

REVLON INC /DE/  
Form 10-Q  
October 29, 2014

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2014

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

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

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

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

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

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

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).    Yes  No   
As of September 30, 2014, 52,356,798 shares of Class A Common Stock were outstanding. At such date, 40,669,640 shares of Class A Common Stock were beneficially owned by MacAndrews & Forbes Holdings Inc. and certain of its affiliates.

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REVLON, INC. AND SUBSIDIARIES  
INDEX

PART I - Financial Information

|         |  |           |
|---------|--|-----------|
| Item 1. | Financial Statements   | <u>2</u>  |
|         | Consolidated Balance Sheets as of September 30, 2014 (Unaudited) and December 31, 2013   | <u>2</u>  |
|         | Unaudited Consolidated Statements of Income and Comprehensive Income for the Three and Nine Months Ended September 30, 2014 and 2013 | <u>3</u>  |
|         | Unaudited Consolidated Statement of Stockholders' Deficiency for the Nine Months Ended September 30, 2014                            | <u>4</u>  |
|         | Unaudited Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2014 and 2013                                | <u>5</u>  |
|         | Notes to Unaudited Consolidated Financial Statements   | <u>6</u>  |
| Item 2. | Management's Discussion and Analysis of Financial Condition and Results of Operations  | <u>28</u> |
| Item 3. | Quantitative and Qualitative Disclosures About Market Risk   | <u>44</u> |
| Item 4. | Controls and Procedures  | <u>46</u> |

PART II - Other Information

|          |                   |           |
|----------|-------------------|-----------|
| Item 1.  | Legal Proceedings | <u>52</u> |
| Item 1A. | Risk Factors      | <u>52</u> |
| Item 6.  | Exhibits          | <u>53</u> |
|          | Signatures        | <u>54</u> |

## PART I - FINANCIAL INFORMATION

## Item 1. Financial Statements

REVLON, INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS

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

|   | September 30,<br>2014<br>(Unaudited) | December 31,<br>2013 <sup>(a)</sup> |
|---|--------------------------------------|-------------------------------------|
| <b>ASSETS</b>   |                                      |                                     |
| Current assets:   |                                      |                                     |
| Cash and cash equivalents   | \$178.4                              | \$244.1                             |
| Trade receivables, less allowance for doubtful accounts of \$6.1 and \$4.2 as of September 30, 2014 and December 31, 2013, respectively   | 256.0                                | 253.5                               |
| Inventories   | 187.2                                | 175.0                               |
| Deferred income taxes – current   | 61.8                                 | 65.1                                |
| Prepaid expenses and other  | 61.5                                 | 61.4                                |
| Total current assets  | 744.9                                | 799.1                               |
| Property, plant and equipment, net of accumulated depreciation of \$244.5 and \$243.1 as of September 30, 2014 and December 31, 2013, respectively                                    | 209.1                                | 195.9                               |
| Deferred income taxes – noncurrent  | 38.6                                 | 65.7                                |
| Goodwill  | 466.8                                | 472.3                               |
| Intangible assets, net of accumulated amortization of \$34.6 and \$19.0 as of September 30, 2014 and December 31, 2013, respectively  | 336.1                                | 360.1                               |
| Other assets  | 117.1                                | 123.8                               |
| Total assets  | \$1,912.6                            | \$2,016.9                           |
| <b>LIABILITIES AND STOCKHOLDERS' DEFICIENCY</b>   |                                      |                                     |
| Current liabilities:  |                                      |                                     |
| Short-term borrowings   | \$7.9                                | \$7.9                               |
| Current portion of long-term debt   | 7.0                                  | 65.4                                |
| Accounts payable  | 167.7                                | 165.7                               |
| Accrued expenses and other  | 261.4                                | 313.7                               |
| Total current liabilities   | 444.0                                | 552.7                               |
| Long-term debt  | 1,858.3                              | 1,862.3                             |
| Long-term pension and other post-retirement plan liabilities  | 96.4                                 | 118.3                               |
| Other long-term liabilities   | 84.5                                 | 80.1                                |
| Commitments and contingencies   |                                      |                                     |
| Stockholders' deficiency:   |                                      |                                     |
| Class A Common Stock, par value \$0.01 per share; 900,000,000 shares authorized; 53,925,029 and 53,231,651 shares issued as of September 30, 2014 and December 31, 2013, respectively | 0.5                                  | 0.5                                 |
| Additional paid-in capital  | 1,019.0                              | 1,015.3                             |
| Treasury stock, at cost: 754,853 shares of Class A Common Stock as of September 30, 2014 and December 31, 2013, respectively  | (9.8)                                | (9.8)                               |
| Accumulated deficit   | (1,414.5)                            | (1,452.7)                           |
| Accumulated other comprehensive loss  | (165.8)                              | (149.8)                             |
| Total stockholders' deficiency  | (570.6)                              | (596.5)                             |
| Total liabilities and stockholders' deficiency  | \$1,912.6                            | \$2,016.9                           |

(a) During the nine months ended September 30, 2014, the Company recorded Measurement Period Adjustments (as hereinafter defined) to certain net assets and intangible assets acquired in the Colomer Acquisition (as hereinafter defined) on October 9, 2013. Accordingly, the prior period has been retrospectively adjusted for such Measurement Period Adjustments. Refer to Note 2, "Business Combination" for additional details.

See Accompanying Notes to Unaudited Consolidated Financial Statements

2

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## REVLOON, INC. AND SUBSIDIARIES

## UNAUDITED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE (LOSS) INCOME

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

|  | Three Months Ended<br>September 30, |            | Nine Months Ended<br>September 30, |            |
|--|-------------------------------------|------------|------------------------------------|------------|
|  | 2014                                | 2013       | 2014                               | 2013       |
| Net sales  | \$472.3                             | \$333.1    | \$1,440.0                          | \$1,003.7  |
| Cost of sales  | 164.6                               | 121.1      | 495.3                              | 358.1      |
| Gross profit   | 307.7                               | 212.0      | 944.7                              | 645.6      |
| Selling, general and administrative expenses                               | 251.8                               | 164.1      | 761.6                              | 482.0      |
| Acquisition and integration costs  | 0.9                                 | 5.9        | 5.4                                | 6.3        |
| Restructuring charges and other, net                                       | 0.8                                 | (1.5)      | 18.1                               | 1.8        |
| Operating income   | 54.2                                | 43.5       | 159.6                              | 155.5      |
| Other expenses, net:   |                                     |            |                                    |            |
| Interest expense   | 20.6                                | 16.2       | 63.9                               | 50.8       |
| Interest expense – preferred stock dividends                               | —                                   | 1.7        | —                                  | 4.9        |
| Amortization of debt issuance costs  | 1.3                                 | 1.3        | 4.1                                | 3.8        |
| Loss on early extinguishment of debt                                       | —                                   | 0.2        | 2.0                                | 28.1       |
| Foreign currency losses, net   | 9.3                                 | 0.4        | 17.9                               | 3.2        |
| Miscellaneous, net   | 0.1                                 | 0.6        | 0.2                                | 0.8        |
| Other expenses, net  | 31.3                                | 20.4       | 88.1                               | 91.6       |
| Income from continuing operations before income taxes                      | 22.9                                | 23.1       | 71.5                               | 63.9       |
| Provision for income taxes   | 8.7                                 | 12.1       | 34.2                               | 30.3       |
| Income from continuing operations, net of taxes                            | 14.2                                | 11.0       | 37.3                               | 33.6       |
| Income (loss) from discontinued operations, net of taxes                   | 0.4                                 | (1.5)      | 0.9                                | (6.3)      |
| Net income   | \$14.6                              | \$9.5      | \$38.2                             | \$27.3     |
| Other comprehensive (loss) income:   |                                     |            |                                    |            |
| Currency translation adjustment, net of tax <sup>(a)</sup>                 | (18.3)                              | ) 1.1      | (17.1)                             | ) (3.6)    |
| Amortization of pension related costs, net of tax <sup>(b)(d)</sup>        | 1.1                                 | 2.0        | 3.4                                | 5.8        |
| Revaluation of derivative financial instruments, net of tax <sup>(c)</sup> | 0.6                                 | —          | (2.3)                              | ) —        |
| Other comprehensive (loss) income  | (16.6)                              | ) 3.1      | (16.0)                             | ) 2.2      |
| Total comprehensive (loss) income  | \$(2.0)                             | ) \$12.6   | \$22.2                             | \$29.5     |
| Basic earnings (loss) per common share:                                    |                                     |            |                                    |            |
| Continuing operations  | \$0.27                              | \$0.21     | \$0.71                             | \$0.64     |
| Discontinued operations  | 0.01                                | (0.03)     | ) 0.02                             | (0.12)     |
| Net income   | \$0.28                              | \$0.18     | \$0.73                             | \$0.52     |
| Diluted earnings (loss) per common share:                                  |                                     |            |                                    |            |
| Continuing operations  | \$0.27                              | \$0.21     | \$0.71                             | \$0.64     |
| Discontinued operations  | 0.01                                | (0.03)     | ) 0.02                             | (0.12)     |
| Net income   | \$0.28                              | \$0.18     | \$0.73                             | \$0.52     |
| Weighted average number of common shares outstanding:                      |                                     |            |                                    |            |
| Basic  | 52,356,798                          | 52,356,798 | 52,356,798                         | 52,356,798 |
| Diluted  | 52,414,963                          | 52,356,798 | 52,389,935                         | 52,356,798 |

(a)

Net of tax expense (benefit) of \$0.2 million and \$0.9 million for the three months ended September 30, 2014 and 2013, respectively, and \$(0.4) million and \$3.2 million for the nine months ended September 30, 2014 and 2013, respectively.

(b) Net of tax benefit of nil and \$(0.2) million for the three months ended September 30, 2014 and 2013, respectively, and nil and \$(0.9) million for the nine months ended September 30, 2014 and 2013, respectively.

(c) Net of tax expense (benefit) of \$0.4 million and \$(1.4) million for the three and nine months ended September 30, 2014, respectively.

This other comprehensive income component is included in the computation of net periodic benefit (income) costs.

(d) See Note 5, "Pension and Post-Retirement Benefits," for additional information regarding net periodic benefit (income) costs.

See Accompanying Notes to Unaudited Consolidated Financial Statements

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

|   | Common<br>Stock | Additional<br>Paid-In-Capital | Treasury<br>Stock | Accumulated<br>Deficit | Accumulated<br>Other<br>Comprehensive<br>Loss | Total<br>Stockholders'<br>Deficiency |
|---|-----------------|-------------------------------|-------------------|------------------------|---|--------------------------------------|
| Balance, January 1, 2014                          | \$0.5           | \$ 1,015.3                    | \$(9.8)           | \$(1,452.7)            | \$(149.8)                                     | \$(596.5)                            |
| Stock-based compensation<br>amortization          |                 | 3.7                           |                   |                        |   | 3.7                                  |
| Net income  |                 |                               |                   | 38.2                   |   | 38.2                                 |
| Other comprehensive income,<br>net <sup>(a)</sup> |                 |                               |                   |                        | (16.0)  | (16.0)                               |
| Balance, September 30, 2014                       | \$0.5           | \$ 1,019.0                    | \$(9.8)           | \$(1,414.5)            | \$(165.8)                                     | \$(570.6)                            |

<sup>(a)</sup> See Note 12, "Accumulated Other Comprehensive Loss," regarding the changes in the accumulated balances for each component of other comprehensive income during the nine months ended September 30, 2014.

See Accompanying Notes to Unaudited Consolidated Financial Statements



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

|   | Nine Months Ended September 30, |         |
|---|---------------------------------|---------|
|   | 2014                            | 2013    |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                                      |                                 |         |
| Net income  | \$38.2                          | \$27.3  |
| Adjustments to reconcile net income to net cash provided by operating activities: |                                 |         |
| Depreciation and amortization   | 76.4                            | 51.4    |
| Foreign currency loss from Venezuela re-measurement                               | 6.0                             | 0.6     |
| Amortization of debt discount   | 1.0                             | 1.2     |
| Stock-based compensation amortization   | 3.7                             | —       |
| Provision for deferred income taxes   | 28.0                            | 19.6    |
| Loss on early extinguishment of debt  | 2.0                             | 28.1    |
| Amortization of debt issuance costs   | 4.1                             | 3.8     |
| Insurance proceeds for property, plant and equipment                              | —                               | (13.1)  |
| Gain on sale of certain assets  | (0.4)                           | (3.1)   |
| Pension and other post-retirement income  | (3.9)                           | (0.2)   |
| Change in assets and liabilities:   |                                 |         |
| (Increase) decrease in trade receivables  | (16.4)                          | 16.9    |
| Increase in inventories   | (17.9)                          | (31.3)  |
| Increase in prepaid expenses and other current assets                             | (1.6)                           | (7.3)   |
| Increase in accounts payable  | 10.3                            | 4.2     |
| Decrease in accrued expenses and other current liabilities                        | (32.8)                          | (42.4)  |
| Pension and other post-retirement plan contributions                              | (16.4)                          | (16.0)  |
| Purchases of permanent displays   | (33.1)                          | (30.1)  |
| Other, net  | (0.5)                           | (3.8)   |
| Net cash provided by operating activities   | 46.7                            | 5.8     |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                                      |                                 |         |
| Capital expenditures  | (30.3)                          | (17.9)  |
| Insurance proceeds for property, plant and equipment                              | —                               | 13.1    |
| Proceeds from the sale of certain assets  | 0.9                             | 3.4     |
| Net cash used in investing activities   | (29.4)                          | (1.4)   |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>                                      |                                 |         |
| Net (decrease) increase in short-term borrowings and overdraft                    | (3.1)                           | 0.2     |
| Repayment under the Amended and Restated Senior Subordinated Term Loan            | (58.4)                          | —       |
| Repayments under the Acquisition Term Loan  | (5.3)                           | —       |
| Proceeds from the issuance of the 5¾% Senior Notes                                | —                               | 500.0   |
| Repayment of the 9¾% Senior Secured Notes   | —                               | (330.0) |
| Repayments under the 2011 Term Loan   | —                               | (113.0) |
| Payment of financing costs  | (1.8)                           | (32.7)  |
| Other financing activities  | (2.1)                           | (1.8)   |
| Net cash (used in) provided by financing activities                               | (70.7)                          | 22.7    |
| Effect of exchange rate changes on cash and cash equivalents                      | (12.3)                          | (4.1)   |
| Net (decrease) increase in cash and cash equivalents                              | (65.7)                          | 23.0    |
| Cash and cash equivalents at beginning of period                                  | 244.1                           | 116.3   |
| Cash and cash equivalents at end of period  | \$178.4                         | \$139.3 |
| <b>Supplemental schedule of cash flow information:</b>                            |                                 |         |
| Cash paid during the period for:  |                                 |         |

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|                              |        |        |
|------------------------------|--------|--------|
| Interest                     | \$72.7 | \$56.2 |
| Income taxes, net of refunds | 16.8   | 10.7   |
| Preferred stock dividends    | —      | 4.6    |

See Accompanying Notes to Unaudited Consolidated Financial Statements

5

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REVLOL, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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

1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

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

The Company's vision is to establish Revlon as the quintessential and most innovative beauty company in the world by offering products that make consumers feel attractive and beautiful. We want to inspire our consumers to express themselves boldly and confidently. The Company operates in two segments, the consumer division ("Consumer") and the professional division ("Professional"), and manufactures, markets and sells worldwide an extensive array of beauty and personal care products, including cosmetics, hair color, hair care and hair treatments, beauty tools, men's grooming products, anti-perspirant deodorants, fragrances, skincare and other beauty care products. The Company's principal customers for its products in the Consumer segment include large mass volume retailers and chain drug and food stores (collectively, the "mass retail channel") in the U.S. and internationally, as well as certain department stores and other specialty stores, such as perfumeries, outside the U.S. The Company's principal customers for its products in the Professional segment include hair and nail salons and distributors in the U.S. and internationally.

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

The preparation of financial statements in conformity with U.S. generally accepted accounting principles ("U.S. GAAP") requires management to make estimates and assumptions that affect amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the financial statements and reported amounts of revenues and expenses during the periods presented. Actual results could differ from these estimates. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the consolidated financial statements in the period they are determined to be necessary. Significant estimates made in the accompanying Unaudited Consolidated Financial Statements include, but are not limited to, allowances for doubtful accounts, inventory valuation reserves, expected sales returns and allowances, trade support costs, certain assumptions related to the valuation of acquired intangible and long-lived assets and the recoverability of intangible and long-lived assets, income taxes, including deferred tax valuation allowances and reserves for estimated tax liabilities, restructuring costs, certain estimates and assumptions used in the calculation of the net periodic benefit (income) costs and the projected benefit obligations for the Company's pension and other post-retirement plans, including the expected long-term return on pension plan assets and the discount rate used to value the Company's pension benefit obligations. The Unaudited Consolidated Financial Statements should be read in conjunction with the consolidated financial statements and related notes contained in Revlon, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2013, filed with the U.S. Securities and Exchange Commission (the "SEC") on March 5, 2014 (the "2013 Form 10-K"). The Company's results of operations and financial position for interim periods are not necessarily indicative of those to be expected for a full year.

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

Immaterial Correction - Presentation of Consolidated Balance Sheet as of December 31, 2013

The previously recorded deferred income taxes - noncurrent, which represent the Company's noncurrent deferred tax assets, and other long-term liabilities, which include the Company's noncurrent deferred tax liabilities, as of December 31, 2013 were retrospectively corrected to reflect the Consumer and Professional U.S. entities as one tax-paying component, as well as to appropriately reflect offsetting noncurrent deferred tax assets and noncurrent deferred tax

liabilities within other Professional entities. The Company has deemed the correction to be immaterial as there is no impact to the Company's results of operations, cash flows and stockholders' deficiency for any period, and there are no qualitative factors which would indicate that the change is material. This immaterial correction decreased deferred income taxes - noncurrent and other long-term liabilities, as of December 31, 2013, to \$65.7 million and \$80.1 million, respectively, as reported in the accompanying Consolidated Balance Sheet, from the previously reported amounts of \$179.6 million and \$194.0 million, respectively.

REVLON, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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

Discontinued Operations Presentation

As a result of the Company's decision on December 30, 2013 to exit its business operations in China, the Company is reporting the results of its China operations within income (loss) from discontinued operations, net of taxes in the Company's Unaudited Consolidated Statements of Income and Comprehensive Income. Accordingly, prior year amounts have been reclassified to conform to the current period's presentation. See Note 4, "Discontinued Operations," for further discussion.

Impact of Foreign Currency Translation - Venezuela Currency

In January 2014, the Venezuela government announced that the Comisión de Administración de Divisas ("CADIVI") would be replaced by the government-operated National Center of Foreign Commerce (the "CENCOEX"), and indicated that the Sistema Complementario de Administración de Divisas ("SICAD") market would continue to be offered as an alternative foreign currency exchange. Additionally, a parallel foreign currency exchange system has been developed, SICAD II, which started functioning in March 2014, and for the second quarter of 2014 the SICAD II exchange market had an average transaction rate to the Company of approximately 53 Bolivars per U.S. Dollar (the "SICAD II Rate"). The SICAD II market allows companies to apply for the purchase of foreign currency and foreign currency denominated securities for any legal use or purpose.

During the first nine months of 2014, the Company continued to exchange Bolivars for U.S. Dollars to the extent permitted through the CENCOEX, SICAD and SICAD II markets based on its ability to participate in those markets. As a result, the Company considered its specific facts and circumstances in order to determine the appropriate rate of exchange to translate Revlon Venezuela's financial statements. Based on the Company's assessment of factors, including of its legal ability and intent to continue to participate in the SICAD II exchange market to import finished goods into Venezuela, the Company determined that it was appropriate to utilize the SICAD II Rate of 53 Bolivars per U.S. Dollar to translate Revlon Venezuela's financial statements beginning on June 30, 2014.

As a result of the change from the official rate of 6.3 Bolivars per U.S. Dollar to the SICAD II Rate on June 30, 2014, the Company was required to re-measure all of Revlon Venezuela's monetary assets and liabilities at the rate of 53 Bolivars per U.S. Dollar as of June 30, 2014. Non-monetary assets and liabilities continue to be measured at their historical rates. The Company recorded a foreign currency loss of \$6.0 million in the second quarter of 2014 as a result of the required re-measurement of Revlon Venezuela's balance sheet. As Venezuela was designated as a highly inflationary economy effective January 1, 2010, the Company reflected this foreign currency loss in earnings. For both the three and nine months ended September 30, 2014, the change to the SICAD II Rate, as compared to the 6.3 Bolivars per U.S. Dollar official rate, had the impact of reducing net sales by \$6.7 million and reducing operating income by \$4.1 million.

Recently Adopted Accounting Pronouncements

In March 2013, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2013-04, "Accounting for Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation is Fixed at the Reporting Date," requiring an entity to record an obligation resulting from joint and several liability arrangements at the greater of the amount that the entity has agreed to pay or the amount the entity expects to pay. Additional disclosures about joint and several liability arrangements will also be required. This guidance is effective for fiscal periods beginning after December 15, 2013, and is applied retrospectively for obligations that existed at the beginning of the fiscal year for which the entity adopted such guidance, with early adoption permitted. The Company adopted ASU No. 2013-04 beginning January 1, 2014, and such adoption did not have an impact on the Company's results of operations, financial condition or disclosures.

Recently Issued Accounting Pronouncements

In April 2014, the FASB issued ASU No. 2014-08, "Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity," which changes the requirements for reporting discontinued operations under Accounting Standards Codification Topic 205. Under ASU No. 2014-08, a disposal of a component of an entity or a group of

components of an entity is required to be reported in discontinued operations if the disposal represents a strategic shift that has, or will have, a major effect on an entity's operations and financial results. The standard states that a strategic shift could include a disposal of (i) a major geographical area of operations, (ii) a major line of business, (iii) a major equity method investment or (iv) other major parts of an entity. ASU No. 2014-08 no longer precludes presentation as a discontinued operation if (i) there are operations and cash flows of the component that have not been eliminated from the reporting entity's ongoing operations or (ii) there is significant continuing involvement with a component after its disposal. Additional disclosures about discontinued operations will also be required. The guidance is effective for annual periods beginning on or after December 15, 2014, and is to be applied prospectively to new disposals and new classifications of disposal groups as held for sale after the effective date. The Company expects to adopt ASU No. 2014-08 on a prospective basis beginning January 1, 2015.

