

REVLON INC /DE/
Form 10-Q
October 29, 2009

Table of Contents

**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, 2009

OR

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

For the transition period from _____ to _____

Commission File Number: 1-11178

REVLON, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

13-3662955

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

237 Park Avenue, New York, New York

(Address of principal executive offices)

10017

(Zip Code)

212-527-4000

(Registrant's telephone number, including area code)

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

Edgar Filing: REVLON INC /DE/ - Form 10-Q

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 the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes No

As of September 30, 2009, 48,443,072 shares of Class A Common Stock and 3,125,000 shares of Class B Common Stock were outstanding at such date. 28,207,735 shares of Class A Common Stock were beneficially owned by MacAndrews & Forbes Holdings Inc. and certain of its affiliates and all of the shares of Class B Common Stock were owned by REV Holdings LLC, a Delaware limited liability company and an indirectly wholly owned subsidiary of MacAndrews & Forbes Holdings Inc. (See Note 12, Subsequent Events).

REVLON, INC. AND SUBSIDIARIES

INDEX

PART I Financial Information

<u>Item 1.</u>	<u>Financial Statements</u>	
	<u>Consolidated Balance Sheets as of September 30, 2009 (Unaudited) and December 31, 2008</u>	2
	<u>Unaudited Consolidated Statements of Operations for the Three and Nine Months Ended September 30, 2009 and 2008</u>	3
	<u>Unaudited Consolidated Statement of Stockholders' Deficiency and Comprehensive Income for the Nine Months Ended September 30, 2009</u>	4
	<u>Unaudited Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2009 and 2008</u>	5
	<u>Notes to Unaudited Consolidated Financial Statements</u>	6
<u>Item 2.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	20
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	38
<u>Item 4.</u>	<u>Controls and Procedures</u>	39

PART II Other Information

<u>Item 1A.</u>	<u>Risk Factors</u>	45
<u>Item 4.</u>	<u>Submission of Matters to a Vote of Security Holders</u>	46
<u>Item 6.</u>	<u>Exhibits</u>	47
	<u>Signatures</u>	48
<u>EX-3.1</u>		
<u>EX-31.1</u>		
<u>EX-31.2</u>		
<u>EX-32.1</u>		
<u>EX-32.2</u>		

Table of Contents**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, 2009 (Unaudited)	December 31, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 62.5	\$ 52.8
Trade receivables, less allowance for doubtful accounts of \$4.1 and \$3.3 as of September 30, 2009 and December 31, 2008, respectively	169.0	169.9
Inventories	136.4	154.2
Prepaid expenses and other	52.7	51.6
Total current assets	420.6	428.5
Property, plant and equipment, net	111.6	112.8
Other assets	87.3	89.5
Goodwill, net	182.5	182.6
Total assets	\$ 802.0	\$ 813.4
LIABILITIES AND STOCKHOLDERS DEFICIENCY		
Current liabilities:		
Short-term borrowings	\$ 1.7	\$ 0.5
Current portion of long-term debt	16.7	18.9
Accounts payable	71.4	78.1
Accrued expenses and other	225.4	225.9
Total current liabilities	315.2	323.4
Long-term debt	1,147.8	1,203.2
Long-term debt affiliates	107.0	107.0
Long-term pension and other post-retirement plan liabilities	209.3	223.7
Other long-term liabilities	66.1	68.9
Stockholders' deficiency:		
Class B Common Stock, par value \$.01 per share: 200,000,000 shares authorized, 3,125,000 issued and outstanding as of September 30, 2009 and December 31, 2008, respectively	0.5	0.5

Edgar Filing: REVLON INC /DE/ - Form 10-Q

Class A Common Stock, par value \$.01 per share: 900,000,000 shares authorized; 50,027,003 and 50,150,355 shares issued as of September 30, 2009 and December 31, 2008, respectively

Additional paid-in capital	1,005.5	1,000.9
Treasury stock, at cost: 362,649 and 256,453 shares of Class A Common Stock as of September 30, 2009 and December 31, 2008, respectively	(4.3)	(3.6)
Accumulated deficit	(1,891.5)	(1,927.5)
Accumulated other comprehensive loss	(153.6)	(183.1)
Total stockholders' deficiency	(1,043.4)	(1,112.8)
Total liabilities and stockholders' deficiency	\$ 802.0	\$ 813.4

See Accompanying Notes to Unaudited Consolidated Financial Statements

Table of Contents

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2009	2008	2009	2008
Net sales	\$ 326.2	\$ 334.4	\$ 951.3	\$ 1,012.6
Cost of sales	117.9	126.8	349.5	364.4
Gross profit	208.3	207.6	601.8	648.2
Selling, general and administrative expenses	155.4	187.5	471.9	548.5
Restructuring costs and other, net	2.6	0.3	21.4	(11.3)
Operating income	50.3	19.8	108.5	111.0
Other expenses (income):				
Interest expense	23.0	29.1	71.1	91.9
Interest income		(0.4)	(0.4)	(0.7)
Amortization of debt issuance costs	1.4	1.5	4.2	4.2
Gain on repurchase of debt	(0.3)		(7.8)	
Foreign currency losses (gains), net	0.2	1.6	4.7	(3.9)
Miscellaneous, net	0.4	0.8	0.7	0.8
Other expenses, net	24.7	32.6	72.5	92.3
Income (loss) from continuing operations before income taxes	25.6	(12.8)	36.0	18.7
Provision for income taxes	2.5	2.4	0.3	16.8
Income (loss) from continuing operations, net of taxes	23.1	(15.2)	35.7	1.9
Income from discontinued operations, net of taxes		44.4	0.3	44.7
Net income	\$ 23.1	\$ 29.2	\$ 36.0	\$ 46.6
Basic income (loss) per common share:				
Continuing operations	0.45	(0.30)	0.69	0.04
Discontinued operations		0.87	0.01	0.87
Net income	\$ 0.45	\$ 0.57	\$ 0.70	\$ 0.91
Diluted income (loss) per common share:				
Continuing operations	0.45	(0.30)	0.69	0.04
Discontinued operations		0.87	0.01	0.87

Edgar Filing: REVLON INC /DE/ - Form 10-Q

Net income	\$	0.45	\$	0.57	\$	0.70	\$	0.91
Weighted average number of common shares outstanding:								
Basic		51,567,164		51,311,234		51,538,730		51,216,814
Diluted		51,583,491		51,311,234		51,550,584		51,298,603

See Accompanying Notes to Unaudited Consolidated Financial Statements

Table of Contents

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

	Common Stock	Additional Paid-In- Capital	Treasury Stock	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders Deficiency
Balance, January 1, 2009	\$ 0.5	\$ 1,000.9	\$ (3.6)	\$ (1,927.5)	\$ (183.1)	\$ (1,112.8)
Stock option compensation		0.2				0.2
Amortization of deferred compensation for restricted stock		4.4				4.4
Treasury stock acquired, at cost ^(a)			(0.7)			(0.7)
Comprehensive income:						
Net income				36.0		36.0
Revaluation of financial derivative instruments ^(b)					3.0	3.0
Currency translation adjustment					9.0	9.0
Amortization of pension related costs ^(c)					8.9	8.9
Pension re-measurement ^(d)					(0.6)	(0.6)
Pension curtailment gain ^(d)					9.2	9.2
Total comprehensive income						65.5
Balance, September 30, 2009	\$ 0.5	\$ 1,005.5	\$ (4.3)	\$ (1,891.5)	\$ (153.6)	\$ (1,043.4)

(a) Pursuant to the share withholding provisions of the Third Amended and Restated Revlon, Inc. Stock Plan (the Stock Plan), certain employees and executives, in lieu of paying withholding taxes on the vesting of certain restricted stock, authorized the withholding of an aggregate 84,623; 313; and 21,260 shares of Revlon, Inc. Class A Common Stock (as hereinafter defined) during the first, second and third quarters of 2009, respectively, to satisfy the minimum statutory tax withholding requirements related to such vesting. These shares were recorded as treasury stock using the cost method, at a weighted average price per share of \$7.14, \$5.36 and \$5.22, respectively, based on the closing price of Revlon, Inc. Class A Common Stock as reported on the NYSE consolidated tape on the respective vesting dates, for a total of \$0.7 million.

(b) Amount relates to (1) the change in net unrealized losses of \$1.4 million on the Interest Rate Swaps (as hereinafter defined) (See Note 10, Financial Instruments) and (2) the reversal of amounts recorded in Accumulated Other Comprehensive Loss pertaining to net settlement receipts of \$0.8 million and net settlement payments of \$5.2 million on the Interest Rate Swaps.

(c) The amortization of pension related costs of \$8.9 million includes a non-cash curtailment gain of \$0.8 million recognized in earnings in the second quarter of 2009 related to the recognition of previously unrecognized prior service costs resulting from the May 2009 Pension Plan Amendments (as defined in Note 2, Post-retirement Benefits). (See Note 6, Comprehensive Income).

- (d) The \$0.6 million increase in pension liabilities recorded within Accumulated Other Comprehensive Loss is the result of the re-measurement of the pension liabilities performed in the second quarter of 2009 in connection with the May 2009 Pension Plan Amendments, as well as the May 2009 Program (as defined in Note 7, Restructuring Costs and Other, Net). In connection with the May 2009 Pension Plan Amendments, the Company also recognized a curtailment gain of \$9.2 million in the second quarter of 2009, which reduced its pension liability and was recorded as an offset against the net actuarial losses previously reported within Accumulated Other Comprehensive Loss. (See Note 2, Post-retirement Benefits).

See Accompanying Notes to Unaudited Consolidated Financial Statements

Table of Contents

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

	Nine Months Ended	
	September 30,	
	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 36.0	\$ 46.6
Adjustments to reconcile net income to net cash provided by operating activities:		
(Income) loss from discontinued operations, net of taxes	(0.3)	0.5
Depreciation and amortization	49.7	69.2
Amortization of debt discount	0.5	0.5
Stock compensation amortization	4.6	5.4
Loss on early extinguishment of debt		0.7
Gain on repurchase of debt	(7.8)	
Gain on disposal of discontinued operations		(45.2)
Gain on sale of certain assets including a non-core trademark	(1.6)	(12.5)
Change in assets and liabilities:		
Decrease in trade receivables	8.3	14.7
Decrease (increase) in inventories	24.0	(19.3)
Decrease (increase) in prepaid expenses and other current assets	0.8	(7.7)
(Decrease) increase in accounts payable	(0.7)	16.9
(Decrease) increase in accrued expenses and other current liabilities	(26.5)	4.3
Purchase of permanent displays	(26.1)	(36.4)
Other, net	16.3	6.2
Net cash provided by operating activities	77.2	43.9
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(10.9)	(15.1)
Proceeds from the sale of assets of discontinued operations		107.6
Proceeds from the sale of certain assets including a non-core trademark	2.3	10.1
Net cash (used in) provided by investing activities	(8.6)	102.6
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net decrease in short-term borrowings and overdraft	(7.1)	(2.0)
Repayment under the 2006 Revolving Credit Facility, net		(45.7)
Proceeds from the issuance of long-term debt affiliates		170.0
Repayment of long-term debt	(49.9)	(169.6)
Repayment of long-term debt affiliates		(63.0)
Payment of financing costs	(4.2)	(3.0)
Net cash used in financing activities	(61.2)	(113.3)
CASH FLOWS FROM DISCONTINUED OPERATIONS ACTIVITIES:		

Edgar Filing: REVLON INC /DE/ - Form 10-Q

Net cash provided by (used in) operating activities of discontinued operations	0.2	(9.6)
Net cash used in financing activities of discontinued operations		(0.4)
Change in cash from discontinued operations		(1.0)
Net cash provided by (used in) discontinued operations	0.2	(11.0)
Effect of exchange rate changes on cash and cash equivalents	2.1	(1.1)
Net increase in cash and cash equivalents	9.7	21.1
Cash and cash equivalents at beginning of period	52.8	45.1
Cash and cash equivalents at end of period	\$ 62.5	\$ 66.2
<i>Supplemental schedule of cash flow information:</i>		
Cash paid during the period for:		
Interest	\$ 66.1	\$ 84.2
Income taxes, net of refunds	\$ 9.7	\$ 20.9
<i>Supplemental schedule of non-cash investing and financing activities:</i>		
Treasury stock received to satisfy minimum tax withholding liabilities	\$ 0.7	\$ 1.0

See Accompanying Notes to Unaudited Consolidated Financial Statements

Table of Contents

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)

(1) Description of Business and Basis of Presentation

Revlon, Inc. (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. The Company's vision is to provide glamour, excitement and innovation to consumers through high-quality products at affordable prices. The Company operates in a single segment and manufactures, markets and sells an extensive array of cosmetics, women's hair color, beauty tools, fragrances, skincare, anti-perspirants/deodorants and other beauty care products. The Company's principal customers include 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 Company also sells beauty products to U.S. military exchanges and commissaries and has a licensing business pursuant to which the Company licenses certain of its key brand names to third parties for the manufacture and sale of complementary beauty-related products and accessories in exchange for royalties.

