

REVLON INC /DE/  
Form 10-Q  
October 28, 2011  
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, 2011

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)  
**237 Park Avenue, New York, New York**  
(Address of principal executive offices)

**212-527-4000**

**13-3662955**  
(I.R.S. Employer  
Identification No.)  
**10017**  
(Zip Code)

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

(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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer", "accelerated filer" and "smaller reporting 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, 2011, 49,058,008 shares of Class A Common Stock, 3,125,000 shares of Class B Common Stock and 9,336,905 shares of Series A Preferred Stock were outstanding. At such date, 37,544,640 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.

**Table of Contents**

**REVLON, INC. AND SUBSIDIARIES**

**INDEX**

**PART I Financial Information**

**Item 1. Financial Statements**

Consolidated Balance Sheets as of September 30, 2011 (Unaudited) and December 31, 2010 1

Unaudited Consolidated Statements of Operations for the Three and Nine Months Ended September 30, 2011 and 2010 2

Unaudited Consolidated Statement of Stockholders' Deficiency and Comprehensive Income for the Nine Months Ended September 30, 2011 3

Unaudited Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2011 and 2010 4

Notes to Unaudited Consolidated Financial Statements 5

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations** 35

**Item 3. Quantitative and Qualitative Disclosures About Market Risk** 53

**Item 4. Controls and Procedures** 54

**PART II Other Information**

**Item 1. Legal Proceedings** 61

**Item 1A. Risk Factors** 62

**Item 5. Exhibits** 63

Signatures 64

**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, 2011 (Unaudited)	December 31, 2010
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 49.9	\$ 76.7
Trade receivables, less allowance for doubtful accounts of \$3.1 as of both September 30, 2011 and December 31, 2010, respectively	185.5	197.5
Inventories	143.6	115.0
Deferred income taxes – current	44.4	39.6
Prepaid expenses and other	49.1	47.3
Total current assets	472.5	476.1
Property, plant and equipment, net	100.0	106.2
Deferred income taxes – noncurrent	205.6	229.4
Goodwill, net	193.9	182.7
Other assets	109.7	92.3
Total assets	\$ 1,081.7	\$ 1,086.7
<b>LIABILITIES AND STOCKHOLDERS' DEFICIENCY</b>		
Current liabilities:		
Short-term borrowings	\$ 9.2	\$ 3.7
Current portion of long-term debt	8.0	8.0
Accounts payable	93.2	88.3
Accrued expenses and other	213.5	218.5
Total current liabilities	323.9	318.5
Long-term debt	1,108.6	1,100.9
Long-term debt – affiliates	58.4	58.4
Redeemable preferred stock	48.3	48.1
Long-term pension and other post-retirement plan liabilities	172.2	201.5
Other long-term liabilities	55.4	55.7
Commitments and contingencies		
Stockholders' deficiency:		
Class B Common Stock, par value \$0.01 per share: 200,000,000 shares authorized; 3,125,000 shares issued and outstanding as of September 30, 2011 and December 31, 2010, respectively		
Class A Common Stock, par value \$0.01 per share: 900,000,000 shares authorized; 49,987,510 and 50,000,497 shares issued as of September 30, 2011 and December 31, 2010, respectively	0.5	0.5
Additional paid-in capital	1,013.7	1,012.0
Treasury stock, at cost: 671,271 and 532,838 shares of Class A Common Stock as of September 30, 2011 and December 31, 2010, respectively	(8.6)	(7.2)
Accumulated deficit	(1,534.4)	(1,551.4)

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

Accumulated other comprehensive loss	(156.3)	(150.3)
Total stockholders' deficiency	(685.1)	(696.4)
Total liabilities and stockholders' deficiency	\$ 1,081.7	\$ 1,086.7

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 September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Net sales	\$ 337.2	\$ 319.0	\$ 1,021.6	\$ 952.2
Cost of sales	123.1	110.4	358.3	326.1
Gross profit	214.1	208.6	663.3	626.1
Selling, general and administrative expenses	169.3	169.3	526.0	494.1
Operating income	44.8	39.3	137.3	132.0
Other expenses, net:				
Interest expense	20.4	23.1	64.7	67.4
Interest expense preferred stock dividends	1.6	1.6	4.8	4.8
Amortization of debt issuance costs	1.3	1.5	4.1	4.5
Loss on early extinguishment of debt, net			11.3	9.7
Foreign currency (gains) losses, net	(0.9)	0.8	2.4	4.7
Miscellaneous, net	0.2	0.3	1.2	0.9
Other expenses, net	22.6	27.3	88.5	92.0
Income from continuing operations before income taxes	22.2	12.0	48.8	40.0
Provision for (benefit from) income taxes	22.1	(0.6)	32.4	9.2
Income from continuing operations, net of taxes	0.1	12.6	16.4	30.8
(Loss) income from discontinued operations, net of taxes		(0.1)	0.6	0.3
Net income	\$ 0.1	\$ 12.5	\$ 17.0	\$ 31.1
Basic income per common share:				
Continuing operations		0.24	0.31	0.59
Discontinued operations			0.01	0.01
Net income	\$	\$ 0.24	\$ 0.32	\$ 0.60
Diluted income per common share:				
Continuing operations		0.24	0.31	0.59
Discontinued operations			0.01	0.01
Net income	\$	\$ 0.24	\$ 0.32	\$ 0.60
Weighted average number of common shares outstanding:				
Basic	52,182,848	51,901,810	52,170,839	51,889,742
Diluted	52,345,857	52,311,906	52,319,654	52,304,500

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

See Accompanying Notes to Unaudited Consolidated Financial Statements

**Table of Contents**

**REVLOIN, INC. AND SUBSIDIARIES**

**UNAUDITED CONSOLIDATED STATEMENT OF STOCKHOLDERS DEFICIENCY**

**AND COMPREHENSIVE INCOME**

(dollars in millions)

	Common Stock	Additional Paid-In- Capital	Treasury Stock	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders Deficiency
Balance, January 1, 2011	\$ 0.5	\$ 1,012.0	\$ (7.2)	\$ (1,551.4)	\$ (150.3)	\$ (696.4)
Treasury stock acquired, at cost <sup>(a)</sup>			(1.4)			(1.4)
Stock-based compensation amortization		1.7				1.7
Comprehensive income:						
Net income				17.0		17.0
Currency translation adjustment					(8.7)	(8.7)
Amortization of pension related costs, net of tax <sup>(b)</sup>					2.7	2.7
Total comprehensive income						11.0
Balance, September 30, 2011	\$ 0.5	\$ 1,013.7	\$ (8.6)	\$ (1,534.4)	\$ (156.3)	\$ (685.1)

<sup>(a)</sup> 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 of 138,433 shares of Revlon, Inc. Class A Common Stock during the first nine months of 2011 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 \$10.07, 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 \$1.4 million.

<sup>(b)</sup> See Note 2, "Pension and Post-retirement Benefits," and Note 7, "Comprehensive Income," in this Form 10-Q for details on the change in Accumulated Other Comprehensive Loss as a result of the amortization of unrecognized prior service costs and actuarial losses arising during the first nine months of 2011.