## REVLON, INC. AND SUBSIDIARIES

## NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers," which supersedes the revenue recognition requirements in the Accounting Standards Codification ("Codification") Topic 605, Revenue Recognition, and most industry-specific guidance throughout the Industry Topics of the Codification. The core principle of the new ASU No. 2014-09 is for companies to recognize revenue from the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. The new standard also will result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements. The guidance is effective for annual and interim periods beginning after December 15, 2016, with early adoption prohibited. The Company expects to adopt ASU No. 2014-09 beginning January 1, 2017 and is in the process of assessing the impact that the new guidance will have on the Company's results of operations, financial condition and disclosures.

In August 2014, the FASB issued ASU No. 2014-15, "Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern" that will explicitly require management to assess an entity's ability to continue as a going concern and to provide related footnote disclosures if conditions give rise to substantial doubt. According to the new standard, substantial doubt exists if it is probable that the entity will be unable to meet its obligations within one year after the issuance date. The likelihood threshold of "probable", similar to its current use in U.S. GAAP for loss contingencies, is used to define substantial doubt. Disclosures will be required if conditions give rise to substantial doubt including whether and how management's plans will alleviate the substantial doubt. The guidance is effective for annual periods beginning after December 15, 2015, with early adoption prohibited. The Company expects to adopt ASU No. 2014-15 beginning January 1, 2016 and is in the process of assessing the impact that the new guidance will have on the Company's disclosures.

## 2. BUSINESS COMBINATION

## The Colomer Acquisition

On October 9, 2013 (the "Acquisition Date"), Products Corporation completed its acquisition of The Colomer Group Participations, S.L. ("Colomer" and the "Colomer Acquisition"), a Spanish company which primarily manufactures, markets and sells professional products to hair and nail salons and other professional channels under brands such as Revlon Professional, CND, including CND Shellac, and American Crew, as well as retail and multi-cultural product lines. The cash purchase price for the Colomer Acquisition was \$664.5 million, which Products Corporation financed with proceeds from the Acquisition Term Loan under the Amended Term Loan Facility (both as hereinafter defined). The Colomer Acquisition provides the Company with broad brand, geographic and channel diversification and substantially expands the Company's business, providing both distribution into new channels and cost synergy opportunities.

The results of operations of the Colomer business are included in the Company's Consolidated Financial Statements commencing on the Acquisition Date.

For the three and nine months ended September 30, 2014 and 2013, respectively, the Company incurred acquisition and integration costs related to the Colomer Acquisition, which consist of the following:

|   | Three Months Ended<br>September 30, |       | Nine Months Ended<br>September 30, |       |
|---|-------------------------------------|-------|------------------------------------|-------|
|   | 2014                                | 2013  | 2014                               | 2013  |
| Acquisition costs                       | \$0.1                               | \$5.9 | \$0.5                              | \$6.3 |
| Integration costs                       | 0.8                                 | —     | 4.9                                | —     |
| Total acquisition and integration costs | \$0.9                               | \$5.9 | \$5.4                              | \$6.3 |

The acquisition costs primarily include legal and consulting fees related to the Colomer Acquisition. The integration costs consist of non-restructuring costs related to the Company's plans to integrate Colomer's operations into the Company's business, and, for 2014, primarily include employee-related costs related to management changes and

audit-related fees.

**Purchase Price Allocation**

The Company accounted for the Colomer Acquisition as a business combination during the fourth quarter of 2013. The table below summarizes the amounts recognized for assets acquired and liabilities assumed as of the Acquisition Date, as well as adjustments made in the period after the Acquisition Date to the amounts initially recorded in 2013 (the "Measurement Period Adjustments"). Accordingly, the Company retrospectively adjusted its consolidated balance sheet as of December 31, 2013 to reflect these Measurement Period Adjustments. The Measurement Period Adjustments did not have a material impact on the Company's Consolidated Statements of Income and Comprehensive Income for the year ended December 31, 2013.

8

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## REVLON, INC. AND SUBSIDIARIES

## NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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

The total consideration of \$664.5 million was recorded based on the respective estimated fair values of the net assets acquired on the Acquisition Date with resulting goodwill, as follows:

|  | Amounts Previously<br>Recognized as of<br>October 9, 2013<br>(Provisional) <sup>(a)</sup> | Measurement<br>Period<br>Adjustments | Amounts<br>Recognized as of<br>Acquisition Date<br>(Adjusted) |
|--|---|--------------------------------------|---|
| Cash and cash equivalents                            | \$36.9  | \$—                                  | \$36.9  |
| Trade receivables                                    | 83.9  | —                                    | 83.9  |
| Inventories  | 75.1  | —                                    | 75.1  |
| Prepaid expenses and other                           | 31.3  | —                                    | 31.3  |
| Property, plant and equipment                        | 96.7  | —                                    | 96.7  |
| Intangible assets <sup>(b)</sup>                     | 292.7   | 5.4                                  | 298.1   |
| Goodwill <sup>(b)(c)</sup>                           | 255.7   | (2.4)                                | 253.3   |
| Deferred tax asset - noncurrent                      | 53.1  | —                                    | 53.1  |
| Other assets <sup>(c)</sup>                          | 1.9   | 3.9                                  | 5.8   |
| Total assets acquired                                | 927.3   | 6.9                                  | 934.2   |
| Accounts payable                                     | 48.0  | —                                    | 48.0  |
| Accrued expenses and other                           | 65.6  | —                                    | 65.6  |
| Long-term debt                                       | 0.9   | —                                    | 0.9   |
| Long-term pension and other benefit plan liabilities | 4.5   | —                                    | 4.5   |
| Deferred tax liability <sup>(b)</sup>                | 123.3   | 2.1                                  | 125.4   |
| Other long-term liabilities <sup>(c)</sup>           | 20.5  | 4.8                                  | 25.3  |
| Total liabilities assumed                            | 262.8   | 6.9                                  | 269.7   |
| Total consideration                                  | \$664.5   | \$—                                  | \$664.5   |

<sup>(a)</sup> As previously reported in Revlon, Inc.'s 2013 Form 10-K.

<sup>(b)</sup> The Measurement Period Adjustments to intangible assets, deferred tax liability and goodwill in the first quarter of 2014 related to a change in assumptions used to calculate the fair value of an acquired customer relationship intangible asset, which increased the intangible asset by \$5.4 million and extended the life of the asset from 10 to 20 years, increased deferred tax liabilities by \$2.1 million, and resulted in a net decrease to goodwill of \$3.3 million.

<sup>(c)</sup> The Company recorded a \$3.9 million income tax adjustment to the beginning tax balance within other assets and a \$4.8 million adjustment to other long-term liabilities, resulting in a net increase to goodwill of \$0.9 million.

In determining the fair values of net assets acquired and resulting goodwill, the Company considered, among other factors, an analysis of Colomer's historical financial performance and an estimate of the future performance of the acquired business, as well as market participants' intended use of the acquired assets.

The acquired intangible assets, based on the fair values of the identifiable intangible assets, are as follows:

|                                  | Fair Values at October<br>9, 2013 | Weighted Average<br>Useful Life (in years) |
|----------------------------------|-----------------------------------|--|
| Trade names, indefinite-lived    | \$108.6                           | Indefinite                                 |
| Trade names, finite-lived        | 109.4                             | 5 - 20                                     |
| Customer relationships           | 62.4                              | 15 - 20                                    |
| License agreement                | 4.1                               | 10   |
| Internally-developed IP          | 13.6                              | 10   |
| Total acquired intangible assets | \$298.1                           |  |



## REVLON, INC. AND SUBSIDIARIES

## NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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

## Unaudited Pro Forma Results

The following table presents the Company's pro forma consolidated net sales and income from continuing operations, before income taxes for the three and nine months ended September 30, 2013. The unaudited pro forma results include the historical consolidated statements of operations of the Company and Colomer, giving effect to the Colomer Acquisition and related financing transactions as if they had occurred on January 1, 2012.

|  | Unaudited Pro Forma Results              |   |
|--|--|---|
|  | Three Months Ended<br>September 30, 2013 | Nine Months Ended<br>September 30, 2013 |
| Net sales  | \$473.9                                  | \$1,408.1                               |
| Income from continuing operations, before income taxes | 43.9                                     | 92.8                                    |

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

- (i) the pro forma increase in depreciation and amortization expense based on the fair value adjustments to property, plant and equipment and acquired finite-lived intangible assets recorded in connection with the Colomer Acquisition of \$4.6 million and \$13.8 million in the three and nine months ended September 30, 2013, respectively;
- (ii) the elimination of goodwill impairment charges recognized by Colomer of \$9.0 million, in both the three and nine months ended September 30, 2013;
- (iii) the elimination of acquisition and integration costs recognized by the Company and Colomer aggregating to \$5.9 million and \$6.7 million in the three and nine months ended September 30, 2013, respectively;
- (iv) the elimination of Colomer's debt facility fees of \$3.6 million, in both the three and nine months ended September 30, 2013, respectively, as the debt facility was terminated on the Acquisition Date; and
- (v) the pro forma increase in interest expense and amortization of debt issuance costs, resulting from the issuance of the Acquisition Term Loan used by Products Corporation to finance the Colomer Acquisition, for a total combined increase of \$6.2 million and \$18.5 million for the three and nine months ended September 30, 2013, respectively.

The unaudited pro forma results do not include: (1) any revenue or cost reductions that may be achieved through the business combination; or (2) the impact of non-recurring items directly related to the business combination.

The unaudited pro forma results are not necessarily indicative of the operating results that would have occurred if the Colomer Acquisition had been completed as of the date for which the pro forma financial information is presented. In addition, the unaudited pro forma results do not purport to project the future consolidated operating results of the combined company.

## 3. RESTRUCTURING CHARGES

## Integration Program

In January 2014, the Company announced that it was implementing actions to integrate Colomer's operations into the Company's business, as well as additional restructuring actions identified to reduce costs across the Company's businesses (all such actions, together, the "Integration Program").

The Company expects to recognize total restructuring charges, capital expenditures and related non-restructuring costs under the Integration Program of approximately \$50 million in the aggregate over the periods described below.

The Integration Program is designed to deliver cost reductions throughout the combined organization by generating synergies and operating efficiencies within the Company's global supply chain and consolidating offices and back office support, and other actions designed to reduce selling, general and administrative ("SG&A") expenses. Certain actions that are part of the Integration Program are subject to consultations with employees, works councils or unions and governmental authorities. The Company expects to substantially complete the Integration Program by the end of 2015.

The approximately \$50 million of total expected non-restructuring costs, capital expenditures and restructuring charges under the Integration Program referred to above consist of the following:

\$12.5 million and \$4.9 million of non-restructuring integration costs recognized in 2013 and for the nine months ended September 30, 2014, respectively. Such costs have been reflected within acquisition and integration costs in the Company's Consolidated Statements of Income and Comprehensive Income and are related to combining Colomer's operations into the Company's business;

10

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## REVLON, INC. AND SUBSIDIARIES

## NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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

Expected integration-related capital expenditures of approximately \$7 million, \$3.3 million of which has been paid 2. in the nine months ended September 30, 2014, approximately \$1.9 million is expected to be paid during the remainder of 2014 and the remaining balance in 2015; and

The Company expects total restructuring and related charges of approximately \$26 million, \$17.1 million of which was recognized for the nine months ended September 30, 2014. Approximately \$4 million of charges are expected 3. to be recognized during the remainder of 2014 and any remaining charges to be recognized in 2015. A summary of the restructuring and related charges incurred through September 30, 2014 and expected to be incurred for the Integration Program, are as follows:

|   | Restructuring Charges and<br>Other, Net<br>Employee<br>Severance<br>and<br>Other<br>Personnel<br>Benefits |       | Total<br>Restructuring<br>Charges | Inventory Write-offs<br>and Other<br>Manufacturing-Related<br>Costs (a) | Other<br>Charges<br>(b) | Total<br>Restructuring<br>and Related<br>Charges |
|---|---|-------|-----------------------------------|---|-------------------------|--|
| Charges incurred through the nine months ended September 30, 2014 | \$15.2  | \$1.2 | \$16.4                            | \$0.2   | \$0.5                   | \$17.1   |
| Total expected charges  | \$17.5  | \$3.0 | \$20.5                            | \$2.0   | \$3.5                   | \$26.0   |

(a) Inventory write-offs and other manufacturing-related costs are recorded within cost of sales within the Company's Consolidated Statements of Income and Comprehensive Income.

(b) Other charges are recorded within SG&A expenses within the Company's Consolidated Statements of Income and Comprehensive Income.

Of the \$17.1 million of restructuring and related charges recognized through the third quarter 2014, \$7.3 million relate to the Consumer segment and \$9.8 million relate to the Professional segment.

The Company expects that cash payments related to the restructuring and related charges in connection with the Integration Program will total approximately \$25 million, of which \$6.4 million was paid during the nine months ended September 30, 2014, approximately \$7 million is expected to be paid during the remainder of 2014 and the majority of the remaining balance is expected to be paid in 2015.

## December 2013 Program

In December 2013, the Company announced restructuring actions that include exiting its business operations in China, as well as implementing other immaterial restructuring actions outside the U.S. that are expected to generate other operating efficiencies (the "December 2013 Program"). Certain of these restructuring actions are subject to consultations with employees, works councils or unions and governmental authorities and has resulted in the Company eliminating approximately 1,100 positions in 2014, primarily in China, which included eliminating in the first quarter of 2014 approximately 940 beauty advisors retained indirectly through a third-party agency. The charges incurred for the December 2013 Program relate entirely to the Consumer segment.

## REVLOON, INC. AND SUBSIDIARIES

## NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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

A summary of the restructuring and related charges incurred through September 30, 2014 and expected to be incurred for the December 2013 Program, are as follows:

|  | Restructuring Charges and Other, Net Employee Severance and Other Personnel Benefits | Other  | Total Restructuring Charges | Allowances and Returns | Inventory Write-offs | Other Charges | Total Restructuring and Related Charges |
|--|--|--------|-----------------------------|------------------------|----------------------|---------------|---|
| Charges incurred through December 31, 2013                                       | \$9.1  | \$0.5  | \$ 9.6                      | \$ 7.4                 | \$ 4.0               | \$0.4         | \$ 21.4                                 |
| Adjustments recorded for the nine months ended September 30, 2014 <sup>(a)</sup> | (0.5 )   | (0.2 ) | (0.7 )                      | (0.9 )                 | (0.9 )               | —             | (2.5 )                                  |
| Cumulative charges incurred through September 30, 2014                           | \$8.6  | \$0.3  | \$ 8.9                      | \$ 6.5                 | \$ 3.1               | \$0.4         | \$ 18.9                                 |
| Total expected charges   | \$8.6  | \$0.3  | \$ 8.9                      | \$ 6.5                 | \$ 3.1               | \$0.4         | \$ 18.9                                 |

Of the \$2.5 million adjustments for the nine months ended September 30, 2014 related to the December 2013 Program, \$2.3 million relates to the Company's exit of its business operations in China and is recorded within <sup>(a)</sup> income (loss) from discontinued operations, net of taxes. See Note 4, "Discontinued Operations," for further discussion. The remaining \$0.2 million is recorded in restructuring charges and other, net within income from continuing operations, net of taxes.

The Company expects cash payments related to the December 2013 Program to total approximately \$17 million, of which \$0.1 million was paid in 2013, \$15.1 million was paid during the nine months ended September 30, 2014, and the majority of the remaining balance is expected to be paid during the remainder of 2014.

## September 2012 Program

In September 2012, the Company announced a restructuring (the "September 2012 Program"), which primarily involved the Company exiting its owned manufacturing facility in France and its leased manufacturing facility in Maryland; rightsizing its organizations in France and Italy; and realigning its operations in Latin America and Canada. The charges incurred related to the September 2012 Program relate entirely to the Consumer segment.

During the first nine months of 2013, the Company recorded charges related to the September 2012 Program of \$2.2 million. Of the \$2.2 million charge, \$1.8 million was recorded in restructuring charges, \$0.2 million was recorded in cost of sales and \$0.2 million was recorded in SG&A expenses. The Company recognized cumulative charges of \$27.2 million through December 31, 2013 related to the September 2012 Program, all of which relate to the Company's Consumer segment. There were no charges related to such program for the nine months ended September 30, 2014.

The Company expects net cash payments to total approximately \$25 million related to the September 2012 Program, of which \$21.1 million was paid cumulatively through December 31, 2013, \$3.2 million was paid during the nine months ended September 30, 2014 and the balance is expected to be paid during the remainder of 2014.

## Other Immaterial Actions

During the first nine months of 2014, the Company recorded net charges totaling \$1.9 million within restructuring charges and other, net, for other immaterial restructuring actions within the Consumer segment, primarily due to \$2.2 million of charges related to employee-related costs, partially offset by a \$0.3 million gain related to the sale of equipment.



## REVLON, INC. AND SUBSIDIARIES

## NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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

## Restructuring Reserve

The related liability balance and activity for the restructuring costs are presented below:

|   | Balance<br>Beginning<br>of Year | (Income)<br>Expense,<br>Net | Foreign<br>Currency<br>Translation | Utilized, Net |          | Balance End<br>of Year |
|---|---------------------------------|-----------------------------|------------------------------------|---------------|----------|------------------------|
|   |                                 |                             |                                    | Cash          | Non-cash |                        |
| <b>Integration Program:</b>   |                                 |                             |                                    |               |          |                        |
| Employee severance and other personnel benefits   | \$—                             | \$15.2                      | \$—                                | \$(5.1)       | \$—      | \$10.1                 |
| Other   | —                               | 1.2                         | —                                  | (1.0)         | —        | 0.2                    |
| <b>December 2013 Program:</b>   |                                 |                             |                                    |               |          |                        |
| Employee severance and other personnel benefits   | 9.0                             | (0.5)                       | (0.2)                              | (7.3)         | 0.2      | 1.2                    |
| Other   | 0.5                             | (0.2)                       | —                                  | (0.3)         | —        | —                      |
| <b>September 2012 Program:</b>  |                                 |                             |                                    |               |          |                        |
| Employee severance and other personnel benefits   | 2.7                             | —                           | (0.1)                              | (2.4)         | —        | 0.2                    |
| Other   | 1.5                             | —                           | —                                  | (0.8)         | —        | 0.7                    |
| <b>2014 Other Immaterial Actions:</b>   |                                 |                             |                                    |               |          |                        |
| Employee severance and other personnel benefits   | —                               | 2.2                         | (0.1)                              | (1.8)         | —        | 0.3                    |
| Other   | —                               | —                           | —                                  | —             | —        | —                      |
| Total restructuring reserve   | \$13.7                          | \$17.9                      | \$(0.4)                            | \$(18.7)      | \$0.2    | \$12.7                 |
| Gain on sale of equipment for 2014 Other Immaterial Actions   |                                 | (0.3)                       |                                    |               |          |                        |
| Portion of restructuring benefits recorded within income (loss) from discontinued operations <sup>(a)</sup> |                                 | 0.5                         |                                    |               |          |                        |
| Total restructuring charges and other, net, from continuing operations                                      |                                 | \$18.1                      |                                    |               |          |                        |

<sup>(a)</sup> Refer to Note 4, "Discontinued Operations" for additional information regarding the Company's exit of its business operations in China.

As of September 30, 2014, \$12.2 million of the restructuring reserve balance was included within accrued expenses and other and \$0.5 million was included within other long-term liabilities in the Company's Consolidated Balance Sheet. As of December 31, 2013, the entire restructuring reserve balance was included within accrued expenses and other in the Company's Consolidated Balance Sheet.

## 4. DISCONTINUED OPERATIONS

On December 30, 2013, the Company announced that it was implementing restructuring actions that include exiting its business operations in China (refer to Note 3, "Restructuring Charges"). The Company expects to complete such exit by the end of 2014.

The results of the China discontinued operations are included within income (loss) from discontinued operations, net of taxes, within the Consumer segment. The summary comparative financial results of discontinued operations are as follows:



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|  | Three Months Ended<br>September 30, |       | Nine Months Ended September<br>30, |        |   |
|--|-------------------------------------|-------|------------------------------------|--------|---|
|  | 2014                                | 2013  | 2014                               | 2013   |   |
| Net sales <sup>(a)</sup>                                 | \$—                                 | \$6.3 | \$2.6                              | \$17.7 |   |
| Income (loss) from discontinued operations, before taxes | 0.4                                 | (1.6  | ) 1.1                              | (6.7   | ) |
| Provision for income taxes                               | —                                   | 0.1   | 0.2                                | 0.4    |   |
| Income (loss) from discontinued operations, net of taxes | 0.4                                 | (1.5  | ) 0.9                              | (6.3   | ) |

<sup>(a)</sup> Net sales during the first nine months of 2014 primarily represent favorable adjustments to sales returns related to the Company's exit of its China operations.