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 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 elimination of all material intercompany balances and transactions.

The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. 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, certain assumptions related to the recoverability of intangible and long-lived assets, reserves for estimated tax liabilities, restructuring costs, certain estimates and assumptions used in the calculation of the net periodic benefit 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 the Company's Annual Report on Form 10-K for the year ended December 31, 2008, filed with the Securities and Exchange Commission (the SEC) on February 25, 2009 (the 2008 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.

The Company has evaluated subsequent events occurring through October 29, 2009, which is the date the Company's financial statements for the third quarter of 2009 were issued. (See Note 12, Subsequent Events, regarding the consummation of the Exchange Offer (as hereinafter defined) on October 8, 2009 and the October 2009 Note

Repurchases (as hereinafter defined)).

Table of Contents

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)

(2) Post-retirement Benefits

In May 2009, and effective December 31, 2009, Products Corporation amended its U.S. qualified defined benefit pension plan (the Revlon Employees Retirement Plan), covering a substantial portion of the Company's employees in the U.S., to cease future benefit accruals under such plan after December 31, 2009. Products Corporation also amended its non-qualified pension plan (the Revlon Pension Equalization Plan) to similarly cease future benefit accruals under such plan after December 31, 2009. In connection with such amendments, all benefits accrued under such plans through December 31, 2009 will remain in effect and no additional benefits will accrue after December 31, 2009, other than interest credits on participant account balances under the cash balance program of the Company's U.S. pension plans. Also, service credits for vesting and early retirement eligibility will continue to accrue in accordance with the terms of the respective plans. (The plan amendments described above in this Note 2 are hereinafter referred to as the May 2009 Pension Plan Amendments.)

In May 2009, Products Corporation also amended, effective December 31, 2009, its qualified and non-qualified defined contribution savings plans for its U.S.-based employees which created a new discretionary profit sharing component under such plans that will enable the Company, should it elect to do so, to make discretionary profit sharing contributions. The Company will determine in the fourth quarter of each year whether and, if so, to what extent, profit sharing contributions would be made for the following year. (The savings plan amendments described above are hereinafter referred to as the May 2009 Savings Plan Amendments and, together with the May 2009 Pension Plan Amendments, as the May 2009 Plan Amendments).

During the second quarter of 2009, the Company recorded an \$8.6 million decrease in its pension liabilities which was offset against accumulated other comprehensive income (loss) as a result of the pension curtailment and the re-measurement of the pension liabilities performed in the second quarter of 2009 in connection with the May 2009 Pension Plan Amendments and the May 2009 Program (as defined in Note 7, Restructuring Costs and Other, Net). The net decrease in pension liabilities is comprised of a non-cash curtailment gain of approximately \$9.2 million which was recorded in the second quarter of 2009 as an offset against the net actuarial losses previously reported within accumulated other comprehensive income (loss), partially offset by a net increase in pension liabilities of \$0.6 million as a result of the re-measurements noted above.

In the three and nine months ended September 30, 2009, the Company recognized higher pension expense driven primarily by the significant decline in pension asset values in 2008, partially offset by a decrease in pension expense of \$0.8 million and \$1.9 million for the three and nine months ended September 30, 2009, respectively, as a result of the May 2009 Pension Plan Amendments and the May 2009 Program, as noted above. The pension expense for the nine months ended September 30, 2009 includes a non-cash curtailment gain of \$0.8 million related to the recognition of previously unrecognized prior service costs that had been reported in accumulated other comprehensive loss in the second quarter of 2009.

Table of Contents

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)

After giving effect to the re-measurements of pension liabilities resulting from the May 2009 Pension Plan Amendments and the May 2009 Program, the components of net periodic benefit costs for the pension and the other post-retirement benefit plans for the third quarter of 2009 and 2008, respectively, are as follows:

	Pension Plans		Other Post-retirement Benefit Plans	
	Three Months Ended September 30,		Three Months Ended September 30,	
	2009	2008	2009	2008
Net periodic benefit costs:				
Service cost	\$ 1.8	\$ 2.1	\$	\$
Interest cost	8.6	8.7	0.2	0.2
Expected return on plan assets	(7.0)	(9.4)		
Amortization of prior service cost		(0.1)		
Amortization of actuarial loss	3.1	0.3	0.1	0.1
	\$ 6.5	\$ 1.6	\$ 0.3	\$ 0.3

After giving effect to the re-measurements of pension liabilities resulting from the May 2009 Pension Plan Amendments and the May 2009 Program, the components of net periodic benefit costs for the pension and the other post-retirement benefit plans for the nine-month period ended September 30, 2009 and 2008, respectively, are as follows:

	Pension Plans		Other Post-retirement Benefit Plans	
	Nine Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Net periodic benefit costs:				
Service cost	\$ 5.8	\$ 6.3	\$	\$
Interest cost	26.0	26.0	0.6	0.6
Expected return on plan assets	(20.6)	(28.1)		
Amortization of prior service cost	(0.1)	(0.3)		
Amortization of actuarial loss	9.7	1.0	0.1	0.2
Curtailment gain	(0.8)			
	20.0	4.9	0.7	0.8

Portion allocated to Revlon Holdings LLC	(0.1)	(0.1)		
	\$ 19.9	\$ 4.8	\$ 0.7	\$ 0.8

The Company expects net periodic benefit costs for the pension and the other post-retirement benefit plans to be approximately \$25 million to \$30 million for all of 2009. The Company currently expects to contribute approximately \$25 million in the aggregate to its pension plans and other post-retirement benefits plans in 2009. During the third quarter of 2009, \$8.0 million and \$0.3 million were contributed to the Company's pension plans and other post-retirement benefit plans, respectively. During the nine-month period ended September 30, 2009, \$17.9 million and \$0.8 million were contributed to the Company's pension plans and other post-retirement benefit plans, respectively.

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 the Company's 2008 Form 10-K.

Table of Contents

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)

(3) Inventories

	September 30, 2009	December 31, 2008
Raw materials and supplies	\$ 48.0	\$ 57.6
Work-in-process	12.7	16.6
Finished goods	75.7	80.0
	\$ 136.4	\$ 154.2

(4) Discontinued Operations

In July 2008, the Company disposed of the non-core Bozzano business, a men's hair care and shaving line of products, and certain other non-core brands, including Juvena and Aquamarine, which were sold only in the Brazilian market (the Bozzano Sale Transaction). The transaction was effected through the sale of the Company's indirect Brazilian subsidiary, Ceil Comércio E Distribuidora Ltda. (Ceil), to Hypermarcas S.A., a Brazilian publicly-traded, consumer products corporation. The purchase price was approximately \$107 million in cash, including approximately \$3 million in cash on Ceil's balance sheet on the closing date. Net proceeds, after the payment of taxes and transaction costs, were approximately \$95 million.

During the third quarter of 2008, the Company recorded a one-time gain from the Bozzano Sale Transaction of \$45.2 million, net of taxes of \$10.4 million. Included in this gain calculation is a \$37.3 million elimination of currency translation adjustments.

The income statements for the three-month and nine-month periods ended September 30, 2009 and 2008, respectively, were adjusted to reflect Ceil as a discontinued operation (which was previously reported in the Latin America region). The following table summarizes the results of discontinued operations for each of the respective periods:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Net sales	\$	\$ 2.1	\$	\$ 20.6
Operating (loss) income		(0.6)		0.1
(Loss) income before income taxes		(0.8)		0.1
(Benefit) provision for income taxes			(0.3)	0.6
Net (loss) income		(0.8)	0.3	(0.5)

(5) 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 Stock Plan using the treasury stock method. For the three- and nine-month periods ended September 30, 2009 and 2008, options to purchase 1,251,261 and 2,020,441 shares, respectively, 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 share in the future were excluded from the calculation of diluted earnings (loss) per common share as their effect would be anti-dilutive.

For the three- and nine-month periods ended September 30, 2009, 1,204,955 and 1,209,428 shares, respectively, of unvested restricted stock that could potentially dilute basic earnings per share in the future

Table of Contents

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)

were excluded from the calculation of diluted earnings (loss) per common share as their effect would be anti-dilutive.

For the three- and nine-month periods ended September 30, 2008, 820,115 and 738,326 shares, respectively, of unvested restricted stock that could potentially dilute basic earnings per share in the future were excluded from the calculation of diluted earnings (loss) per common share as their effect would be anti-dilutive.

The components of basic and diluted earnings (loss) per share for the third quarter of 2009 and 2008 and the nine-month period ended September 30, 2009 and 2008, respectively, are as follows:

		Three Months Ended September 30,		Nine Months Ended September 30,	
		2009	2008	2009	2008
		(shares in millions)			
Numerator:					
Income (loss) from continuing operations		\$ 23.1	\$ (15.2)	\$ 35.7	\$ 1.9
Income from discontinued operations			44.4	0.3	44.7
Net income		\$ 23.1	\$ 29.2	\$ 36.0	\$ 46.6
Denominator:					
Weighted average common shares outstanding		51.57	51.31	51.54	51.22
Effect of dilutive restricted stock		0.01		0.01	0.08
Weighted average common shares outstanding		51.58	51.31	51.55	51.30
Basic earnings (loss) per share:					
Continuing operations		\$ 0.45	\$ (0.30)	\$ 0.69	\$ 0.04
Discontinued operations			0.87	0.01	0.87
Net income		\$ 0.45	\$ 0.57	\$ 0.70	\$ 0.91
Diluted earnings (loss) per share:					
Continuing operations		\$ 0.45	\$ (0.30)	\$ 0.69	\$ 0.04
Discontinued operations			0.87	0.01	0.87
Net income		\$ 0.45	\$ 0.57	\$ 0.70	\$ 0.91

Reverse Stock Split

In September 2008, Revlon, Inc. effected a 1-for-10 reverse stock split (the Reverse Stock Split) of Revlon, Inc.'s Class A Common Stock and Class B common stock, par value of \$0.01 per share (the Class B Common Stock and together with Class A Common Stock, the Common Stock). As a result of the Reverse Stock Split, each ten shares of Revlon, Inc.'s Class A Common Stock and Class B Common Stock issued and outstanding at 11:59 p.m. on September 15, 2008 were automatically combined into one share of Class A Common Stock and Class B Common Stock, respectively.

Table of Contents

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)

(6) Comprehensive Income

The components of comprehensive income for the third quarter of 2009 and 2008 and nine-month period ended September 30, 2009 and 2008, respectively, are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Net income	\$ 23.1	\$ 29.2	\$ 36.0	\$ 46.6
Other comprehensive income (loss):				
Revaluation of financial derivative instruments ^(a)	1.7	(0.1)	3.0	1.4
Currency translation adjustment	1.6	(3.7)	9.0	(7.8)
Amortization of pension related costs ^(b)	3.2	0.3	8.9	0.8
Elimination of currency translation adjustments related to Bozzano Sale Transaction		37.3		37.3
Pension re-measurement ^(c)			(0.6)	
Pension curtailment gain ^(c)			9.2	
Other comprehensive income	6.5	33.8	29.5	31.7
Total comprehensive income	\$ 29.6	\$ 63.0	\$ 65.5	\$ 78.3

(a) Amount for the nine months ended September 30, 2009 relates to (1) the change in net unrealized losses of \$1.4 million on the Interest Rate Swaps (see Note 10, Financial Instruments) and (2) the reversal of amounts recorded in Accumulated Other Comprehensive Loss pertaining to net settlement receipts of \$0.8 million and net settlement payments of \$5.2 million on the Interest Rate Swaps.

(b) The amortization of pension related costs of \$8.9 million during the nine months ended September 30, 2009 includes a non-cash curtailment gain of \$0.8 million recognized in earnings in the second quarter of 2009 related to the recognition of previously unrecognized prior service costs resulting from the May 2009 Pension Plan Amendments. (See Note 2, Post-retirement Benefits).

