $575,000.

Second, we also maintain an agreement with Fifth Third Bank whereby the bank purchases customers' financing contracts. We established another SPE, PDC Funding II, a consolidated, wholly owned subsidiary, which sells financing contracts to the bank. We receive the proceeds of the contracts upon sale. At least 15% of the proceeds are held by the conduit as security against eventual performance of the portfolio. The capacity under the agreement at January 30, 2016 was $100,000.

The portion of the purchase price for the receivables held by the conduits is a deferred purchase price receivable, which is paid to the SPE as payments on the receivables are collected from customers. The deferred purchase price receivable represents a beneficial interest in the transferred financial assets and is recognized at fair value as part of the sale transaction. We value the deferred purchase price receivable based on a discounted cash flow analysis using unobservable inputs (i.e. level 3 inputs), which include a forward yield curve, the estimated timing of payments and the credit quality of the underlying creditor.

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Significant changes in any of the significant unobservable inputs in isolation would not result in a materially different fair value estimate. The interrelationship between these inputs is insignificant.
These financing arrangements are accounted for as a sale of assets under the provisions of ASC 860, Transfers and Servicing. During the three and nine months ended January 30, 2016, we sold $128,442 and $271,381, respectively, and during the three and nine months ended January 24, 2015, we sold $82,977 and $215,125, respectively, of contracts under these arrangements. We retain servicing responsibilities under both agreements, for which we are paid a servicing fee. The servicing fees we receive are considered adequate compensation for services rendered. Accordingly, no servicing asset or liability has been recorded. The agreements require us to maintain a minimum current ratio and maximum leverage ratio. We were in compliance with those covenants at January 30, 2016.
Included in cash and cash equivalents in the condensed consolidated balance sheets are $26,428 and $29,863 as of January 30, 2016 and April 25, 2015, respectively, which represents cash collected from previously sold customer financing arrangements that have not yet been settled with the third party. Included in current receivables in the condensed consolidated balance sheets are $92,366, net of unearned income of $3,982, and $88,470, net of unearned income of $4,197, as of January 30, 2016 and April 25, 2015, respectively, of finance contracts we have not yet sold. A total of $589,615 of finance contracts receivable sold under the agreements was outstanding at January 30, 2016. The deferred purchase price under the arrangements was $135,985 and $66,715 as of January 30, 2016 and April 25, 2015, respectively. Since the internal financing program began in 1994, bad debt write-offs have amounted to less than one-percent of the loans originated.

Note 9. Segment Reporting
Through fiscal 2015, Patterson was comprised of three reportable segments: dental supply, veterinary supply and rehabilitation supply. This fiscal year, we reorganized our reportable segments as a result of our acquisition of Animal Health International, Inc. and our divestiture of our wholly-owned subsidiary Patterson Medical Holdings, Inc., the entity through which we operated the rehabilitation supply business. We now present three different reportable segments: Dental, Animal Health and Corporate. Prior period segment results have been restated to conform to this revised current period presentation.
Our Dental and Animal Health reportable business segments are strategic business units that offer similar products and services to different customer bases. Dental provides a virtually complete range of consumable dental products, equipment and software,

turnkey digital solutions and value-added services to dentists and dental laboratories throughout North America. Animal Health, formerly our Patterson Veterinary reportable segment, is a leading, full-line distributor in North America and the U.K. of animal health products, services and technologies to both the production-animal and companion-pet markets. Our Corporate segment, which was previously included in our dental supply reporting segment through the end of fiscal 2015, is comprised of general and administrative expenses, including home office support costs in areas such as information technology, finance, legal, human resources and facilities. In addition, customer financing and other miscellaneous sales are reported within Corporate results. Corporate assets consist primarily of cash and cash equivalents, accounts receivable, property and equipment and long-term receivables. We evaluate segment performance based on operating income. The costs to operate the distribution centers are allocated to the operating units based on the through-put of the unit.