## REVLON, INC. AND SUBSIDIARIES

## NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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

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

|                             | September 30,<br>2014 | December 31,<br>2013 |
|-----------------------------|-----------------------|----------------------|
| Cash and cash equivalents   | \$3.4                 | \$0.9                |
| Trade receivables, net      | 0.2                   | 1.9                  |
| Inventories                 | —                     | —                    |
| Other current assets        | 0.1                   | —                    |
| Total current assets        | 3.7                   | 2.8                  |
| Total assets                | \$3.7                 | \$2.8                |
| Accounts payable            | \$1.5                 | \$4.7                |
| Accrued expenses and other  | 4.0                   | 27.6                 |
| Total current liabilities   | 5.5                   | 32.3                 |
| Other long-term liabilities | —                     | 2.8                  |
| Total liabilities           | \$5.5                 | \$35.1               |

## 5. PENSION AND POST-RETIREMENT BENEFITS

The components of net periodic benefit (income) costs for the Company's pension and the other post-retirement benefit plans for the third quarter of 2014 and 2013 were as follows:

|                                      | Pension Plans<br>Three Months Ended<br>September 30, |          | Other<br>Post-Retirement<br>Benefit Plans<br>Three Months Ended<br>September 30, |       |
|--------------------------------------|--|----------|--|-------|
|                                      | 2014   | 2013     | 2014   | 2013  |
| Net periodic benefit (income) costs: |  |          |  |       |
| Service cost                         | \$0.2  | \$0.3    | \$—  | \$—   |
| Interest cost                        | 7.5  | 6.9      | 0.2  | 0.1   |
| Expected return on plan assets       | (10.3  | ) (9.6   | ) —  | —     |
| Amortization of actuarial loss       | 1.1  | 2.1      | —  | 0.1   |
|                                      | (1.5   | ) (0.3   | ) 0.2  | 0.2   |
| Portion allocated to Revlon Holdings | (0.1   | ) —      | —  | —     |
|                                      | \$(1.6   | ) \$(0.3 | ) \$0.2  | \$0.2 |

## REVLON, INC. AND SUBSIDIARIES

## NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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

The components of net periodic benefit (income) costs for the Company's pension and the other post-retirement benefit plans for the first nine months of 2014 and 2013 were as follows:

|                                      | Pension Plans                   |           | Other Post-Retirement Benefit Plans |        |
|--------------------------------------|---------------------------------|-----------|-------------------------------------|--------|
|                                      | Nine Months Ended September 30, |           | Nine Months Ended September 30,     |        |
|                                      | 2014                            | 2013      | 2014                                | 2013   |
| Net periodic benefit (income) costs: |                                 |           |                                     |        |
| Service cost                         | \$0.6                           | \$0.7     | \$—                                 | \$—    |
| Interest cost                        | 22.6                            | 20.7      | 0.5                                 | 0.4    |
| Expected return on plan assets       | (31.0                           | ) (28.7   | ) —                                 | —      |
| Amortization of actuarial loss       | 3.3                             | 6.4       | 0.1                                 | 0.3    |
|                                      | (4.5                            | ) (0.9    | ) 0.6                               | 0.7    |
| Portion allocated to Revlon Holdings | (0.1                            | ) (0.1    | ) —                                 | —      |
|                                      | \$ (4.6                         | ) \$ (1.0 | ) \$ 0.6                            | \$ 0.7 |

In the three and nine months ended September 30, 2014, the Company recognized net periodic benefit income of \$(1.4) million and \$(4.0) million, respectively, compared to \$(0.1) million and \$(0.3) million in the three and nine months ended September 30, 2013, respectively, primarily due to an increase in the fair value of pension plan assets at December 31, 2013, as well as lower amortization of actuarial losses.

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

|   | Three Months Ended September 30, |          | Nine Months Ended September 30, |          |
|---|----------------------------------|----------|---------------------------------|----------|
|   | 2014                             | 2013     | 2014                            | 2013     |
| Net periodic benefit (income) costs:        |                                  |          |                                 |          |
| Cost of sales                               | \$(1.2                           | ) \$(0.6 | ) \$(3.0                        | ) \$(1.5 |
| Selling, general and administrative expense | (0.2                             | ) 0.6    | (0.5                            | ) 1.8    |
| Inventories                                 | —                                | (0.1     | ) (0.5                          | ) (0.6   |
|   | \$ (1.4                          | ) \$(0.1 | ) \$ (4.0                       | ) \$(0.3 |

The Company expects that it will have net periodic benefit income of approximately \$(5) million for its pension and other post-retirement benefit plans for all of 2014, compared with net periodic benefit income of \$(0.4) million in 2013.

During the third quarter of 2014, \$4.5 million and \$0.2 million were contributed to the Company's pension and post-retirement benefit plans, respectively. During the first nine months of 2014, \$15.8 million and \$0.6 million were contributed to the Company's pension plans and other post-retirement benefit plans, respectively. The Company currently expects to contribute approximately \$20 million in the aggregate to its pension and other post-retirement benefit plans in 2014.

Relevant aspects of the qualified defined benefit pension plans, nonqualified pension plans and other post-retirement benefit plans sponsored by Products Corporation are disclosed in Note 16, "Savings Plan, Pension and Post-Retirement Benefits," to the Consolidated Financial Statements in Revlon, Inc.'s 2013 Form 10-K.

## 6. SEGMENT DATA AND RELATED INFORMATION

Reportable operating segments include components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker (the "Chief Executive Officer") in deciding how to allocate resources and in assessing performance. As a result of the similarities in the procurement, marketing and distribution processes for all of the Company's products, much of the information provided in the consolidated

financial statements is similar to, or the same as, that reviewed on a regular basis by the Company's management.

REVLON, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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

At September 30, 2014, the Company's operations are organized into the following two operating segments, which also represent the Company's reportable segments:

- Consumer - The Consumer segment is comprised of the Company's consumer brands, which primarily include Revlon, Almay, SinfulColors and Pure Ice in cosmetics; Revlon ColorSilk in women's hair color; Revlon in beauty tools; and Mitchum in anti-perspirant deodorants. The Company's principal customers for its consumer products include the mass retail channel, consisting of large mass volume retailers and chain drug and food stores in the U.S. and internationally, as well as certain department stores and other specialty stores, such as perfumeries, outside the U.S. The Consumer segment also includes a skincare and hair color line sold in the mass retail channel, primarily in Spain, which were acquired as part of the Colomer Acquisition.

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

The Company's management evaluates segment profit, which is defined as income from continuing operations before interest, taxes, depreciation, amortization, stock-based compensation expense, gains/losses on foreign currency fluctuations, gains/losses on the early extinguishment of debt and miscellaneous expenses, for each of the Company's Consumer and Professional segments. Segment profit also excludes unallocated corporate expenses and the impact of certain items that are not directly attributable to the segments' underlying operating performance, which for the three and nine months ended September 30, 2014 and 2013 include the impact of: (i) restructuring and related charges; (ii) acquisition and integration costs; (iii) costs of sales resulting from a fair value adjustment to inventory acquired in the Colomer Acquisition; (iv) insurance proceeds received in 2013 related to the 2011 fire that destroyed the Company's facility in Venezuela; (v) insurance proceeds from the recovery of litigation settlements; and (vi) an accrual for estimated clean-up costs related to the Company's facility in Venezuela. Such items are shown in the table reconciling segment profit to consolidated income from continuing operations before income taxes. Unallocated corporate expenses primarily include general and administrative expenses related to the corporate organization. These expenses are recorded in unallocated corporate expenses as these items are centrally directed and controlled and are not included in internal measures of segment operating performance. The Company does not have any material inter-segment sales.

The accounting policies for each of the reportable segments are the same as those described in Note 1, "Description of Business and Summary of Significant Accounting Policies" in Revlon, Inc.'s 2013 Form 10-K. The assets and liabilities of the Company are managed centrally and are reported internally in the same manner as the consolidated financial statements; thus, no additional information regarding assets and liabilities of the Company's operating segments is produced for the Company's management or included herein.

## REVLON, INC. AND SUBSIDIARIES

## NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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

The following table is a comparative summary of the Company's net sales and segment profit by operating segment for the three and nine months ended September 30, 2014 and 2013:

|   | Three Months Ended<br>September 30, |         | Nine Months Ended September<br>30, |           |
|---|-------------------------------------|---------|------------------------------------|-----------|
|   | 2014 <sup>(a)</sup>                 | 2013    | 2014 <sup>(a)</sup>                | 2013      |
| <b>Segment Net Sales:</b>   |                                     |         |                                    |           |
| Consumer  | \$348.2                             | \$333.1 | \$1,055.0                          | \$1,003.7 |
| Professional  | 124.1                               | —       | 385.0                              | —         |
| Total   | \$472.3                             | \$333.1 | \$1,440.0                          | \$1,003.7 |
| <b>Segment Profit:</b>  |                                     |         |                                    |           |
| Consumer  | \$78.1                              | \$78.9  | \$232.0                            | \$240.2   |
| Professional  | 25.2                                | —       | 88.5                               | —         |
| Total   | \$103.3                             | \$78.9  | \$320.5                            | \$240.2   |
| <b>Reconciliation:</b>  |                                     |         |                                    |           |
| Segment Profit  | \$103.3                             | \$78.9  | \$320.5                            | \$240.2   |
| Less:   |                                     |         |                                    |           |
| Unallocated corporate expenses  | 18.3                                | 15.3    | 54.0                               | 48.5      |
| Depreciation and amortization   | 25.6                                | 17.4    | 76.4                               | 51.4      |
| Non-cash stock compensation expense                                   | 3.2                                 | —       | 3.7                                | —         |
| Non-recurring items:  |                                     |         |                                    |           |
| Restructuring and related charges                                     | 1.1                                 | (1.4    | ) 18.8                             | 2.2       |
| Acquisition and integration costs                                     | 0.9                                 | 5.9     | 5.4                                | 6.3       |
| Inventory purchase accounting adjustment, cost of sales               | —                                   | —       | 2.6                                | —         |
| Gain from insurance proceeds related to Venezuela fire                | —                                   | —       | —                                  | (26.4     |
| Accrual for clean-up costs related to destroyed facility in Venezuela | —                                   | —       | —                                  | 4.5       |
| Shareholder litigation recoveries                                     | —                                   | (1.8    | ) —                                | (1.8      |
| Operating Income  | 54.2                                | 43.5    | 159.6                              | 155.5     |
| Less:   |                                     |         |                                    |           |
| Interest Expense  | 20.6                                | 16.2    | 63.9                               | 50.8      |
| Interest Expense - Preferred Stock                                    | —                                   | 1.7     | —                                  | 4.9       |
| Amortization of debt issuance costs                                   | 1.3                                 | 1.3     | 4.1                                | 3.8       |
| Loss on early extinguishment of debt                                  | —                                   | 0.2     | 2.0                                | 28.1      |
| Foreign currency losses (gains), net                                  | 9.3                                 | 0.4     | 17.9                               | 3.2       |
| Miscellaneous, net  | 0.1                                 | 0.6     | 0.2                                | 0.8       |
| Income from continuing operations before income taxes                 | \$22.9                              | \$23.1  | \$71.5                             | \$63.9    |

<sup>(a)</sup> Consumer segment net sales and segment profit include the results of retail brands acquired in the Colomer Acquisition, which had previously been included in the Professional segment.

As of September 30, 2014, the Company had operations established in 24 countries outside of the U.S. and its products are sold throughout the world. Generally, net sales by geographic area are presented by attributing revenues

from external customers on the basis of where the products are sold.

17

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## REVLON, INC. AND SUBSIDIARIES

## NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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

In the tables below, certain prior year amounts have been reclassified to conform to the current period's presentation.

|                              | Three Months Ended September 30, |      | Nine Months Ended September 30, |      |           |     |           |     |
|------------------------------|----------------------------------|------|---------------------------------|------|-----------|-----|-----------|-----|
|                              | 2014                             | 2013 | 2014                            | 2013 |           |     |           |     |
| Geographic area:             |                                  |      |                                 |      |           |     |           |     |
| Net sales:                   |                                  |      |                                 |      |           |     |           |     |
| United States                | \$243.8                          | 52%  | \$185.8                         | 56%  | \$749.2   | 52% | \$581.8   | 58% |
| Outside of the United States | 228.5                            | 48%  | 147.3                           | 44%  | 690.8     | 48% | 421.9     | 42% |
|                              | \$472.3                          |      | \$333.1                         |      | \$1,440.0 |     | \$1,003.7 |     |

|                              | September 30, |     | December 31, |     |
|------------------------------|---------------|-----|--------------|-----|
|                              | 2014          |     | 2013         |     |
| Long-lived assets, net:      |               |     |              |     |
| United States                | \$847.6       | 75% | \$837.0      | 73% |
| Outside of the United States | 281.5         | 25% | 315.1        | 27% |
|                              | \$1,129.1     |     | \$1,152.1    |     |

|                              | Three Months Ended September 30, |      | Nine Months Ended September 30, |      |           |     |           |     |
|------------------------------|----------------------------------|------|---------------------------------|------|-----------|-----|-----------|-----|
|                              | 2014                             | 2013 | 2014                            | 2013 |           |     |           |     |
| Classes of similar products: |                                  |      |                                 |      |           |     |           |     |
| Net sales:                   |                                  |      |                                 |      |           |     |           |     |
| Color cosmetics              | \$242.6                          | 51%  | \$212.3                         | 64%  | \$763.5   | 53% | \$662.1   | 66% |
| Hair care                    | 132.8                            | 28%  | 43.1                            | 13%  | 405.5     | 28% | 131.0     | 13% |
| Beauty care and fragrance    | 96.9                             | 21%  | 77.7                            | 23%  | 271.0     | 19% | 210.6     | 21% |
|                              | \$472.3                          |      | \$333.1                         |      | \$1,440.0 |     | \$1,003.7 |     |

## 7. INVENTORIES

|                            | September 30, | December 31, |
|----------------------------|---------------|--------------|
|                            | 2014          | 2013         |
| Raw materials and supplies | \$53.7        | \$50.8       |
| Work-in-process            | 13.4          | 12.8         |
| Finished goods             | 120.1         | 111.4        |
|                            | \$187.2       | \$175.0      |

## 8. GOODWILL AND INTANGIBLE ASSETS, NET

## Goodwill

The following table presents the changes in goodwill by segment during the nine months ended September 30, 2014:

|   | Consumer | Professional | Total   |
|---|----------|--------------|---------|
| Balance at December 31, 2013 before Measurement Period Adjustments <sup>(a)</sup> | \$217.9  | \$256.8      | \$474.7 |
| Measurement Period Adjustments  | —        | (2.4)        | (2.4)   |
| Balance at December 31, 2013  | 217.9    | 254.4        | 472.3   |
| Foreign currency translation adjustment   | —        | (5.5)        | (5.5)   |
| Balance at September 30, 2014   | \$217.9  | \$248.9      | \$466.8 |

<sup>(a)</sup> As previously reported in Revlon, Inc.'s 2013 Form 10-K.



## REVLON, INC. AND SUBSIDIARIES

## NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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

During the first quarter of 2014, the Company recorded Measurement Period Adjustments to certain net assets and intangible assets acquired in the Colomer Acquisition on October 9, 2013. See Note 2, "Business Combination" for further discussion of the Colomer Acquisition.

## Intangible Assets, Net

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

|  | September 30, 2014               |                          |                     |
|--|----------------------------------|--------------------------|---------------------|
|  | Gross Carrying Amount            | Accumulated Amortization | Net Carrying Amount |
| Finite-lived intangible assets:          |                                  |                          |                     |
| Trademarks and Licenses                  | \$ 140.6                         | \$(20.8 )                | \$ 119.8            |
| Customer relationships                   | 110.0                            | (11.8 )                  | 98.2                |
| Patents and Internally-Developed IP      | 16.1                             | (2.0 )                   | 14.1                |
| Total finite-lived intangible assets     | \$266.7                          | \$(34.6 )                | \$232.1             |
| Indefinite-lived intangible assets:      |                                  |                          |                     |
| Trade Names                              | \$ 104.0                         |                          | \$ 104.0            |
| Total indefinite-lived intangible assets | \$ 104.0                         |                          | \$ 104.0            |
| Total intangible assets                  | \$370.7                          | \$(34.6 )                | \$336.1             |
|  | December 31, 2013 <sup>(a)</sup> |                          |                     |
|  | Gross Carrying Amount            | Accumulated Amortization | Net Carrying Amount |
| Finite-lived intangible assets:          |                                  |                          |                     |
| Trademarks and Licenses                  | \$ 142.1                         | \$(11.0 )                | \$ 131.1            |
| Customer relationships                   | 111.5                            | (6.7 )                   | 104.8               |
| Patents and Internally-Developed IP      | 15.8                             | (1.3 )                   | 14.5                |
| Total finite-lived intangible assets     | \$269.4                          | \$(19.0 )                | \$250.4             |
| Indefinite-lived intangible assets:      |                                  |                          |                     |
| Trade Names                              | \$ 109.7                         |                          | \$ 109.7            |
| Total indefinite-lived intangible assets | \$ 109.7                         |                          | \$ 109.7            |
| Total intangible assets                  | \$379.1                          | \$(19.0 )                | \$360.1             |

<sup>(a)</sup> During the first quarter of 2014, the Company recorded Measurement Period Adjustments to customer relationships acquired in the Colomer Acquisition on October 9, 2013. Accordingly, the prior period has been retrospectively adjusted for such Measurement Period Adjustments. Refer to Note 2, "Business Combination" for additional details.



## REVLON, INC. AND SUBSIDIARIES

## NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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

## 9. ACCRUED EXPENSES AND OTHER

|                                   | September 30,<br>2014 | December 31,<br>2013 |
|-----------------------------------|-----------------------|----------------------|
| Sales returns and allowances      | \$61.3                | \$91.5               |
| Compensation and related benefits | 71.2                  | 74.5                 |
| Advertising and promotional costs | 48.1                  | 42.9                 |
| Taxes                             | 20.9                  | 28.5                 |
| Interest                          | 3.8                   | 13.8                 |
| Restructuring reserve             | 12.2                  | 13.7                 |
| Other                             | 43.9                  | 48.8                 |
|                                   | \$261.4               | \$313.7              |

## 10. LONG-TERM DEBT

|   | September 30,<br>2014 | December 31,<br>2013 |
|---|-----------------------|----------------------|
| Amended Term Loan Facility: Acquisition Term Loan due 2019, net of discounts<br>(a) | \$693.3               | \$698.3              |
| Amended Term Loan Facility: 2011 Term Loan due 2017, net of discounts (a)           | 671.3                 | 670.1                |
| Amended Revolving Credit Facility (b)   | —                     | —                    |
| 5¾% Senior Notes due 2021 (c)   | 500.0                 | 500.0                |
| Amended and Restated Senior Subordinated Term Loan due 2014 (d)                     | —                     | 58.4                 |
| Spanish Government Loan due 2025 (e)  | 0.7                   | 0.9                  |
|   | 1,865.3               | 1,927.7              |
| Less current portion  | (7.0)                 | (65.4)               |
|   | \$1,858.3             | \$1,862.3            |

(a) In February 2014, Products Corporation entered into an amendment (the "February 2014 Term Loan Amendment") to its amended term loan agreement, which is comprised of (i) the \$675.0 million term loan due November 19, 2017 (the "2011 Term Loan") and (ii) the \$700.0 million term loan due October 8, 2019 (the "Acquisition Term Loan"), which had \$694.8 million in aggregate principal balance outstanding as of September 30, 2014 (together, the "Amended Term Loan Agreement"). The February 2014 Term Loan Amendment reduced the interest rates applicable to the 2011 Term Loan. See "Recent Debt Transactions - February 2014 Term Loan Amendment" below for further discussion. Additionally, see Note 11, "Long-Term Debt and Redeemable Preferred Stock," to the Consolidated Financial Statements in Revlon, Inc.'s 2013 Form 10-K for additional details regarding Products Corporation's Amended Term Loan Agreement.

(b) See Note 11, "Long-Term Debt and Redeemable Preferred Stock," to the Consolidated Financial Statements in Revlon, Inc.'s 2013 Form 10-K for certain details regarding Products Corporation's existing \$175.0 million asset-based, multi-currency revolving credit facility (the "Amended Revolving Credit Facility").

(c) See Note 11, "Long-Term Debt and Redeemable Preferred Stock," to the Consolidated Financial Statements in Revlon, Inc.'s 2013 Form 10-K for certain details regarding Products Corporation's 5¾% Senior Notes that mature on February 15, 2021.

(d) See "Recent Debt Transactions - Repayment of Non-Contributed Loan" below and Note 11, "Long-Term Debt and Redeemable Preferred Stock," to the Consolidated Financial Statements in Revlon, Inc.'s 2013 Form 10-K for certain details regarding the \$58.4 million non-contributed loan portion of the Amended and Restated Senior Subordinated Term Loan Agreement (the "Non-Contributed Loan"), which Products Corporation optionally prepaid in full on May 1, 2014.

<sup>(e)</sup> See Note 11, "Long-Term Debt and Redeemable Preferred Stock," to the Consolidated Financial Statements in Revlon, Inc.'s 2013 Form 10-K for certain details regarding the euro-denominated loan payable to the Spanish government which matures on June 30, 2025.

REVLON, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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

Recent Debt Transactions

February 2014 Term Loan Amendment

In February 2014, Products Corporation entered into the February 2014 Term Loan Amendment to its Amended Term Loan Agreement among Products Corporation, as borrower, a syndicate of lenders and Citicorp USA, Inc., as administrative and collateral agent.

Pursuant to the February 2014 Term Loan Amendment, the interest rates applicable to Eurodollar Loans under the \$675.0 million 2011 Term Loan bear interest at the Eurodollar Rate plus 2.5% per annum, with the Eurodollar Rate not to be less than 0.75% (compared to 3.0% and 1.0%, respectively, prior to the February 2014 Term Loan Amendment), while Alternate Base Rate Loans under the 2011 Term Loan bear interest at the Alternate Base Rate plus 1.5%, with the Alternate Base Rate not to be less than 1.75% (compared to 2.0% in each case prior to the February 2014 Term Loan Amendment) (and as each such term is defined in the Amended Term Loan Agreement). The 2011 Term Loan is subject to a 1% premium in connection with any repricing transaction occurring prior to the date that is 12 months after the closing of such amendment (or February 26, 2015).

Products Corporation's Acquisition Term Loan and Amended Revolving Credit Facility were not amended in connection with the February 2014 Term Loan Amendment.

For the nine months ended September 30, 2014, the Company incurred approximately \$1.1 million of fees and expenses in connection with the February 2014 Term Loan Amendment, which were expensed as incurred, and wrote-off \$0.8 million of unamortized debt discount and deferred financing costs as a result of the February 2014 Term Loan Amendment. These amounts, totaling \$1.9 million, were recognized within loss on early extinguishment of debt in the Company's Consolidated Statements of Income and Comprehensive Income for the nine months ended September 30, 2014.

Repayment of Non-Contributed Loan

On May 1, 2014, Products Corporation used available cash on hand to optionally prepay in full the remaining \$58.4 million principal amount outstanding under the Non-Contributed Loan that remained owing from Products Corporation to various third parties. The Non-Contributed Loan would have otherwise matured on October 8, 2014. In connection with the repayment, the Company wrote-off \$0.1 million of deferred financing costs, which were recognized within loss on early extinguishment of debt in the Company's Consolidated Statements of Income and Comprehensive Income for the nine months ended September 30, 2014.