(c) The \$0.6 million increase in pension liabilities recorded within Accumulated Other Comprehensive Loss is the result of the re-measurement of the pension liabilities performed in the second quarter of 2009 in connection with the May 2009 Pension Plan Amendments, as well as the May 2009 Program. In connection with the May 2009 Pension Plan Amendments, the Company also recognized a curtailment gain of \$9.2 million in the second quarter of 2009, which reduced its pension liability and was recorded as an offset against the net actuarial losses previously reported within Accumulated Other Comprehensive Loss. (See Note 2, Post-retirement Benefits).

(7) Restructuring Costs and Other, Net

During the third quarter of 2009, the Company recorded charges of \$2.6 million in restructuring costs and other related to the worldwide organizational restructuring announced in May 2009 (the May 2009 Program), which involved consolidating certain functions; reducing layers of management, where appropriate, to increase accountability and effectiveness; streamlining support functions to reflect the new organizational structure; and further consolidating the Company's office facilities in New Jersey.

During the third quarter of 2008, the Company recorded expense of \$0.3 million to restructuring costs and other, net, primarily due to restructuring costs related to the Company's decision to close and sell its facility in Mexico.

Table of Contents

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 nine-month period ended September 30, 2009, the Company recorded charges of \$21.4 million in restructuring costs and other, net, which are comprised of:

a \$20.8 million charge related to the May 2009 Program;

\$1.2 million of charges related to employee severance and other employee-related termination costs related to restructuring actions in the U.K., Mexico and Argentina announced in the first quarter of 2009 (together with the May 2009 Program, the 2009 Programs); and

a \$1.0 million charge related to the 2008 Programs (as hereinafter defined);

with the foregoing partially offset by

income of \$1.6 million related to the sale of a facility in Argentina in the first quarter of 2009.

All of the approximately \$21 million of charges related to the May 2009 Program are expected to be paid out during 2009 to 2012, including approximately \$12 million in 2009, \$6 million in 2010 and the balance of \$3 million to be paid thereafter.

During the nine-month period ended September 30, 2008, the Company recorded income of \$11.3 million included in restructuring costs and other, net, primarily due to a gain of \$6.8 million related to the sale of a facility in Mexico and a net gain of \$5.9 million related to the sale of a non-core trademark. In addition, a \$0.4 million reversal to restructuring costs in the third quarter of 2008 was associated with the 2006 Programs (as hereinafter defined), primarily due to charges for employee severance and other employee-related termination costs being slightly lower than estimated. These were partially offset by a charge of \$1.8 million for the 2008 Programs, of which \$0.8 million related to a restructuring in Canada and \$1.0 million related to the Company's decision to close and sell its facility in Mexico.

The Company recorded restructuring costs related to various restructuring plans during 2006 (the 2006 Programs), 2007 (the 2007 Programs) and 2008 (the 2008 Programs). (See Note 3, Restructuring Costs and Other, Net to the Consolidated Financial Statements in the Company's 2008 Form 10-K).

Details of the activities described above during the nine-month period ended September 30, 2009 are as follows:

	Balance as of January 1, 2009	Expenses (Income), Net	Utilized, Net		Balance as of September 30, 2009
			Cash	Noncash	
Employee severance and other personnel benefits:					
2006 Programs	\$ 0.3	\$	\$ (0.2)	\$	\$ 0.1
2007 Programs	0.1		(0.1)		
2008 Programs	3.0	1.0	(3.0)		1.0

Edgar Filing: REVLON INC /DE/ - Form 10-Q

2009 Programs		19.4	(7.4)		12.0
	3.4	20.4	(10.7)		13.1
Leases and equipment write-offs		2.6	(0.1)		2.5
Total restructuring accrual	\$ 3.4	23.0	\$ (10.8)	\$	\$ 15.6
Gain on sale of Argentina facility		(1.6)			
Total restructuring costs and other, net		\$ 21.4			

Table of Contents

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)

(8) Geographic Information

The Company manages its business on the basis of one reportable operating segment. As of September 30, 2009, the Company had operations established in 14 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 to consumers.

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

	Three Months Ended				Nine Months Ended			
	September 30,		September 30,		September 30,		September 30,	
	2009		2008		2009		2008	
Geographic area:								
Net sales:								
United States	\$ 183.7	56%	\$ 189.4	57%	\$ 560.9	59%	\$ 583.0	58%
International	142.5	44%	145.0	43%	390.4	41%	429.6	42%
	\$ 326.2		\$ 334.4		\$ 951.3		\$ 1,012.6	

	September 30,		December 31,	
	2009		2008	
Long-lived assets:				
United States	\$ 300.3	79%	\$ 308.3	80%
International	81.1	21%	76.6	20%
	\$ 381.4		\$ 384.9	

	Three Months Ended				Nine Months Ended			
	September 30,		September 30,		September 30,		September 30,	
	2009		2008		2009		2008	
Classes of similar products:								
Net sales:								
Color cosmetics	\$ 196.4	60%	\$ 211.2	63%	\$ 597.5	63%	\$ 649.2	64%
Beauty care and fragrance	129.8	40%	123.2	37%	353.8	37%	363.4	36%

\$ 326.2	\$ 334.4	\$ 951.3	\$ 1,012.6
----------	----------	----------	------------

(9) Fair Value Measurements

The Fair Value Measurements and Disclosures Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (Fair Value Measurements and Disclosures Topic) clarifies the definition of fair value of assets and liabilities, establishes a framework for measuring fair value of assets and liabilities and expands the disclosures on fair value measurements. The Fair Value Measurements and Disclosures Topic was effective for fiscal years beginning after November 15, 2007 for financial assets. The FASB deferred the effective date until the fiscal years beginning after November 15, 2008 as it relates to the fair value measurement requirements for non-financial assets and liabilities that are initially measured at fair value, but not measured at fair value in subsequent periods. These non-financial assets include goodwill and other indefinite-lived intangible assets which are included within other assets. The Company adopted the provisions of the Fair Value Measurements and Disclosures Topic with respect to financial assets and liabilities effective January 1, 2008 and with respect to non-financial assets and liabilities effective

Table of Contents

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 January 1, 2009, neither of which had a material impact on the Company's results of operations and/or financial condition.

The fair value framework of the Fair Value Measurements and Disclosures Topic requires the categorization of assets and liabilities into three levels 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 assets and liabilities fair value measurement requirements 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, 2009, the fair values of the Company's financial assets and liabilities, namely its foreign currency forward exchange contracts and the Interest Rate Swap transaction (as hereinafter defined), are categorized as presented in the table below:

	Total	Level 1	Level 2	Level 3
Assets:				
Foreign currency forward exchange contracts ^(a)	\$ 0.2	\$	\$ 0.2	\$
Total assets at fair value	\$ 0.2	\$	\$ 0.2	\$
Liabilities:				
Interest Rate Swap ^(b)	\$ 2.5	\$	\$ 2.5	\$
Foreign currency forward exchange contracts ^(a)	3.6		3.6	
Total liabilities at fair value	\$ 6.1	\$	\$ 6.1	\$

^(a) Based on observable market transactions of spot and forward rates.

^(b) Based on three-month U.S. Dollar LIBOR.

(10) Financial Instruments

The fair value of the Company's debt, including the current portion of long-term debt, is based on the quoted market prices for the same issues or on the current or implied rates offered to the Company for debt of the same remaining maturities. The estimated fair value of such debt at September 30, 2009 and December 31, 2008, respectively, was approximately \$76.6 million and \$360.1 million less than the carrying values of \$1,271.5 million and \$1,329.1 million, respectively.

Products Corporation also maintains standby and trade letters of credit with certain banks for various corporate purposes under which Products Corporation is obligated, of which approximately \$11.6 million and \$13.1 million (including amounts available under credit agreements in effect at that time) were maintained at September 30, 2009 and December 31, 2008, respectively. Included in these amounts is approximately \$9.3 million at September 30, 2009 and December 31, 2008, 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.

Table of Contents

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

Derivative Financial Instruments

The Company uses derivative financial instruments, primarily (1) foreign currency forward exchange contracts (FX Contracts) intended for the purpose of managing foreign currency exchange risk by reducing the effects of fluctuations in foreign currency exchange rates on the Company's net cash flows and (2) interest rate swap transactions intended for the purpose of managing interest rate risk by fixing the interest rate on a portion of Products Corporation's indebtedness.

While the Company may be exposed to credit loss in the event of the counterparty's non-performance, the Company's exposure is limited to the net amount that Products Corporation would have received, if any, from the counterparty over the remaining balance of the terms of the FX Contracts and Interest Rate Swap (as hereinafter defined). The Company does not anticipate any non-performance and, furthermore, even in the case of any non-performance by the counterparty, the Company expects that any such loss would not be material.

Foreign Currency Forward Exchange Contracts

The Company enters into FX Contracts primarily to hedge the anticipated net cash flows resulting from inventory purchases and intercompany payments denominated in currencies other than the local currencies of the Company's foreign and domestic operations. Such FX Contracts generally have maturities of less than one year. The Company does not apply hedge accounting to FX Contracts. The Company records these FX Contracts in the consolidated balance sheet at fair value and changes in fair value are immediately recognized in earnings. Fair value is determined by using observable market transactions of spot and forward rates (i.e., Level 2 inputs).

The U.S. dollar notional amount of the FX Contracts outstanding at September 30, 2009 and December 31, 2008 was \$53.3 million and \$41.0 million, respectively.

Interest Rate Swap Transactions

In September 2009, one of the Company's two floating-to-fixed interest rate swaps, with a notional amount of \$150.0 million, expired. Therefore, as of September 30, 2009, the Company had one floating-to-fixed interest rate swap transaction with a notional amount of \$150.0 million relating to indebtedness under Products Corporation's 2006 Term Loan Facility, which expires in April 2010 (the Interest Rate Swap), and together with the interest rate swap which expired in September 2009, the Interest Rate Swaps). The Interest Rate Swap has been designated as a cash flow hedge of the variable interest rate payments on Products Corporation's 2006 Term Loan Facility (as defined below) under the Derivatives and Hedging Topic of the FASB Accounting Standards Codification (Derivatives and Hedging Topic).

Table of Contents

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)

Quantitative Information Derivative Financial Instruments

The Company adopted the provisions of the Derivatives and Hedging Topic as of December 31, 2008. As required by the Derivatives and Hedging Topic, the effects of the Company's derivative instruments on its consolidated financial statements were as follows:

(a) Fair Value of Derivative Financial Instruments in Consolidated Balance Sheet:

Derivatives under the Derivatives and Hedging Topic:	Balance Sheet Classification	Fair Values of Derivative Instruments				
		Assets		Liabilities		
		September 30, 2009	December 31, 2008	September 30, 2009	December 31, 2008	December 31, 2008
		Fair Value	Fair Value	Classification	Fair Value	Fair Value
<i>Derivatives designated as hedging instruments:</i>						
Interest Rate Swaps ^(a)	Prepaid expenses	\$	\$ 0.8	Accrued expenses	\$ 2.5	\$ 5.5
	Other long-term assets			Other long-term liabilities		1.0
<i>Derivatives not designated as hedging instruments:</i>						
FX Contracts ^(b)	Prepaid expenses	0.2	2.2	Accrued expenses	3.6	0.2
		\$ 0.2	\$ 3.0		\$ 6.1	\$ 6.7

(a) Fair value is determined by using the applicable LIBOR.

(b) Fair value is determined by using observable market transactions of spot and forward rates.