See Accompanying Notes to Unaudited Consolidated Financial Statements

**Table of Contents****REVLON, INC. AND SUBSIDIARIES****UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(dollars in millions)

	<b>Nine Months Ended September 30,</b>	
	<b>2011</b>	<b>2010</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 17.0	\$ 31.1
Adjustments to reconcile net income to net cash provided by operating activities:		
Income from discontinued operations, net of taxes	(0.6)	(0.3)
Depreciation and amortization	45.3	42.3
Amortization of debt discount	2.0	1.9
Stock compensation amortization	1.7	2.8
Provision for deferred income taxes	17.1	0.9
Loss on early extinguishment of debt, net	11.3	9.7
Amortization of debt issuance costs	4.1	4.5
Pension and other post-retirement expense	3.9	7.1
Change in assets and liabilities:		
Decrease in trade receivables	8.1	3.6
Increase in inventories	(29.4)	(12.0)
Increase in prepaid expenses and other current assets	(4.0)	(13.6)
Increase in accounts payable	2.0	18.1
Increase in accrued expenses and other current liabilities	2.4	9.1
Pension and other post-retirement plan contributions	(28.7)	(20.1)
Purchases of permanent displays	(28.2)	(25.8)
Other, net	(3.8)	(9.3)
Net cash provided by operating activities	20.2	50.0
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Capital expenditures	(9.6)	(11.4)
Acquisition	(39.0)	
Proceeds from the sale of certain assets	0.2	0.2
Net cash used in investing activities	(48.4)	(11.2)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Net increase (decrease) in short-term borrowings and overdraft	10.0	(2.9)
Repayments under the 2006 Term Loan Facility		(815.0)
Borrowings under the 2010 Term Loan Facility		786.0
Repayments under the 2010 Term Loan Facility	(794.0)	(4.0)
Borrowings under the 2011 Term Loan Facility	796.0	
Repayments under the 2011 Term Loan Facility	(2.0)	
Payment of financing costs	(4.2)	(17.5)
Other financing activities	(1.2)	(0.6)
Net cash provided by (used in) financing activities	4.6	(54.0)
Effect of exchange rate changes on cash and cash equivalents	(3.2)	1.2
Net decrease in cash and cash equivalents	(26.8)	(14.0)

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

Cash and cash equivalents at beginning of period	76.7	54.5
Cash and cash equivalents at end of period	\$ 49.9	\$ 40.5
<i>Supplemental schedule of cash flow information:</i>		
Cash paid during the period for:		
Interest	\$ 66.4	\$ 59.0
Preferred stock dividends	\$ 4.6	\$ 4.6
Income taxes, net of refunds	\$ 14.0	\$ 11.2
<i>Supplemental schedule of non-cash investing and financing activities:</i>		
Treasury stock received to satisfy minimum tax withholding liabilities	\$ 1.4	\$ 2.5

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

The Company's vision is glamour, excitement and innovation 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-perspirant deodorants, fragrances, skincare 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.

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

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (U.S. GAAP) requires management to make estimates and assumptions that affect amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the financial statements and reported amounts of revenues and expenses during the periods presented. Actual results could differ from these estimates. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the consolidated financial statements in the period they are determined to be necessary. Significant estimates made in the accompanying Unaudited Consolidated Financial Statements include, but are not limited to, allowances for doubtful accounts, inventory valuation reserves, expected sales returns and allowances, certain assumptions related to the recoverability of intangible and long-lived assets, deferred tax valuation allowances, 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 Revlon, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2010, filed with the Securities and Exchange Commission (the SEC) on February 17, 2011 (the 2010 Form 10-K).

The Company's results of operations and financial position for interim periods are not necessarily indicative of those to be expected for a full year.

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

***Fire at Revlon Venezuela Facility***

On June 5, 2011, the Company's facility in Venezuela was destroyed by fire. As of and for the year ended December 31, 2010, the Company's subsidiary in Venezuela (Revlon Venezuela) had net sales of approximately 3% of the Company's consolidated net sales and Revlon Venezuela's total assets were approximately 3% of the Company's total assets. Historically, approximately 50% of Revlon Venezuela's net sales were comprised of products imported from Revlon's Oxford, North Carolina facility and approximately 50% were comprised of locally manufactured products. Revlon Venezuela did not have any net sales from the



**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)**

date of the fire until August 12, 2011. The Company's net sales in Venezuela since August 12, 2011 have been solely comprised of products imported from the Company's Oxford, North Carolina facility. The Company is currently evaluating options to minimize the extent and duration of the disruption to Revlon Venezuela's business as a result of the fire.

The Company maintains comprehensive property insurance, as well as business interruption insurance. Business interruption insurance is intended to reimburse for lost profits and other costs incurred, which are attributable to the loss, during the loss period, subject to the terms and conditions of the applicable policies.

In June 2011, the Company recorded a \$4.9 million impairment loss related to Revlon Venezuela's net book value of inventory, property, plant and equipment destroyed by the fire and in the period from June through September 30, 2011, the Company incurred business interruption losses of \$6.1 million related to the fire, for total losses of \$11.0 million incurred in the first nine months of 2011. The business interruption losses incurred in 2011 include estimated profits lost as a result of the interruption of the business and costs incurred directly related to the fire. The business interruption losses incurred through September 30, 2011 are not indicative of future business interruption losses for insurance purposes or future expected profits for Revlon Venezuela.

In the third quarter of 2011, the Company received a \$15 million interim advance from its insurance carrier in connection with the fire. During the third quarter and first nine months of 2011, the Company recognized \$6.1 million and \$11.0 million, respectively, of income from insurance recoveries, which entirely offset the impairment loss and business interruption losses noted above. The income from insurance recoveries is included within selling, general and administrative expenses in the Company's Statements of Operations for the three and nine months ended September 30, 2011. The deferred balance of \$4.0 million was recorded as deferred income, which is included in accrued expenses and other in the Company's Consolidated Balance Sheet as of September 30, 2011.

An assessment of the extent of damage and the impact on the Company's business in Venezuela is ongoing, and therefore the final amount and timing of the ultimate insurance recovery is currently unknown. See Note 14, "Subsequent Event," in regards to additional advance insurance proceeds received subsequent to September 30, 2011.

***Impact of Foreign Currency Translation - Venezuela***

**Highly-Inflationary Economy:** Effective January 1, 2010, Venezuela was designated as a highly inflationary economy under U.S. GAAP. As a result, beginning January 1, 2010, the U.S. dollar is the functional currency for Revlon Venezuela. Through December 31, 2009, prior to Venezuela being designated as highly inflationary, currency translation adjustments of Revlon Venezuela's balance sheet were reflected in shareholders' equity as part of Other Comprehensive Income; however, subsequent to January 1, 2010, such adjustments are reflected in earnings.