Covenants

Products Corporation was in compliance with all applicable covenants under the Amended Term Loan Agreement and the Amended Revolving Credit Facility as of September 30, 2014. At September 30, 2014, the aggregate principal amounts outstanding under the Acquisition Term Loan and the 2011 Term Loan were \$694.8 million and \$675.0 million, respectively, and availability under the \$175.0 million Amended Revolving Credit Facility, based upon the calculated borrowing base less \$9.0 million of outstanding undrawn letters of credit and nil then drawn on the Amended Revolving Credit Facility, was \$166.0 million.

Products Corporation was in compliance with all applicable covenants under its 5¾% Senior Notes Indenture as of September 30, 2014.

11. BASIC AND DILUTED EARNINGS (LOSS) PER COMMON SHARE

Shares used in basic earnings (loss) per share are computed using the weighted average number of common shares outstanding during each period. Shares used in diluted earnings (loss) per share include the dilutive effect of unvested restricted shares and outstanding stock options under the Company's stock plan using the treasury stock method. For the three months ended September 30, 2013 and the nine months ended September 30, 2014 and 2013, all outstanding options to purchase shares of Revlon, Inc. Class A common stock, par value of \$0.01 per share (the "Class A Common Stock"), that could potentially dilute basic earnings per common share in the future were excluded from the calculation

of diluted earnings per common share as their effect would be anti-dilutive, as in each case their exercise price was in excess of the average NYSE closing price of the Class A Common Stock for these periods.

For the three and nine months ended September 30, 2014, the number of weighted average shares of unvested restricted stock that were not included in the computation of diluted earnings per common share because their effect would be anti-dilutive was de minimis. For the three and nine months ended September 30, 2013, there were no shares of unvested restricted stock outstanding.

## REVLOON, INC. AND SUBSIDIARIES

## NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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

The components of basic and diluted earnings (loss) per common share for the three and nine months ended September 30, 2014 and 2013 are as follows:

|  | Three Months Ended    |            | Nine Months Ended     |            |
|--|-----------------------|------------|-----------------------|------------|
|  | September 30,<br>2014 | 2013       | September 30,<br>2014 | 2013       |
| Numerator:   |                       |            |                       |            |
| Income from continuing operations, net of taxes          | \$ 14.2               | \$ 11.0    | \$ 37.3               | \$ 33.6    |
| Income (loss) from discontinued operations, net of taxes | 0.4                   | (1.5       | ) 0.9                 | (6.3       |
| Net income   | \$ 14.6               | \$ 9.5     | \$ 38.2               | \$ 27.3    |
| Denominator:   |                       |            |                       |            |
| Weighted average common shares outstanding – Basic       | 52,356,798            | 52,356,798 | 52,356,798            | 52,356,798 |
| Effect of dilutive restricted stock                      | 58,165                | —          | 33,137                | —          |
| Weighted average common shares outstanding – Diluted     | 52,414,963            | 52,356,798 | 52,389,935            | 52,356,798 |
| Basic earnings (loss) per common share:                  |                       |            |                       |            |
| Continuing operations                                    | \$ 0.27               | \$ 0.21    | \$ 0.71               | \$ 0.64    |
| Discontinued operations                                  | 0.01                  | (0.03      | ) 0.02                | (0.12      |
| Net income   | \$ 0.28               | \$ 0.18    | \$ 0.73               | \$ 0.52    |
| Diluted earnings (loss) per common share:                |                       |            |                       |            |
| Continuing operations                                    | \$ 0.27               | \$ 0.21    | \$ 0.71               | \$ 0.64    |
| Discontinued operations                                  | 0.01                  | (0.03      | ) 0.02                | (0.12      |
| Net income   | \$ 0.28               | \$ 0.18    | \$ 0.73               | \$ 0.52    |

## 12. ACCUMULATED OTHER COMPREHENSIVE LOSS

The components of accumulated other comprehensive loss as of September 30, 2014 are as follows:

|  | Foreign<br>Currency<br>Translation | Actuarial<br>(Loss) Gain on<br>Post-retirement<br>Benefits | Deferred<br>Gain<br>(Loss) -<br>Hedging | Accumulated<br>Other<br>Comprehensive<br>Loss |
|--|------------------------------------|--|---|---|
| Balance, January 1, 2014   | \$ 19.2                            | \$ (170.5  | ) \$ 1.5                                | \$ (149.8                                     |
| Currency translation adjustment, net of tax benefit of \$0.4 million                               | (17.1                              | ) —  | —                                       | (17.1   |
| Amortization of pension related costs, net of tax of nil <sup>(a)</sup>                            | —                                  | 3.4  | —                                       | 3.4   |
| Revaluation of derivative financial instrument, net of tax benefit of \$1.4 million <sup>(b)</sup> | —                                  | —  | (2.3                                    | ) (2.3  |
| Other comprehensive income (loss)  | (17.1                              | ) 3.4  | (2.3                                    | ) (16.0                                       |
| Balance, September 30, 2014  | \$ 2.1                             | \$ (167.1  | ) \$(0.8                                | ) \$(165.8                                    |

Amount represents the change in accumulated other comprehensive loss as a result of the amortization of unrecognized prior service costs and actuarial losses (gains) arising during each year related to the Company's pension and other post-retirement plans. See Note 5, "Pension and Post-retirement Benefits," for further discussion of the Company's pension and other post-retirement plans.

For the nine months ended September 30, 2014, the 2013 Interest Rate Swap (as hereinafter defined) was deemed effective and therefore the changes in fair value related to the 2013 Interest Rate Swap are recorded in other comprehensive income. See Note 14, "Financial Instruments," for further discussion of the 2013 Interest Rate Swap.





## REVLON, INC. AND SUBSIDIARIES

## NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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

## 13. FAIR VALUE MEASUREMENTS

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

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

Level 2: Fair valuing the asset or liability using inputs other than quoted prices that are observable for the applicable asset or liability, either directly or indirectly, such as quoted prices for similar (as opposed to identical) assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active; and

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

As of September 30, 2014, the fair values of the Company's financial assets and liabilities that are required to be measured at fair value are categorized in the table below:

|  | Total | Level 1 | Level 2 | Level 3 |
|--|-------|---------|---------|---------|
| Assets:                                |       |         |         |         |
| Derivatives:                           |       |         |         |         |
| FX Contracts <sup>(a)</sup>            | \$0.6 | \$—     | \$0.6   | \$—     |
| Total assets at fair value             | \$0.6 | \$—     | \$0.6   | \$—     |
| Liabilities:                           |       |         |         |         |
| Derivatives:                           |       |         |         |         |
| FX Contracts <sup>(a)</sup>            | \$—   | \$—     | \$—     | \$—     |
| 2013 Interest Rate Swap <sup>(b)</sup> | 1.2   | —       | 1.2     | —       |
| Total liabilities at fair value        | \$1.2 | \$—     | \$1.2   | \$—     |

As of December 31, 2013, the fair values of the Company's financial assets and liabilities that are required to be measured at fair value are categorized in the table below:

|  | Total | Level 1 | Level 2 | Level 3 |
|--|-------|---------|---------|---------|
| Assets:                                |       |         |         |         |
| Derivatives:                           |       |         |         |         |
| FX Contracts <sup>(a)</sup>            | \$1.0 | \$—     | \$1.0   | \$—     |
| 2013 Interest Rate Swap <sup>(b)</sup> | 2.5   | —       | 2.5     | —       |
| Total assets at fair value             | \$3.5 | \$—     | \$3.5   | \$—     |
| Liabilities:                           |       |         |         |         |
| Derivatives:                           |       |         |         |         |
| FX Contracts <sup>(a)</sup>            | \$0.2 | \$—     | \$0.2   | \$—     |
| Total liabilities at fair value        | \$0.2 | \$—     | \$0.2   | \$—     |

The fair value of the Company's foreign currency forward exchange contracts ("FX Contracts") was measured <sup>(a)</sup> based on observable market transactions of spot and forward rates on the respective dates. See Note 14, "Financial Instruments."

- (b) The fair value of the Company's 2013 Interest Rate Swap was measured based on the implied forward rates from the U.S. Dollar three-month LIBOR yield curve on the respective dates. See Note 14, "Financial Instruments."

## REVLON, INC. AND SUBSIDIARIES

## NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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

As of September 30, 2014, the fair values and carrying values of the Company's long-term debt, including the current portion of long-term debt, are categorized in the table below:

|   | Fair Value |           |         | Total     | Carrying Value |
|---|------------|-----------|---------|-----------|----------------|
|   | Level 1    | Level 2   | Level 3 |           |                |
| Liabilities:                              |            |           |         |           |                |
| Long-term debt, including current portion | \$—        | \$1,837.3 | \$—     | \$1,837.3 | \$1,865.3      |

As of December 31, 2013, the fair values and carrying values of the Company's long-term debt, including the current portion of long-term debt, are categorized in the table below:

|   | Fair Value |           |         | Total     | Carrying Value |
|---|------------|-----------|---------|-----------|----------------|
|   | Level 1    | Level 2   | Level 3 |           |                |
| Liabilities:                              |            |           |         |           |                |
| Long-term debt, including current portion | \$—        | \$1,931.9 | \$—     | \$1,931.9 | \$1,927.7      |

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

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

## 14. FINANCIAL INSTRUMENTS

Products Corporation maintains standby and trade letters of credit for various corporate purposes under which Products Corporation is obligated, of which \$9.0 million and \$9.9 million (including amounts available under credit agreements in effect at that time) were maintained at September 30, 2014 and December 31, 2013, respectively. Included in these amounts is approximately \$7.7 million and \$8.1 million at September 30, 2014 and December 31, 2013, respectively, in standby letters of credit which support Products Corporation's self-insurance programs. The estimated liability under such programs is accrued by Products Corporation.

## Derivative Financial Instruments

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

## Foreign Currency Forward Exchange Contracts

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

The U.S. Dollar notional amount of the FX Contracts outstanding at September 30, 2014 and December 31, 2013 was \$19.8 million and \$52.9 million, respectively.

## Interest Rate Swap Transaction

In November 2013, Products Corporation executed a forward-starting floating-to-fixed interest rate swap transaction with a 1.00% floor, based on a notional amount of \$400 million in respect of indebtedness under the Acquisition Term Loan over a period of three years (the "2013 Interest Rate Swap"). The Company designated the 2013 Interest Rate Swap as a cash flow hedge of the variability of the forecasted three-month LIBOR interest rate payments related to its Acquisition Term Loan with respect to the \$400 million notional amount over the three-year term of the 2013 Interest Rate Swap. Under the terms of the 2013 Interest Rate Swap, Products Corporation will receive from the counterparty

a floating interest rate based on the higher of three-month USD LIBOR or 1.00% commencing in May 2015, while paying a fixed interest rate payment to the counterparty equal to 2.0709% (which effectively fixes the interest rate on such notional amount at 5.0709% over the three-year term of the 2013 Interest Rate

## REVLOON, INC. AND SUBSIDIARIES

## NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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

Swap.) For the nine months ended September 30, 2014, the 2013 Interest Rate Swap was deemed effective and therefore the changes in fair value related to the 2013 Interest Rate Swap have been recorded in Other Comprehensive Income. As of September 30, 2014, the balance of deferred net losses on derivatives included in accumulated other comprehensive income was \$0.8 million after-tax. (See "Quantitative Information – Derivative Financial Instruments" below). The Company expects that \$0.6 million of the after-tax amounts related to the 2013 Interest Rate Swap will be reclassified into earnings over the next 12 months as a result of transactions that are expected to occur over that period. The amount ultimately realized in earnings may differ as the LIBOR is subject to change. Realized gains and losses are ultimately determined by actual rates at maturity of the derivative.

**Credit Risk**

Exposure to credit risk in the event of nonperformance by any of the counterparties is limited to the gross fair value of the derivative instruments in asset positions, which totaled \$0.6 million and \$3.5 million as of September 30, 2014 and December 31, 2013, respectively. The Company attempts to minimize exposure to credit risk by generally entering into derivative contracts with counterparties that have investment-grade credit ratings and are major financial institutions. The Company also periodically monitors any changes in the credit ratings of its counterparties. Given the current credit standing of the Company's derivative instrument counterparties, the Company believes the risk of loss under these derivative instruments arising from any non-performance by any of the counterparties is remote.

**Quantitative Information – Derivative Financial Instruments**

The effects of the Company's derivative instruments on its consolidated financial statements were as follows:

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

|  | Fair Values of Derivative Instruments |                    |                   |                             |                    |                   |
|--|---------------------------------------|--------------------|-------------------|-----------------------------|--------------------|-------------------|
|  | Assets                                |                    |                   | Liabilities                 |                    |                   |
|  | Balance Sheet                         | September 30, 2014 | December 31, 2013 | Balance Sheet               | September 30, 2014 | December 31, 2013 |
| Classification                                     | Fair Value                            | Fair Value         | Classification    | Fair Value                  | Fair Value         |                   |
| Derivatives designated as hedging instruments:     |                                       |                    |                   |                             |                    |                   |
| 2013 Interest Rate Swap <sup>(i)</sup>             | Prepaid expenses and other            | \$—                | \$—               | Accrued expenses and other  | \$1.0              | \$—               |
|  | Other assets                          | —                  | 2.5               | Other long-term liabilities | 0.2                | —                 |
| Derivatives not designated as hedging instruments: |                                       |                    |                   |                             |                    |                   |
| FX Contracts <sup>(ii)</sup>                       | Prepaid expenses and other            | \$0.6              | \$1.0             | Accrued Expenses            | \$—                | \$0.2             |

<sup>(i)</sup> The fair values of the 2013 Interest Rate Swap at September 30, 2014 and December 31, 2013 were measured based on the implied forward rates from the U.S. Dollar three-month LIBOR yield curve at September 30, 2014 and December 31, 2013, respectively.

<sup>(ii)</sup> The fair values of the FX Contracts at September 30, 2014 and December 31, 2013 were measured based on observable market transactions of spot and forward rates at September 30, 2014 and December 31, 2013, respectively.

**(b) Effects of Derivative Financial Instruments on the Consolidated Statements of Income and Comprehensive Income for the three and nine months ended September 30, 2014 and 2013:**

|  | Amount of Gain (Loss) Recognized in Other Comprehensive Income |      |                    |       |
|--|--|------|--------------------|-------|
|  | Three Months Ended   |      | Nine Months Ended  |       |
|  | September 30, 2014   | 2013 | September 30, 2014 | 2013  |
| Derivatives designated as hedging instruments:   |  |      |                    |       |
| 2013 Interest Rate Swap, net of tax <sup>(a)</sup>   | \$0.6  | \$—  | \$(2.3             | ) \$— |
| <sup>(a)</sup> Net of tax expense (benefit) of \$0.4 million and \$(1.4) million for the three and nine months ended September 30, 2014, respectively. |  |      |                    |       |

## REVLON, INC. AND SUBSIDIARIES

## NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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

|  | Income Statement Classification      | Amount of Gain (Loss) Recognized in Net Income |         |                       |       |
|--|--------------------------------------|--|---------|-----------------------|-------|
|  |                                      | Three Months Ended                             |         | Nine Months Ended     |       |
|  |                                      | September 30,<br>2014                          | 2013    | September 30,<br>2014 | 2013  |
| Derivatives not designated as hedging instruments: |                                      |  |         |                       |       |
| FX Contracts                                       | Foreign currency losses (gains), net | \$1.5  | \$(1.0) | \$0.2                 | \$1.3 |

## 15. INCOME TAXES

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

For the third quarter of 2014 and 2013, the Company recorded a provision for income taxes of \$8.7 million and \$12.1 million, respectively. The \$3.4 million decrease in the provision for income taxes was primarily attributable to certain discrete items that favorably impacted the provision for income taxes in the third quarter of 2014, including return-to-provision adjustments.

For the first nine months of 2014 and 2013, the Company recorded a provision for income taxes of \$34.2 million and \$30.3 million, respectively. The \$3.9 million increase in the provision for income taxes was primarily attributable to the loss on early extinguishment of debt recognized in the first nine months of 2013 that did not recur in 2014, which favorably impacted the provision for income taxes, and an increase in pre-tax income in the first nine months of 2014, partially offset by the favorable impact of certain discrete items in the period, including the favorable resolution of tax matters in certain foreign jurisdictions and return-to-provision adjustments.

The Company's effective tax rate for the three months ended September 30, 2014 was higher than the federal statutory rate of 35% due principally to foreign dividends and earnings taxable in the U.S., foreign and U.S. tax effects attributable to operations outside the U.S., and state and local taxes, net of U.S. federal income tax benefit, partially offset by certain discrete items in the third quarter of 2014, including the return-to-provision adjustments.

The Company's effective tax rate for the nine months ended September 30, 2014 was higher than the federal statutory rate of 35% due principally to foreign dividends and earnings taxable in the U.S. and state and local taxes, net of U.S. federal income tax benefits.

The Company remains subject to examination of its income tax returns in various jurisdictions including, without limitation, Australia and Spain, for tax years ended December 31, 2010 through December 31, 2013, South Africa for tax years ended December 31, 2010 through December 31, 2012, and the U.S. (federal) for tax years ended December 31, 2011 through December 31, 2013.

## 16. CONTINGENCIES

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

loss or the nature of the liability imposed and the level of the Company's income for that particular period.

#### 17. RELATED PARTY TRANSACTIONS

##### Reimbursement Agreements

As previously disclosed in Revlon, Inc.'s 2013 Form 10-K, Revlon, Inc., Products Corporation and MacAndrews & Forbes Inc. (a wholly-owned subsidiary of MacAndrews & Forbes Holdings) have entered into reimbursement agreements (the "Reimbursement Agreements") pursuant to which (i) MacAndrews & Forbes Inc. is obligated to provide (directly or through its affiliates) certain professional and administrative services, including, without limitation, employees, to Revlon, Inc. and its subsidiaries, including, without limitation, Products Corporation, and to purchase services from third party providers, such as



REVLON, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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

insurance, legal, accounting and air transportation services, on behalf of Revlon, Inc. and its subsidiaries, including Products Corporation, to the extent requested by Products Corporation, and (ii) Products Corporation is obligated to provide certain professional and administrative services, including, without limitation, employees, to MacAndrews & Forbes and to purchase services from third party providers, such as insurance, legal and accounting services, on behalf of MacAndrews & Forbes to the extent requested by MacAndrews & Forbes, provided that in each case the performance of such services does not cause an unreasonable burden to MacAndrews & Forbes or Products Corporation, as the case may be.

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

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

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

The net activity related to services provided and/or purchased under the Reimbursement Agreements during the nine months ended September 30, 2014 and 2013 was \$3.8 million and \$4.4 million, respectively, which primarily includes the partial payments made by the Company to MacAndrews & Forbes during the first quarter of 2014 and 2013 for premiums related to the Company's allocable portion of the 5-year renewal of the D&O Insurance Program for the period from January 31, 2012 through January 31, 2017. Partially offsetting the 2013 net activity was also \$1.8 million received from MacAndrews & Forbes for reimbursable costs incurred by the Company related to matters covered by the D&O Insurance Program. The receivable balances from MacAndrews & Forbes were nil at both September 30, 2014 and December 31, 2013 for transactions subject to the Reimbursement Agreements.

REVLON, INC. AND SUBSIDIARIES

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

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

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

Overview

Overview of the Business

The Company (as defined below) is providing this overview in accordance with the SEC's December 2003 interpretive guidance regarding Management's Discussion and Analysis of Financial Condition and Results of Operations.

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

The Company currently operates in two segments, the consumer division ("Consumer") and the professional division ("Professional"), and manufactures, markets and sells worldwide an extensive array of beauty and personal care products, including cosmetics, hair color, hair care and hair treatments, beauty tools, men's grooming products, anti-perspirant deodorants, fragrances, skincare and other beauty care products. The Company believes that its global brand name recognition, product quality, R&D, new product innovation and marketing experience have enabled it to create leading global consumer and professional brands.

On October 9, 2013 (the "Acquisition Date"), Products Corporation completed its acquisition of The Colomer Group Participations, S.L. ("Colomer" and the "Colomer Acquisition"). The results of operations of the Colomer business are included in the Company's Consolidated Financial Statements commencing on the Acquisition Date.

The Company's Business Strategy

The Company's vision is to establish Revlon as the quintessential and most innovative beauty company in the world by offering products that make consumers feel attractive and beautiful. We want to inspire our consumers to express themselves boldly and confidently.

The Company's strategic goal is to optimize the market and financial performance of its portfolio of brands and assets. The business strategies employed by the Company to achieve this goal are:

1. Manage financial drivers for value creation. We are focused on gross profit margin expansion, which includes optimizing price, as well as allocating sales allowances to maximize our return on trade spending. We also continue to focus on reducing costs across our global supply chain. In addition, we are focused on eliminating non-value added general and administrative costs in order to fund reinvestment to facilitate growth.

2. Grow our global brands through exceptional innovation and effective brand support. We are focused on creating fewer, bigger and better innovations across our brands that are relevant, unique, impactful and distinctive. We want to continue to build strong brands by focusing on high-quality, consumer-preferred offerings; effective consumer communication; increased levels of effective advertising and promotion; and superb execution and collaboration with our customers.

3. Pursue growth opportunities. We are focused on pursuing organic growth opportunities within our existing brand portfolio and existing channels, as well as seeking acquisition opportunities that complement our portfolio. We are also focused on exploring opportunities to expand our geographical presence in key markets, as appropriate.

4. Improve cash flow. We are focused on improving our cash flows through, among other things, continued effective management of our working capital and by focusing on appropriate return on capital spending.

Discontinued Operations Presentation

As a result of the Company's decision on December 30, 2013 to exit its business operations in China, the Company is reporting the results of its China operations within income (loss) from discontinued operations, net of taxes, in the Company's Consolidated Statements of Income and Comprehensive Income. Accordingly, prior year amounts have been restated to conform to this presentation. Unless otherwise stated, financial results discussed within "Overview"

and "Results of Operations" refer to continuing operations. See Note 4, "Discontinued Operations," to the Unaudited Consolidated Financial Statements in this Form 10-Q for further discussion.