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The following table presents information about Patterson's reportable segments:

	Three Months Ended		Nine Months Ended	
	January 30, 2016	January 24, 2015	January 30, 2016	January 24, 2015
Net sales				
Corporate	$13,489	$10,158	$37,380	$29,050
Dental	637,651	610,655	1,814,090	1,746,165
Animal Health	749,713	337,815	2,081,463	1,100,589
Consolidated net sales	$1,400,853	$958,628	$3,932,933	$2,875,804
Operating income (loss) from continuing operations				
Corporate	$(12,338)	$(12,535)	$(46,193)	$(38,698)
Dental	82,108	78,048	223,454	214,024
Animal Health	25,959	11,864	64,108	40,187
Consolidated operating income from continuing operations	$95,729	$77,377	$241,369	$215,513

	January 30, 2016	April 25, 2015
Total assets		
Corporate	$526,452	$539,863
Dental	935,347	1,022,257
Animal Health	2,093,871	631,445
Total assets, excluding assets held for sale	3,555,670	2,193,565
Assets held for sale	—	754,141
Total assets	$3,555,670	$2,947,706

The following table presents sales information by product for all of Patterson's reportable segments:

	Three Months Ended		Nine Months Ended	
	January 30, 2016	January 24, 2015	January 30, 2016	January 24, 2015
Net sales				
Consumables [(a)]	$1,059,838	$638,541	$3,042,634	$2,020,345
Equipment and software	248,779	235,847	610,071	596,650
Other [(a)]	92,236	84,240	280,228	258,809
Consolidated net sales	$1,400,853	$958,628	$3,932,933	$2,875,804

[(a)] Certain sales were reclassified from consumable to other in current and prior periods.

Note 10. Accumulated Other Comprehensive Loss

The following table summarizes accumulated other comprehensive loss (AOCL) at January 30, 2016 and April 25, 2015 and the activity for fiscal 2016:

	Cash Flow Hedges	Currency Translation Adjustment	Total
AOCL at April 25, 2015	$(18,668)	$(41,678)	$(60,346)
Other comprehensive loss before reclassifications	—	(34,096)	(34,096)
Amounts reclassified from AOCL	1,496	11,083	12,579
AOCL at January 30, 2016	$(17,172)	$(64,691)	$(81,863)

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The amounts reclassified from AOCL during fiscal 2016 represent gains and losses on cash flow hedges, net of taxes of $618, and amounts reclassified related to the divestiture of Patterson Medical of $11,083. The impact to the condensed consolidated statements of income was an increase to interest expense of $2,114.

Note 11. Debt Issuance

During the first quarter of fiscal 2016, we entered into a credit agreement with The Bank of Tokyo-Mitsubishi UFJ, Ltd., as administrative agent, and Bank of America, N.A., as syndication agent, (the "Credit Agreement"). Pursuant to the Credit Agreement, the lenders provided us with senior unsecured lending facilities of up to $1,500,000, consisting of a $1,000,000 unsecured term loan and a $500,000 unsecured revolving line of credit. Interest on borrowings under the Credit Agreement is based on LIBOR plus a spread which can range from 1.125% to 2.000%. This spread, as well as a commitment fee on the unused portion of the facility, are based on our leverage ratio, as defined in the Credit Agreement. Initial borrowings under the Credit Agreement were $1,000,000 under the unsecured term loan and $200,000 under the unsecured revolving line of credit. The term loan and revolving credit facilities will mature no later than June 16, 2020.

Upon certain significant asset dispositions, we agreed to use proceeds from such dispositions to effect prepayment of outstanding loan balances under the Credit Agreement. On August 28, 2015, we completed the sale of Patterson Medical, as described further in Note 3 to the Condensed Consolidated Financial Statements. As a result of this sale, $670,000 was repaid on the original outstanding $1,000,000 unsecured term loan. We recorded $5,153 of accelerated debt issuance cost amortization within interest expense concurrent with this early repayment of debt. Additionally, principal payments of $4,125 and $8,250 were made during the three and nine months ended January 30, 2016, respectively. As of January 30, 2016, $321,750 was outstanding under the unsecured term loan at an interest rate of LIBOR plus 1.25%.

We are subject to various financial covenants under the Credit Agreement including the maintenance of leverage and interest coverage ratios. In the event of our default, any outstanding obligations may become due and payable immediately. We met the covenants under the Credit Agreement as of January 30, 2016.

On June 16, 2015, our previous $300,000 credit facility, which was due to expire in December 2016, was terminated and replaced by the revolving line of credit under the Credit Agreement. As of January 30, 2016, $198,000 was outstanding under our current revolving line of credit. There were no outstanding borrowings under our current or previous revolving lines of credit at April 25, 2015.