(b) Effects of Derivative Financial Instruments on Income and Other Comprehensive Income (Loss) (OCI):

Derivative Instruments Gain (Loss) Effect on Consolidated Statement of Operations as of September 30,							
Amount of Gain (Loss) Recognized in OCI (Effective Portion)		Income Statement Classification of Gain (Loss) Reclassified from OCI to Income		Amount of Gain (Loss) Reclassified from OCI to Income		Amount of Gain (Loss) Recognized in Interest Expense (Ineffective Portion)	
				2009	2008	2009	2008
2009	2008	2009	2008	2009	2008	2009	2008

Derivatives designated as cash flow hedges:

Interest Rate Swaps	\$ (2.4)	\$ (0.7)	Interest expense	\$ (4.2)	\$ (1.3)	\$ (0.2)
---------------------	----------	----------	------------------	----------	----------	----------

**Amount of Gain
(Loss)
Recognized in Foreign
Currency Gains
(Losses), Net
2009 2008**

Derivatives not designated as hedging instruments:

FX Contracts	\$ (5.1)	\$ 1.6
--------------	----------	--------

Table of Contents

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)

(11) Long-term Debt

	September 30, 2009	December 31, 2008
2006 Term Loan Facility due 2012 ^(a)	\$ 815.0	\$ 833.7
2006 Revolving Credit Facility due 2012 ^(a)		
MacAndrews & Forbes Senior Subordinated Term Loan due 2010 ^(b)	107.0	107.0
9 1/2% Senior Notes due 2011, net of discounts	349.4	388.2
Other long-term debt	0.1	0.2
	1,271.5	1,329.1
Less current portion ^(c)	(16.7)	(18.9)
	\$ 1,254.8	\$ 1,310.2

^(a) See Note 9, Long-Term Debt, to the Consolidated Financial Statements in the Company's 2008 Form 10-K for certain details regarding Products Corporation's term loan facility entered into in 2006 (the 2006 Term Loan Facility; the agreement for such loan being referred to as the 2006 Term Loan Agreement) and Products Corporation's \$160 million asset-based, multi-currency revolving credit agreement entered into in 2006 (the 2006 Revolving Credit Facility) (together, such facilities are referred to as the 2006 Credit Facilities, and such agreements are referred to as the 2006 Credit Agreements), as well as for other details as to Products Corporation's other debt instruments.

^(b) See Note 9, Long-Term Debt, to the Consolidated Financial Statements in the Company's 2008 Form 10-K and Note 12, Subsequent Events of this Form 10-Q regarding the consummation of the Exchange Offer on October 8, 2009 for certain details regarding the MacAndrews & Forbes Senior Subordinated Term Loan. Such table does not reflect the reduction of Revlon, Inc.'s long-term debt as a result of the \$48.6 million of aggregate principal amount of the Senior Subordinated Term Loan that MacAndrews & Forbes contributed to Revlon, Inc. in connection with the consummation of the Exchange Offer or the issuance of the Series A Preferred Stock (as hereinafter defined), which will initially be recorded as a long-term liability at its fair value of \$47.9 million.

^(c) The Company classified \$16.6 million of long-term debt as a current liability, which is comprised of an estimate of the required excess cash flow payment (as defined under the 2006 Term Loan Agreement) to be made in 2010, which is based upon the actual 2008 excess cash flow payment made in the first quarter of 2009. (See below under Debt Reduction Transactions 2006 Term Loan Facility).

Debt Reduction Transactions

In the three- and nine-month periods ended September 30, 2009, Products Corporation reduced its long-term indebtedness by \$9.9 million and \$57.6 million, respectively, primarily as a result of the following transactions:

2006 Term Loan Facility: In January 2009, Products Corporation made a required quarterly amortization payment of \$2.1 million under its 2006 Term Loan Facility. In February 2009, Products Corporation repaid \$16.6 million in principal amount under its 2006 Term Loan Facility satisfying the requirement under the 2006 Term Loan Agreement to repay term loan indebtedness with 50% of its 2008 excess cash flow (as defined under such agreement), which repayment fully offset Products Corporation's required quarterly term loan amortization payments of \$2.1 million per quarter that would otherwise have been due on April 15, 2009, July 15, 2009, October 15, 2009, January 15, 2010, April 15, 2010, July 15, 2010, October 15, 2010 and \$1.9 million of the amortization payment otherwise due on January 15, 2011. At September 30,

Table of Contents

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)

2009, the principal amount outstanding under Products Corporation's 2006 Term Loan Facility was approximately \$815 million.

9½% Senior Notes: In the third quarter of 2009, Products Corporation used \$8.2 million to repurchase an aggregate principal amount of \$8.6 million of its 9½% Senior Notes due April 1, 2011 (the "9½% Senior Notes") and paid an additional \$0.4 million of accrued and unpaid interest and fees through the respective dates of the repurchases. In the first nine months of 2009, Products Corporation used \$31.0 million to repurchase an aggregate principal amount of \$39.5 million of its 9½% Senior Notes and paid an additional \$1.7 million of accrued and unpaid interest and fees through the respective dates of the repurchases. As a result of these 2009 repurchases, the Company recorded a gain of \$0.3 million during the third quarter of 2009 and a gain of \$7.8 million during the first nine months of 2009, which are net of the write-off of the ratable portion of unamortized debt discounts and deferred financing fees. After these repurchases, the repurchased notes were cancelled and there remained outstanding \$350.5 million aggregate principal amount of the 9½% Senior Notes, or \$349.4 million net of discounts, at September 30, 2009. (See Note 12, Subsequent Events, regarding the October 2009 Note Repurchases).

(12) Subsequent Events***Revlon, Inc. Exchange Offer***

On October 8, 2009, Revlon, Inc. consummated its exchange offer (as amended, the "Exchange Offer") in which each issued and outstanding share of Revlon, Inc.'s Class A Common Stock was exchangeable on a one-for-one basis for a newly-issued series of Revlon, Inc. preferred stock, par value \$0.01 per share (the "Series A Preferred Stock"). Revlon, Inc. issued to stockholders (other than MacAndrews & Forbes and its affiliates) 9,336,905 shares of Series A Preferred Stock in exchange for the same number of shares of Class A Common Stock tendered for exchange in the Exchange Offer. The Class A Common Stock tendered in the Exchange Offer represented approximately 46% of the shares of Class A Common Stock held by stockholders other than MacAndrews & Forbes and its affiliates.

Each share of Series A Preferred Stock issued in the Exchange Offer has a liquidation preference of \$5.21 per share, is entitled to receive a 12.75% annual dividend payable quarterly in cash and is mandatorily redeemable for cash four years from issuance (on October 8, 2013). Each share of Series A Preferred Stock entitles its holder to receive cash payments of approximately \$7.87 over the four-year term of the Series A Preferred Stock, through the quarterly payment of 12.75% annual cash dividends and a \$5.21 per share liquidation preference at maturity (assuming Revlon, Inc. does not engage in one of certain specified change of control transactions). If Revlon, Inc. engages in one of certain specified change of control transactions (not including any transaction with MacAndrews & Forbes) within three years of consummation of the Exchange Offer, the holders of the Series A Preferred Stock will have the right to receive a special dividend if the per share equity value of the Company in the change of control transaction is higher than the liquidation preference plus paid and accrued and unpaid dividends on the Series A Preferred Stock, capped at an amount that would provide aggregate cash payments of up to \$12.00 per share.

Upon consummation of the Exchange Offer, MacAndrews & Forbes contributed to Revlon, Inc. \$48.6 million of the \$107 million aggregate outstanding principal amount of the Senior Subordinated Term Loan between MacAndrews & Forbes and Products Corporation (the "Contributed Loan"), representing \$5.21 of outstanding principal amount for each of the 9,336,905 shares of Revlon, Inc.'s Class A Common Stock tendered for exchange, and not withdrawn, in the Exchange Offer, and in consideration, Revlon, Inc. issued to MacAndrews & Forbes one share of Class A Common

Stock for each share of Class A Common Stock tendered for exchange, and not withdrawn, in the Exchange Offer, or 9,336,905 shares of Class A Common Stock. Upon consummation of the Exchange Offer, the terms of the Senior Subordinated Term Loan Agreement were amended to extend the maturity date on the \$48.6 million Contributed Loan which

Table of Contents

**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)

remains owing from Products Corporation to Revlon, Inc. from August 2010 to the fourth anniversary of the consummation of the Exchange Offer (or on October 8, 2013), to change the annual interest rate on the Contributed Loan from 11% to 12.75%, to extend the maturity date on the \$58.4 million principal amount of the Senior Subordinated Term Loan which remains owing from Products Corporation to MacAndrews & Forbes (the Non-Contributed Loan) from August 2010 to the fifth anniversary of the consummation of the Exchange Offer (or on October 8, 2014) and to change the annual interest rate on the Non-Contributed Loan from 11% to 12%.

Immediately after the Exchange Offer, Revlon, Inc. had outstanding 10,898,432 shares of Class A Common Stock and 9,336,905 shares of Series A Preferred Stock held by stockholders other than MacAndrews & Forbes and its affiliates. An additional 37,544,640 shares of Class A Common Stock were beneficially owned as of such date by MacAndrews & Forbes and its affiliates, which also beneficially owns all 3,125,000 shares of Revlon, Inc.'s Class B Common Stock.

As a result of the Exchange Offer transactions:

MacAndrews & Forbes and its affiliates beneficially owned as of such date in the aggregate 37,544,640 shares of Class A Common Stock, or 77.5% of the Class A Common Stock, all 3,125,000 shares of Revlon, Inc.'s Class B Common Stock and 78.9% of the combined Class A and Class B Common Stock (representing 77.3% of the combined voting power of the Class A and Class B Common Stock and the Series A Preferred Stock as of such date); and

stockholders other than those affiliated with MacAndrews & Forbes and its affiliates beneficially owned as of such date 22.5% of the Class A Common Stock and all of the Series A Preferred Stock (which, together represented 22.7% of the combined voting power of the Common Stock and Series A Preferred Stock as of such date).

In connection with the Exchange Offer, the Series A Preferred Stock will initially be recorded by Revlon, Inc. as a long-term liability at its fair value of \$47.9 million. The total amount to be paid by Revlon, Inc. at maturity is currently estimated to be approximately \$48.6 million, which represents the \$5.21 liquidation preference for each of the 9,336,905 shares of Series A Preferred Stock issued in the Exchange Offer.

In addition, in connection with Revlon, Inc.'s Exchange Offer, as of September 30, 2009, Revlon, Inc. had incurred capitalized fees of approximately \$6.2 million related to the consummation of such offer, of which \$4.2 million was paid as of September 30, 2009. As a result of the consummation of the Exchange Offer, these fees will be amortized by Revlon, Inc. over the four-year term of the Series A Preferred Stock.

Repurchases of 91/2% Senior Notes

In October 2009, Products Corporation used \$9.9 million to repurchase an aggregate principal amount of \$10.0 million of its 91/2% Senior Notes (the October 2009 Note Repurchases) and paid an additional \$0.1 million of accrued and unpaid interest and fees through the respective dates of the repurchases. After the October 2009 repurchases, the repurchased notes were cancelled and there remained outstanding \$340.5 million aggregate principal amount of the 91/2% Senior Notes, or \$339.5 million net of discounts, at October 29, 2009.

Table of Contents

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 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. (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 provide glamour, excitement and innovation to consumers through high-quality products at affordable prices. The Company operates in a single segment and manufactures, markets and sells an extensive array of cosmetics, women's hair color, beauty tools, anti-perspirants/deodorants, fragrances, skincare and other beauty care products. The Company is one of the world's leading cosmetics companies in the mass retail channel (as hereinafter defined). The Company believes that its global brand name recognition, product quality and marketing experience have enabled it to create one of the strongest consumer brand franchises in the world.

The Company's products are sold worldwide and marketed under such brand names as **Revlon**, including the **Revlon ColorStay**, **Revlon Super Lustrous** and **Revlon Age Defying** franchises, as well as the **Almay** brand, including the **Almay Intense i-Color** and **Almay Smart Shade** franchises, in cosmetics; **Revlon ColorSilk** women's hair color; **Revlon** beauty tools; **Mitchum** anti-perspirants/deodorants; **Charlie** and **Jean Naté** fragrances; and **Ultima II** and **Gatineau** skincare.

The Company's principal customers include large mass volume retailers, chain drug stores and food stores (collectively, the mass retail channel) in the U.S., as well as certain department stores and other specialty stores, such as perfumeries outside the U.S. The Company also sells beauty products to U.S. military exchanges and commissaries and has a licensing business pursuant to which the Company licenses certain of its key brand names to third parties for the manufacture and sale of complementary beauty-related products and accessories in exchange for royalties.

The Company was founded by Charles Revson, who revolutionized the cosmetics industry by introducing nail enamels matched to lipsticks in fashion colors over 75 years ago. Today, the Company has leading positions in a number of its principal product categories in the U.S. mass retail channel, including color cosmetics (face, lip, eye and nail categories), women's hair color, beauty tools and anti-perspirants/deodorants. The Company also has leading positions in several product categories in certain foreign countries, including Australia, Canada and South Africa.