**Currency Restrictions:** Currency restrictions enacted by the Venezuelan government in 2003 have become more restrictive and have impacted the ability of Revlon Venezuela to obtain U.S. dollars in exchange for Venezuelan Bolívars ( Bolívars ) at the official foreign exchange rates from the Venezuelan government and its foreign exchange commission, the *Comisión de Administración de Divisas* ( CADIVI ). In May 2010, the Venezuelan government took control over the previously freely-traded foreign currency exchange market and in June 2010, replaced it with a new foreign currency exchange system, the *Sistema de Transacciones en Moneda Extranjera* ( SITME ). SITME provides a mechanism to exchange Bolívars into U.S. dollars. However, SITME can only be used for product purchases and related services, such as freight, and is not available for other transactions, such as the payment of dividends. Also, SITME can only be used for amounts of up to \$50,000 per day, subject to a monthly maximum of \$350,000 per legal entity, and is generally only available to the extent the applicant has not exchanged and received U.S. dollars from CADIVI within the previous 90 days. In the second quarter of 2011, the Company began using a SITME rate of 5.5 Bolívars per U.S. dollar to translate Revlon

**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)**

Venezuela's financial statements, as this was the rate at which the Company accessed U.S. dollars in the SITME market during the second quarter of 2011 (the SITME Rate). The Company had previously utilized Venezuela's official exchange rate of 4.3 Bolivars per U.S. dollar to translate Revlon Venezuela's financial statements from January 1, 2010 through March 31, 2011. In the third quarter of 2011, the Company continued using the SITME Rate, which did not materially change from the second quarter of 2011, to translate Revlon Venezuela's financial statements.

To reflect the impact of the change in exchange rates from Venezuela's official exchange rate to the SITME Rate, a foreign currency loss of \$1.7 million was recorded in the second quarter of 2011. As Venezuela was designated as a highly inflationary economy effective January 1, 2010, this foreign currency loss was reflected in earnings during the nine months ended September 30, 2011. For the three and nine months ended September 30, 2011, the change in the exchange rates in Venezuela unfavorably impacted the Company's consolidated net sales by \$0.8 million and \$2.4 million, respectively. The impact on the Company's consolidated operating income for both the three and nine months ended September 30, 2011 was de minimis.

***Recent Accounting Pronouncements***

In May 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2011-04, Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and International Financial Reporting Standards (IFRS), which amends Accounting Standards Codification (ASC) 820, Fair Value Measurement. ASU No. 2011-04 modifies the existing standard to include disclosure of all transfers between Level 1 and Level 2 asset and liability fair value categories. In addition, ASU No. 2011-04 provides guidance on measuring the fair value of financial instruments managed within a portfolio and the application of premiums and discounts on fair value measurements. ASU No. 2011-04 requires additional disclosure for Level 3 measurements regarding the sensitivity of fair value to changes in unobservable inputs and any interrelationships between those inputs. ASU No. 2011-04 is effective for interim and annual reporting periods beginning after December 15, 2011, with early adoption prohibited. The Company does not expect such adoption will have a material impact on the Company's results of operations, financial condition or its disclosures.

In June 2011, the FASB issued ASU No. 2011-05, Presentation of Comprehensive Income. ASU No. 2011-05 eliminates the current option to report other comprehensive income and its components in the statement of changes in equity. Under ASU No. 2011-05, an entity can elect to present items of net income and other comprehensive income in one continuous statement or in two separate, but consecutive, statements. ASU No. 2011-05 is effective for publicly traded companies as of the beginning of a fiscal year that begins after December 15, 2011 and interim and annual periods thereafter. Early adoption of ASU No. 2011-05 is permitted, but full retrospective application is required. As the Company reports comprehensive income within its Statement of Stockholders' Deficiency and Comprehensive Income, the adoption of ASU No. 2011-05 will impact the presentation of the Company's consolidated financial statements beginning in the first quarter of 2012.

In September 2011, the FASB issued ASU No. 2011-08, Intangibles-Goodwill and Other: Testing Goodwill for Impairment, which amends ASC 350, Intangible Assets-Goodwill and Other. Under ASU No. 2011-08, an entity may elect the option to assess qualitative factors to determine whether it is necessary to perform the first step in the two-step impairment testing process. ASU No. 2011-08 is effective for annual reporting periods beginning after December 15, 2011, with early adoption permitted. The Company has chosen to early adopt ASU No. 2011-08, and therefore, the new guidance will be effective for the year ended December 31, 2011. The Company does not expect such adoption will have a material impact on the Company's results of operations, financial condition or its disclosures.

**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) Pension and Post-retirement Benefits**

The components of net periodic benefit costs for the Company's pension and the other post-retirement benefit plans for the third quarter of 2011 and 2010 are as follows:

	Pension Plans		Other Post-retirement Benefit Plans	
	Three Months Ended September 30, 2011	Three Months Ended September 30, 2010	Three Months Ended September 30, 2011	Three Months Ended September 30, 2010
Net periodic benefit costs:				
Service cost	\$ 0.4	\$ 0.4	\$	\$
Interest cost	8.1	8.5	0.2	0.2
Expected return on plan assets	(8.7)	(8.0)		
Amortization of actuarial loss	1.3	1.2		0.1
	1.1	2.1	0.2	0.3
Portion allocated to Revlon Holdings LLC	(0.1)			
	\$ 1.0	\$ 2.1	\$ 0.2	\$ 0.3

The components of net periodic benefit costs for the Company's pension and the other post-retirement benefit plans for the first nine months of 2011 and 2010 are as follows:

	Pension Plans		Other Post-retirement Benefit Plans	
	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010
Net periodic benefit costs:				
Service cost	\$ 1.0	\$ 1.2	\$	\$
Interest cost	24.3	25.4	0.6	0.6
Expected return on plan assets	(26.2)	(24.1)		
Amortization of actuarial loss	4.0	3.8	0.2	0.2
	3.1	6.3	0.8	0.8
Portion allocated to Revlon Holdings LLC	(0.1)	(0.1)		
	\$ 3.0	\$ 6.2	\$ 0.8	\$ 0.8

In the three and nine months ended September 30, 2011, compared to the prior year periods, the Company recognized lower net periodic benefit costs primarily due to the increase in the fair value of pension plan assets at December 31, 2010, partially offset by a decrease in the

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

weighted-average discount rate. The Company expects that its net periodic benefit costs for its pension and the other post-retirement benefit plans will be approximately \$5 million for all of 2011, compared with \$9.3 million in 2010.

During the third quarter of 2011, \$13.5 million and \$0.2 million were contributed to the Company's pension plans and other post-retirement benefit plans, respectively. During the first nine months of 2011, \$28 million and \$0.7 million were contributed to the Company's pension plans and other post-retirement benefit plans, respectively. The Company currently expects to contribute approximately \$30 million in the aggregate to its pension plans and other post-retirement benefit plans in 2011.

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 Revlon, Inc.'s 2010 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) Business Acquisition**

On March 17, 2011, the Company acquired certain assets, including trademarks and other intellectual property, inventory, certain receivables and manufacturing equipment, related to Sinful Colors cosmetics, Wild and Crazy cosmetics, freshMinerals cosmetics and freshcover cosmetics, which products are sold principally in the U.S. mass retail channel (the Sinful Colors Acquisition). The Company also assumed certain liabilities of the acquired business. The Company paid \$39.0 million of total consideration for the Sinful Colors Acquisition in cash, which included the \$38.0 million purchase price and a \$1.0 million adjustment based on working capital at closing. The results of operations related to the Sinful Colors Acquisition are included in the Company's consolidated financial statements commencing on the date of acquisition. Pro forma results of operations have not been presented, as the impact on the Company's consolidated financial results would not have been material.