Note 12. Income Taxes
The effective income tax rate from continuing operations for the three months ended January 30, 2016 was 33.4% compared to 33.1% for the three months ended January 24, 2015, and for the nine months ended January 30, 2016 was 41.1% compared to 34.2% for the nine months ended January 24, 2015. The increase in the rate for the nine months ended January 30, 2016 is primarily due to the current year impact of cash repatriation and the impact of transaction-related costs incurred related to the acquisition of Animal Health International, Inc.
In the first quarter of fiscal 2016, we approved a one-time repatriation of approximately $200,000 of foreign earnings. This one-time repatriation reduced the overall cost of funding the acquisition of Animal Health International, Inc. In addition, certain foreign cash at Patterson Medical was required to be repatriated as part of the sale transaction. The continuing operations tax impact of $12,300 from the repatriation was recorded during the first nine months of fiscal 2016. We have previously asserted that our foreign earnings are permanently reinvested. Except for the repatriations described above, there is no change in our on-going assertion.

Note 13. Legal Proceedings
In September 2015, we were served with a summons and complaint in an action commenced in the United States District Court for the Eastern District of New York, entitled SourceOne Dental, Inc. v. Patterson Companies, Inc., Henry Schein, Inc. and Benco Dental Supply Company, Civil Action
No. 15-cv-05440-JMA-GRB. SourceOne, as plaintiff, alleges that, through its website, it markets and sells dental supplies and equipment to dentists. SourceOne alleges in the complaint, among other things, that we, along with the defendants Henry Schein and Benco, conspired to eliminate plaintiff as a competitor and to exclude

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them from the market for the marketing, distribution and sale of dental supplies and equipment in the United States and that defendants unlawfully agreed with one another to boycott dentists, manufacturers, and state dental associations that deal with, or considered dealing with, plaintiff. Plaintiff asserts the following claims: (i) unreasonable restraint of trade in violation of state and federal antitrust laws; (ii) tortious interference with prospective business relations; (iii) civil conspiracy; and (iv) aiding and abetting the other defendants' ongoing tortious and anticompetitive conduct. Plaintiff seeks equitable relief, compensatory and treble damages, jointly and severally, punitive damages, interest, and reasonable costs and expenses, including attorneys' fees and expert fees. Plaintiff has not specified a damage amount in its complaint. We intend to defend ourselves against the action vigorously. We do not anticipate that this matter will have a material adverse effect on our financial condition.

Beginning in January 2016, purported class action complaints were filed against defendants Henry Schein, Inc., Benco Dental Supply Co. and Patterson Companies, Inc. Although there were factual and legal variations among these complaints, each alleged that defendants conspired to foreclose and exclude competitors by boycotting manufacturers, state dental associations, and others that deal with defendants' competitors. On February 9, 2016, the United States District Court for the Eastern District of New York ordered all of these actions, and all other actions filed thereafter asserting substantially similar claims against defendants, consolidated for pre-trial purposes. On February 26, 2016, a consolidated class action complaint was filed by Arnell Prato, D.D.S., P.L.L.C., d/b/a Down to Earth Dental, Evolution Dental Sciences, LLC, Howard M. May, DDS, P.C., Casey Nelson, D.D.S., Jim Peck, D.D.S., Bernard W. Kurek, D.M.D., Larchmont Dental Associates, P.C., and Keith Schwartz, D.M.D., P.A. (collectively, the "putative class representatives") in the United States District Court for the Eastern District of New York, entitled In re Dental Supplies Antitrust Litigation, Civil Action No. 1:16-CV-00696-BMC-GRB. Subject to certain exclusions, the putative class representatives seek to represent all persons who purchased dental supplies or equipment in the United States directly from any of the defendants, or non-defendant Burkhart Dental Supply Company, Inc., since August 31, 2008. In the consolidated class action complaint, putative class representatives allege a nationwide agreement among Henry Schein, Benco, Patterson and Burkhart not to compete on price. The consolidated class action complaint asserts a single count under Section 1 of the Sherman Act, and seeks equitable relief, compensatory and treble damages, jointly and severally, interest, and reasonable costs and expenses, including attorneys' fees and expert fees. Putative class representatives have not specified a damage amount in their

complaint. While the outcome of litigation is inherently uncertain, we believe the consolidated class action complaint is without merit, and we intend to vigorously defend ourselves in this litigation.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

This Form 10-Q for the period ended January 30, 2016, contains certain forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995, which may be identified by the use of forward-looking terminology such as "may", "will", "expect", "anticipate", "estimate", "believe", "goal", or "continue", or comparable terminology that involves risks and uncertainties that are qualified in their entirety by cautionary language set forth herein, in our 2015 Annual Report on Form 10-K filed June 24, 2015, and in other documents previously filed with the Securities and Exchange Commission.

OVERVIEW

Our financial information for the first nine months of fiscal 2016 is summarized in this Management's Discussion and Analysis and the Condensed Consolidated Financial Statements and related Notes. The following background is provided to readers to assist in the review of our financial information.