Overview of the Company's Strategy

The Company continues to focus on its strategy: (i) building and leveraging its strong brands; (ii) improving the execution of its strategies and plans, and providing for continued improvement in its organizational capability through

enabling and developing its employees; (iii) continuing to strengthen its international business; (iv) improving its operating profit margins and cash flow; and (v) improving its capital structure.

Table of Contents

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)

Overview of Net Sales and Earnings Results

Consolidated net sales in the third quarter of 2009 decreased \$8.2 million, or 2.5%, to \$326.2 million, as compared with \$334.4 million in the third quarter of 2008. Consolidated net sales for the nine-month period ended September 30, 2009 decreased \$61.3 million, or 6.1%, to \$951.3 million, as compared with \$1,012.6 million for the nine-month period ended September 30, 2008. Excluding the unfavorable impact of foreign currency fluctuations of \$5.8 million and \$42.8 million, consolidated net sales decreased by 0.7% and 1.8% in the third quarter of 2009 and in the nine-month period ended September 30, 2009, respectively.

In the United States, net sales in the third quarter of 2009 were \$183.7 million, a decrease of \$5.7 million, or 3.0%, compared to \$189.4 million in the third quarter of 2008, primarily driven by lower net sales of **Revlon** color cosmetics, as well as lower net sales of **Revlon** beauty tools, partially offset by higher net sales of **Revlon ColorSilk** hair color. Net sales in the third quarter of 2008 were negatively impacted by higher returns and allowances related to certain beauty care products. In the nine-month period ended September 30, 2009, U.S. net sales were \$560.9 million, a decrease of \$22.1 million, or 3.8%, compared to \$583.0 million in the nine-month period ended September 30, 2008, primarily driven by lower net sales of **Revlon** and **Almay** color cosmetics, **Mitchum** anti-perspirant/deodorant and **Revlon** beauty tools, partially offset by higher net sales of **Revlon ColorSilk** hair color.

In the Company's international operations, net sales in the third quarter of 2009 decreased by \$2.5 million, or 1.7%, to \$142.5 million, compared to \$145.0 million in the third quarter of 2008 (while net sales increased 2.3%, excluding the unfavorable impact of foreign currency fluctuations). The growth in net sales, excluding the impact of foreign currency fluctuations, was primarily due to higher net sales of **Revlon ColorSilk** hair color, partially offset by lower net sales of **Revlon** color cosmetics. Excluding the impact of foreign currency fluctuations, higher net sales in the Company's Latin America and Asia Pacific regions in the third quarter of 2009, compared to the third quarter of 2008, were partially offset by lower net sales in the Company's Europe region. In the nine-month period ended September 30, 2009, international net sales decreased \$39.2 million, or 9.1%, to \$390.4 million, compared to \$429.6 million in the nine-month period ended September 30, 2008 (while net sales increased 0.8% excluding the unfavorable impact of foreign currency fluctuations). The growth in net sales, excluding the impact of foreign currency fluctuations, was primarily due to higher net sales of **Revlon ColorSilk** hair color and **Revlon** color cosmetics, partially offset by lower net sales of certain beauty care products and **Almay** color cosmetics. Excluding the impact of foreign currency fluctuations, higher net sales in the Company's Latin America and Asia Pacific regions in the nine-month period ended September 30, 2009, compared to the nine-month period ended September 30, 2008, were partially offset by lower net sales in the Company's Europe region.

Consolidated net income for the third quarter of 2009 was \$23.1 million, compared to \$29.2 million in the third quarter of 2008. In the nine-month period ended September 30, 2009, consolidated net income was \$36.0 million, compared to \$46.6 million in the nine-month period ended September 30, 2008. Consolidated net income for the third quarter of 2009 and nine-month period ended September 30, 2009 included income from discontinued operations of nil and \$0.3 million, respectively. The third quarter of 2008 benefited from income from discontinued operations of \$44.4 million, which included a one-time gain of \$45.2 million from the Company's disposition of the non-core Bozzano business and certain other non-core brands, including Juvena and Aquamarine, which were sold only in the Brazilian market (the Bozzano Sale Transaction).

Income from continuing operations in the third quarter of 2009 was \$23.1 million, compared to a loss from continuing operations of \$15.2 million in the third quarter of 2008. The improvement in income from continuing operations in the third quarter of 2009, compared to the third quarter of 2008, was primarily due to:

\$32.1 million of lower selling, general and administrative expenses (SG&A), primarily due to lower advertising expenses as a result of lower advertising rates in the third quarter of 2009 while

Table of Contents

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)

increasing the level of media support, as well as lower production costs; lower compensation expenses as a result of the May 2009 Program (as hereinafter defined); and lower permanent display amortization expenses;

lower interest expense of \$6.1 million due to the impact of lower weighted average borrowing rates and lower debt levels; and

\$1.4 million of lower foreign currency losses related primarily to the revaluation of certain U.S. dollar denominated intercompany payables from the Company's foreign subsidiaries and the Company's outstanding foreign currency forward exchange contracts (FX Contracts);

with the foregoing partially offset by

lower consolidated net sales of \$8.2 million, primarily driven by lower net sales of **Revlon** and **Almay** color cosmetics, partially offset by higher net sales of **Revlon ColorSilk** hair color;

\$4.8 million of higher pension expense, including \$2.3 million and \$2.5 million of higher pension expenses in SG&A (as hereinafter defined) and cost of goods, respectively, driven primarily by the amortization of losses as a result of the significant decline in pension asset values in 2008; and

\$2.3 million of higher restructuring costs and other, net, primarily due to \$2.6 million of restructuring expense related to the worldwide organizational restructuring announced in May 2009 (the May 2009 Program and, together with the restructuring actions in the U.K., Mexico and Argentina announced in the first quarter of 2009, the 2009 Programs).

Income from continuing operations in the nine-month period ended September 30, 2009 was \$35.7 million, compared to \$1.9 million in the nine-month period ended September 30, 2008. The improvement in income from continuing operations in the nine-month period ended September 30, 2009 compared to the nine-month period ended September 30, 2008 was primarily due to:

\$76.6 million of lower SG&A, primarily due to lower compensation expenses as a result of the May 2009 Program and a decrease in the accrual for incentive compensation, lower advertising expenses as a result of lower advertising rates in the first nine months of 2009 while increasing the level of media support and lower permanent display amortization expenses;

a \$16.5 million decrease in income taxes attributable to the favorable resolution of tax contingencies and matters in the U.S. and certain foreign jurisdictions during 2009, as well as lower pre-tax income for taxable subsidiaries in certain foreign jurisdictions;

lower interest expense of \$20.8 million due to the impact of lower weighted average borrowing rates and lower debt levels; and

a \$7.8 million aggregate gain in connection with Products Corporation's repurchases in the first nine months of 2009 of an aggregate principal amount of \$39.5 million of its 9 1/2% Senior Notes (as hereinafter defined),

which gain is net of the write-off of the ratable portion of the unamortized debt discounts and deferred financing fees on such notes;

with the foregoing partially offset by

lower consolidated net sales of \$61.3 million, primarily driven by lower net sales of **Revlon** and **Almay** color cosmetics and certain beauty care products, partially offset by higher net sales of **Revlon ColorSilk** hair color;

\$32.7 million of higher restructuring costs and other, net, primarily due to \$20.8 million of restructuring expense related to the May 2009 Program. During the nine-month period ended

Table of Contents

REVLO N, 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)

September 30, 2008, the Company recorded income of \$11.3 million of restructuring costs and other, net, primarily due to the gain of \$6.8 million related to the sale of a facility in Mexico and a net gain of \$5.9 million related to the sale of a non-core trademark;

\$12.6 million of higher pension expense, including \$7.0 million and \$5.6 million of higher pension expenses in SG&A and cost of goods, respectively, driven primarily by the amortization of losses as a result of the significant decline in pension asset values in 2008, partially offset by the favorable impact of the re-measurements of pension liabilities in the nine-month period ended September 30, 2009 related to the pension plan amendments announced in May 2009 and the May 2009 Program; and

\$8.6 million of higher foreign currency losses related to the Company s outstanding FX Contracts and the revaluation of certain U.S. dollar denominated intercompany payables from the Company s foreign subsidiaries.

Overview of ACNielsen-measured U.S. Mass Retail Dollar Share

According to ACNielsen, the U.S. mass retail color cosmetics category dollar volume grew by 0.7% in the third quarter of 2009, although the rate of growth has slowed from 1.3% in the second quarter of 2009. U.S. mass retail dollar share results, according to ACNielsen, for **Revlon** and **Almay** color cosmetics, **Revlon ColorSilk** hair color, **Mitchum** anti-perspirant/deodorant, and **Revlon** beauty tools for the third quarter and nine-month period ended September 30, 2009 are summarized in the table below:

	Share % based on Dollar Volume					
	Three Months Ended September 30, 2009			Nine Months Ended September 30, 2009		
	2008	Point Change	2008	2008	Point Change	
Revlon Color Cosmetics	12.6%	13.3%	(0.7)	12.8%	12.9%	(0.1)
Almay	5.2	5.6	(0.4)	5.4	5.8	(0.4)
Revlon ColorSilk Hair Color	10.0	8.1	1.9	9.3	8.1	1.2
Mitchum Anti-perspirants/Deodorants	4.6	5.1	(0.5)	4.6	5.1	(0.5)
Revlon Beauty Tools	21.3	18.7	2.6	20.9	19.0	1.9

All share and dollar volume data herein for the Company s brands is based upon U.S. mass-retail dollar volume, which is derived from ACNielsen data (an independent research entity). ACNielsen data is an aggregate of the drug channel, Kmart, Target and Food and Combo stores. ACNielsen s data does not reflect sales volume from Wal-Mart, Inc., which is the Company s largest customer, representing approximately 23% of the Company s full year 2008 worldwide net sales, or sales volume from regional mass volume retailers, as well as prestige stores, department stores, door-to-door, Internet, television shopping, specialty stores, perfumeries or other distribution outlets, all of which are channels for cosmetics sales. Such data represents ACNielsen s estimates based upon mass retail sample data gathered by ACNielsen and is therefore subject to some degree of variance and may contain slight rounding differences. From

time to time, ACNielsen adjusts its methodology for data collection and reporting, which may result in adjustments to the categories and share data tracked by ACNielsen for both current and prior periods.

Recent Developments

See Note 12, *Subsequent Events*, regarding the consummation of the Exchange Offer on October 8, 2009 and the October 2009 Note Repurchases.

Table of Contents

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)

Results of Operations

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

*Net sales:**Third quarter results*

Consolidated net sales in the third quarter of 2009 were \$326.2 million, a decrease of \$8.2 million, or 2.5%, compared to \$334.4 million in the third quarter of 2008. Excluding the unfavorable impact of foreign currency fluctuations of \$5.8 million, consolidated net sales decreased by 0.7% in the third quarter of 2009. The decline in consolidated net sales was driven by lower net sales of **Revlon** and **Almay** color cosmetics, partially offset by higher net sales of **Revlon ColorSilk** hair color.

Year-to-date results

Consolidated net sales for the nine-month period ended September 30, 2009 were \$951.3 million, a decrease of \$61.3 million, or 6.1%, compared to \$1,012.6 million for the nine-month period ended September 30, 2008. Excluding the unfavorable impact of foreign currency fluctuations of \$42.8 million, consolidated net sales decreased by 1.8% in the nine-month period ended September 30, 2009. The decline in consolidated net sales was driven by lower net sales of **Revlon** and **Almay** color cosmetics and certain beauty care products, partially offset by higher net sales of **Revlon ColorSilk** hair color.