Overview of Net Sales and Earnings Results

Consolidated net sales in the third quarter of 2014 were \$472.3 million, an increase of \$139.2 million, or 41.8%, compared to \$333.1 million in the third quarter of 2013. Excluding the unfavorable impact of foreign currency fluctuations of \$10.1 million,

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REVLON, INC. AND SUBSIDIARIES

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

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

consolidated net sales increased \$149.3 million, or 44.8%, in the third quarter of 2014, primarily driven by the inclusion of \$143.7 million of net sales as a result of the Colomer Acquisition in October 2013, of which \$124.1 million is included within the Professional segment and \$19.6 million is included within the Consumer segment. Consolidated net sales in the first nine months of 2014 were \$1,440.0 million, an increase of \$436.3 million, or 43.5%, compared to \$1,003.7 million in the first nine months of 2013. Excluding the unfavorable impact of foreign currency fluctuations of \$25.9 million, consolidated net sales increased \$462.2 million, or 46.0%, in the first nine months of 2014, primarily driven by the inclusion of \$437.6 million of net sales as a result of the Colomer Acquisition in October 2013, of which \$385.0 million is included within the Professional segment and \$52.6 million is included within the Consumer segment.

Consolidated income from continuing operations, net of taxes, in the third quarter of 2014 was \$14.2 million, compared to \$11.0 million in the third quarter of 2013. The increase of \$3.2 million was primarily due to: \$95.7 million of higher gross profit due to a \$139.2 million increase in consolidated net sales, partially offset by a \$43.5 million increase in cost of sales, both of which were primarily driven by the inclusion of net sales and cost of sales as a result of the Colomer Acquisition;

with the foregoing partially offset by:

\$87.7 million of higher selling general and administrative ("SG&A") expenses primarily driven by the inclusion of SG&A expenses as a result of the Colomer Acquisition.

Consolidated income from continuing operations, net of taxes, in the first nine months of 2014 was \$37.3 million, compared to \$33.6 million in the first nine months of 2013. The increase of \$3.7 million was primarily due to: \$299.1 million of higher gross profit due to a \$436.3 million increase in consolidated net sales, partially offset by a \$137.2 million increase in cost of sales, both of which were primarily driven by the inclusion of net sales and cost of sales as a result of the Colomer Acquisition; and

a \$28.1 million aggregate loss on early extinguishment of debt recognized in the first nine months of 2013 primarily due to the 2013 Senior Notes Refinancing (as hereinafter defined), compared to an aggregate loss on early extinguishment of debt of \$2.0 million in the first nine months of 2014 primarily due to the February 2014 Term Loan Amendment (as hereinafter defined);

with the foregoing partially offset by:

\$279.6 million of higher SG&A expenses primarily driven by the inclusion of SG&A expenses as a result of the Colomer Acquisition;

- \$16.3 million of higher restructuring charges and other, net related to continuing operations, primarily related to the Integration Program (as hereinafter defined);

\$14.7 million of higher foreign currency losses, net, partially due to the \$6.0 million foreign currency loss recognized in the first nine months of 2014 as a result of the re-measurement of Revlon Venezuela's balance sheet; and

\$13.1 million of higher interest expense primarily due to higher average debt as a result of the Colomer Acquisition.

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

Recent Events

Integration Program

In January 2014, the Company announced that it was implementing actions to integrate Colomer's operations into the Company's business, as well as additional restructuring actions identified to reduce costs across the Company's businesses (all such actions, together, the "Integration Program").

The Company expects to recognize total restructuring charges, capital expenditures and related non-restructuring costs under the Integration Program of approximately \$50 million in the aggregate over the periods described below, and to achieve annualized cost reductions of approximately \$30 million to \$35 million by the end of 2015. Approximately

\$10 million to \$15 million of these cost reductions are expected to benefit 2014 results.

The Integration Program is designed to deliver cost reductions throughout the combined organization by generating synergies and operating efficiencies within the Company's global supply chain and consolidating offices and back office support, and other actions designed to reduce selling, general and administrative expenses. Certain actions that are part of the Integration Program

REVLON, INC. AND SUBSIDIARIES

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

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

are subject to consultations with employees, works councils or unions and governmental authorities. The Company expects to substantially complete the Integration Program by the end of 2015.

The approximately \$50 million of total restructuring charges, related non-restructuring costs and capital expenditures under the Integration Program referred to above consist of the following:

**Restructuring and related costs:** The Company expects total restructuring and related charges for the Integration Program of approximately \$26 million. During the first nine months of 2014, the Company recorded charges totaling \$17.1 million related to restructuring and related actions under the Integration Program, of which \$16.4 million was recorded in restructuring charges and other, net, \$0.2 million was recorded in cost of sales and \$0.5 million was recorded in SG&A expenses. Approximately \$4 million of charges are expected to be recognized during the remainder of 2014 and any remaining charges to be recognized in 2015. The Company expects cash payments related to the restructuring and related charges in connection with the Integration Program will total approximately \$25 million, of which \$6.4 million was paid in the first nine months of 2014, approximately \$7 million is expected to be paid during the remainder of 2014, with the majority of the remaining balance expected to be paid in 2015.

**Non-restructuring integration costs:** \$12.5 million and \$4.9 million of non-restructuring integration costs recognized in 2013 and for the first nine months of 2014, respectively. Such costs have been reflected within acquisition and integration costs in the Company's Consolidated Statements of Income and Comprehensive Income related to combining Colomer's operations into the Company's business.

**Capital Expenditures:** Expected integration-related capital expenditures of approximately \$7 million, \$3.3 million of which was paid in the first nine months of 2014. The Company expects approximately \$1.9 million to be paid during the remainder of 2014, with the remaining balance expected to be paid in 2015.

For further discussion of the Colomer Acquisition and the Integration Program, see Note 2, "Business Combination" and Note 3, "Restructuring Charges - Integration Program" to the Unaudited Consolidated Financial Statements in this Form 10-Q.

#### 2014 Debt Transactions

During the first nine months of 2014, the Company completed the following debt transactions:

**February 2014 Term Loan Amendment:** In February 2014, Products Corporation entered into an amendment (the "February 2014 Term Loan Amendment") to its amended term loan agreement, which is comprised of (i) the \$675.0 million term loan due November 19, 2017 (the "2011 Term Loan") and (ii) the \$700.0 million term loan due October 8, 2019 (the "Acquisition Term Loan"), which has \$694.8 million in aggregate principal balance outstanding as of September 30, 2014 (together, the "Amended Term Loan Agreement"). The February 2014 Term Loan Amendment reduced the interest rates applicable to Eurodollar Loans under the 2011 Term Loan to the Eurodollar Rate plus 2.5% per annum, with the Eurodollar Rate not to be less than 0.75%, and interest rates applicable to Alternate Base Rate Loans under the 2011 Term Loan to the Alternate Base Rate plus 1.5%, with the Alternate Base Rate not to be less than 1.75%.

**Repayment of Non-Contributed Loan:** On May 1, 2014, Products Corporation used available cash on hand to optionally prepay in full the remaining \$58.4 million principal amount outstanding under the non-contributed loan portion of the Amended and Restated Senior Subordinated Term Loan Agreement (the "Non-Contributed Loan") that remained owing from Products Corporation to various third parties. The Non-Contributed Loan would have otherwise matured on October 8, 2014.

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

#### Operating Segments

Commencing on the Colomer Acquisition Date, the Company began operating in two segments, the Consumer segment and the Professional segment:

The Consumer segment is comprised of the Company's consumer brands, which primarily include Revlon, Almay, SinfulColors and Pure Ice in color cosmetics; Revlon ColorSilk in women's hair color; Revlon in beauty tools; and

Mitchum in anti-perspirant deodorants. The Company's principal customers for its consumer products include the mass retail channel in the U.S. and internationally, consisting of large mass volume retailers and chain drug and food stores in the U.S., as well as certain department stores and other specialty stores, such as perfumeries, outside the U.S. The Consumer segment also includes a skincare line and a hair color line sold in the mass retail channel, primarily in Spain, which was acquired as part of the Colomer Acquisition.

The Professional segment is comprised primarily of the brands which the Company acquired in the Colomer Acquisition, which include Revlon Professional in hair color and hair care; CND-branded products in nail polishes

## REVLON, INC. AND SUBSIDIARIES

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

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

and nail enhancements; and American Crew in men's grooming products, all of which are sold worldwide in the professional salon channel. The Company's principal customers for its professional products include hair and nail salons and distributors in the U.S. and internationally. The Professional segment also includes a multi-cultural hair care line sold in the mass retail channel and in professional salons, primarily in the U.S.

## Results of Operations

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

## Consolidated Net Sales:

## Third quarter results:

Consolidated net sales in the third quarter of 2014 were \$472.3 million, an increase of \$139.2 million, or 41.8%, compared to \$333.1 million in the third quarter of 2013. Excluding the unfavorable impact of foreign currency fluctuations of \$10.1 million, consolidated net sales increased \$149.3 million, or 44.8%, in the third quarter of 2014, primarily driven by the inclusion of the net sales as a result of the Colomer Acquisition, commencing on the Acquisition Date. See "Segment Results" below for further discussion.

## Year-to-date results:

Consolidated net sales in the first nine months of 2014 were \$1,440.0 million, an increase of \$436.3 million, or 43.5%, compared to \$1,003.7 million in the first nine months of 2013. Excluding the unfavorable impact of foreign currency fluctuations of \$25.9 million, consolidated net sales increased \$462.2 million, or 46.0%, in the first nine months of 2014, primarily driven by the inclusion of the net sales as a result of the Colomer Acquisition, commencing on the Acquisition Date. See "Segment Results" below for further discussion.

## Segment Results:

The Company's management evaluates segment profit, which is defined as income from continuing operations before interest, taxes, depreciation, amortization, stock-based compensation expense, gains/losses on foreign currency fluctuations, gains/losses on the early extinguishment of debt and miscellaneous expenses, for each of the Company's Consumer and Professional segments. Segment profit also excludes unallocated corporate expenses and the impact of certain items that are not directly attributable to the segments' underlying operating performance, which for the three and nine months ended September 30, 2014 and 2013 include the impact of: (i) restructuring and related charges; (ii) acquisition and integration costs; (iii) costs of sales resulting from a fair value adjustment to inventory acquired in the Colomer Acquisition; (iv) insurance proceeds received in 2013 related to the 2011 fire that destroyed the Company's facility in Venezuela; (v) insurance proceeds from the recovery of litigation settlements; and (vi) an accrual for estimated clean-up costs related to the Company's facility in Venezuela. Such items are shown in the table reconciling segment profit to consolidated income from continuing operations before income taxes. Unallocated corporate expenses primarily include general and administrative expenses related to the corporate organization. These expenses are recorded in unallocated corporate expenses as these items are centrally directed and controlled and are not included in internal measures of segment operating performance. The Company does not have any material inter-segment sales. For a reconciliation of segment profit to income from continuing operations before income taxes, see Note 6, "Segment Data and Related Information" to the Unaudited Consolidated Financial Statements in this Form 10-Q.

The following table is a comparative summary of the Company's segment results for the three months ended September 30, 2014 and 2013:

| Net Sales       |      |        |   | Segment Profit            |   |                 |      |        |   |
|-----------------|------|--------|---|---------------------------|---|-----------------|------|--------|---|
| Three Months    |      |        |   | Three Months              |   |                 |      |        |   |
| Ended September |      | Change |   | XFX Change <sup>(a)</sup> |   | Ended September |      | Change |   |
| 30,             |      |        |   |                           |   | 30,             |      |        |   |
| 2014            | 2013 | \$     | % | \$                        | % | 2014            | 2013 | \$     | % |



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|                 |         |         |         |      |   |         |      |   |         |        |          |         |
|-----------------|---------|---------|---------|------|---|---------|------|---|---------|--------|----------|---------|
| Consumer        | \$348.2 | \$333.1 | \$15.1  | 4.5  | % | \$25.2  | 7.6  | % | \$78.1  | \$78.9 | \$(0.8 ) | (1.0 )% |
| Professional    | 124.1   | —       | 124.1   | —    |   | 124.1   | —    |   | 25.2    | —      | 25.2     | —       |
| Total Net Sales | \$472.3 | \$333.1 | \$139.2 | 41.8 | % | \$149.3 | 44.8 | % | \$103.3 | \$78.9 | \$24.4   | 30.9 %  |

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

## REVLON, INC. AND SUBSIDIARIES

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

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

The following table is a comparative summary of the Company's segment results for the nine months ended September 30, 2014 and 2013:

|                 | Net Sales         |           |         |      | Segment Profit            |      |                 |         |         |       |
|-----------------|-------------------|-----------|---------|------|---------------------------|------|-----------------|---------|---------|-------|
|                 | Nine Months Ended |           | Change  |      | XFX Change <sup>(a)</sup> |      | Nine Months     |         | Change  |       |
|                 | September 30,     |           |         |      |                           |      | Ended September |         |         |       |
|                 | 2014              | 2013      | \$      | %    | \$                        | %    | 2014            | 2013    | \$      | %     |
| Consumer        | \$1,055.0         | \$1,003.7 | \$51.3  | 5.1  | \$77.2                    | 7.7  | \$232.0         | \$240.2 | \$(8.2) | (3.4) |
| Professional    | 385.0             | —         | 385.0   | —    | 385.0                     | —    | 88.5            | —       | 88.5    | —     |
| Total Net Sales | \$1,440.0         | \$1,003.7 | \$436.3 | 43.5 | \$462.2                   | 46.0 | \$320.5         | \$240.2 | \$80.3  | 33.4  |

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

## Consumer Segment

## Third quarter results:

Consumer segment net sales in the third quarter of 2014 were \$348.2 million, an increase of \$15.1 million, or 4.5%, compared to \$333.1 million in the third quarter of 2013. Excluding the unfavorable impact of foreign currency fluctuations of \$10.1 million, total Consumer net sales increased \$25.2 million, or 7.6%, in the third quarter of 2014, compared to the third quarter of 2013, primarily driven by (i) the inclusion of \$19.6 million of net sales from consumer brands acquired in the Colomer Acquisition, which are reported within the Consumer segment; and (ii) \$8.8 million of favorable returns reserve adjustments in the U.S. during the third quarter of 2014, as a result of lower expected discontinued products in the future related to the Company's strategy to focus on fewer, bigger and better innovations, partially offset by increased returns expense for current year returns. The third quarter of 2014 also had lower net sales of Almay color cosmetics and SinfulColors color cosmetics, partially offset by higher net sales of Mitchum products.

Consumer segment profit in the third quarter of 2014 was \$78.1 million, an increase of \$0.8 million, or 1.0%, compared to \$78.9 million in the third quarter of 2013, primarily due to higher gross profit as a result of the returns adjustment to net sales as discussed above. See "Gross Profit" below for further discussion. This increase was mostly offset by \$3.8 million of higher advertising expense to support the Company's Consumer brands and unfavorable foreign currency fluctuations of approximately \$4 million.

## Year-to-date results:

Consumer segment net sales in the first nine months of 2014 were \$1,055.0 million, an increase of \$51.3 million, or 5.1%, compared to \$1,003.7 million in the first nine months of 2013. Excluding the unfavorable impact of foreign currency fluctuations of \$25.9 million, total Consumer net sales increased \$77.2 million, or 7.7%, in the first nine months of 2014, compared to the first nine months of 2013, primarily driven by (i) the inclusion of \$52.6 million of net sales from Consumer brands acquired in the Colomer Acquisition; and (ii) \$15.1 million of favorable returns reserve adjustments in the U.S. during the first nine months of 2014, as a result of lower expected discontinued products in the future related to the Company's strategy to focus on fewer, bigger and better innovations, partially offset by increased returns expense for current year returns. In addition, the first nine months of 2014 had higher net sales of Revlon color cosmetics and Revlon ColorSilk hair color, partially offset by lower net sales of Almay color cosmetics.

Consumer segment profit in the first nine months of 2014 was \$232.0 million, a decrease of \$8.2 million, or 3.4%, compared to \$240.2 million in the first nine months of 2013, primarily due to \$23.9 million of higher advertising expense to support the Company's Consumer brands and unfavorable foreign currency fluctuations of approximately \$7 million, partially offset by higher gross profit, primarily due to the returns adjustment discussed above, net of related inventory write-off charges, as well as the increase in net sales as discussed above. See "Gross Profit" below for further discussion.

Professional Segment

The Company's Professional segment is comprised primarily of the operations acquired by the Company in the Colomer Acquisition in October 2013 (with the exception of the retail brands acquired in the Colomer Acquisition, which the Company has included within the Consumer segment, as noted above). As there are no comparable prior years' net sales and segment profit for the Professional segment, an analysis of net sales and segment profit for the Professional segment in the third quarter and first nine months of 2014, compared to the third quarter and first nine months of 2013, is not included in this Form 10-Q. Professional net sales were \$124.1 million and \$385.0 million for the third quarter and first nine months of 2014, respectively, consisting

## REVLON, INC. AND SUBSIDIARIES

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

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

primarily of the net sales of CND products worldwide, including CND Shellac; Revlon Professional products, primarily in Europe; and American Crew products and other professional brands world-wide.

Professional segment profit in the third quarter and first nine months of 2014 was \$25.2 million and \$88.5 million, respectively, and is comprised primarily of the operating results of the operations acquired in the Colomer Acquisition.

## Geographic Results:

In connection with changes that the organization made to its management reporting structure following the Colomer Acquisition, beginning with the first quarter of 2014, the Company has combined its former Latin America and Canada; Asia Pacific; and Europe, Middle East and Africa operating regions into the International region for reporting purposes. The Company has modified its net sales discussion to conform to how management reviews the business, and, accordingly, prior year amounts have been restated to conform to this presentation.

The following table is a comparative summary of the Company's net sales by region for the three months ended September 30, 2014 and 2013:

|                 | Three Months Ended September 30, |         | Change  |      | XFX Change <sup>(a)</sup> |      |   |  |
|-----------------|----------------------------------|---------|---------|------|---------------------------|------|---|--|
|                 | 2014                             | 2013    | \$      | %    | \$                        | %    |   |  |
| United States   | \$243.8                          | \$185.8 | \$58.0  | 31.2 | % \$58.0                  | 31.2 | % |  |
| International   | 228.5                            | 147.3   | 81.2    | 55.1 | % 91.3                    | 62.0 | % |  |
| Total Net Sales | \$472.3                          | \$333.1 | \$139.2 | 41.8 | % \$149.3                 | 44.8 | % |  |

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

The following table is a comparative summary of the Company's net sales by region for the nine months ended September 30, 2014 and 2013:

|                 | Nine Months Ended September 30, |           | Change  |      | XFX Change <sup>(a)</sup> |      |   |  |
|-----------------|---------------------------------|-----------|---------|------|---------------------------|------|---|--|
|                 | 2014                            | 2013      | \$      | %    | \$                        | %    |   |  |
| United States   | \$749.2                         | \$581.8   | \$167.4 | 28.8 | % \$167.4                 | 28.8 | % |  |
| International   | 690.8                           | 421.9     | 268.9   | 63.7 | % 294.8                   | 69.9 | % |  |
| Total Net Sales | \$1,440.0                       | \$1,003.7 | \$436.3 | 43.5 | % \$462.2                 | 46.0 | % |  |

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

## United States

## Third quarter results:

In the U.S., net sales in the third quarter of 2014 increased \$58.0 million, or 31.2%, to \$243.8 million, as compared to \$185.8 million in the third quarter of 2013, primarily due to the inclusion of \$47.5 million of net sales as a result of the Colomer Acquisition. Net sales in the U.S. were also impacted by \$8.8 million of favorable returns reserve adjustments during the third quarter 2014, as a result of lower expected discontinued products in the future related to the Company's strategy to focus on fewer, bigger and better innovations, partially offset by increased returns expense for current year returns. In addition, the third quarter of 2014 had higher net sales of Revlon color cosmetics and Mitchum products, partially offset by lower net sales of Almay color cosmetics and SinfulColors color cosmetics.

## Year-to-date results:

In the U.S., net sales in the first nine months of 2014 increased \$167.4 million, or 28.8%, to \$749.2 million, as compared to \$581.8 million in the first nine months of 2013, primarily due to the inclusion of \$145.5 million of net sales as a result of the Colomer Acquisition. Net sales in the U.S. were also impacted by \$15.1 million of favorable returns reserve adjustments during the first nine months of 2014, as a result of lower expected discontinued products in the future related to the Company's strategy to focus on fewer, bigger and better innovations, partially offset by

increased returns expense for current year returns. In addition, the first nine months of 2014 had higher net sales of Revlon color cosmetics and Revlon ColorSilk hair color, partially offset by lower net sales of Almay color cosmetics.

## REVLON, INC. AND SUBSIDIARIES

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

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

## International

## Third quarter results:

International net sales in the third quarter of 2014 increased \$81.2 million, or 55.1%, to \$228.5 million, as compared to \$147.3 million in the third quarter of 2013. Excluding the \$10.1 million unfavorable impact of foreign currency fluctuations, International net sales increased \$91.3 million, or 62.0%, primarily due to the inclusion of \$96.2 million of net sales as a result of the Colomer Acquisition. Additionally, net sales were impacted by lower net sales of Revlon color cosmetics in certain distributor markets, partially offset by higher net sales of Revlon color cosmetics in Venezuela, Japan and South Africa. Results in Venezuela benefited from the increased availability of U.S. Dollars to import finished goods for sale in Venezuela in the third quarter of 2014, as compared to the third quarter of 2013. See "Impact of Foreign Currency Translation-Venezuela" below within "Financial Condition, Liquidity and Capital Resources" for further discussion.

## Year-to-date results:

International net sales in the first nine months of 2014 increased \$268.9 million, or 63.7%, to \$690.8 million, as compared to \$421.9 million in the first nine months of 2013. Excluding the \$25.9 million unfavorable impact of foreign currency fluctuations, International net sales increased \$294.8 million, or 69.9%, primarily due to the inclusion of \$292.1 million of net sales as a result of the Colomer Acquisition. Additionally, net sales were impacted by higher net sales of Revlon color cosmetics in Japan and other beauty care products in Venezuela and Argentina, mostly offset by lower net sales of Revlon color cosmetics and Revlon ColorSilk hair color in certain distributor markets. Results in Venezuela benefited from the increased availability of U.S. Dollars to import finished goods for sale in Venezuela in the first nine months of 2014, as compared to the first nine months of 2013. See "Impact of Foreign Currency Translation-Venezuela" below within "Financial Condition, Liquidity and Capital Resources" for further discussion.