Through fiscal 2015, Patterson had traditionally operated a specialty distribution business in three markets: dental supply, veterinary supply and rehabilitation supply. In the first half of fiscal 2016, we acquired Animal Health International, Inc. and divested our wholly-owned subsidiary Patterson Medical Holdings, Inc. ("Patterson Medical"), the entity through which we operated the rehabilitation supply business. As a result of these two transactions, we now operate in two complementary markets: dental and animal health. While our dental business remains the same, our animal health business now consists of both companion animal and production animal lines of business. As of January 30, 2016, we classified the results of operations of Patterson Medical as discontinued operations for all periods presented in the condensed consolidated statements of income. The assets and liabilities of Patterson Medical were reflected as held for sale in the condensed consolidated balance sheets as of April 25, 2015.

Operating margins of the animal health business are considerably lower than the dental business. While operating expenses run at a lower rate in the animal health business, its gross margin is substantially lower due generally to the low margins on the pharmaceutical products that are distributed.

We operate with a 52-53 week accounting convention with our fiscal year ending on the last Saturday in April. The third quarter of fiscal 2016 and 2015 represents the 13 weeks ended January 30, 2016 and January 24, 2015, respectively. The nine months ended January 30, 2016 and January 24, 2015 include 40 and 39 weeks, respectively. Fiscal 2016 will include 53 weeks and fiscal 2015 included 52 weeks of operations.

We believe there are several important aspects of Patterson's business that are useful in analyzing it, including: (1) growth in the various markets in which we operate; (2) internal growth; (3) growth through acquisition; and (4) continued focus on controlling costs and enhancing efficiency. Management defines internal growth as the increase in net sales from period to period, excluding the impact of changes in currency exchange rates, and excluding the net sales, for a period of twelve months following the transaction date, of businesses we have acquired.

The following significant activities occurred in the first nine months of fiscal 2016:

Animal Health International Acquisition. On June 16, 2015, we completed the acquisition of Animal Health International, Inc., a leading production animal health distribution company in the U.S. Prior to our acquisition, Animal Health International, Inc. generated sales and earnings before interest, income taxes, depreciation and amortization of $1.5 billion and $68 million, respectively, during the 12 months ended March 2015. Our acquisition more than doubled the revenue of our legacy animal health business which was previously focused solely on the companion animal market. Our animal health business now offers an expanded range of products and services to a broader base of customers in North America and the U.K. During the nine months ended January 30, 2016, we incurred $10.0 million, or $0.10 per diluted share, on an after-tax basis, of transaction costs related to the acquisition of Animal Health International, Inc. See Note 2 to the Condensed Consolidated Financial Statements for information regarding the acquisition of Animal Health International, Inc.

Patterson Medical Sale. During the first quarter of fiscal 2016, we entered into a definitive agreement to sell all of the outstanding shares of common stock of Patterson Medical Holdings, Inc. for $715.0 million in cash to Madison Dearborn Partners. The definitive agreement included a working capital adjustment provision that impacted the final sales price. On August 28, 2015, we completed the sale of Patterson Medical for $718.1 million, with such sales price including the above-

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described working capital adjustment. During the third quarter of fiscal 2016, working capital adjustments reduced the sales price to $716.9 million. See Note 3 to the Condensed Consolidated Financial Statements for additional information.
Cash Repatriation. In the first quarter of fiscal 2016, we approved a one-time repatriation of approximately $200.0 million of foreign earnings. This one-time repatriation reduced the overall cost of funding the acquisition of Animal Health International, Inc. In addition, certain foreign cash at Patterson Medical was required to be repatriated as part of the sale transaction. The continuing operations tax impact of $12.3 million from the repatriation was recorded during the first nine months of fiscal 2016.
RESULTS OF OPERATIONS
QUARTER ENDED JANUARY 30, 2016 COMPARED TO QUARTER ENDED JANUARY 24, 2015
Continuing Operations
The following table sets forth, for the periods indicated, the percentage of net sales represented by certain operational data from continuing operations:

	Three Months Ended			
	January 30, 2016		January 24, 2015	
Net sales	100.0	%	100.0	%
Cost of sales	75.7		72.6	
Gross profit	24.3		27.4	
Operating expenses	17.5		19.3	
Operating income from continuing operations	6.8		8.1	
Other income (expense)	(0.7	)	(0.9	)
Income from continuing operations before taxes	6.1		7.2	
Income tax expense	2.0		2.4	
Net income from continuing operations	4.1	%	4.8	%