	Three Months Ended		Change		XXF Change⁽¹⁾	
	September 30,					
	2009	2008	\$	%	\$	%
United States	\$ 183.7	\$ 189.4	\$ (5.7)	(3.0)%	\$ (5.7)	(3.0)%
Asia Pacific	70.3	70.4	(0.1)	(0.1)	0.5	0.7
Europe	43.2	49.8	(6.6)	(13.3)	(3.0)	(6.0)
Latin America	29.0	24.8	4.2	16.9	5.8	23.4
Total International	\$ 142.5	\$ 145.0	\$ (2.5)	(1.7)%	\$ 3.3	2.3%
Total Company	\$ 326.2	\$ 334.4	\$ (8.2)	(2.5)%	\$ (2.4)	(0.7)%

	Nine Months Ended		Change		XXF Change⁽¹⁾	
	September 30,					
	2009	2008	\$	%	\$	%

Edgar Filing: REVLON INC /DE/ - Form 10-Q

United States	\$ 560.9	\$ 583.0	\$ (22.1)	(3.8)%	\$ (22.1)	(3.8)%
Asia Pacific	190.1	201.1	(11.0)	(5.5)	6.0	3.0
Europe	124.6	156.1	(31.5)	(20.2)	(10.4)	(6.7)
Latin America	75.7	72.4	3.3	4.6	8.0	11.0
Total International	\$ 390.4	\$ 429.6	\$ (39.2)	(9.1)%	\$ 3.6	0.8%
Total Company	\$ 951.3	\$ 1,012.6	\$ (61.3)	(6.1)%	\$ (18.5)	(1.8)%

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

Table of Contents

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)

United States

Third quarter results

In the United States, net sales in the third quarter of 2009 were \$183.7 million, a decrease of \$5.7 million, or 3.0%, compared to \$189.4 million in the third quarter of 2008, primarily driven by lower net sales of **Revlon** color cosmetics, as well as lower net sales of **Revlon** beauty tools, partially offset by higher net sales of **Revlon ColorSilk** hair color. Lower net sales of **Revlon** color cosmetics were primarily driven by lower shipments resulting from the cycling of the third quarter 2008 launch of the **Revlon Beyond Natural** collection. Net sales of **Almay** color cosmetics were essentially flat, primarily impacted by lower shipments resulting from the cycling of certain products launched in the third quarter of 2008, which were almost entirely offset by lower returns of discontinued products in the third quarter of 2009, compared to the third quarter of 2008. In addition, net sales in the third quarter of 2008 were negatively impacted by higher returns and allowances related to certain beauty care products.

Year-to-date results

In the United States, net sales in the nine-month period ended September 30, 2009 were \$560.9 million, a decrease of \$22.1 million, or 3.8%, compared to \$583.0 million in the nine-month period ended September 30, 2008, primarily driven by lower net sales of **Revlon** and **Almay** color cosmetics, **Mitchum** anti-perspirant deodorant and **Revlon** beauty tools, partially offset by higher net sales of **Revlon ColorSilk** hair color.

International

In the Company's international operations, net sales in the third quarter of 2009 decreased by \$2.5 million, or 1.7%, to \$142.5 million, compared to \$145.0 million in the third quarter of 2008 (while net sales increased 2.3% excluding the unfavorable impact of foreign currency fluctuations). The growth in net sales, excluding the impact of foreign currency fluctuations, was primarily due to higher net sales of **Revlon ColorSilk** hair color, partially offset by lower net sales of **Revlon** color cosmetics. Excluding the impact of foreign currency fluctuations, higher net sales in the Company's Latin America and Asia Pacific regions in the third quarter of 2009, compared to the third quarter of 2008, were partially offset by lower net sales in the Company's Europe region. In the nine-month period ended September 30, 2009, international net sales decreased \$39.2 million, or 9.1%, to \$390.4 million, compared to \$429.6 million in the nine-month period ended September 30, 2008 (while net sales increased 0.8% excluding the unfavorable impact of foreign currency fluctuations). The growth in net sales, excluding the impact of foreign currency fluctuations, was primarily due to higher net sales of **Revlon ColorSilk** hair color and **Revlon** color cosmetics, partially offset by lower net sales of certain beauty care products and **Almay** color cosmetics. Excluding the impact of foreign currency fluctuations, higher net sales in the Company's Latin America and Asia Pacific regions in the nine-month period ended September 30, 2009, compared to the nine-month period ended September 30, 2008, were partially offset by lower net sales in the Company's Europe region.

Third quarter results by region

In Asia Pacific, which is comprised of Asia Pacific and Africa, net sales in the third quarter of 2009 decreased 0.1% to \$70.3 million, compared to \$70.4 million in the third quarter of 2008 (while increasing 0.7% excluding the unfavorable impact of foreign currency fluctuations). The growth in net sales, excluding the unfavorable impact of foreign currency fluctuations, was due primarily to higher shipments of **Revlon** color cosmetics in Australia and China (which contributed approximately 4.1 percentage points to the increase in the region's net sales in the third quarter of 2009, compared with the third quarter of 2008),

Table of Contents

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)

partially offset by lower shipments of **Revlon** color cosmetics in Japan and higher returns in South Africa (which offset by approximately 3.2 percentage points the region's net sales in the third quarter of 2009, compared to the third quarter of 2008).

In Europe, which is comprised of Europe, Canada and the Middle East, net sales in the third quarter of 2009 decreased 13.3%, or 6.0% excluding the impact of foreign currency fluctuations, to \$43.2 million, compared to \$49.8 million in the third quarter of 2008. This decline in net sales, excluding the impact of foreign currency fluctuations, was primarily due to lower shipments of **Revlon** color cosmetics in the U.K. and Canada (which together contributed approximately 6.1 percentage points to the decrease in the region's net sales in the third quarter of 2009, compared with the third quarter of 2008), partially offset by higher shipments of **Revlon** skincare in certain distributor markets (which offset by approximately 1.0 percentage points the region's net sales in the third quarter of 2009, compared to the third quarter of 2008).

In Latin America, which is comprised of Mexico, Central America and South America, net sales in the third quarter of 2009 increased 16.9%, or 23.4% excluding the impact of foreign currency fluctuations, to \$29.0 million, compared to \$24.8 million in the third quarter of 2008. The growth in net sales, excluding the unfavorable impact of foreign currency fluctuations, was driven primarily by higher net sales in Venezuela and Argentina and higher shipments of beauty care products in certain distributor markets (which together contributed approximately 26.0 percentage points to the increase in the region's net sales in the third quarter of 2009, compared to the third quarter of 2008).

Year-to-date results by region

In Asia Pacific, net sales in the nine-month period ended September 30, 2009 decreased 5.5% to \$190.1 million, compared to \$201.1 million in the nine-month period ended September 30, 2008 (while increasing 3.0% excluding the unfavorable impact of foreign currency fluctuations). The growth in net sales, excluding the unfavorable impact of foreign currency fluctuations, was due primarily to higher shipments of **Revlon** color cosmetics in Australia and China, and higher shipments of certain beauty care products in South Africa and Australia (which together contributed approximately 4.3 percentage points to the increase in the region's net sales in the nine-month period ended September 30, 2009, compared with the nine-month period ended September 30, 2008), partially offset by lower shipments of **Revlon** color cosmetics in Japan (which offset by approximately 1.4 percentage points the region's net sales in the nine-month period ended September 30, 2009, compared to the nine-month period ended September 30, 2008).

In Europe, net sales in the nine-month period ended September 30, 2009 decreased 20.2%, or 6.7% excluding the impact of foreign currency fluctuations, to \$124.6 million, compared to \$156.1 million in the nine-month period ended September 30, 2008. This decline in net sales, excluding the unfavorable impact of foreign currency fluctuations, was due to lower shipments of **Revlon** color cosmetics in the U.K., Canada and Italy and certain beauty care products in France (which together contributed approximately 7.8 percentage points to the decrease in the region's net sales in the nine-month period ended September 30, 2009, compared with the nine-month period ended September 30, 2008), partially offset by higher shipments of **Revlon** skincare in certain distributor markets (which offset by approximately 1.8 percentage points the decrease in the region's net sales in the nine-month period ended September 30, 2009, compared to the nine-month period ended September 30, 2008).

In Latin America, net sales in the nine-month period ended September 30, 2009 increased 4.6%, or 11.0% excluding the impact of foreign currency fluctuations, to \$75.7 million, compared to \$72.4 million in the nine-month period ended September 30, 2008. The growth in net sales, excluding the unfavorable impact of foreign currency fluctuations, was driven primarily by higher net sales in Venezuela and

Table of Contents

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)

Argentina (which contributed approximately 17.6 percentage points to the increase in the region's net sales in the nine-month period ended September 30, 2009, compared to the nine-month period ended September 30, 2008), partially offset by lower shipments of fragrances and beauty care products in Mexico and lower shipments of **Almay** and **Revlon** color cosmetics in certain distributor markets (which offset by approximately 4.6 percentage points the region's net sales in the nine-month period ended September 30, 2009, compared to the nine-month period ended September 30, 2008).

Gross profit:

	Three Months Ended			Nine Months Ended		
	September 30, 2009	2008	Change	September 30, 2009	2008	Change
Gross profit	\$ 208.3	\$ 207.6	\$ 0.7	\$ 601.8	\$ 648.2	\$ (46.4)
<i>Percentage of net sales</i>	<i>63.9%</i>	<i>62.1%</i>	<i>1.8%</i>	<i>63.3%</i>	<i>64.0%</i>	<i>(0.7)%</i>

The 1.8 percentage point increase in gross profit as a percentage of net sales for the third quarter of 2009, compared to the third quarter of 2008, was primarily due to:

lower returns and allowances, mainly on color cosmetics, which increased gross profit as a percentage of net sales by 1.2 percentage points;

decreased inventory obsolescence charges, which increased gross profit as a percentage of net sales by 1.0 percentage point; and

favorable manufacturing efficiencies, as well as lower material and freight costs, which increased gross profit as a percentage of net sales by 0.4 percentage points;

with the foregoing partially offset by

higher pension expenses within cost of goods of \$2.5 million, which reduced gross profit as a percentage of net sales by 0.7 percentage points;

unfavorable changes in sales mix, which reduced gross profit as a percentage of net sales by 0.4 percentage points; and

unfavorable foreign currency fluctuations (primarily due to the strengthening of the U.S. dollar) which resulted in higher cost of goods in most international markets on goods purchased from the Company's facility in Oxford, North Carolina, which reduced gross profit as a percentage of net sales by 0.2 percentage points.

The 0.7 percentage point decrease in gross profit as a percentage of net sales for the nine-month period ended September 30, 2009, compared to the nine-month period ended September 30, 2008, was primarily due to:

unfavorable foreign currency fluctuations (primarily due to the strengthening of the U.S. dollar) which resulted in higher cost of goods in most international markets on goods purchased from the Company's facility in Oxford, North Carolina, which reduced gross profit as a percentage of net sales by 0.6 percentage points;

higher pension expenses within cost of goods of \$5.6 million, which reduced gross profit as a percentage of net sales by 0.6 percentage points;

unfavorable changes in sales mix, which reduced gross profit as a percentage of net sales by 0.2 percentage points; and

Table of Contents

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)

increased inventory obsolescence charges on higher disposal of returns, which decreased gross profit as a percentage of net sales by 0.1 percentage points;

with the foregoing partially offset by

favorable manufacturing efficiencies and lower material and freight costs, which increased gross profit as a percentage of net sales by 0.8 percentage points.

SG&A expenses:

	Three Months Ended			Nine Months Ended		
	September 30,		Change	September 30,		Change
	2009	2008		2009	2008	
SG&A expenses	\$ 155.4	\$ 187.5	\$ 32.1	\$ 471.9	\$ 548.5	\$ 76.6

The decrease in SG&A expenses for the third quarter of 2009, as compared to the third quarter of 2008, was driven primarily by:

\$13.3 million of lower advertising expenses due as a result of lower advertising rates in the third quarter of 2009 while increasing the level of media support, as well as lower production costs;

\$8.3 million of lower general and administrative expenses primarily due to lower compensation expenses as a result of the May 2009 Program;

\$5.8 million of lower permanent display amortization expenses; and

\$2.6 million of favorable impact of foreign currency fluctuations;

with the foregoing partially offset by

\$2.3 million of higher pension expenses.

The decrease in SG&A expenses for the nine-month period ended September 30, 2009, as compared to the nine-month period ended September 30, 2008, was driven primarily by:

\$22.2 million of lower general and administrative expenses primarily due to lower compensation expenses as a result of the May 2009 Program and a decrease in the accrual for incentive compensation; as well as lower personnel expenses;

\$20.5 million of lower advertising expenses due as a result of lower advertising rates in the first nine months of 2009 while increasing the level of media support;

\$19.9 million of favorable impact of foreign currency fluctuations; and

\$16.1 million of lower permanent display amortization expenses;

with the foregoing partially offset by

\$7.0 million of higher pension expenses.

Restructuring costs and other, net:

	Three Months Ended September 30, 2009 2008			Nine Months Ended September 30, 2009 2008		
			Change			Change
Restructuring costs and other, net	\$ 2.6	\$ 0.3	\$ (2.3)	\$ 21.4	\$ (11.3)	\$ (32.7)

Table of Contents

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)

During the third quarter of 2009, the Company recorded charges of \$2.6 million in restructuring costs and other related to the May 2009 Program, which involved consolidating certain functions; reducing layers of management, where appropriate, to increase accountability and effectiveness; streamlining support functions to reflect the new organizational structure; and further consolidating the Company's office facilities in New Jersey.