## Gross profit:

|                         | Three Months Ended |         |        | Nine Months Ended |         |         |   |
|-------------------------|--------------------|---------|--------|-------------------|---------|---------|---|
|                         | September 30,      |         |        | September 30,     |         |         |   |
|                         | 2014               | 2013    | Change | 2014              | 2013    | Change  |   |
| Gross profit            | \$307.7            | \$212.0 | \$95.7 | \$944.7           | \$645.6 | \$299.1 |   |
| Percentage of net sales | 65.1               | % 63.6  | % 1.5  | % 65.6            | % 64.3  | % 1.3   | % |

Gross profit increased \$95.7 million, and as a percentage of net sales gross profit increased 1.5 percentage points in the third quarter of 2014, compared to the third quarter of 2013. The drivers of gross profit in the third quarter of 2014, compared to the third quarter of 2013, primarily included:

- the inclusion of gross profit from the October 2013 Colomer Acquisition, which increased gross profit by \$94.3 million and increased gross profit as a percentage of net sales by 0.2 percentage points;
  - the favorable impact of returns accrual adjustments made in the third quarter 2014, due to lower expected discontinued products in the future related to the Company's strategy to focus on fewer, bigger and better innovations, which increased gross profit by \$8.1 million and increased gross profit as a percentage of net sales by 0.8 percentage points; and
  - favorable sales mix within the Consumer segment, which increased gross profit by \$3.0 million and increased gross profit as a percentage of net sales by 0.9 percentage points;
- with the foregoing partially offset by:
- unfavorable foreign currency fluctuations, which reduced gross profit by \$7.1 million, with a de minimis impact to gross profit as a percentage of net sales; and
  -

higher allowances, which reduced gross profit by \$2.7 million and decreased gross profit as a percentage of net sales by 0.4 percentage points.

Gross profit increased \$299.1 million, and as a percentage of net sales gross profit increased 1.3 percentage points in the first nine months of 2014, compared to the first nine months of 2013. The drivers of gross profit in the first nine months of 2014, compared to the first nine months of 2013, primarily included:

the inclusion of gross profit from the October 2013 Colomer Acquisition, which increased gross profit by \$295.6 million and increased gross profit as a percentage of net sales by 0.8 percentage points;

## REVLON, INC. AND SUBSIDIARIES

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

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

the favorable impact of returns accrual adjustments in the first nine months of 2014, net of related inventory write-off charges, due to lower expected discontinued products in the future related to the Company's strategy to focus on fewer, bigger and better innovations, which increased gross profit by \$12.1 million and increased gross profit as a percentage of net sales by 0.2 percentage points;

favorable volume, which increased gross profit by \$8.5 million, with no impact on gross profit as a percentage of net sales; and

favorable sales mix within the Consumer segment, which increased gross profit by \$8.1 million and increased gross profit as a percentage of net sales by 0.8 percentage points;

with the foregoing partially offset by:

unfavorable foreign currency fluctuations, which reduced gross profit by \$19.4 million and reduced gross profit as a percentage of net sales by 0.3 percentage points; and

higher allowances, which reduced gross profit by \$6.8 million and decreased gross profit as a percentage of net sales by 0.3 percentage points.

## SG&amp;A expenses:

|               | Three Months Ended |         |          | Nine Months Ended |         |           |
|---------------|--------------------|---------|----------|-------------------|---------|-----------|
|               | September 30,      |         |          | September 30,     |         |           |
|               | 2014               | 2013    | Change   | 2014              | 2013    | Change    |
| SG&A expenses | \$251.8            | \$164.1 | \$(87.7) | \$761.6           | \$482.0 | \$(279.6) |

SG&A expenses increased \$87.7 million in the third quarter of 2014, as compared to the third quarter of 2013, primarily driven by:

the inclusion of SG&A expenses as a result of the Colomer Acquisition, commencing on the Acquisition Date, which contributed \$70.7 million to the increase in SG&A expenses;

\$12.4 million of higher general and administrative expenses, primarily due to higher incentive compensation expense driven by a lower accrual in the third quarter of 2013 based on the Company's anticipated achievement for full year 2013 at that time, and higher stock-based compensation, as well as higher occupancy costs due to overlapping rents as a result of the Company's move to its new New York headquarters during the third quarter of 2014; and

\$3.8 million of higher advertising expenses to support the Company's brands within the Consumer segment;

with the foregoing partially offset by:

\$3.5 million of favorable impact of foreign currency fluctuations.

SG&A expenses increased \$279.6 million in the first nine months of 2014, as compared to the first nine months of 2013, primarily driven by:

the inclusion of SG&A expenses as a result of the Colomer Acquisition, commencing on the Acquisition Date, which contributed \$222.6 million to the increase in SG&A expenses;

a \$26.4 million gain from insurance proceeds in the first nine months of 2013 due to the settlement of the Company's claim for the loss of inventory from the fire that destroyed the Company's facility in Venezuela, partially offset by an accrual in the first nine months of 2013 of \$4.5 million for estimated clean-up costs related to the destroyed facility, both of which did not recur in the first nine months of 2014;

\$23.9 million of higher advertising expenses to support the Company's brands within the Consumer segment; and

\$12.6 million of higher general and administrative expenses, primarily due to higher incentive compensation expense driven by a lower accrual in the first nine months of 2013 based on the Company's anticipated achievement for full year 2013 at that time, and higher stock-based compensation, as well as higher occupancy costs due to overlapping rents as a result of the Company's move to its new New York headquarters during the third quarter of 2014;

with the foregoing partially offset by:

\$10.2 million of favorable impact of foreign currency fluctuations.





## REVLON, INC. AND SUBSIDIARIES

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

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

## Acquisition and Integration Costs:

|                                   | Three Months Ended |       |        | Nine Months Ended |       |        |
|-----------------------------------|--------------------|-------|--------|-------------------|-------|--------|
|                                   | September 30,      |       |        | September 30,     |       |        |
|                                   | 2014               | 2013  | Change | 2014              | 2013  | Change |
| Acquisition and integration costs | \$0.9              | \$5.9 | \$5.0  | \$5.4             | \$6.3 | \$0.9  |

The acquisition and integration costs for the third quarters and first nine months of 2014 and 2013 consist of the following:

|   | Three Months Ended |       | Nine Months Ended |       |
|---|--------------------|-------|-------------------|-------|
|   | September 30,      |       | September 30,     |       |
|   | 2014               | 2013  | 2014              | 2013  |
| Acquisition costs                       | \$0.1              | \$5.9 | \$0.5             | \$6.3 |
| Integration costs                       | 0.8                | —     | 4.9               | —     |
| Total acquisition and integration costs | \$0.9              | \$5.9 | \$5.4             | \$6.3 |

The acquisition costs primarily include legal fees and consulting fees directly attributable to the Colomer Acquisition. The integration costs consist of non-restructuring costs related to the Company's integration of Colomer's operations into the Company's business, and, for 2014, primarily including employee-related costs related to management changes and audit-related fees.

## Restructuring charges and other, net:

|                                      | Three Months Ended |         |         | Nine Months Ended |       |          |
|--------------------------------------|--------------------|---------|---------|-------------------|-------|----------|
|                                      | September 30,      |         |         | September 30,     |       |          |
|                                      | 2014               | 2013    | Change  | 2014              | 2013  | Change   |
| Restructuring charges and other, net | \$0.8              | \$(1.5) | \$(2.3) | \$18.1            | \$1.8 | \$(16.3) |

## Integration Program

During the third quarter of 2014, the Company recorded charges totaling \$1.4 million related to restructuring and related actions under the Integration Program, of which \$1.1 million was recorded in restructuring charges and other, net, \$0.1 million was recorded in cost of sales and \$0.2 million was recorded in SG&A expenses.

During the first nine months of 2014, the Company recorded charges totaling \$17.1 million related to restructuring and related actions under the Integration Program, of which \$16.4 million was recorded in restructuring charges and other, net, \$0.2 million was recorded in cost of sales and \$0.5 million was recorded in SG&A expenses.

For additional details on the Integration Program, please see "Overview - Recent Events - Integration Program."

## Other Immaterial Restructuring Actions

During the first nine months of 2014, the Company recorded net charges totaling \$1.9 million within restructuring charges and other, net, for other immaterial restructuring actions within the Consumer segment, primarily due to \$2.2 million of charges related to employee-related costs, partially offset by a \$0.3 million gain related to the sale of equipment.

## December 2013 Program

The Company recognized cumulative charges of \$21.4 million through December 31, 2013 within income (loss) from discontinued operations, related to restructuring actions that include exiting its business operations in China, as well as implementing other immaterial restructuring actions outside the U.S. that are expected to generate other operating efficiencies (the "December 2013 Program"). In the first nine months of 2014, the Company revised its estimated charges for the December 2013 Program and decreased its restructuring and related charges by \$2.5 million, for cumulative charges incurred through September 30, 2014 of \$18.9 million. Of that \$2.5 million decrease, \$2.3 million relates to the Company's exit of its business operations in China and is recorded within income (loss) from

discontinued operations, net of taxes. The remaining \$0.2 million is recorded in restructuring charges and other, net within income from continuing operations, net of taxes.

The Company expects cash payments to total approximately \$17 million related to the December 2013 Program, of which \$0.1 million was paid in 2013, and \$15.1 million was paid in the first nine months of 2014, with the majority of the remaining balance expected to be paid during the remainder of 2014.

## REVLON, INC. AND SUBSIDIARIES

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

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

The Company expects approximately \$10 million of cost reductions to benefit 2014 from the December 2013 Program and annualized cost reductions thereafter are expected to be approximately \$11 million.

## September 2012 Program

In September 2012, the Company announced a restructuring (the "September 2012 Program"), which primarily involved the Company exiting its owned manufacturing facility in France and its leased manufacturing facility in Maryland; rightsizing its organizations in France and Italy; and realigning its operations in Latin America and Canada.

During the third quarter of 2013, the Company recorded a net benefit related to the September 2012 Program of \$1.5 million, primarily due to a \$2.5 million gain related to the July 2013 sale of the Company's manufacturing facility in France, partially offset by changes in estimates related to legal and other termination costs.

During the first nine months of 2013, the Company recorded net charges of \$2.2 million related to the September 2012 Program, primarily due to \$4.7 million of additional charges as a result of changes in estimates related to severance and other termination benefits, partially offset by a \$2.5 million gain related to the July 2013 sale of the Company's manufacturing facility in France. Of the \$2.2 million net charge, \$1.8 million is recorded in restructuring charges and other, net, \$0.2 million is recorded in cost of sales and \$0.2 million is recorded in SG&A expenses.

The Company recognized \$27.2 million of cumulative charges related to the September 2012 Program through December 31, 2013, with no additional charges recorded in the first nine months of 2014.

The Company expects net cash payments related to the September 2012 Program will total approximately \$25 million, of which \$21.1 million was paid cumulatively through December 31, 2013, and \$3.2 million was paid in the nine months ended September 30, 2014, with the balance expected to be paid during the remainder of 2014.

For further discussion of the Integration Program, December 2013 Program and September 2012 Program, see Note 3, "Restructuring Charges," to the Unaudited Consolidated Financial Statements in this Form 10-Q.

## Interest expense:

|  | Three Months Ended |        |         | Nine Months Ended |        |          |
|--|--------------------|--------|---------|-------------------|--------|----------|
|  | September 30,      |        |         | September 30,     |        |          |
|  | 2014               | 2013   | Change  | 2014              | 2013   | Change   |
| Interest expense                             | \$20.6             | \$16.2 | \$(4.4) | \$63.9            | \$50.8 | \$(13.1) |
| Interest expense - preferred stock dividends | \$—                | \$1.7  | \$1.7   | —                 | 4.9    | 4.9      |

The \$4.4 million and \$13.1 million increase in interest expense in the third quarter and first nine months of 2014, respectively, as compared to the prior year periods of 2013, were primarily due to higher average debt as a result of Products Corporation's Acquisition Term Loan that was used to fund the Colomer Acquisition, partially offset by lower weighted-average borrowing rates.

In accordance with the terms of the certificate of designation of the Revlon, Inc. Series A Preferred Stock, par value \$0.01 per share (the "Preferred Stock"), during the third quarter and first nine months of 2013, Revlon, Inc. recognized \$1.7 million and \$4.9 million, respectively, of interest expense related to the regular quarterly dividends on the Preferred Stock. Revlon, Inc. consummated the mandatory redemption of such Preferred Stock in October 2013.

## Loss on early extinguishment of debt:

|                                      | Three Months Ended |       |        | Nine Months Ended |        |        |
|--------------------------------------|--------------------|-------|--------|-------------------|--------|--------|
|                                      | September 30,      |       |        | September 30,     |        |        |
|                                      | 2014               | 2013  | Change | 2014              | 2013   | Change |
| Loss on early extinguishment of debt | \$—                | \$0.2 | \$0.2  | \$2.0             | \$28.1 | \$26.1 |

The Company recognized an aggregate loss on the early extinguishment of debt of \$2.0 million during the first nine months of 2014, primarily due to \$1.1 million of fees and expenses which were expensed as incurred in connection

with the February 2014 Term Loan Amendment, as well as the write-off of \$0.8 million of unamortized debt discount and deferred financing fees as a result of such transaction. Refer to "Financial Condition, Liquidity and Capital Resources - Long Term Debt Instruments" for further discussion.

The Company recognized an aggregate loss on the early extinguishment of debt of \$28.1 million during the first nine months of 2013, primarily due to \$18.6 million of fees and expenses which were expensed as incurred in connection with the (i) February 2013 refinancing of Products Corporation's 9<sup>3</sup>/<sub>4</sub>% Senior Secured Notes and Products Corporation's issuance of the 5<sup>3</sup>/<sub>4</sub>% Senior

## REVLON, INC. AND SUBSIDIARIES

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

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

Notes (the "2013 Senior Notes Refinancing") and (ii) the February 2013 amendments to the 2011 Term Loan (the "February 2013 Term Loan Amendments"), as well as the write-off of \$9.3 million of unamortized debt discount and deferred financing fees as a result of such transactions.

## Foreign currency losses, net:

|                              | Three Months Ended |       |          | Nine Months Ended |       |           |
|------------------------------|--------------------|-------|----------|-------------------|-------|-----------|
|                              | September 30,      |       |          | September 30,     |       |           |
|                              | 2014               | 2013  | Change   | 2014              | 2013  | Change    |
| Foreign currency losses, net | \$9.3              | \$0.4 | \$(8.9 ) | \$17.9            | \$3.2 | \$(14.7 ) |

The increase in foreign currency losses, net, of \$8.9 million during the third quarter of 2014, as compared to the third quarter of 2013, was primarily driven by:

- the unfavorable impact of the revaluation of certain U.S. Dollar denominated intercompany payables during the third quarter of 2014, compared to the third quarter of 2013.

The increase in foreign currency losses, net, of \$14.7 million during the first nine months of 2014, as compared to the first nine months of 2013, was primarily driven by:

- the unfavorable impact of the revaluation of certain U.S. Dollar denominated intercompany payables and foreign currency denominated intercompany receivables during the first nine months of 2014, compared to the first nine months of 2013; and

- a \$6.0 million foreign currency loss related to the required re-measurement of Revlon Venezuela's balance sheet during the second quarter of 2014.

## Provision for income taxes:

|                            | Three Months Ended |        |        | Nine Months Ended |        |          |
|----------------------------|--------------------|--------|--------|-------------------|--------|----------|
|                            | September 30,      |        |        | September 30,     |        |          |
|                            | 2014               | 2013   | Change | 2014              | 2013   | Change   |
| Provision for income taxes | \$8.7              | \$12.1 | \$3.4  | \$34.2            | \$30.3 | \$(3.9 ) |

The provision for income taxes decreased \$3.4 million in the third quarter of 2014, as compared to the third quarter of 2013, primarily due to certain discrete items that favorably impacted the provision for income taxes in the third quarter of 2014, including return-to-provision adjustments.

The provision for income taxes increased \$3.9 million in the first nine months of 2014, as compared to the first nine months of 2013, primarily due to the loss on early extinguishment of debt recognized in the first nine months of 2013 that did not recur in 2014, which favorably impacted the provision for income taxes, and an increase in pre-tax income in the first nine months of 2014, partially offset by the favorable impact of certain discrete items in the period, including the favorable resolution of tax matters in certain foreign jurisdictions and return-to-provision adjustments.

The Company's effective tax rate for the three months ended September 30, 2014 was higher than the federal statutory rate of 35% due principally to foreign dividends and earnings taxable in the U.S., foreign and U.S. tax effects attributable to operations outside the U.S., and state and local taxes, net of U.S. federal income tax benefit, partially offset by certain discrete items in the third quarter of 2014, including the return-to-provision adjustments.

The Company's effective tax rate for the nine months ended September 30, 2014 was higher than the federal statutory rate of 35% due principally to foreign dividends and earnings taxable in the U.S. and state and local taxes, net of U.S. federal income tax benefits.

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

## Financial Condition, Liquidity and Capital Resources

At September 30, 2014, the Company had a liquidity position of \$338.5 million, consisting of unrestricted cash and cash equivalents (net of any outstanding checks) of \$172.5 million, as well as \$166.0 million in available borrowings under the \$175.0

## REVLON, INC. AND SUBSIDIARIES

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

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

million asset-based, multi-currency revolving credit facility (the "Amended Revolving Credit Facility") based upon the borrowing base less \$9.0 million of undrawn outstanding letters of credit and nil then drawn under the Amended Revolving Credit Facility at such date.

The Company's foreign operations held \$58.4 million out of the total \$172.5 million in unrestricted cash and cash equivalents (net of any outstanding checks) as of September 30, 2014. The cash held by the Company's foreign operations is primarily used to fund such operations. The Company regularly assesses its cash needs and the available sources of cash to fund these needs. As part of this assessment, the Company determines the amount of foreign earnings, if any, that it intends to repatriate to help fund its domestic cash needs, including for the Company's debt service obligations, and pays applicable U.S. income and foreign withholding taxes, if any, on such earnings. The Company believes that the cash generated by its domestic operations and availability under the Amended Revolving Credit Facility and other permitted lines of credit should be sufficient to meet its domestic liquidity needs for at least the next twelve months. Therefore, the Company does not currently anticipate that restrictions or taxes on repatriation of foreign earnings will have a material effect on the Company's liquidity during such period.

## Changes in Cash Flows

At September 30, 2014, the Company had cash and cash equivalents of \$178.4 million, compared with \$244.1 million at December 31, 2013. The following table summarizes the Company's cash flows from operating, investing and financing activities for the nine months ended September 30, 2014 and 2013:

|  | Nine Months Ended September 30, |        |
|--|---------------------------------|--------|
|  | 2014                            | 2013   |
| Net cash provided by operating activities                    | \$46.7                          | \$5.8  |
| Net cash used in investing activities                        | (29.4                           | ) (1.4 |
| Net cash (used in) provided by financing activities          | (70.7                           | ) 22.7 |
| Effect of exchange rate changes on cash and cash equivalents | (12.3                           | ) (4.1 |

## Operating Activities

Net cash provided by operating activities was \$46.7 million and \$5.8 million in the first nine months of 2014 and 2013, respectively. As compared to cash provided in the first nine months of 2013, cash provided by operating activities in the first nine months of 2014 was impacted by cash provided by operating activities related to the operations acquired in the Colomer Acquisition, partially offset by unfavorable changes in working capital, including higher interest payments, higher tax payments and payments of acquisition and integration costs related to the Colomer Acquisition.

Net cash used in operating activities related to discontinued operations, including restructuring payments, was approximately \$26 million and \$9 million for the nine months ended September 30, 2014 and 2013, respectively.

## Investing Activities

Net cash used in investing activities was \$29.4 million and \$1.4 million for the nine months ended September 30, 2014 and 2013, respectively. Net cash used in investing activities for the first nine months of 2014 included \$30.3 million of cash used for capital expenditures. Net cash used in investing activities for the first nine months of 2013 included \$17.9 million of cash used for capital expenditures, partially offset by \$13.1 million of insurance proceeds received in July 2013 for the Company's property claim related to the June 2011 fire at the Company's facility in Venezuela.

## Financing Activities

Net cash (used in) provided by financing activities was \$(70.7) million and \$22.7 million for the nine months ended September 30, 2014 and 2013, respectively.

Net cash used in financing activities for the first nine months of 2014 included:

the repayment of the \$58.4 million aggregate principal amount outstanding of the Non-Contributed Loan;



\$5.3 million of scheduled amortization payments on the Acquisition Term Loan;  
\$3.1 million of short-term borrowings and overdraft; and  
the payment of \$1.8 million of financing costs primarily related to the February 2014 Term Loan Amendment.  
Net cash provided by financing activities for the first nine months of 2013 included:  
Products Corporation's issuance of the \$500.0 million aggregate principal amount of the 5¾% Senior Notes at par;

REVLON, INC. AND SUBSIDIARIES

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

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

with the foregoing partially offset by:

• the repayment and redemption of all of the \$330.0 million aggregate principal amount outstanding of Products Corporation's 9¾% Senior Secured Notes in connection with the 2013 Senior Notes Refinancing;

• the repayment of the \$113.0 million in principal on the 2011 Term Loan in connection with the consummation of the February 2013 Term Loan Amendments; and

the payment of \$32.7 million of financing costs comprised of: (i) \$17.5 million of redemption and tender offer premiums, as well as fees and expenses related to the repayment and redemption of all of the \$330.0 million aggregate principal amount outstanding of the 9¾% Senior Secured Notes; (ii) \$10.1 million of underwriters' fees and other fees in connection with the issuance of the 5¾% Senior Notes; (iii) \$1.2 million of fees incurred in connection with the February 2013 Term Loan Amendments; (iv) \$1.9 million of fees incurred in connection with the August 2013 Term Loan Amendments; (v) \$1.6 million of fees incurred in connection with the Incremental Amendment; and (vi) \$0.4 million of fees incurred in connection with the August 2013 Revolver Amendment.