Net Sales. Consolidated net sales for the three months ended January 30, 2016, were $1,400.9 million, which represented a 46.1% increase from consolidated net sales of $958.6 million for the three months ended January 24, 2015. The inclusion of results of Animal Health International, Inc. was the main reason for the increase. Foreign exchange rate changes had an unfavorable impact of 1.7% to current quarter sales growth.
Dental segment sales for the three months ended January 30, 2016, were $637.7 million, which represented a 4.4% increase from Dental segment sales of $610.7 million for the three months ended January 24, 2015. Current quarter sales of dental consumables increased 3.5%. Dental consumable sales were negatively impacted by 1.6% by foreign exchange rates. Sales of dental equipment and software increased 5.3% to $232.3 million and sales of other dental services and products increased 6.3%.
Animal Health segment sales for the three months ended January 30, 2016, were $749.7 million, which represented a

121.9% increase from Animal Health segment sales of $337.8 million for the three months ended January 24, 2015. Animal Health International, Inc. contributed $406.6 million of sales in the current quarter. Foreign exchange rate changes had an unfavorable impact of 2.0% to current quarter sales growth. Consumable sales increased 129.9%, equipment and software sales were $16.4 million, an increase of 8.8%, and sales of other services and products increased 6.1% in the current quarter.

Gross Profit. Consolidated gross profit margin for the three months ended January 30, 2016, decreased 310 basis points from the prior year quarter to 24.3%. The decrease in gross profit margin was predominantly the result of the inclusion of sales and cost of sales from Animal Health International, Inc. in our results, as that business traditionally has lower gross margins than our historical businesses.

Operating Expenses. Consolidated operating expenses for the three months ended January 30, 2016, were $244.1 million, a 31.9% increase from the prior year quarter of $185.1 million. Operating expenses mainly increased due to the acquisition of Animal Health International, Inc. The consolidated operating expense ratio of 17.5% decreased 180 basis points from the prior year quarter, also due to the acquisition of Animal Health International, Inc.

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Operating Income From Continuing Operations. For the three months ended January 30, 2016, operating income was $95.7 million, or 6.8% of net sales, as compared to $77.4 million, or 8.1% of net sales for the three months ended January 24, 2015. The decrease in operating income as a percent of sales was mainly due to the inclusion of results of Animal Health International, Inc., which have lower margins.

Other Income (Expense), Net. Net other expense for the three months ended January 30, 2016, was $9.8 million compared to $8.0 million for the three months ended January 24, 2015. The increase was mainly due to increased interest expense related to the credit agreement entered into in connection with the acquisition of Animal Health International, Inc.

Income Tax Expense. The effective income tax rate for the three months ended January 30, 2016, was 33.4% compared to 33.1% in the prior year quarter.

Net Income and Earnings Per Share From Continuing Operations. Net income from continuing operations for the three months ended January 30, 2016, was $57.2 million, compared to $46.4 million for the three months ended January 24, 2015. Earnings per diluted share from continuing operations were $0.60 in the current quarter compared to $0.47 in the prior year quarter. Weighted average diluted shares outstanding in the current quarter were 95.9 million compared to 99.5 million in the prior year quarter. The current quarter cash dividend was $0.22 per common share compared to $0.20 in the prior year quarter.

Discontinued Operations

For the three months ended January 30, 2016, we experienced a net loss from discontinued operations of $0.8 million, compared to net income of $8.2 million for the three months ended January 24, 2015. The net loss for the three months ended January 30, 2016, was due to working capital adjustments related to the sales price, which reduced the overall gain recognized.

NINE MONTHS ENDED JANUARY 30, 2016 COMPARED TO NINE MONTHS ENDED JANUARY 24, 2015

Continuing Operations

The following table sets forth, for the periods indicated, the percentage of net sales represented by certain operational data from continuing operations:

	Nine Months Ended			
	January 30, 2016		January 24, 2015	
Net sales	100.0	%	100.0	%
Cost of sales	75.6		73.1	
Gross profit	24.4		26.9	
Operating expenses	18.3		19.4	
Operating income from continuing operations	6.1		7.5	
Other income (expense)	(0.9	)	(0.8	)
	5.2		6.7	

Income from continuing operations before taxes				
Income tax expense	2.1		2.3	
Net income from continuing operations	3.1	%	4.4	%

Net Sales. Consolidated net sales for the nine months ended January 30, 2016, were $3,932.9 million, a 36.8% increase from $2,875.8 million for the nine months ended January 24, 2015. The inclusion of results of Animal Health International, Inc. and an additional week of results were the main reasons for the increase. Foreign exchange rate changes had an unfavorable impact of 2.0% to current period sales growth.