The Company accounted for the Sinful Colors Acquisition as a business combination during the first quarter of 2011 and, accordingly, the total consideration of \$39.0 million has been allocated on a preliminary basis to the net assets acquired based on their respective estimated fair values at March 17, 2011 as follows:

Recognized amounts of assets acquired and liabilities assumed:	
Trade receivables	\$ 2.9
Inventories	3.3
Property, plant and equipment, net	0.4
Intangible assets	22.8
Accounts payable	(0.9)
Accrued expenses and other	(0.9)
Fair value of net assets acquired	27.6
Goodwill	11.4
Total consideration	\$ 39.0

The allocation of the total consideration of \$39.0 million includes intangible assets of \$22.8 million and goodwill of \$11.4 million, all of which is expected to be deductible for income tax purposes. The intangible assets acquired by major asset category are as follows:

	Fair Values at March 17, 2011	Weighted Average Useful Life (in years)
Trademarks and Trade Names	\$ 7.3	10
Customer Relationships	15.5	14
Total	\$ 22.8	13

The Company is in the process of completing its assessment of the fair value of assets acquired and liabilities assumed in the Sinful Colors Acquisition. As a result, the fair value of the net assets acquired is provisional pending completion of the final valuation of such net assets.

**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)

**(4) Inventories**

	September 30, 2011	December 31, 2010
Raw materials and supplies	\$ 49.3	\$ 39.7
Work-in-process	9.8	9.9
Finished goods	84.5	65.4
	\$ 143.6	\$ 115.0

**(5) Long-Term Debt and Redeemable Preferred Stock**

	September 30, 2011	December 31, 2010
2011 Term Loan Facility due 2017, net of discounts <sup>(a)</sup>	\$ 789.3	\$ 782.0
2010 Term Loan Facility due 2015, net of discounts <sup>(a)(b)</sup>		782.0
2011 Revolving Credit Facility due 2016 <sup>(a)</sup>		
2010 Revolving Credit Facility due 2014 <sup>(a)(b)</sup>		
9 <sup>3</sup> / <sub>4</sub> % Senior Secured Notes due 2015, net of discounts <sup>(c)</sup>	327.3	326.9
Senior Subordinated Term Loan due 2014 <sup>(d)</sup>	58.4	58.4
	1,175.0	1,167.3
Less current portion	(8.0)	(8.0)
	1,167.0	1,159.3
Redeemable Preferred Stock <sup>(e)</sup>	48.3	48.1
	\$ 1,215.3	\$ 1,207.4

<sup>(a)</sup> During the second quarter of 2011, Products Corporation consummated the refinancing of the 2010 Term Loan Facility and the 2010 Revolving Credit Facility (together referred to as the 2011 Refinancings). The 2011 Refinancings, among other things, (i) reduced interest rates and extended the maturity of Products Corporation's 2010 Term Loan Facility, due March 2015, by entering into the 2011 Term Loan Facility due November 2017, and (ii) reduced interest rates and extended the maturity of Products Corporation's 2010 Revolving Credit Facility, due March 2014, by entering into the 2011 Revolving Credit Facility due June 2016. See Recent Debt Reduction Transactions below in this Note 5 for further discussion of the 2011 Refinancings.

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

- (b) During March 2010, Products Corporation consummated the refinancing of the 2006 Term Loan Facility and the 2006 Revolving Credit Facility (together referred to as the 2010 Refinancing ). See Note 9, Long-Term Debt and Redeemable Preferred Stock, to the Consolidated Financial Statements in Revlon, Inc. s 2010 Form 10-K for certain details regarding Products Corporation s 2010 Credit Agreements.
- (c) See Note 9, Long-Term Debt and Redeemable Preferred Stock, to the Consolidated Financial Statements in Revlon, Inc. s 2010 Form 10-K for certain details regarding Products Corporation s 9/4% Senior Secured Notes which mature on November 15, 2015 (the 9/4% Senior Secured Notes ).
- (d) See Note 9, Long-Term Debt and Redeemable Preferred Stock, to the Consolidated Financial Statements in Revlon, Inc. s 2010 Form 10-K for certain details regarding 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 ), which matures on October 8, 2014.
- (e) See Note 9, Long-Term Debt and Redeemable Preferred Stock, to the Consolidated Financial Statements in Revlon, Inc. s 2010 Form 10-K for certain details regarding Revlon, Inc. s redeemable Preferred Stock (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)

**Recent Debt Reduction Transactions**

**Refinancing of the 2010 Term Loan and 2010 Revolving Credit Facilities:** During the second quarter of 2011, Products Corporation consummated the 2011 Refinancings, reducing interest rates and extending maturities, consisting of the following transactions:

In May 2011, Products Corporation consummated a refinancing of the 2010 Term Loan Facility (the 2011 Term Loan Facility Refinancing), which included replacing Products Corporation's 2010 bank term loan facility, which was scheduled to mature on March 11, 2015 and had \$794.0 million aggregate principal amount outstanding at December 31, 2010 (the 2010 Term Loan Facility), with a 6.5-year, \$800.0 million term loan facility due November 19, 2017 (the 2011 Term Loan Facility) under a third amended and restated term loan agreement dated May 19, 2011 (the 2011 Term Loan Agreement), among Products Corporation, as borrower, Citigroup Global Markets Inc. (CGMI), J.P. Morgan Securities LLC (JPM Securities), Merrill Lynch, Pierce, Fenner & Smith Incorporated (Merrill Lynch), Credit Suisse Securities (USA) LLC (Credit Suisse) and Wells Fargo Securities, LLC (WFS) as the joint lead arrangers; CGMI, JPM Securities, Merrill Lynch, Credit Suisse, WFS and Natixis, New York Branch (Natixis), as joint bookrunners; JPMorgan Chase Bank, N.A. and Bank of America, N.A. as co-syndication agents; Credit Suisse, Wells Fargo Bank, N.A. and Natixis as co-documentation agents; and Citicorp USA, Inc. (CUSA) as administrative agent and collateral agent.

Products Corporation used \$796 million of proceeds from the 2011 Term Loan Facility, which was drawn in full on the May 19, 2011 closing date and issued to lenders at 99.5% of par, to refinance in full the \$792.0 million of outstanding indebtedness under its 2010 Term Loan Facility and to pay approximately \$2 million of accrued interest. The Company incurred approximately \$3.9 million of fees in connection with consummating the 2011 Term Loan Facility Refinancing in the first nine months of 2011, of which approximately \$2 million was capitalized.

In June 2011, Products Corporation consummated a refinancing of the 2010 Revolving Credit Facility (the 2011 Revolving Credit Facility Refinancing), which included refinancing Products Corporation's 2010 revolving credit facility, which was scheduled to mature on March 11, 2014 and had nil outstanding borrowings at December 31, 2010 (the 2010 Revolving Credit Facility), with a 5-year, \$140.0 million asset-based, multi-currency revolving credit facility due June 16, 2016 (the 2011 Revolving Credit Facility) under a third amended and restated revolving credit agreement dated June 16, 2011 (the 2011 Revolving Credit Agreement) and together with the 2011 Term Loan Agreement, the 2011 Credit Agreements), among Products Corporation and certain of its foreign subsidiaries, as borrowers, and CGMI and Wells Fargo Capital Finance, LLC (WFCF) as the joint lead arrangers; CGMI, WFCF, Merrill Lynch, JPMorgan Securities and Credit Suisse as joint bookrunners; and CUSA as administrative agent and collateral agent.