During the third quarter of 2008, the Company recorded expense of \$0.3 million to restructuring costs and other, net, primarily due to restructuring costs related to the Company's decision to close and sell its facility in Mexico.

During the nine-month period ended September 30, 2009, the Company recorded charges of \$21.4 million in restructuring costs and other, net, which are comprised of:

a \$20.8 million charge related to the May 2009 Program;

\$1.2 million of charges related to employee severance and other employee-related termination costs related to restructuring actions in the U.K., Mexico and Argentina announced in the first quarter of 2009; and

a \$1.0 million charge related to the 2008 Programs (as hereinafter defined);

with the foregoing partially offset by

income of \$1.6 million related to the sale of a facility in Argentina in the first quarter of 2009.

All of the approximately \$21 million of charges related to the May 2009 Program are expected to be paid out during 2009 to 2012, including approximately \$12 million in 2009, \$6 million in 2010, and the balance of \$3 million to be paid thereafter.

During the nine-month period ended September 30, 2008, the Company recorded income of \$11.3 million of restructuring costs and other, net, primarily due to a gain of \$6.8 million related to the sale of a facility in Mexico and a net gain of \$5.9 million related to the sale of a non-core trademark. In addition, a \$0.4 million reversal to restructuring costs was associated with the 2006 Programs (as hereinafter defined), primarily due to the charges for severance and other employee-related termination costs being slightly lower than originally estimated. These were partially offset by a charge of \$1.8 million for the 2008 Programs, of which \$0.8 million related to a restructuring in Canada and \$1.0 million related to the Company's decision to close and sell its manufacturing facility in Mexico and source products from the Company's other manufacturing facilities and third party suppliers.

For a further discussion of restructuring plans during 2006 (the 2006 Programs), 2007 (the 2007 Programs) and 2008 (the 2008 Programs), see Note 3, Restructuring Costs and Other, Net to the Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2008 filed with the SEC on February 25, 2009 (the 2008 Form 10-K).

Other expenses:

	Three Months Ended September 30, 2009			Nine Months Ended September 30, 2008		
			Change			Change
Interest expense	\$ 23.0	\$ 29.1	\$ 6.1	\$ 71.1	\$ 91.9	\$ 20.8

The decrease in interest expense was due to lower weighted average borrowing rates and lower debt levels during the third quarter of 2009 and the nine-month period ended September 30, 2009, as compared to the comparable 2008 periods.

Table of Contents

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)

Gain on repurchase of debt:

	Three Months Ended September 30, 2009		Change	Nine Months Ended September 30, 2009		Change
Gain on repurchase of debt	\$ (0.3)	\$	\$ 0.3	\$ (7.8)	\$	\$ 7.8

In the third quarter of 2009, Products Corporation used \$8.2 million to repurchase an aggregate principal amount of \$8.6 million of its 9 1/2% Senior Notes and paid an additional \$0.4 million of accrued and unpaid interest and fees through the respective dates of the repurchases. In the first nine months of 2009, Products Corporation used \$31.0 million to repurchase an aggregate principal amount of \$39.5 million of its 9 1/2% Senior Notes and paid an additional \$1.7 million of accrued and unpaid interest and fees through the respective dates of the repurchases. As a result of these 2009 repurchases, the Company recorded a gain of \$0.3 million during the third quarter of 2009 and a gain of \$7.8 million during the first nine months of 2009, which are net of the write-off of the ratable portion of unamortized debt discounts and deferred financing fees. After these repurchases, the repurchased notes were cancelled and there remained outstanding \$350.5 million aggregate principal amount of the 9 1/2% Senior Notes, or \$349.4 million net of discounts, at September 30, 2009. (See Note 12, *Subsequent Events*, regarding the October 2009 Note Repurchases).

Provision for income taxes:

	Three Months Ended September 30, 2009		Change	Nine Months Ended September 30, 2009		Change
Provision for income taxes	\$ 2.5	\$ 2.4	\$ (0.1)	\$ 0.3	\$ 16.8	\$ 16.5

The tax provision for the third quarter of 2009, as compared to the third quarter of 2008, was essentially unchanged, with higher pre-tax income for taxable subsidiaries in certain foreign jurisdictions largely offset by the favorable resolution of tax matters in certain foreign jurisdictions. The decrease in the tax provision in the nine-month period ended September 30, 2009, as compared to the nine-month period ended September 30, 2008, was attributable to the favorable resolution of tax contingencies and matters in the U.S. and certain foreign jurisdictions during 2009, as well as lower pre-tax income for taxable subsidiaries in certain foreign jurisdictions.

Financial Condition, Liquidity and Capital Resources

Net cash provided by operating activities in the nine-month period ended September 30, 2009 was \$77.2 million, as compared to \$43.9 million in the nine-month period ended September 30, 2008. This improvement in cash provided in

the nine-month period ended September 30, 2009, compared to the nine-month period ended September 30, 2008, was primarily due to lower interest paid, as well as favorable changes in net working capital and lower permanent display spending.

Net cash used in investing activities in the nine-month period ended September 30, 2009 was \$8.6 million, as compared to cash provided by investing activities of \$102.6 million for 2008. Net cash used in investing activities for the nine-month period ended September 30, 2009 included cash used for capital expenditures of \$10.9 million, offset by cash provided by investing activities of \$2.3 million from the net proceeds from the sale of certain assets. Net cash provided by investing activities for the nine-month period ended September 30, 2008 included approximately \$107.6 million in proceeds from the Bozzano Sale Transaction and \$10.1 million in proceeds from the sale of a non-core trademark and certain other assets (which included net proceeds as a result of the sale of the Mexico facility), offset by cash used for capital expenditures.

Table of Contents

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)

Net cash used in financing activities was \$61.2 million and \$113.3 million for the nine-month period ended September 30, 2009 and 2008, respectively. Net cash used in financing activities for the nine-month period ended September 30, 2009 includes debt reduction payments of \$49.9 million, which is primarily comprised of the repurchases of \$39.5 million in aggregate principal amount of Products Corporation's 9 1/2% Senior Notes at an aggregate purchase price of \$31.0 million, plus an additional \$1.7 million of accrued and unpaid interest and fees through the respective dates of the repurchases, the repayment of \$18.7 million in principal amount of Products Corporation's 2006 Term Loan Facility, and the payment of \$4.2 million of the \$6.2 million of fees incurred in connection with consummating the Exchange Offer. (See Note 12, Subsequent Events, regarding the October 2009 Note Repurchases).

Net cash used in financing activities for the nine-month period ended September 30, 2008 included the full repayment on February 1, 2008 of the \$167.4 million remaining aggregate principal amount of Products Corporation's 85/8% Senior Subordinated Notes, which matured on February 1, 2008, and repayments under the 2006 Revolving Credit Facility, offset by proceeds of \$170 million from the MacAndrews & Forbes Senior Subordinated Term Loan, which Products Corporation used to repay in full such 85/8% Senior Subordinated Notes, and to pay certain related fees and expenses, including the payment to MacAndrews & Forbes of a facility fee of \$2.55 million (or 1.5% of the total principal amount of such loan) upon MacAndrews & Forbes funding such loan. In addition, net cash used in financing activities in the 2008 period included \$45.7 million of net repayments under Products Corporation's 2006 Revolving Credit Facility. In addition, in September 2008, the Company used \$63.0 million of the net proceeds from the Bozzano Sale Transaction to repay \$63.0 million in aggregate principal amount of the MacAndrews & Forbes Senior Subordinated Term Loan.

At September 30, 2009, the Company had a liquidity position of \$173.2 million, consisting of cash and cash equivalents (net of any outstanding checks) of \$59.7 million, as well as \$113.5 million in available borrowings under the 2006 Revolving Credit Facility.

In connection with the Company's Exchange Offer, as of September 30, 2009, the Company had incurred and capitalized fees of approximately \$6.2 million related to the consummation of such proposal, of which \$4.2 million was paid as of September 30, 2009. As a result of the consummation of the Exchange Offer, these fees will be amortized over the four-year term of the Series A Preferred Stock. (See Note 12, Subsequent Events, regarding the consummation of the Exchange Offer on October 8, 2009).

Long-Term Debt Instruments

For further detail regarding Products Corporation's long-term debt instruments, including Products Corporation's 2006 Credit Agreements, its 9 1/2% Senior Notes and the MacAndrews & Forbes Senior Subordinated Term Loan Agreement, see Note 9, Long-Term Debt, to the Consolidated Financial Statements in the Company's 2008 Form 10-K. (See also Note 12, Subsequent Events in this Form 10-Q regarding the consummation of the Exchange Offer on October 8, 2009 and the October 2009 Note Repurchases).

2006 Credit Agreements

In January 2009, Products Corporation made a required quarterly amortization payment of \$2.1 million under its 2006 Term Loan Facility. In February 2009, Products Corporation repaid \$16.6 million in principal amount under its 2006 Term Loan Facility, satisfying the requirement under the 2006 Term Loan Agreement to repay term loan indebtedness with 50% of its 2008 excess cash flow (as defined under such agreement), which repayment fully offset Products Corporation's required quarterly term loan amortization payments of \$2.1 million per quarter that would otherwise have been due on April 15, 2009, July 15, 2009, October 15,

Table of Contents

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)

2009, January 15, 2010, April 15, 2010, July 15, 2010, October 15, 2010 and \$1.9 million of the amortization payment otherwise due on January 15, 2011. At September 30, 2009, the aggregate principal amount outstanding under Products Corporation's 2006 Term Loan Facility was approximately \$815 million.

Products Corporation was in compliance with all applicable covenants under the 2006 Credit Agreements as of September 30, 2009. At September 30, 2009, the 2006 Term Loan Facility was fully drawn and availability under the \$160.0 million 2006 Revolving Credit Facility, based upon the calculated borrowing base less \$11.6 million of outstanding undrawn letters of credit and nil then drawn on the 2006 Revolving Credit Facility, was \$113.5 million.

9 1/2% Senior Notes

In the third quarter of 2009, Products Corporation used \$8.2 million to repurchase an aggregate principal amount of \$8.6 million of its 9 1/2% Senior Notes due April 1, 2011 (the 9 1/2% Senior Notes) and paid an additional \$0.4 million of accrued and unpaid interest and fees through the respective dates of the repurchases. In the first nine months of 2009, Products Corporation used \$31.0 million to repurchase an aggregate principal amount of \$39.5 million of its 9 1/2% Senior Notes and paid an additional \$1.7 million of accrued and unpaid interest and fees through the respective dates of the repurchases. As a result of these 2009 repurchases, the Company recorded a gain of \$0.3 million during the third quarter of 2009 and a gain of \$7.8 million during the first nine months of 2009, which are net of the write-off of the ratable portion of unamortized debt discounts and deferred financing fees. After these repurchases, the repurchased notes were cancelled and there remained outstanding \$350.5 million aggregate principal amount of the 9 1/2% Senior Notes, or \$349.4 million net of discounts, at September 30, 2009. (See Note 12, Subsequent Events, regarding the October 2009 Note Repurchases).

The Company may also, from time to time, seek to retire or purchase additional 9 1/2% Senior Notes and/or its other outstanding debt obligations 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 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.

MacAndrews & Forbes Senior Subordinated Term Loan

For detail regarding the MacAndrews & Forbes Senior Subordinated Term Loan Agreement, see Note 9, Long-Term Debt, to the Consolidated Financial Statements in the Company's 2008 Form 10-K. (See also Note 12, Subsequent Events, regarding amendments to the Senior Subordinated Term Loan in connection with consummating the Exchange Offer on October 8, 2009).

Interest Rate Swap Transactions

In September 2009, one of the Company's two floating-to-fixed interest rate swaps, with a notional amount of \$150.0 million, expired. Therefore, as of September 30, 2009, the Company had one floating-to-fixed interest rate swap with a notional amount of \$150.0 million relating to indebtedness under Products Corporation's 2006 Term Loan Facility, which expires in April 2010 (the Interest Rate Swap). The Interest Rate Swap is designated as a cash flow hedge of the variable interest rate payments on Products Corporation's 2006 Term Loan Facility. While the Company

is exposed to credit loss in the event of the counterparty's non-performance, if any, the Company's exposure is limited to the net amount that Products Corporation would have received over the remaining balance of the Interest Rate Swap's term. The Company does not anticipate any non-performance and, furthermore, even in the case of any non-

Table of Contents

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)

performance by the counterparty, the Company expects that any such loss would not be material. The fair value of the Company's Interest Rate Swap was a liability of \$2.5 million at September 30, 2009.