Dental segment sales for the nine months ended January 30, 2016, were $1,814.1 million, a 3.9% increase from $1,746.2 million for the nine months ended January 24, 2015. Current period sales of consumables increased 5.1%. Consumable sales were positively impacted by an estimated 2.6% by the extra week of results and negatively impacted by 1.5% by foreign exchange rates. Sales of dental equipment and software increased 1.3% to $572.8 million for the nine months ended January 30, 2016. Sales of other dental services and products increased 5.3% for the nine months ended January 30, 2016.

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Animal Health segment sales for the nine months ended January 30, 2016, were $2,081.5 million, an 89.1% increase from $1,100.6 million for the nine months ended January 24, 2015. Animal Health International, Inc. contributed $992.5 million of sales for the nine months ended January 30, 2016. Foreign exchange rate changes had an unfavorable impact of 2.8% to current period sales growth. Consumable sales increased 93.0%, equipment and software sales were $37.3 million, an increase of 19.7%, and sales of other services and products increased 9.5% in the current period.

Gross Profit. Consolidated gross profit margin for the nine months ended January 30, 2016, decreased 250 basis points from the prior year period to 24.4%. The decrease in gross profit margin was predominantly the result of the inclusion of sales and cost of sales from Animal Health International, Inc. in our results, as that business traditionally has lower gross margins than our historical businesses.

Operating Expenses. Consolidated operating expenses for the nine months ended January 30, 2016, were $717.6 million, a 28.9% increase from the prior year period of $556.8 million. Operating expenses mainly increased due to the acquisition of Animal Health International, Inc. and transaction-related costs. The consolidated operating expense ratio of 18.3% decreased 110 basis points from the prior year period.

Operating Income From Continuing Operations. For the nine months ended January 30, 2016, operating income was $241.4 million, or 6.1% of net sales, as compared to $215.5 million, or 7.5% of net sales for the nine months ended January 24, 2015. The decrease in operating income as a percent of sales was mainly due to the inclusion of results of Animal Health International, Inc. and transaction-related costs.

Other Income (Expense), Net. Net other expense was $37.5 million for the nine months ended January 30, 2016, compared to $23.1 million for the nine months ended January 24, 2015. The increase was mainly due to increased interest expense related to the credit agreement entered into in connection with the acquisition of Animal Health International, Inc., including $5.2 million of accelerated debt issuance cost amortization incurred in the second quarter of fiscal 2016 as a result of early repayment of debt.

Income Tax Expense. The effective income tax rate for the nine months ended January 30, 2016, was 41.1% compared to 34.2% for the nine months ended January 24, 2015. The increase in the rate was primarily due to the current year impact of cash repatriation and the impact of the transaction-related costs incurred related to the acquisition of Animal Health International, Inc.

Net Income and Earnings Per Share From Continuing Operations. Net income from continuing operations for the nine months ended January 30, 2016, was $120.1 million, compared to $126.6 million

for the nine months ended January 24, 2015. Earnings per diluted share from continuing operations were $1.22 in the current period compared to $1.27 in the prior year period. Weighted average diluted shares outstanding in the current period were 98.5 million compared to 99.7 million in the prior year period. The current period cash dividend was $0.66 per common share compared to $0.60 in the prior year period.

Discontinued Operations

For the nine months ended January 30, 2016, net income from discontinued operations was $1.5 million, compared to $32.1 million for the nine months ended January 24, 2015. The decrease in net income from discontinued operations was primarily due to there being nine months of operations in the prior year period as compared to less than four months of operations in the current period, as well as by transaction-related costs related to the sale of Patterson Medical.

LIQUIDITY AND CAPITAL RESOURCES

For the nine months ended January 30, 2016, net cash flows used in operating activities were $86.5 million, compared to net cash flows provided by operating activities of $158.1 million for the nine months ended January 24, 2015. The decrease was primarily a result of investments in inventory to support our information technology initiative, an increase in Dental equipment inventory and the timing of consumable inventory purchases.

For the nine months ended January 30, 2016, net cash flows used in investing activities were $399.4 million, compared to net cash flows used in investing activities of $7.4 million for the nine months ended January 24, 2015. The current period includes the purchase of Animal Health International, Inc. for $1,106.6 million, which was partially offset by the receipt of net cash proceeds from completion of the sale of Patterson Medical in the amount of $714.4 million. We expect to use a total of approximately $65 million to $75 million for capital expenditures in fiscal 2016, with our main investment in our information technology initiatives.