Products Corporation incurred approximately \$0.7 million of fees in connection with consummating the 2011 Revolving Credit Facility Refinancing in the first nine months of 2011, all of which were capitalized.

As a result of the 2011 Refinancings, the Company recognized a loss on the early extinguishment of debt of \$11.3 million during the first nine months of 2011, due to \$1.9 million of fees which were expensed as incurred in connection with the 2011 Refinancings, as well as the write-off of \$9.4 million of unamortized debt discount and deferred financing fees as a result of such refinancings.

**2011 Revolving Credit Facility**

The following is a summary description of the 2011 Revolving Credit Facility. Unless otherwise indicated, capitalized terms have the meanings given to them in the 2011 Revolving Credit Agreement. This description is subject to a number of qualifications and exceptions which are specified in the 2011 Revolving Credit Agreement.



**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)**

Availability under the 2011 Revolving Credit Facility varies based on a borrowing base that is determined by the value of eligible accounts receivable and eligible inventory in the U.S. and the U.K. and eligible real property and equipment in the U.S. from time to time.

In each case subject to borrowing base availability, the 2011 Revolving Credit Facility is available to:

- (i) Products Corporation in revolving credit loans denominated in U.S. dollars;
- (ii) Products Corporation in swing line loans denominated in U.S. dollars up to \$30.0 million;
- (iii) Products Corporation in standby and commercial letters of credit denominated in U.S. dollars and other currencies up to \$60.0 million; and
- (iv) Products Corporation and certain of its international subsidiaries designated from time to time in revolving credit loans and bankers acceptances denominated in U.S. dollars and other currencies.

If the value of the eligible assets is not sufficient to support the \$140.0 million borrowing base under the 2011 Revolving Credit Facility, Products Corporation will not have full access to the 2011 Revolving Credit Facility. Products Corporation's ability to make borrowings under the 2011 Revolving Credit Facility is also conditioned upon the satisfaction of certain conditions precedent and Products Corporation's compliance with other covenants in the 2011 Revolving Credit Agreement.

Under the 2011 Revolving Credit Facility, borrowings (other than loans in foreign currencies) bear interest, if made as Eurodollar Loans, at the Eurodollar Rate, plus the applicable margin set forth in the grid below and, if made as Alternate Base Rate loans, at the Alternate Base Rate, plus the applicable margin set forth in the grid below:

	<b>Alternate Base Rate Loans</b>	<b>Eurodollar Loans, Eurocurrency Loans or Local Rate Loans</b>
<b>Excess Availability</b>		
Greater than or equal to \$92,000,000	1.00%	2.00%
Less than \$92,000,000 but greater than or equal to \$46,000,000	1.25%	2.25%
Less than \$46,000,000	1.50%	2.50%

Local Loans (as defined in the 2011 Revolving Credit Agreement) bear interest, if mutually acceptable to Products Corporation and the relevant foreign lenders, at the Local Rate, and otherwise (i) if in foreign currencies or in U.S. dollars at the Eurodollar Rate or the Eurocurrency Rate plus the applicable margin set forth in the grid above or (ii) if in U.S. dollars at the Alternate Base Rate plus the applicable margin set forth in the grid above.

Prior to the termination date of the 2011 Revolving Credit Facility, revolving loans are required to be prepaid (without any permanent reduction in commitment) with:

- (i) the net cash proceeds from sales of Revolving Credit First Lien Collateral (as defined below) by Products Corporation or any of its subsidiary guarantors (other than dispositions in the ordinary course of business and certain other exceptions); and
- (ii) the net proceeds from the issuance by Products Corporation or any of its subsidiaries of certain additional debt, to the extent there remains any such proceeds after satisfying Products Corporation's repayment obligations under the 2011 Term Loan Facility.

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

Products Corporation pays to the lenders under the 2011 Revolving Credit Facility a commitment fee of 0.375% of the average daily unused portion of the 2011 Revolving Credit Facility, which fee is payable quarterly in arrears. Under the 2011 Revolving Credit Facility, Products Corporation also pays:

(i) to foreign lenders, a fronting fee of 0.25% per annum on the aggregate principal amount of specified Local Loans (which fee is retained by foreign lenders out of the portion of the Applicable Margin payable to such foreign lender);

---

**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)**

(ii) to foreign lenders, an administrative fee of 0.25% per annum on the aggregate principal amount of specified Local Loans;

(iii) to the multi-currency lenders, a letter of credit commission equal to the product of (a) the Applicable Margin (as defined in the 2011 Revolving Credit Agreement) for revolving credit loans that are Eurodollar Rate (as defined in the 2011 Revolving Credit Agreement) loans (adjusted for the term that the letter of credit is outstanding) and (b) the aggregate undrawn face amount of letters of credit; and

(iv) to the issuing lender, a letter of credit fronting fee of 0.25% per annum of the aggregate undrawn face amount of letters of credit, which fee is a portion of the Applicable Margin.

Under certain circumstances, Products Corporation has the right to request that the 2011 Revolving Credit Facility be increased by up to \$60.0 million, provided that the lenders are not committed to provide any such increase.

Under certain circumstances, if and when the difference between (i) the borrowing base under the 2011 Revolving Credit Facility and (ii) the amounts outstanding under the 2011 Revolving Credit Facility is less than \$20.0 million for a period of two consecutive days or more, and until such difference is equal to or greater than \$20.0 million for a period of 30 consecutive business days, the 2011 Revolving Credit Facility requires Products Corporation to maintain a consolidated fixed charge coverage ratio (the ratio of EBITDA minus Capital Expenditures to Cash Interest Expense for such period, as each such term is defined in the 2011 Revolving Credit Facility) of a minimum of 1.0 to 1.0.

The 2011 Revolving Credit Facility matures on June 16, 2016; provided, however, it will mature on August 15, 2015, if Products Corporation's 9<sup>3</sup>/<sub>4</sub>% Senior Secured Notes have not been refinanced, redeemed, repurchased, defeased or repaid in full on or before such date.

**2011 Term Loan Facility**

The following is a summary description of the 2011 Term Loan Facility. Unless otherwise indicated, capitalized terms have the meanings given to them in the 2011 Term Loan Agreement. This description is subject to a number of qualifications and exceptions which are specified in the 2011 Term Loan Agreement.

Under the 2011 Term Loan Facility, Eurodollar Loans (as defined in the 2011 Term Loan Agreement) bear interest at the Eurodollar Rate plus 3.50% per annum (with the Eurodollar Rate not to be less than 1.25%) and Alternate Base Rate loans bear interest at the Alternate Base Rate plus 2.50% (with the Alternate Base Rate not to be less than 2.25%).