Cash Pooling Arrangement

Certain of the Company's foreign subsidiaries utilize a cash pooling arrangement with a financial institution for cash management purposes. This cash pooling arrangement allows the participating entities to withdraw cash from the financial institution to the extent aggregate cash deposits held by its participating locations are available at the financial institution. To the extent any participating location on an individual basis is in an overdraft position, such overdrafts would be recorded within short-term borrowings in the consolidated balance sheet and reflected as financing activities in the consolidated statement of cash flows, and the cash deposits held as collateral for such overdrafts would be classified as restricted cash within cash and cash equivalents. As of September 30, 2014, the Company had \$3.3 million of such overdrafts recorded in short-term borrowings and \$3.3 million of restricted cash recorded in cash and cash equivalents in the Consolidated Balance Sheet.

Long-Term Debt Instruments

For further detail regarding Products Corporation's long-term debt instruments, see Note 11, "Long-Term Debt and Redeemable Preferred Stock," to the Consolidated Financial Statements in Revlon, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2013, filed with the U.S. Securities and Exchange Commission (the "SEC") on March 5, 2014 (the "2013 Form 10-K"), as well as "Management's Discussion and Analysis of Financial Condition and Results of Operations - Financial Condition, Liquidity and Capital Resources" in Revlon, Inc.'s 2013 Form 10-K.

(a) Recent Debt Transactions

Term Loan and Revolving Credit Facility Amendments

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

Pursuant to the February 2014 Term Loan Amendment, the interest rates applicable to Eurodollar Loans under the \$675.0 million 2011 Term Loan bear interest at the Eurodollar Rate plus 2.5% per annum, with the Eurodollar Rate not to be less than 0.75% (compared to 3.0% and 1.0%, respectively, prior to the February 2014 Term Loan Amendment), while Alternate Base Rate Loans under the 2011 Term Loan bear interest at the Alternate Base Rate plus 1.5%, with the Alternate Base Rate not to be less than 1.75% (compared to 2.0% in each case prior to the February 2014 Term Loan Amendment) (and as each such term is defined in the Amended Term Loan Agreement). The 2011 Term Loan is subject to a 1% premium in connection with any repricing transaction occurring prior to the date that is 12 months after the closing of such amendment (or February 26, 2015).

Products Corporation's Acquisition Term Loan and Amended Revolving Credit Facility were not amended in connection with the February 2014 Term Loan Amendment.

For the nine months ended September 30, 2014, the Company incurred approximately \$1.1 million of fees and expenses in connection with the February 2014 Term Loan Amendment, which were expensed as incurred, and wrote-off \$0.8 million of unamortized debt discount and deferred financing costs as a result of the February 2014 Term Loan Amendment. These amounts, totaling \$1.9 million, were recognized within loss on early extinguishment of debt in the Company's Consolidated Statements of Income and Comprehensive Income for the nine months ended September 30, 2014.

REVLON, INC. AND SUBSIDIARIES

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

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

Repayment of Non-Contributed Loan

On May 1, 2014, Products Corporation used available cash on hand to optionally prepay in full the remaining \$58.4 million principal amount outstanding under the Non-Contributed Loan that remained owing from Products Corporation to various third parties. The Non-Contributed Loan would have otherwise matured on October 8, 2014.

(b) Covenants

Amended Credit Agreements

Products Corporation was in compliance with all applicable covenants under the Amended Term Loan Agreement and the Amended Revolving Credit Facility (the "Amended Credit Agreements") as of September 30, 2014. At September 30, 2014, the aggregate principal amount outstanding under the Acquisition Term Loan and the 2011 Term Loan was \$694.8 million and \$675.0 million, respectively, and availability under the \$175.0 million Amended Revolving Credit Facility, based upon the calculated borrowing base less \$9.0 million of outstanding undrawn letters of credit and nil then drawn on the Amended Revolving Credit Facility, was \$166.0 million. During the third quarter and first nine months of each of 2014 and 2013 there were no borrowings under the Amended Revolving Credit Facility.

Products Corporation was in compliance with all applicable covenants under its 5¾% Senior Notes Indenture as of September 30, 2014.

Impact of Foreign Currency Translation – Venezuela

During the third quarters of 2014 and 2013, Revlon Venezuela's net sales were de minimis and approximately 2%, respectively, of the Company's consolidated net sales. During both the first nine months of 2014 and 2013, Revlon Venezuela had net sales of approximately 1% of the Company's consolidated net sales. At September 30, 2014 and December 31, 2013, Revlon Venezuela's assets were de minimis and approximately 1% of the Company's total assets, respectively.

Highly-Inflationary Economy: Effective January 1, 2010, Venezuela was designated as a highly inflationary economy under U.S. GAAP. As a result, beginning January 1, 2010, the U.S. Dollar is the functional currency for Revlon Venezuela. As Venezuela is designated as highly inflationary, currency translation adjustments of Revlon Venezuela's balance sheet are reflected in earnings.

Currency Devaluation: In January 2014, the Venezuela government announced that the Comisión de Administración de Divisas ("CADIVI") would be replaced by the government-operated National Center of Foreign Commerce (the "CENCOEX"), and indicated that the Sistema Complementario de Administración de Divisas ("SICAD") market would continue to be offered as an alternative foreign currency exchange. Additionally, a parallel foreign currency exchange system has been developed, SICAD II, which started functioning in March 2014, and for the second quarter of 2014 the SICAD II exchange market had an average transaction rate to the Company of approximately 53 Bolivars per U.S. Dollar (the "SICAD II Rate"). The SICAD II market allows companies to apply for the purchase of foreign currency and foreign currency denominated securities for any legal use or purpose.

During the first nine months of 2014, the Company continued to exchange Bolivars for U.S. Dollars to the extent permitted through the CENCOEX, SICAD and SICAD II markets based on its ability to participate in those markets. As a result, the Company considered its specific facts and circumstances in order to determine the appropriate rate of exchange to translate Revlon Venezuela's financial statements. Based on the Company's assessment of factors, including of its legal ability and intent to continue to participate in the SICAD II exchange market to import finished goods into Venezuela, the Company determined that it was appropriate to utilize the SICAD II Rate of 53 Bolivars per U.S. Dollar to translate Revlon Venezuela's financial statements as of June 30, 2014. In the third quarter of 2014, the Company continued using the SICAD II Rate, which did not materially change from the second quarter of 2014, to translate Revlon Venezuela's financial statements.

As a result of the change from the official rate of 6.3 Bolivars per U.S. Dollar to the SICAD II Rate on June 30, 2014, the Company was required to re-measure all of Revlon Venezuela's monetary assets and liabilities at the rate of 53 Bolivars per U.S. Dollar as of June 30, 2014. Non-monetary assets and liabilities continue to be measured at their historical rates. The Company recorded a foreign currency loss of \$6.0 million in the second quarter of 2014 as a result of the required re-measurement of Revlon Venezuela's balance sheet. As Venezuela was designated as a highly inflationary economy effective January 1, 2010, the Company reflected this foreign currency loss in earnings. For both the three and nine months ended September 30, 2014, the change to the SICAD II Rate, as compared to the 6.3 Bolivars per U.S. Dollar official rate, had the impact of reducing net sales by \$6.7 million and reducing operating income by \$4.1 million.

Volume restrictions on the conversion of the Bolivar to the U.S. Dollar limits Revlon Venezuela's purchasing activity. The use of the SICAD II Rate in lieu of the official rate to translate Revlon Venezuela's financial statements will have a negative impact on Revlon Venezuela's results of operations going forward. Current or additional governmental restrictions, worsening import authorization controls, price and profit controls or labor unrest in Venezuela, could have further adverse impacts on the Company's

REVLON, INC. AND SUBSIDIARIES

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

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

business and results of operations in Venezuela. See Part I, Item 1A, "Risk Factors" - "The Company's foreign operations are subject to a variety of social, political and economic risks and have been, and are expected to continue to be, affected by foreign currency fluctuations, currency controls and/or government-mandated pricing controls, which could have a material adverse effect on the results of the Company's business, financial condition and/or results of operations and the value of its foreign assets" in Revlon, Inc.'s 2013 Form 10-K.

Sources and Uses

The Company's principal sources of funds are expected to be operating revenues, cash on hand and funds available for borrowing under the Amended Revolving Credit Facility and other permitted lines of credit. The Amended Credit Agreements, the 5¾% Senior Notes Indenture and the Amended and Restated Senior Subordinated Term Loan Agreement contain certain provisions that by their terms limit Products Corporation and its subsidiaries' ability to, among other things, incur additional debt.

The Company's principal uses of funds are expected to be the payment of operating expenses, including expenses in connection with the continued execution of the Company's business strategy, integration costs related to the Colomer Acquisition, purchases of permanent wall displays, capital expenditure requirements, debt service payments and costs, tax payments, pension and other post-retirement benefit plan contributions, payments in connection with the Company's restructuring programs, severance not otherwise included in the Company's restructuring programs, debt and/or equity repurchases, if any, and costs related to litigation. The Company's cash contributions to its pension and post-retirement benefit plans in the first nine months of 2014 were \$16.4 million. The Company expects cash contributions to its pension and post-retirement benefit plans to be approximately \$20 million in the aggregate for full year 2014. The Company's cash taxes paid in the first nine months of 2014 were \$16.8 million. The Company expects to pay cash taxes of approximately \$20 million in the aggregate for full year 2014. The Company's purchases of permanent wall displays and capital expenditures in the first nine months of 2014 were \$33.1 million and \$30.3 million, respectively. The Company expects purchases of permanent wall displays to be approximately \$55 million in the aggregate for full year 2014. The Company expects capital expenditures to be approximately \$60 million in the aggregate for full year 2014. The Company expects total cash paid for its discontinued operations in China for full year 2014 to be approximately \$13 million, which is in addition to restructuring cash payments for the December 2013 Program.

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

Continuing to execute the Company's business strategy could include taking advantage of additional opportunities to reposition, repackage or reformulate one or more brands or product lines, launching additional new products, acquiring businesses or brands, divesting or discontinuing non-core business lines (which may include exiting certain territories), further refining the Company's approach to retail merchandising and/or taking further actions to optimize its manufacturing, sourcing and organizational size and structure, including optimizing the integration of the Colomer Acquisition. The Company plans to integrate the operations of Colomer into the Company's business and expects to achieve approximately \$30 million to \$35 million of annualized cost reductions by the end of 2015, with approximately \$10 million to \$15 million of these cost reductions expected to benefit 2014 results, at a cost of approximately \$50 million in the aggregate over 2013 through 2015. Any of these actions, the intended purpose of which would be to create value through improving the Company's financial performance, could result in the Company making investments and/or recognizing charges related to executing against such opportunities. Any such activities

may be funded with cash on hand, funds available under the Amended Revolving Credit Facility and/or other permitted additional sources of capital, which actions could increase the Company's total debt.

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

The Company expects that operating revenues, cash on hand and funds available for borrowing under the Amended Revolving Credit Facility and other permitted lines of credit will be sufficient to enable the Company to pay its operating expenses for 2014, including expenses in connection with the execution of the Company's business strategy, integration costs related to the Colomer Acquisition, purchases of permanent wall displays, capital expenditure requirements, debt service payments and costs, tax payments, pension and other post-retirement plan contributions, payments in connection with the Company's restructuring programs, severance not otherwise included in the Company's restructuring programs, debt and/or equity repurchases, if any, and costs related to litigation.

REVLON, INC. AND SUBSIDIARIES

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

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

There can be no assurance that available funds will be sufficient to meet the Company's cash requirements on a consolidated basis. If the Company's anticipated level of revenues is not achieved because of, among other things, decreased consumer spending in response to weak economic conditions or weakness in the consumption of beauty care products in either the Consumer or Professional segment; adverse changes in currency exchange rates, currency controls and/or government-mandated pricing controls; decreased sales of the Company's products as a result of increased competitive activities by the Company's competitors; changes in consumer purchasing habits, including with respect to shopping channels; inventory management by the Company's customers; space reconfigurations or reductions in display space by the Company's customers; changes in pricing or promotional strategies by the Company's customers; or less than anticipated results from the Company's existing or new products or from its advertising, promotional and/or marketing plans; or if the Company's expenses, including, without limitation, for restructuring costs, acquisition and integration costs (including, without limitation, the Colomer Acquisition), costs related to litigation, advertising, promotional and marketing activities or for sales returns related to any reduction of space by the Company's customers, product discontinuances or otherwise, exceed the anticipated level of expenses, the Company's current sources of funds may be insufficient to meet the Company's cash requirements.

Any such developments, if significant, could reduce the Company's revenues and operating income and could adversely affect Products Corporation's ability to comply with certain financial covenants under the Amended Credit Agreements and in such event the Company could be required to take measures, including, among other things, reducing discretionary spending. (See Item 1A. "Risk Factors" in Revlon, Inc.'s 2013 Form 10-K for further discussion of certain risks associated with the Company's business and indebtedness.)

Derivative Financial Instruments

Foreign Currency Forward Exchange Contracts

Products Corporation enters into foreign currency forward exchange contracts ("FX Contracts") and option contracts from time to time to hedge certain net cash flows denominated in currencies other than the local currencies of the Company's foreign and domestic operations. The FX Contracts are entered into primarily for the purpose of hedging anticipated inventory purchases and certain intercompany payments denominated in currencies other than the local currencies of the Company's foreign and domestic operations and generally have maturities of less than one year. At September 30, 2014, the FX Contracts outstanding had a notional amount of \$19.8 million and a net asset fair value of \$0.6 million.

Interest Rate Swap Transaction

In November 2013, Products Corporation executed a forward-starting floating-to-fixed interest rate swap transaction with a 1.00% floor, based on a notional amount of \$400 million in respect of indebtedness under the Acquisition Term Loan over a period of three years. The Company designated the 2013 Interest Rate Swap as a cash flow hedge of the variability of the forecasted three-month LIBOR interest rate payments related to its Acquisition Term Loan with respect to the \$400 million notional amount over the three-year term of the 2013 Interest Rate Swap. Under the terms of the 2013 Interest Rate Swap, Products Corporation will receive from the counterparty a floating interest rate based on the higher of three-month USD LIBOR or 1.00% commencing in May 2015, while paying a fixed interest rate payment to the counterparty equal to 2.0709% (which effectively fixes the interest rate on such notional amount at 5.0709% over the three-year term of the 2013 Interest Rate Swap). For the nine months ended September 30, 2014, the 2013 Interest Rate Swap was deemed effective and therefore the changes in fair value related to the 2013 Interest Rate Swap have been recorded in Other Comprehensive Income in the Consolidated Financial Statements. The fair value of the Company's 2013 Interest Rate Swap at September 30, 2014 was a liability of \$1.2 million.

Credit Risk

Exposure to credit risk in the event of nonperformance by any of the counterparties is limited to the gross fair value of the derivative instruments in asset positions, which totaled \$0.6 million and \$3.5 million as of September 30, 2014 and



December 31, 2013, respectively. The Company attempts to minimize exposure to credit risk by generally entering into derivative contracts with counterparties that have investment-grade credit ratings and are major financial institutions. The Company also periodically monitors any changes in the credit ratings of its counterparties. Given the current credit standing of the Company's derivative instrument counterparties, the Company believes the risk of loss arising from any non-performance by any of the counterparties under these derivative instruments is remote.

Disclosures about Contractual Obligations and Commercial Commitments

During the third quarter of 2014, the Company relocated its headquarters in New York, New York. The operating lease associated with the new building includes minimum lease payments in the aggregate of approximately \$70 million over the 15-year term.

As of September 30, 2014, there were no other material changes to the Company's total contractual cash obligations, as set forth in the contractual obligations and commercial commitments disclosure included in Revlon, Inc.'s 2013 Form 10-K, other than those entered into in connection with the February 2014 Term Loan Amendment and the repayment of the Non-Contributed Loan.

The following reflects the impact of the February 2014 Term Loan Amendment and the repayment of the Non-Contributed Loan on the Company's interest obligations related to its long-term debt:

| Contractual Obligations                   | Payments Due by Period |         |           |           |            |
|---|------------------------|---------|-----------|-----------|------------|
|   | (dollars in millions)  |         |           |           |            |
| Interest on long-term debt <sup>(a)</sup> | Total                  | 2014 Q4 | 2015-2016 | 2017-2018 | After 2018 |
|   | 404.5                  | 12.9    | 164.7     | 138.0     | 88.9       |

Consists of interest through the respective maturity dates on (i) the \$694.8 million aggregate principal amount outstanding under the Acquisition Term Loan; (ii) the \$675.0 million in aggregate principal amount outstanding <sup>(a)</sup> under the 2011 Term Loan; and (iii) the \$500.0 million in aggregate principal amount of the 5¾% Senior Notes, in each case, based on interest rates under such debt agreements as of September 30, 2014. For a discussion of the 2013 Interest Rate Swap, see "Interest Rate Swap Transaction" above.

#### Off-Balance Sheet Transactions

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

#### Discussion of Critical Accounting Policies

For a discussion of the Company's critical accounting policies, see Revlon, Inc.'s 2013 Form 10-K.

#### Effect of Recent Accounting Pronouncements

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

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

#### Interest Rate Sensitivity

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

## REVLOL, INC. AND SUBSIDIARIES

The qualitative and quantitative information presented in Item 7A of Revlon, Inc.'s 2013 Form 10-K ("Item 7A") describes significant aspects of the Company's financial instrument programs that have material market risk as of December 31, 2013. The following tables present this information as required by Item 7A as of September 30, 2014:

Expected Maturity Date for the year ended December 31,  
(dollars in millions, except for rate information)

|  | 2014   | 2015                 | 2016  | 2017    | 2018  | Thereafter | Total     | Fair Value<br>September<br>30, 2014 |
|--|--------|----------------------|-------|---------|-------|------------|-----------|-------------------------------------|
| <b>Debt</b>                                      |        |                      |       |         |       |            |           |                                     |
| Short-term variable rate<br>(various currencies) | \$6.1  |                      |       |         |       |            | \$6.1     | \$6.1                               |
| Average interest rate <sup>(a)</sup>             | 4.8 %  |                      |       |         |       |            |           |                                     |
| Short-term fixed rate<br>(third party - EUR)     | 1.8    |                      |       |         |       |            | 1.8       | 1.8                                 |
| Average interest rate                            | 11.9 % |                      |       |         |       |            |           |                                     |
| Long-term fixed rate –<br>third party (USD)      |        |                      |       |         |       | \$500.0    | 500.0     | 490.0                               |
| Average interest rate                            |        |                      |       |         |       | 5.75 %     |           |                                     |
| Long-term fixed rate –<br>third party (EUR)      |        |                      | \$0.1 | \$0.1   | \$0.1 | 0.4        | 0.7       | 0.7                                 |
| Average interest rate                            |        |                      | —     | —       | —     | —          |           |                                     |
| Long-term variable rate –<br>third party (USD)   | 1.8    | <sup>(b)</sup> \$7.0 | 7.0   | 682.0   | 7.0   | 665.0      | 1,369.8   | 1,346.6                             |
| Average interest rate<br><sup>(a)(c)</sup>       | 4.0 %  | 4.0 %                | 4.2 % | 4.0 %   | 5.0 % | 5.3 %      |           |                                     |
| Total debt                                       | \$9.7  | \$7.0                | \$7.1 | \$682.1 | \$7.1 | \$1,165.4  | \$1,878.4 | \$1,845.2                           |

<sup>(a)</sup> Weighted average variable rates are based upon implied forward rates from the U.S. Dollar LIBOR and Euribor yield curves at September 30, 2014.

<sup>(b)</sup> Includes quarterly amortization payments required under the Acquisition Term Loan.

At September 30, 2014, the Acquisition Term Loan bears interest at the Eurodollar Rate (as defined in the Amended Term Loan Agreement) plus 3.00% per annum (with the Eurodollar Rate not to be less than 1.00%). As a result of the February 2014 Term Loan Amendment, the 2011 Term Loan bears interest at the Eurodollar Rate plus 2.5% per annum (with the Eurodollar Rate not to be less than 0.75%). For discussion of the February 2014 Term Loan Amendment, which reduced interest rates on the 2011 Term Loan, refer to Note 10, "Long-Term Debt," to the Unaudited Consolidated Financial Statements in this Form 10-Q.

In November 2013, Products Corporation executed the 2013 Interest Rate Swap, which is a forward-starting, floating-to-fixed interest rate swap transaction with a 1.00% floor, based on a notional amount of \$400 million in respect of indebtedness under the Acquisition Term Loan over a period of three years. The Company designated the 2013 Interest Rate Swap as a cash flow hedge of the variability of the forecasted three-month LIBOR interest rate payments related to its Acquisition Term Loan with respect to the \$400 million notional amount over the three-year term of the 2013 Interest Rate Swap. Under the terms of the 2013 Interest Rate Swap, Products Corporation will receive from the counterparty a floating interest rate based on the higher of three-month USD LIBOR or 1.00% commencing in May 2015, while paying a fixed interest rate payment to the counterparty equal to 2.0709% (which effectively fixes the interest rate on such notional amounts at 5.0709% over the three-year term of the 2013 Interest Rate Swap). The fair value of the Company's 2013 Interest Rate Swap at September 30, 2014 was a liability of \$1.2 million.