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Cash provided by financing activities for the nine months ended January 30, 2016, was $246.7 million. Cash proceeds included $988.4 million of net proceeds from the below-described term loan, and $198.0 million that is attributed to a withdrawal on our revolving line of credit. Uses of cash from financing activities were as follows: $678.3 million for repayments on the below-described term loan, $200.0 million for share repurchases, and $67.0 million used to fund dividend payments. For the nine months ended January 24, 2015, cash used by financing activities was $101.4 million, including $60.3 million for dividend payments and $47.5 million for share repurchases.

On June 16, 2015, we entered into a credit agreement (the “Credit Agreement”), under which the lenders provided us with senior unsecured lending facilities of up to $1.5 billion, consisting of a $1.0 billion unsecured term loan and a $500 million unsecured revolving line of credit. At January 30, 2016, $321.8 million under the unsecured term loan was outstanding at an interest rate of LIBOR plus 1.25%. The Credit Agreement expires in fiscal 2021. Also on June 16, 2015, our previous $300 million credit facility, which was due to expire in December 2016, was terminated and replaced by the revolving line of credit under the Credit Agreement. As of January 30, 2016, $198.0 million was outstanding under our current revolving line of credit. There were no outstanding borrowings under our current or previous revolving lines of credit at April 25, 2015.

We expect funds generated from operations, existing cash balances and credit availability under existing debt facilities will be sufficient to meet our working capital needs and to finance anticipated expansion plans and strategic initiatives over the remainder of fiscal 2016.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

For information on recently issued accounting pronouncements, see Note 1 to the Condensed Consolidated Financial Statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

During the first quarter of fiscal 2016, we entered into the Credit Agreement under which the lenders provided Patterson with senior unsecured lending facilities of up to $1.5 billion, consisting of a $1.0 billion unsecured term loan and a $500 million unsecured revolving line of credit. Interest on borrowings under this Credit Agreement is based on LIBOR plus a spread which can range from 1.125% to 2.000%. Due to the interest rate being based on LIBOR, fluctuations in this rate impact our earnings. Based on our current level of debt, we estimate that a 100 basis point change in the LIBOR rate would have a $3.2 million impact on our income from continuing operations before taxes on an annualized basis. There have been no other material changes since April 25, 2015 in our market risk. For further information on market risk, refer to

Item 7A in our 2015 Annual Report on Form 10-K filed June 24, 2015.

ITEM 4. CONTROLS AND PROCEDURES

Under the supervision and with the participation of our management, including our President and Chief Executive Officer ("CEO") and our Chief Financial Officer ("CFO"), management evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act) as of January 30, 2016. Based upon their evaluation of these disclosure controls and procedures, the CEO and CFO concluded that the disclosure controls and procedures were effective as of January 30, 2016.

Except as described below, there were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) or 15d-15(f) under the Exchange Act) that occurred during the quarter ended January 30, 2016 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

On June 16, 2015, we acquired Animal Health International, Inc., which was a privately-held company prior to the acquisition. We are in the process of integrating Animal Health International, Inc.'s operations, and as permitted under SEC regulations, we will exclude the operations of Animal Health International, Inc. from the scope of our Sarbanes-Oxley Section 404 report on internal control over financial reporting for the fiscal year ending April 30, 2016. We are in the process of evaluating Animal Health International, Inc.'s internal controls and implementing our internal control structure over the acquired operations, and we expect to complete this effort during fiscal 2017.

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PART II—OTHER INFORMATION
ITEM 1. LEGAL PROCEEDINGS
In September 2015, we were served with a summons and complaint in an action commenced in the United States District Court for the Eastern District of New York, entitled SourceOne Dental, Inc. v. Patterson Companies, Inc., Henry Schein, Inc. and Benco Dental Supply Company, Civil Action No. 15-cv-05440-JMA-GRB. SourceOne, a plaintiff alleges that, through its website, it markets and sells dental supplies and equipment to dentists. SourceOne alleges in the complaint, among other things, that we, along with the defendants Henry Schein and Benco, conspired to eliminate plaintiff as a competitor and to exclude them from the market for the marketing, distribution and sale of dental supplies and equipment in the United States and that defendants unlawfully agreed with one another to boycott dentists, manufacturers, and state dental associations that deal with, or considered dealing with, plaintiff. Plaintiff asserts the following claims: (i) unreasonable restraint of trade in violation of state and federal antitrust laws; (ii) tortious interference with prospective business relations; (iii) civil conspiracy; and (iv) aiding and abetting the other defendants' ongoing tortious and anticompetitive conduct. Plaintiff seeks equitable relief, compensatory and treble damages, jointly and severally, punitive damages, interest, and reasonable costs and expenses, including attorneys' fees and expert fees. Plaintiff has not specified a damage amount in its complaint. We intend to defend ourselves against the action vigorously. We do not anticipate that this matter will have a material adverse effect on our financial condition.