Prior to the November 2017 termination date of the 2011 Term Loan Facility, on September 30, December 31, March 31 and June 30 of each year (commencing September 30, 2011), Products Corporation is required to repay \$2 million of the principal amount of the term loans outstanding under the 2011 Term Loan Facility on each respective date. In addition, the term loans under the 2011 Term Loan Facility are required to be prepaid with:

(i) the net cash proceeds in excess of \$10 million for each 12-month period ending on March 31 received during such period from sales of Term Loan First Lien Collateral (as defined below) by Products Corporation or any of its subsidiary guarantors with carryover of unused annual basket amounts up to a maximum of \$25 million and with respect to certain specified dispositions, up to an additional \$25 million in the aggregate (subject to a reinvestment right for 365 days, or 545 days if Products Corporation has within such 365-day period entered into a legally binding commitment to invest such funds);

(ii) the net proceeds from the issuance by Products Corporation or any of its subsidiaries of certain additional debt; and

**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)**

(iii) 50% of Products Corporation's excess cash flow (as defined under the 2011 Term Loan Agreement), commencing with excess cash flow for the 2012 fiscal year payable in the first 100 days of 2013, which prepayments are applied to reduce Products Corporation's future regularly scheduled term loan amortization payments in the direct order of maturities.

The 2011 Term Loan Facility contains a financial covenant limiting Products Corporation's first lien senior secured leverage ratio (the ratio of Products Corporation's Senior Secured Debt that has a lien on the collateral which secures the 2011 Term Loan Facility that is not junior or subordinated to the liens securing the 2011 Term Loan Facility (excluding debt outstanding under the Existing 2010 Revolving Credit Facility)) to EBITDA, as each such term is defined in the 2011 Term Loan Facility, to no more than 4.0 to 1.0 for each period of four consecutive fiscal quarters ending during the period from June 30, 2011 to the November 2017 maturity date of the 2011 Term Loan Facility.

Under certain circumstances, Products Corporation has the right to request the 2011 Term Loan Facility to be increased by up to \$300 million, provided that the lenders are not committed to provide any such increase.

The 2011 Term Loan Facility matures on November 19, 2017; provided, however, it will mature on August 15, 2015, if Products Corporation's 9<sup>3</sup>/<sub>4</sub>% Senior Secured Notes have not been refinanced, redeemed, repurchased, defeased or repaid in full on or before such date.

**Provisions Applicable to the 2011 Revolving Credit Facility and the 2011 Term Loan Facility**

The 2011 Revolving Credit Facility and 2011 Term Loan Facility (herein referred to as the 2011 Credit Facilities) are supported by, among other things, guarantees from Revlon, Inc. and, subject to certain limited exceptions, Products Corporation's domestic subsidiaries. The obligations of Products Corporation under the 2011 Credit Facilities and the obligations under such guarantees are secured by, subject to certain limited exceptions, substantially all of the assets of Products Corporation and the guarantors, including:

(i) a mortgage on owned real property, including Products Corporation's facility in Oxford, North Carolina;

(ii) the capital stock of Products Corporation and the subsidiary guarantors and 66% of the voting capital stock and 100% of the non-voting capital stock of Products Corporation's and the subsidiary guarantors' first-tier, non-U.S. subsidiaries;

(iii) intellectual property and other intangible property of Products Corporation and the subsidiary guarantors; and

(iv) inventory, accounts receivable, equipment, investment property and deposit accounts of Products Corporation and the subsidiary guarantors.

The liens on, among other things, inventory, accounts receivable, deposit accounts, investment property (other than the capital stock of Products Corporation and its subsidiaries), real property, equipment, fixtures and certain intangible property (the Revolving Credit First Lien Collateral) secure the 2011 Revolving Credit Facility on a first priority basis, the 2011 Term Loan Facility on a second priority basis and Products Corporation's 9<sup>3</sup>/<sub>4</sub>% Senior Secured Notes and the related guarantees on a third priority basis. The liens on the capital stock of Products Corporation and its subsidiaries and intellectual property and certain other intangible property (the Term Loan First Lien Collateral) secure the 2011 Term Loan Facility on a first priority basis and the 2011 Revolving Credit Facility and the 9<sup>3</sup>/<sub>4</sub>% Senior Secured Notes and the related guarantees on a second priority basis. Such arrangements are set forth in the Third Amended and Restated Intercreditor and Collateral Agency Agreement, dated as of March 11, 2010, by and among Products Corporation and CUSA, as administrative agent and as collateral agent for the benefit of the secured parties for the 2011 Term Loan Facility, 2011 Revolving Credit Facility and the 9<sup>3</sup>/<sub>4</sub>% Senior Secured Notes (the 2010 Intercreditor Agreement). The

---

**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)**

2010 Intercreditor Agreement also provides that the liens referred to above may be shared from time to time, subject to certain limitations, with specified types of other obligations incurred or guaranteed by Products Corporation, such as foreign exchange and interest rate hedging obligations and foreign working capital lines.

The 2011 Credit Facilities contain various restrictive covenants prohibiting Products Corporation and its subsidiaries from:

(i) incurring additional indebtedness or guarantees, with certain exceptions;

(ii) making dividend and other payments or loans to Revlon, Inc. or other affiliates, with certain exceptions, including among others:

(a) exceptions permitting Products Corporation to pay dividends or make other payments to Revlon, Inc. to enable it to, among other things, 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 and NYSE listing fees, and other expenses related to being a public holding company;

(b) subject to 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 and/or the payment of withholding taxes in connection with the vesting of restricted stock awards under such plan;

(c) subject to certain limitations, to pay dividends or make other payments to finance the purchase, redemption or other retirement for value by Revlon, Inc. of stock or other equity interests or equivalents in Revlon, Inc. held by any current or former director, employee or consultant in his or her capacity as such; and

(d) subject to certain limitations, to make other restricted payments to affiliates of Products Corporation in an amount up to \$10 million per year (plus \$10 million for each calendar year commencing with 2011), other restricted payments in an aggregate amount not to exceed \$35 million and other restricted payments based upon certain financial tests.

(iii) creating liens or other encumbrances on Products Corporation's or its subsidiaries' assets or revenues, granting negative pledges or selling or transferring any of Products Corporation's or its subsidiaries' assets, all subject to certain limited exceptions;

(iv) with certain exceptions, engaging in merger or acquisition transactions;

(v) prepaying indebtedness and modifying the terms of certain indebtedness and specified material contractual obligations, subject to certain exceptions;

(vi) making investments, subject to certain exceptions; and

(vii) entering into transactions with affiliates of Products Corporation involving aggregate payments or consideration in excess of \$10 million other than upon terms that are not materially less favorable when taken as a whole to Products Corporation or its subsidiaries as terms that would be obtainable at the time for a comparable transaction or series of similar transactions in arm's length dealings with an unrelated third person and where such payments or consideration exceed \$20 million, unless such transaction has been approved by all of the independent directors of Products Corporation, subject to certain exceptions.