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 2006 Revolving Credit Facility and other permitted lines of credit. The 2006 Credit Agreements, the indenture governing Products Corporation's 9 1/2% Senior Notes and the MacAndrews & Forbes 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, purchases of permanent wall displays, capital expenditure requirements, payments in connection with the Company's restructuring programs, severance not otherwise included in the Company's restructuring programs, debt service payments and costs, debt repurchases and regularly scheduled pension and post-retirement benefit plan contributions and benefit payments. The Company's cash contributions to its pension and post-retirement benefit plans in the nine-month period ended September 30, 2009 were \$18.7 million. In accordance with the minimum pension contributions required under the Employee Retirement Income Security Act of 1974, as amended by the Pension Protection Act of 2006 and as amended by the Worker, Retiree and Employer Recovery Act of 2008, the Company expects cash contributions to its pension and post-retirement benefit plans to be approximately \$25 million in the aggregate for full year 2009. The Company's purchases of permanent wall displays and capital expenditures in the nine-month period ended September 30, 2009 were approximately \$26.1 million and \$10.9 million, respectively. The Company expects purchases of permanent wall displays and capital expenditures in the aggregate for full year 2009 to be approximately \$40 million and \$15 million, respectively, inclusive of amounts expended in the nine-month period ended September 30, 2009. (See Restructuring Costs and Other, Net above in this Form 10-Q for discussion of the Company's expected uses of funds in connection with its various restructuring programs).

The Company has undertaken, and continues to assess, refine and implement, a number of programs to efficiently manage its cash and working capital, including, among other things, programs intended to reduce inventory levels over time; centralized purchasing to secure discounts and efficiencies in procurement; providing discounts to U.S. customers for more timely payment of receivables; prudent management of accounts payable; and targeted controls on general and administrative spending.

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, further refining the Company's approach to retail merchandising and/or taking further actions to optimize its manufacturing, sourcing and organizational size and structure. Any of these actions, whose intended purpose would be to create value through profitable growth, could result in the Company making investments and/or recognizing charges related to executing against such opportunities.

The Company expects that operating revenues, cash on hand and funds available for borrowing under the 2006 Revolving Credit Facility and other permitted lines of credit will be sufficient to enable the Company to cover its

operating expenses for 2009, including cash requirements in connection with the payment of operating expenses, including expenses in connection with the execution of the Company's business strategy, purchases of permanent wall displays, capital expenditure requirements, payments in connection with the Company's restructuring programs (including, without limitation, the 2006 Programs,

Table of Contents

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 2007 Programs, the 2008 Programs and the 2009 Programs), severance not otherwise included in the Company's restructuring programs, debt service payments and costs, debt repurchases and regularly scheduled pension and post-retirement plan contributions and benefit payments. As a result of the decline in the global financial markets in 2008, the market value of the Company's pension fund assets declined during 2008, which had the effect of reducing the funded status of such plans as of January 1, 2009. At the same time, the discount rate used to value the Company's pension obligation at December 31, 2008 increased, which partially offset the effect of the asset decline. The Company expects that the net of these factors will result in increased cash contributions to the Company's pension plans in 2010 and beyond.

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 cosmetics category in the mass retail channel; adverse changes in currency; 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; retailer inventory management, retailer space reconfigurations or reductions in retailer display space; 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 pension expense and/or cash contributions and/or benefit payments under its benefit plans, advertising, promotional and marketing activities or for sales returns related to any reduction of retail space, 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.

In the event of a decrease in demand for the Company's products, reduced sales, lack of increases in demand and sales, changes in consumer purchasing habits, including with respect to shopping channels, retailer inventory management, retailer space reconfigurations or reductions in retailer display space, product discontinuances and/or advertising, promotional and/or marketing expenses or sales return expenses exceeding its expectations or less than anticipated results from the Company's existing or new products or from its advertising, promotional and/or marketing plans, any such development, if significant, could reduce the Company's revenues and could adversely affect Products Corporation's ability to comply with certain financial covenants under the 2006 Credit Agreements and in such event the Company could be required to take measures, including, among other things, reducing discretionary spending. **(See also Item 1A. Risk Factors in the Company's 2008 Form 10-K for further discussion of certain risks associated with the Company's business and indebtedness).**

If the Company is unable to satisfy its cash requirements from the sources identified above or comply with its debt covenants, the Company could be required to adopt one or more of the following alternatives:

- delaying the implementation of or revising certain aspects of the Company's business strategy;
- reducing or delaying purchases of wall displays or advertising, promotional or marketing expenses;
- reducing or delaying capital spending;
- delaying, reducing or revising the Company's restructuring programs;

refinancing Products Corporation s indebtedness;

selling assets or operations;

Table of Contents

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)

seeking additional capital contributions and/or loans from MacAndrews & Forbes, the Company's other affiliates and/or third parties;

selling additional Revlon, Inc. equity securities or debt securities of Revlon, Inc. or Products Corporation; or

reducing other discretionary spending.

There can be no assurance that the Company would be able to take any of the actions referred to above because of a variety of commercial or market factors or constraints in Products Corporation's debt instruments, including, without limitation, market conditions being unfavorable for an equity or debt issuance, additional capital contributions and/or loans not being available from affiliates and/or third parties, or that the transactions may not be permitted under the terms of Products Corporation's various debt instruments then in effect, such as due to restrictions on the incurrence of debt, incurrence of liens, asset dispositions and related party transactions. In addition, such actions, if taken, may not enable the Company to satisfy its cash requirements or enable Products Corporation to comply with its debt covenants if the actions do not generate a sufficient amount of additional capital. **(See also Item 1A. Risk Factors in the Company's 2008 Form 10-K for further discussion of certain risks associated with the Company's business and indebtedness).**

Revlon, Inc., as a holding company, will be dependent on the earnings and cash flow of, and dividends and distributions from, Products Corporation to pay its expenses and to pay any cash dividend or distribution on its Class A common stock, par value of \$0.01 per share (the Class A Common Stock) that may be authorized by Revlon, Inc.'s Board of Directors. The terms of the 2006 Credit Agreements, the indenture governing Products Corporation's 9 1/2% Senior Notes and the MacAndrews & Forbes Senior Subordinated Term Loan Agreement generally restrict Products Corporation from paying dividends or making distributions to Revlon, Inc., except that Products Corporation is permitted to pay dividends and make distributions to Revlon, Inc. to enable Revlon, Inc., among other things, to pay expenses incidental to being a public holding company, including, among other things, professional fees such as legal, accounting and insurance fees, regulatory fees, such as SEC filing fees, NYSE listing fees and other expenses related to being a public holding company and, subject to certain limitations, to pay dividends, if any, on Revlon, Inc.'s outstanding securities or make distributions in certain circumstances to finance the purchase by Revlon, Inc. of its Class A Common Stock in connection with the delivery of such Class A Common Stock to grantees under the Third Amended and Restated Revlon, Inc. Stock Plan.

Revlon, Inc. expects that the payment of quarterly dividends on its Series A preferred stock, par value of \$0.01 per share (the Series A Preferred Stock), issued in connection with the consummation of the Exchange Offer will be funded by interest payments received by Revlon, Inc. from Products Corporation on the portion of the Senior Subordinated Term Loan Agreement that was contributed to Revlon, Inc. by MacAndrews & Forbes. Under the Delaware General Corporation Law, Revlon, Inc. is permitted to pay dividends only from its surplus, which is the excess of its total assets over the sum of its liabilities plus the aggregate par value of its outstanding capital stock, or if Revlon, Inc. has no surplus, out of its net profits for the year in which a dividend is declared and for the immediately preceding fiscal year. Additionally, Revlon, Inc. is permitted to redeem the Series A Preferred Stock only from its surplus. In the event that Revlon, Inc. fails to pay any required dividends on the Series A Preferred Stock, the amount of such unpaid dividends will be added to the amount payable to holders of the Series A Preferred Stock upon

redemption.

As a result of dealing with suppliers and vendors in a number of foreign countries, Products Corporation enters into foreign currency forward exchange contracts and option contracts from time to time to hedge certain cash flows denominated in currencies other than the local currencies of the Company s

Table of Contents

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)

foreign and domestic operations. The foreign currency forward exchange 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. There were foreign currency forward exchange contracts with a notional amount of \$53.3 million outstanding at September 30, 2009. The fair value of foreign currency forward exchange contracts outstanding at September 30, 2009 was \$(3.4) million.

Disclosures about Contractual Obligations and Commercial Commitments

As of September 30, 2009, there had been no material changes to the Company's total contractual cash obligations, as set forth in the contractual obligations and commercial commitments table included in the Company's 2008 Form 10-K, other than the Company's debt reduction transactions in the nine-month period ended September 30, 2009 which included:

(1) Products Corporation repaying in January 2009 a \$2.1 million quarterly amortization payment required under its 2006 Term Loan Facility and repaying in February 2009 \$16.6 million in principal amount of term loan indebtedness outstanding under its 2006 Term Loan Facility, which repayment fully offset Products Corporation's required quarterly term loan amortization payments of \$2.1 million per quarter that would otherwise have been due on April 15, 2009, July 15, 2009, October 15, 2009, January 15, 2010, April 15, 2010, July 15, 2010, October 15, 2010 and \$1.9 million of the amortization payment otherwise due on January 15, 2011. At September 30, 2009, the principal amount outstanding under Products Corporation's 2006 Term Loan Facility was approximately \$815 million; and

(2) Products Corporation repurchasing in the nine months ended September 30, 2009 an aggregate principal amount of \$39.5 million of its 9 1/2% Senior Notes due April 1, 2011 at an aggregate purchase price of \$31.0 million, and paying an additional \$1.7 million of accrued and unpaid interest and fees through the respective dates of the repurchases, which notes were cancelled.

After the foregoing 2009 notes repurchases, there remained outstanding \$350.5 million, or \$349.4 million net of discounts, in aggregate principal amount of the 9 1/2% Senior Notes at September 30, 2009. (See Note 12, Subsequent Events, regarding the October 2009 Note Repurchases).

The following table reflects the impact of such debt reduction transactions on the Company's long-term debt obligations, but does not reflect the impact of the Exchange Offer nor the October 2009 Note Repurchases. (See Note 12, Subsequent Events):

Contractual Obligations	Payments Due by Period					After
	(dollars in millions)					
As of September 30, 2009	Total	2009 Q4	2010-2011	2012-2013	2013	
Long-term Debt, including Current Portion	\$ 1,165.6	\$ 0.1	\$ 367.1	\$ 798.4	\$	
Interest on Long-term Debt ^(a)	150.2	26.5	122.2	1.5		

- (a) Consists of interest primarily on the 9 1/2% Senior Notes and under the 2006 Term Loan Facility through the respective maturity dates based upon assumptions regarding the amount of debt outstanding under the 2006 Credit Facilities and assumed interest rates. In addition, this amount reflects the impact of the Interest Rate Swap, covering \$150 million notional amount under the 2006 Term Loan Facility, which resulted in an effective weighted average interest rate of 4.7% on the 2006 Term Loan Facility as of September 30, 2009. (See Financial Condition, Liquidity and Capital Resources Interest Rate Swap Transactions).

Table of Contents

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)

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 the Company's 2008 Form 10-K.

Table of Contents

REVLON, INC. AND SUBSIDIARIES

Item 3. Quantitative and Qualitative Disclosures about Market Risk

The Company has exposure to market risk both as a result of changing interest rates and movements in foreign currency exchange rates. The Company's policy is to manage market risk through a combination of fixed and floating rate debt, the use of foreign exchange forward contracts, interest rate swap transactions and option contracts. The Company does not hold or issue financial instruments for trading purposes. The qualitative and quantitative information presented in Item 7A of the Company's 2008 Form 10-K (Item 7A) describes significant aspects of the Company's financial instrument programs that have material market risk as of December 31, 2008. The following table presents the information required by Item 7A as of September 30, 2009:

Debt	Expected Maturity Date for the year				Fair Value September 30,
	2009	2010	ended December 31, 2011 2012		