Beginning in January 2016, purported class action complaints were filed against defendants Henry Schein, Inc., Benco Dental Supply Co. and Patterson Companies, Inc. Although there were factual and legal variations among these complaints, each alleged that defendants conspired to foreclose and exclude competitors by boycotting manufacturers, state dental associations, and others that deal with defendants' competitors. On February 9, 2016, the United States District Court for the Eastern District of New York ordered all of these actions, and all other actions filed thereafter asserting substantially similar claims against defendants, consolidated for pre-trial purposes. On February 26, 2016, a consolidated class action complaint was filed by Arnell Prato, D.D.S., P.L.L.C., d/b/a Down to Earth Dental, Evolution Dental Sciences, LLC, Howard M. May, DDS, P.C., Casey Nelson, D.D.S., Jim Peck, D.D.S., Bernard W. Kurek, D.M.D., Larchmont Dental Associates, P.C., and Keith Schwartz, D.M.D., P.A. (collectively, the "putative class representatives") in the United States District Court for the Eastern District of New York, entitled In re Dental Supplies Antitrust Litigation, Civil Action No. 1:16-CV-00696-BMC-GRB. Subject to certain exclusions, the

putative class representatives seek to represent all persons who purchased dental supplies or equipment in the United States directly from any of the defendants, or non-defendant Burkhart Dental Supply Company, Inc., since August 31, 2008. In the consolidated class action complaint, putative class representatives allege a nationwide agreement among Henry Schein, Benco, Patterson and Burkhart not to compete on price. The consolidated class action complaint asserts a single count under Section 1 of the Sherman Act, and seeks equitable relief, compensatory and treble damages, jointly and severally, interest, and reasonable costs and expenses, including attorneys' fees and expert fees. Putative class representatives have not specified a damage amount in their complaint. While the outcome of litigation is inherently uncertain, we believe the consolidated class action complaint is without merit, and we intend to vigorously defend ourselves in this litigation.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

On March 19, 2013, our Board of Directors approved a new share repurchase plan that replaced the existing share repurchase plan. Under this new plan, up to 25 million shares may be purchased in open market transactions through March 19, 2018.

The following table presents activity under the stock repurchase program during the third quarter of fiscal 2016:

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	Total Number of Share Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares That May Be Purchased Under the Plan
November 1, 2015 to November 28, 2015	505,410	$ 47.95	505,410	16,497,259
November 29, 2015 to December 26, 2015	—	—	—	16,497,259
December 27, 2015 to January 30, 2016	—	—	—	16,497,259
	505,410	$ 47.95	505,410	16,497,259

As of January 30, 2016, a total of 16.5 million shares remain available under the current repurchase authorization.

On June 16, 2015, we entered into a credit agreement (the “Credit Agreement”), under which the lenders provided us with senior unsecured lending facilities of up to $1.5 billion, consisting of a $1.0 billion unsecured term loan and a $500 million unsecured revolving line of credit. The Credit Agreement permits us to declare and pay dividends, and repurchase shares, provided that no default on unmatured default exists and that we are in compliance with applicable financial covenants.

ITEM 6. EXHIBITS

The exhibits listed in the accompanying Exhibit Index are filed as part of this Quarterly Report on Form 10-Q.

All other items under Part II have been omitted because they are inapplicable or the answers are negative, or were previously reported in the 2015 Annual Report on Form 10-K filed June 24, 2015.

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SIGNATURES

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

PATTERSON COMPANIES, INC.
(Registrant)

Dated: March 10, 2016

By: /s/ Ann B. Gugino
Ann B. Gugino
Executive Vice President, Chief Financial Officer and Treasurer
(Principal Financial Officer and Principal Accounting Officer)

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EXHIBIT INDEX

Exhibit No.	Exhibit Description
31.1	Certification of the Chief Executive Officer pursuant to Rules 13a-4(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer pursuant to Rule 13a-4(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	Financials in XBRL format.