The events of default under the 2011 Credit Facilities include customary events of default for such types of agreements, including, among others:

(i) nonpayment of any principal, interest or other fees when due, subject in the case of interest and fees to a grace period;



**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)**

(ii) non-compliance with the covenants in such 2011 Credit Facilities or the ancillary security documents, subject in certain instances to grace periods;

(iii) the institution of any bankruptcy, insolvency or similar proceedings by or against Products Corporation, any of Products Corporation's subsidiaries or Revlon, Inc., subject in certain instances to grace periods;

(iv) default by Revlon, Inc. or any of its subsidiaries (A) in the payment of certain indebtedness when due (whether at maturity or by acceleration) in excess of \$25.0 million in aggregate principal amount or (B) in the observance or performance of any other agreement or condition relating to such debt, provided that the amount of debt involved is in excess of \$25.0 million in aggregate principal amount, or the occurrence of any other event, the effect of which default referred to in this subclause (iv) is to cause or permit the holders of such debt to cause the acceleration of payment of such debt;

(v) in the case of the 2011 Term Loan Facility, a cross default under the 2011 Revolving Credit Facility, and in the case of the 2011 Revolving Credit Facility, a cross default under the 2011 Term Loan Facility;

(vi) the failure by Products Corporation, certain of Products Corporation's subsidiaries or Revlon, Inc. to pay certain material judgments;

(vii) a change of control such that (A) Revlon, Inc. shall cease to be the beneficial and record owner of 100% of Products Corporation's capital stock, (B) Ronald O. Perelman (or his estate, heirs, executors, administrator or other personal representative) and his or their controlled affiliates shall cease to control Products Corporation, and any other person or group of persons owns, directly or indirectly, more than 35% of the total voting power of Products Corporation, (C) any person or group of persons other than Ronald O. Perelman (or his estate, heirs, executors, administrator or other personal representative) and his or their controlled affiliates shall control Products Corporation or (D) during any period of two consecutive years, the directors serving on Products Corporation's Board of Directors at the beginning of such period (or other directors nominated by at least a majority of such continuing directors) shall cease to be a majority of the directors;

(viii) Revlon, Inc. shall have any meaningful assets or indebtedness or shall conduct any meaningful business other than its ownership of Products Corporation and such activities as are customary for a publicly-traded holding company which is not itself an operating company, in each case subject to limited exceptions; and

(ix) the failure of certain of Products Corporation's affiliates which hold Products Corporation's or its subsidiaries' indebtedness to be party to a valid and enforceable agreement prohibiting such affiliate from demanding or retaining payments in respect of such indebtedness, subject to certain exceptions, including as to Products Corporation's Senior Subordinated Term Loan.

If Products Corporation is in default under the senior secured leverage ratio under the 2011 Term Loan Facility or the consolidated fixed charge coverage ratio under the 2011 Revolving Credit Agreement, Products Corporation may cure such default by issuing certain equity securities to, or receiving capital contributions from, Revlon, Inc. and applying such cash which is deemed to increase EBITDA for the purpose of calculating the applicable ratio. Products Corporation may exercise this cure right two times in any four-quarter period.

Products Corporation was in compliance with all applicable covenants under the 2011 Term Loan Agreement and 2011 Revolving Credit Agreement upon closing the respective 2011 Refinancings and as of September 30, 2011. At September 30, 2011, the aggregate principal amount outstanding under the 2011 Term Loan Facility was \$798 million and availability under the \$140.0 million 2011 Revolving Credit Facility, based upon the calculated borrowing base less \$21.1 million of outstanding undrawn letters of credit and nil then drawn on the 2011 Revolving Credit Facility, was \$114.6 million.

**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) Basic and Diluted Earnings Per Common Share**

Shares used in basic earnings per share are computed using the weighted average number of common shares outstanding during each period. Shares used in diluted earnings 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 months ended September 30, 2011 and 2010, all outstanding options to purchase shares of Revlon, Inc. Class A common stock, par value of \$0.01 per share (the Class A Common Stock), that could potentially dilute basic earnings per share in the future were excluded from the calculation of diluted earnings per common share as their effect would have been anti-dilutive since their exercise price was in excess of the NYSE closing price of the Class A Common Stock during the periods.

For the three and nine months ended September 30, 2011, 95,222 and 109,417 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 per common share as their effect would be anti-dilutive. For the three and nine months ended September 30, 2010, 287,824 and 283,162 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 per common share as their effect would be anti-dilutive.

The components of basic and diluted earnings per share for the three months ended September 30, 2011 and 2010 and the nine months ended September 30, 2011 and 2010 are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
<b>Numerator:</b>				
Income from continuing operations	\$ 0.1	\$ 12.6	\$ 16.4	\$ 30.8
Income (loss) from discontinued operations		(0.1)	0.6	0.3
Net income	\$ 0.1	\$ 12.5	\$ 17.0	\$ 31.1
<b>Denominator:</b>				
Weighted average common shares outstanding Basic	52.18	51.90	52.17	51.89
Effect of dilutive restricted stock	0.16	0.41	0.15	0.41
Weighted average common shares outstanding Diluted	52.34	52.31	52.32	52.30
<b>Basic earnings per share:</b>				
Continuing operations	\$	\$ 0.24	\$ 0.31	\$ 0.59
Discontinued operations			0.01	0.01
Net income	\$	\$ 0.24	\$ 0.32	\$ 0.60
<b>Diluted earnings per share:</b>				
Continuing operations	\$	\$ 0.24	\$ 0.31	\$ 0.59
Discontinued operations			0.01	0.01
Net income	\$	\$ 0.24	\$ 0.32	\$ 0.60



**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)

**(7) Comprehensive Income (Loss)**

The components of comprehensive income (loss) for the three months ended September 30, 2011 and 2010 and the nine months ended September 30, 2011 and 2010 are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Net income	\$ 0.1	\$ 12.5	\$ 17.0	\$ 31.1
Other comprehensive income (loss):				
Revaluation of financial derivative instruments <sup>(a)</sup>				1.7
Currency translation adjustment	(8.9)	5.5	(8.7)	4.7
Amortization of pension related costs, net of tax <sup>(b)</sup>	0.9	1.3	2.7	4.0
Total other comprehensive income (loss)	(8.0)	6.8	(6.0)	10.4
Comprehensive income (loss)	\$ (7.9)	\$ 19.3	\$ 11.0	\$ 41.5

(a) The amount for the nine months ended September 30, 2010 relates to (1) the reclassification of an unrecognized loss of \$0.8 million on the 2008 Interest Rate Swap (as hereinafter defined) prior to its expiration in April 2010 from Accumulated Other Comprehensive Loss into earnings due to the discontinuance of hedge accounting as a result of the 2010 Refinancing (See Note 10, Financial Instruments, in this Form 10-Q) and (2) the reversal of amounts recorded in Accumulated Other Comprehensive Loss pertaining to a net settlement payment of \$0.9 million on the 2008 Interest Rate Swap.

(b) The amounts represent the change in Accumulated Other Comprehensive Loss as a result of the amortization of actuarial losses arising during the third quarter of 2011 and 2010 and the first nine months of 2011 and 2010 related to the Company's pension and other post-retirement benefit plans.

**(8) Geographic, Financial and Other Information**

The Company manages its business on the basis of one reportable operating segment. As of September 30, 2011, 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.