## REVLON, INC. AND SUBSIDIARIES

## Exchange Rate Sensitivity

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

| Forward Contracts ("FC")               | Average Contractual Rate \$/FC | Original US Dollar Notional Amount | Contract Value September 30, 2014 | Asset Fair Value September 30, 2014 |
|--|--------------------------------|------------------------------------|-----------------------------------|-------------------------------------|
| Sell Australian Dollars/Buy USD        | 0.8999                         | \$5.9                              | \$6.1                             | \$0.2                               |
| Sell Canadian Dollars/Buy USD          | 0.9101                         | 5.4                                | 5.5                               | 0.1                                 |
| Sell Japanese Yen/Buy USD              | 0.0097                         | 3.6                                | 3.8                               | 0.2                                 |
| Buy Australian Dollars/Sell NZ Dollars | 1.0850                         | 1.8                                | 1.9                               | 0.1                                 |
| Sell South African Rand/Buy USD        | 0.0907                         | 1.3                                | 1.3                               | —                                   |
| Sell New Zealand Dollars/Buy USD       | 0.8137                         | 0.6                                | 0.6                               | —                                   |
| Sell Hong Kong Dollars/Buy USD         | 0.1290                         | 0.4                                | 0.4                               | —                                   |
| Sell USD/Buy Euros                     | 1.2980                         | 0.3                                | 0.3                               | —                                   |
| Sell Danish Krone/Buy Euros            | 7.4570                         | 0.3                                | 0.3                               | —                                   |
| Sell Canadian Dollars/Buy Euros        | 1.4250                         | 0.2                                | 0.2                               | —                                   |
| Total forward contracts                |                                | \$19.8                             | \$20.4                            | \$0.6                               |

## Item 4. Controls and Procedures

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

(b) Changes in Internal Control Over Financial Reporting. There have not been any changes in the Company's internal control over financial reporting during the third quarter of 2014 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## Forward-Looking Statements

This Quarterly Report on Form 10-Q for the three and nine months ended September 30, 2014, as well as other public documents and statements of the Company, contain forward-looking statements that involve risks and uncertainties, which are based on the beliefs, expectations, estimates, projections, assumptions, forecasts, plans, anticipations, targets, outlooks, initiatives, visions, objectives, strategies, opportunities, drivers, focus and intents of the Company's management. While the Company believes that its estimates and assumptions are reasonable, the Company cautions that it is very difficult to predict the impact of known factors, and, of course, it is impossible for the Company to anticipate all factors that could affect its results. The Company's actual results may differ materially from those

discussed in such forward-looking statements. Such statements include, without limitation, the Company's expectations and estimates (whether qualitative or quantitative) as to:

(i) the Company's future financial performance;

the effect on sales of decreased consumer spending in response to weak economic conditions or weakness in the consumption of beauty care products in either the Consumer or Professional segment; adverse changes in currency

(ii) exchange rates, currency controls and/or government-mandated pricing controls; decreased sales of the Company's products as a result of increased competitive activities by the Company's competitors, changes in consumer purchasing

## REVLON, INC. AND SUBSIDIARIES

habits, including with respect to shopping channels; inventory management by the Company's customers; space reconfigurations or reductions in display space by the Company's customers; changes in pricing or promotional strategies by the Company's customers; less than anticipated results from the Company's existing or new products or from its advertising, promotional and/or marketing plans; or if the Company's expenses, including, without limitation, for pension expense under its benefit plans, acquisition-related integration costs (including, without limitation, the Colomer Acquisition), costs related to litigation, advertising, promotional and marketing activities, or for sales returns related to any reduction of space by the Company's customers, product discontinuances or otherwise, exceed the anticipated level of expenses;

- the Company's belief that the continued execution of its business strategy could include taking advantage of additional opportunities to reposition, repackage or reformulate one or more brands or product lines, launching additional new products, acquiring businesses or brands, divesting or discontinuing non-core business lines (which may include exiting certain territories), further refining its approach to retail merchandising and/or taking further actions to optimize its manufacturing, sourcing and organizational size and structure, including optimizing the integration of the Colomer Acquisition (including the Company's plans to integrate the operations of Colomer into the Company's business and its expectations that the Integration Program will deliver cost reductions throughout the combined organization by generating cost synergies and operating efficiencies within the Company's global supply chain and consolidating offices and back office support, and other actions designed to reduce selling, general and administrative expenses, and achieve approximately \$30 million to \$35 million of annualized cost reductions by the end of 2015, with approximately \$10 million to \$15 million of these cost reductions expected to benefit 2014 results, while recognizing approximately \$50 million, in the aggregate over 2013 through 2015, of total restructuring charges, capital expenditures (including expected integration-related capital expenditures of approximately \$7 million, \$3.3 million of which was paid in the first nine months of 2014, approximately \$1.9 million is expected to be paid during the remainder of 2014 and the remaining balance in 2015) and related non-restructuring costs, any of which, the intended purpose of which would be to create value through improving the Company's financial performance, could result in the Company making investments and/or recognizing charges related to executing against such opportunities, which activities may be funded with cash on hand, funds available under the Amended Revolving Credit Facility and/or other permitted additional sources of capital, which actions could increase the Company's total debt;
- (iii) the Company's vision to establish Revlon as the quintessential and most innovative beauty company in the world by offering products that make consumers feel attractive and beautiful and to inspire its consumers to express themselves boldly and confidently; and the Company's expectations regarding its strategic goal to optimize the market and financial performance of its portfolio of brands and assets by: (a) managing financial drivers for value creation by being focused on gross profit margin expansion, which includes optimizing price, as well as allocating sales allowances to maximize our return on trade spending, continuing to focus on reducing costs across our global supply chain and focusing on eliminating non-value added general and administrative costs in order to fund reinvestment to facilitate growth; (b) growing our global brands through exceptional innovation and effective brand support by being focused on creating fewer, bigger and better innovations across our brands that are relevant, unique, impactful and distinctive; wanting to continue to build strong brands by focusing on high-quality, consumer-preferred offerings; effective consumer communication; increased levels of effective advertising and promotion; and superb execution and collaboration with our customers; (c) pursuing growth opportunities by being focused on pursuing organic growth opportunities within our existing brand portfolio and existing channels, as well as seeking acquisition opportunities that complement our portfolio and being focused on exploring opportunities to expand our geographical presence in key markets, as appropriate; and (d) improve cash flow by being focused on improving our cash flows through, among other things, continued effective management of our working capital and by focusing on appropriate return on capital spending;
- (iv) the effect of restructuring activities, restructuring costs and charges, the timing of restructuring payments and the benefits from such activities; including, without limitation, the Company's expectation (i) that total restructuring and related charges related to the Integration Program will be approximately \$26 million, with approximately \$4.0

million of charges expected to be recognized during the remainder of 2014 and any remaining charges to be recognized in 2015; (ii) that cash payments related to the restructuring and related charges in connection with the Integration Program will total approximately \$25 million, of which \$6.4 million was paid in the first nine months of 2014, approximately \$7 million is expected to be paid during the remainder of 2014 and the majority of the remaining balance is expected to be paid in 2015; (iii) that net cash payments related to the September 2012 Program will total approximately \$25 million, of which \$21.1 million was paid cumulatively through December 31, 2013, \$3.2 million was paid during the nine months ended September 30, 2014, and the balance is expected to be paid during the remainder of 2014; (iv) that total restructuring and related charges under the December 2013 Program will be approximately \$18.9 million; (v) that cash payments will total approximately \$17 million related to the December 2013 Program, of which \$0.1 million was paid in 2013, \$15.1 million was paid during the nine months ended



## REVLON, INC. AND SUBSIDIARIES

September 30, 2014, and the majority of the remaining balance is expected to be paid during the remainder of 2014; (vi) that total cash paid for its discontinued operations in China will be approximately \$13 million, which is in addition to restructuring cash payments for the December 2013 Program; (vii) that approximately \$10 million of cost reductions related to the December 2013 Program will benefit 2014 and that annualized cost reductions thereafter will be approximately \$11 million; and (viii) that the Company expects to substantially complete the Integration Program by the end of 2015 and will complete its exit of its business operations in China by the end of 2014;

the Company's expectation that operating revenues, cash on hand and funds available for borrowing under Products Corporation's Amended Revolving Credit Facility and other permitted lines of credit will be sufficient to enable the Company to cover its operating expenses for 2014, including the cash requirements referred to in item (vi)(viii) below, and the Company's beliefs that (a) the cash generated by its domestic operations and availability under the Amended Revolving Credit Facility and other permitted lines of credit should be sufficient to meet its domestic liquidity needs for at least the next twelve months, and (b) restrictions or taxes on repatriation of foreign earnings will not have a material effect on the Company's liquidity during such period;

(vii) the Company's expected principal sources of funds, including operating revenues, cash on hand and funds available for borrowing under Products Corporation's Amended Revolving Credit Facility and other permitted lines of credit, as well as the availability of funds from the Company taking certain measures, including, among other things, reducing discretionary spending;

(viii) the Company's expected principal uses of funds, including amounts required for the payment of operating expenses, including expenses in connection with the continued execution of the Company's business strategy; integration costs related to the Colomer Acquisition; payments in connection with the Company's purchases of permanent wall displays; capital expenditure requirements; debt service payments and costs, cash tax payments, pension and other post-retirement benefit plan contributions; payments in connection with the Company's restructuring programs, severance not otherwise included in the Company's restructuring programs; debt and/or equity repurchases, if any; costs related to litigation; and payments in connection with discontinuing non-core business lines and/or exiting certain territories (including, without limitation, that the Company may also, from time to time, seek to retire or purchase its outstanding debt obligations and/or equity in open market purchases, in privately negotiated transactions or otherwise and may seek to refinance some or all of its indebtedness based upon market conditions and that any retirement or purchase of debt and/or equity may be funded with operating cash flows of the business or other sources and will depend upon prevailing market conditions, liquidity requirements, contractual restrictions and other factors, and the amounts involved may be material); and its estimates of the amount and timing of such operating and other expenses;

(ix) matters concerning the Company's market-risk sensitive instruments, as well as the Company's expectations as to the counterparty's performance, including that any risk of loss under its derivative instruments arising from any non-performance by any of the counterparties is remote;

(x) the Company's expectation to efficiently manage its working capital, including, among other things, initiatives intended to optimize inventory levels over time; centralized procurement to secure discounts and efficiencies; prudent management of trade receivables and accounts payable; and controls on general and administrative spending; and the Company's belief that in the ordinary course of business, its source or use of cash from operating activities may vary on a quarterly basis as a result of a number of factors, including the timing of working capital flows;

(xi) the Company's expectations regarding its future net periodic benefit cost for its U.S. and international defined benefit plans, including, without limitation, the Company's expectation to have net periodic benefit income of approximately \$(5) million for its pension and other post-retirement benefit plans for all of 2014;

(xii) the Company's expectation that its tax provision and effective tax rate in any individual quarter and year-to-date period will vary and may not be indicative of the Company's tax provision and effective tax rate for the full year;

(xiii) the Company's expectation that it will decide whether to exchange Bolívares for U.S. Dollars to the extent permitted through the CENCOEX, SICAD and/or SICAD II markets based on its ability to participate in those markets and to the extent reasonable for its business in the future, the Company's belief that current or additional

governmental restrictions, worsening import authorization controls, price and profit controls or labor unrest in Venezuela could have further adverse impacts on the Company's business and results of operations and the Company's expectation that use of the SICAD II Rate in lieu of the official rate to translate Revlon Venezuela's financial statements will have a negative impact on Revlon Venezuela's results of operations going forward; the Company's belief that while the outcome of all pending legal proceedings in the aggregate is not reasonably likely to have a material adverse effect on the Company's business, financial condition and/or its results of operations, in light of the uncertainties involved in legal proceedings generally, the ultimate outcome of a particular matter could be material to the Company's operating results for a particular period depending on, among other things, the size of the loss or the nature of the liability imposed and the level of the Company's income for that particular period; and

(xiv)  
48

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## REVLON, INC. AND SUBSIDIARIES

the Company's beliefs and expectations regarding certain benefits of the Colomer Acquisition, including that it (xv) provides the Company with broad brand, geographic and channel diversification and substantially expands the Company's business, providing both distribution into new channels and cost synergy opportunities.

Statements that are not historical facts, including statements about the Company's beliefs and expectations, are forward-looking statements. Forward-looking statements can be identified by, among other things, the use of forward-looking language such as "estimates," "objectives," "visions," "projects," "forecasts," "focus," "drive towards," "plans," "targets," "strategies," "opportunities," "assumptions," "drivers," "believes," "intends," "outlooks," "initiatives," "expects," "scheduled to," "anticipates," "seeks," "may," "will" or "should" or the negative of those terms, or other variations of those terms or comparable language, or by discussions of strategies, targets, long-range plans, models or intentions. Forward-looking statements speak only as of the date they are made, and except for the Company's ongoing obligations under the U.S. federal securities laws, the Company undertakes no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise. Investors are advised, however, to consult any additional disclosures the Company made or may make in its 2013 Form 10-K, and in its Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, in each case filed with the SEC in 2014 (which, among other places, can be found on the SEC's website at <http://www.sec.gov>, as well as on the Company's corporate website at [www.revloninc.com](http://www.revloninc.com)). Except as expressly set forth in this Quarterly Report on Form 10-Q, the information available from time to time on such websites shall not be deemed incorporated by reference into this Quarterly Report on Form 10-Q. A number of important factors could cause actual results to differ materially from those contained in any forward-looking statement. (See also Item 1A. "Risk Factors" in Revlon, Inc.'s 2013 Form 10-K for further discussion of risks associated with the Company's business.) In addition to factors that may be described in the Company's filings with the SEC, including this filing, the following factors, among others, could cause the Company's actual results to differ materially from those expressed in any forward-looking statements made by the Company:

- unanticipated circumstances or results affecting the Company's financial performance, including decreased consumer spending in response to weak economic conditions or weakness in the consumption of beauty care products in either the Consumer or Professional segment; adverse changes in currency exchange rates, currency controls and/or government-mandated pricing controls; decreased sales of the Company's products as a result of increased competitive activities by the Company's competitors; changes in consumer preferences, such as reduced consumer demand for the Company's color cosmetics and other current products, including new product launches; changes in consumer purchasing habits, including with respect to shopping channels; lower than expected customer acceptance or consumer acceptance of, or less than anticipated results from, the Company's existing or new products; higher than expected restructuring costs, acquisition and integration costs related to the Colomer
- (i) Acquisition; higher than expected pension expense and/or cash contributions under its benefit plans, costs related to litigation, advertising, promotional and/or marketing expenses or lower than expected results from the Company's advertising, promotional and/or marketing plans; higher than expected sales returns related to any reduction of space by the Company's customers, product discontinuances or otherwise or decreased sales of the Company's existing or new products; actions by the Company's customers, such as inventory management and greater than anticipated space reconfigurations or reductions in display space and/or product discontinuances or a greater than expected impact from pricing or promotional strategies by the Company's customers; and changes in the competitive environment and actions by the Company's competitors, including business combinations, technological breakthroughs, new product offerings, increased advertising, promotional and marketing spending and advertising, promotional and/or marketing successes by competitors;
  - in addition to the items discussed in (i) above, the effects of and changes in economic conditions (such as
- (ii) continued volatility in the financial markets, inflation, monetary conditions and foreign currency fluctuations, currency controls and/or government-mandated pricing controls, as well as in trade, monetary, fiscal and tax policies in international markets) and political conditions (such as military actions and terrorist activities);
- (iii) unanticipated costs or difficulties or delays in completing projects associated with the continued execution of the Company's business strategy or lower than expected revenues or the inability to create value through improving

our financial performance as a result of such strategy, including lower than expected sales, or higher than expected costs, including as may arise from any additional repositioning, repackaging or reformulating of one or more brands or product lines, launching of new product lines, including higher than expected expenses, including for sales returns, for launching its new products, acquiring businesses or brands, divesting or discontinuing non-core business lines (which may include exiting certain territories), further refining its approach to retail merchandising, and/or difficulties, delays or increased costs in connection with taking further actions to optimize the Company's manufacturing, sourcing, supply chain or organizational size and structure, including optimizing the integration of the Colomer Acquisition (including difficulties or delays in and/or the Company's inability to integrate the Colomer business which could result in less than expected cost reductions, more than expected costs to achieve the expected cost reductions or delays in achieving the expected cost reductions and/or less than expected benefits from the Integration Program, more than expected costs in implementing such program and/or difficulties or delays, in whole or in part, in executing

## REVLON, INC. AND SUBSIDIARIES

the Integration Program), as well as the unavailability of cash on hand and/or funds under the Amended Revolving Credit Facility or from other permitted additional sources of capital to fund such potential activities;

- difficulties, delays or unanticipated costs in achieving the Company's strategic goals and vision, including due to factors such as (a) difficulties, delays or the Company's inability to build its strong brands, such as due to less than effective product development, less than expected acceptance of its new or existing products by consumers, salon professionals and/or customers in the Consumer or Professional segments, less than expected acceptance of its advertising, promotional and/or marketing plans and/or brand communication by consumers, salon professionals and/or customers in the Consumer or Professional segments, less than expected investment in advertising, promotional and/or marketing activities or greater than expected competitive investment, less than expected levels of advertising, promotional and/or marketing activities for its new product launches and/or less than expected levels of execution with its customers in the Consumer or Professional segments or higher than expected costs and
- (iv) expenses; (b) difficulties, delays in or less than expected results from the Company's efforts to optimize the market and financial performance of its portfolio of brands and assets due to the reasons set forth in clause (a) above, as well as due to: (i) difficulties, delays in or less than expected results from the Company's efforts to manage financial drivers for value creation, such as due to higher than expected costs; (ii) difficulties, delays in or less than expected results from the Company's efforts to grow our global brands through exceptional innovation and effective brand support; (iii) difficulties, delays in or less than expected results from the Company's efforts to pursue growth opportunities, as well as difficulties, delays in and/or the Company's inability to complete acquisition opportunities that complement our portfolio, such as difficulties, delays in and/or unanticipated costs in consummating, or the Company's inability to consummate, transactions to acquire new brands; and (iv) difficulties, delays in and/or the Company's inability to improve cash flow;
- difficulties, delays or unanticipated costs or charges or less than expected cost reductions and other benefits
- (v) resulting from the Company's restructuring activities, such as greater than anticipated costs or charges or less than anticipated cost reductions or other benefits from the September 2012 Program, the December 2013 Program and/or the Integration Program and/or the risk that any of such programs may not satisfy the Company's objectives;
- lower than expected operating revenues, cash on hand and/or funds available under the Amended Revolving Credit Facility and/or other permitted lines of credit or higher than anticipated operating expenses, such as referred
- (vi) to in clause (viii) below, and/or less than anticipated cash generated by the Company's domestic operations or unanticipated restrictions or taxes on repatriation of foreign earnings, either of which could have a material adverse effect on the Company's liquidity needs;
- the unavailability of funds under Products Corporation's Amended Revolving Credit Facility or other permitted
- (vii) lines of credit; or from difficulties, delays in or the Company's inability to take other measures, such as reducing discretionary spending;
- higher than expected operating expenses, sales returns, working capital expenses, permanent wall display costs, capital expenditures, debt service payments, tax payments, cash pension plan contributions, post-retirement
- (viii) benefit plan contributions and/or net periodic benefit costs for the pension and other post-retirement benefit plans, integration costs related to the Colomer Acquisition, restructuring costs, severance and discontinued operations not otherwise included in the Company's restructuring programs, debt and/or equity repurchases and/or costs related to litigation;
- interest rate or foreign exchange rate changes affecting the Company and its market-risk sensitive financial
- (ix) instruments and/or difficulties, delays or the inability of the counterparty to perform such transactions;
- (x) difficulties, delays or the inability of the Company to efficiently manage its cash and working capital;
- lower than expected returns on pension plan assets and/or lower discount rates, which could result in higher than
- (xi) expected cash contributions, higher net periodic benefit costs and/or less than expected net periodic benefit income;
- (xii) unexpected significant variances in the Company's tax provision and effective tax rate;
- (xiii) difficulties, delays in or the Company's inability to exchange Bolívares for U.S. Dollars, whether due to the lack of a market developing for such exchange or otherwise and/or unanticipated adverse impacts to the Company's

- results of operations such as due to higher than expected exchange rates; and difficulties or delays in the Company's ability to import certain products through Venezuela's monetary systems (including, without limitation, the CADIVI, SICAD, SICAD II and/or CENCOEX markets);
- (xiv) unexpected effects on the Company's business, financial condition and/or its results of operations as a result of legal proceedings; and
- (xv) difficulties or delays in realizing, or less than anticipated, benefits from the Colomer Acquisition, such as (i) less than expected cost reductions, more than expected costs to achieve the expected cost reductions or delays in achieving the expected cost reductions, such as due to difficulties or delays in and/or the Company's inability to integrate the

REVLON, INC. AND SUBSIDIARIES

Colomer business, in whole or in part, and/or changes in the timing of completing its expected integration actions; and/or (ii) less than expected growth from the Colomer brands, such as due to difficulties, delays, unanticipated costs or the Company's inability to launch innovative new products within the Professional segment and/or difficulties or delays in and/or the Company's inability to expand its distribution into new channels; and/or (iii) less than expected synergistic benefits to the Company's Consumer segment from having a presence in the professional channel.

Factors other than those listed above could also cause the Company's results to differ materially from expected results.

Website Availability of Reports and Other Corporate Governance Information

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

REVLON, INC. AND SUBSIDIARIES

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

In addition to the other information in this report, investors should consider carefully the risk factors discussed in Part I, Item 1A. "Risk Factors" in Revlon, Inc.'s 2013 Form 10-K.



REVLON, INC. AND SUBSIDIARIES

Item 6. Exhibits

- \*10.1 Employment Agreement, dated as of September 24, 2014 between Products Corporation and Roberto Simon.
- 10.2 Fourth Amended and Restated Revlon, Inc. Stock Plan (as amended, the "Stock Plan") (incorporated by reference to Annex A to Revlon, Inc.'s Information Statement on Schedule 14C filed with the SEC on July 3, 2014).
- \*10.3 Form of Restricted Stock Agreement under the Stock Plan.
- \*31.1 Certification of Lorenzo Delpani, Chief Executive Officer, dated October 29, 2014, pursuant to Rule 13a-14(a)/15d-14(a) of the Exchange Act.
- \*31.2 Certification of Roberto Simon, Chief Financial Officer, dated October 29, 2014, pursuant to Rule 13a-14(a)/15d-14(a) of the Exchange Act.
- 32.1 (furnished herewith) Certification of Lorenzo Delpani, Chief Executive Officer, dated October 29, 2014, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 (furnished herewith) Certification of Roberto Simon, Chief Financial Officer, dated October 29, 2014, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- \*101.INS XBRL Instance Document
- \*101.SCH XBRL Taxonomy Extension Schema
- \*101.CAL XBRL Taxonomy Extension Calculation Linkbase
- \*101.DEF XBRL Taxonomy Extension Definition Linkbase
- \*101.LAB XBRL Taxonomy Extension Label Linkbase
- \*101.PRE XBRL Taxonomy Extension Presentation Linkbase

\*Filed herewith.

SIGNATURES

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

Dated: October 29, 2014

Revlon, Inc.  
(Registrant)

By: /s/ Lorenzo Delpani  
Lorenzo Delpani  
President,  
Chief Executive Officer and  
Director

By: /s/ Roberto Simon  
Roberto Simon  
Executive Vice President and  
Chief Financial Officer

By: /s/ Jessica T. Graziano  
Jessica T. Graziano  
Senior Vice President,  
Corporate Controller,  
Chief Accounting Officer and  
Treasurer