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

Geographic area:	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010

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

Net sales:

United States	\$ 184.7	55%	\$ 166.7	52%	\$ 565.8	55%	\$ 528.1	55%
Outside of the United States	152.5	45%	152.3	48%	455.8	45%	424.1	45%
	\$ 337.2		\$ 319.0		\$ 1,021.6		\$ 952.2	

	September 30, 2011		December 31, 2010	
Long-lived assets, net:				
United States	\$ 355.1	88%	\$ 331.5	87%
Outside of the United States	48.5	12%	49.7	13%
	\$ 403.6		\$ 381.2	

**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)

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2011		2010		2011		2010	
<b>Classes of similar products:</b>								
Net sales:								
Color cosmetics	\$ 197.6	59%	\$ 183.1	57%	\$ 630.7	62%	\$ 583.0	61%
Beauty care and fragrance	139.6	41%	135.9	43%	390.9	38%	369.2	39%
	\$ 337.2		\$ 319.0		\$ 1,021.6		\$ 952.2	

**(9) Fair Value Measurements**

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

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

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

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

As of September 30, 2011, the fair values of the Company's financial assets and liabilities, namely its FX Contracts (as hereinafter defined) and Revlon, Inc.'s Series A Preferred Stock, par value \$0.01 per share (Preferred Stock), are categorized in the table below:

	Total	Level 1	Level 2	Level 3
<b>Assets:</b>				
Derivatives:				
FX Contracts <sup>(a)</sup>	\$ 1.5	\$	\$ 1.5	\$
Total assets at fair value	\$ 1.5	\$	\$ 1.5	\$
<b>Liabilities:</b>				
Derivatives:				
FX Contracts <sup>(a)</sup>	\$ 0.2	\$	\$ 0.2	\$
Redeemable Preferred Stock (Change of Control Amount) <sup>(b)</sup>	0.2			0.2

Total liabilities at fair value	\$ 0.4	\$	\$ 0.2	\$ 0.2
---------------------------------	--------	----	--------	--------

**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 December 31, 2010, the fair values of the Company's financial assets and liabilities, namely its FX Contracts and Preferred Stock, are categorized in the table below:

	Total	Level 1	Level 2	Level 3
<b>Assets</b>				
Derivatives:				
FX Contracts <sup>(a)</sup>	\$ 0.2	\$	\$ 0.2	\$
Total assets at fair value	\$ 0.2	\$	\$ 0.2	\$
<b>Liabilities</b>				
Derivatives:				
FX Contracts <sup>(a)</sup>	\$ 2.1	\$	\$ 2.1	\$
Redeemable Preferred Stock (Change of Control Amount) <sup>(b)</sup>	0.2			0.2
Total liabilities at fair value	\$ 2.3	\$	\$ 2.1	\$ 0.2

<sup>(a)</sup> The fair value of the Company's FX Contracts was measured based on observable market transactions of spot and forward rates at September 30, 2011 and December 31, 2010. (See Note 10, Financial Instruments, in this Form 10-Q.)

<sup>(b)</sup> In October 2009, Revlon, Inc. consummated its voluntary exchange offer (as amended, the Exchange Offer) in which, among other things, Revlon, Inc. issued to stockholders (other than MacAndrews & Forbes) 9,336,905 shares of its Preferred Stock in exchange for the same number of shares of Class A Common Stock tendered in the Exchange Offer. Upon consummation of the Exchange Offer, Revlon, Inc. initially recorded the Preferred Stock as a long-term liability at a fair value of \$47.9 million, which was comprised of two components:

*Liquidation Preference:* Upon initial valuation of the Preferred Stock, the total amount to be paid by Revlon, Inc. at maturity is approximately \$48.6 million, which represents the \$5.21 liquidation preference for each of the 9,336,905 shares of Preferred Stock issued in the Exchange Offer (the Liquidation Preference). The Liquidation Preference was initially measured at fair value based on the yield to maturity of the \$48.6 million portion of the Senior Subordinated Term Loan (as hereinafter defined) that was contributed to Revlon, Inc. by MacAndrews & Forbes (the Contributed Loan), adjusted for an estimated average subordination premium for subordinated note issues. The Liquidation Preference is subsequently measured at the present value of the amount to be paid at maturity, accruing interest cost using the rate implicit at the issuance date since both the amount to be paid and the maturity date are fixed.

*Change of Control Amount:* Holders of the Preferred Stock are entitled to receive upon a change of control transaction (as defined in the certificate of designation of the Preferred Stock) through October 8, 2012, a pro rata portion of the equity value received in such transaction, capped at an amount that would provide aggregate cash payments of \$12.00 per share over the term of the Preferred Stock. If the equity value received in the change of control transaction is greater than or equal to \$12.00 per share, then each holder of Preferred Stock will be entitled to receive an amount equal to \$12.00 minus the Liquidation Preference minus any paid and/or accrued and unpaid dividends on the Preferred Stock. If the per share equity value received in the change of control transaction is less than

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

\$12.00, then each holder of Preferred Stock is entitled to receive an amount equal to such per share equity value minus the Liquidation Preference minus any paid and/or accrued and unpaid dividends on the Preferred Stock. If the per share equity value received in the change of control transaction does not exceed the Liquidation Preference plus any paid and/or accrued and unpaid dividends, then each holder of the Preferred Stock is not entitled to an additional payment upon any such change of control transaction (the foregoing payments being the Change of Control Amount ). The fair value of the Change of Control Amount of

---

**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 Preferred Stock, which is deemed to be a Level 3 liability, is based on the Company's assessment of the likelihood of the occurrence of specified change of control transactions within three years of the consummation of the Exchange Offer. There was no change in the fair value of the Change in Control Amount from the initial valuation performed upon the October 2009 consummation of the Exchange Offer through September 30, 2011.

**(10) Financial Instruments**

The fair value of the Company's debt, including the current portion of long-term debt and Preferred Stock, is based on the quoted market prices for the same issues or on the current rates offered for debt of similar remaining maturities. The estimated fair value of such debt and Preferred Stock at September 30, 2011 was approximately \$1,215.9 million, which was less than the carrying value of such debt and Preferred Stock at September 30, 2011 of \$1,223.3 million. The estimated fair value of such debt and Preferred Stock at December 31, 2010 was approximately \$1,259.6 million, which was more than the carrying value of such debt and Preferred Stock at December 31, 2010 of \$1,215.4 million.

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

Products Corporation also maintains standby and trade letters of credit for various corporate purposes under which Products Corporation is obligated, of which approximately \$21.1 million and \$21.2 million (including amounts available under credit agreements in effect at that time) were maintained at September 30, 2011 and December 31, 2010, respectively. Included in these amounts is approximately \$9.1 million at both September 30, 2011 and December 31, 2010 in standby letters of credit which support Products Corporation's self-insurance programs. The estimated liability under such programs is accrued by Products Corporation.

***Derivative Financial Instruments***

The Company uses derivative financial instruments, primarily (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 hedging transactions intended for the purpose of managing interest rate risk associated with Products Corporation's variable rate indebtedness.

***Foreign Currency Forward Exchange Contracts***

The FX Contracts are entered into primarily to hedge the anticipated net cash flows resulting from inventory purchases and intercompany payments denominated in currencies other than the local currencies of the Company's foreign and domestic operations and generally have maturities of less than one year. The U.S. dollar notional amount of the FX Contracts outstanding at September 30, 2011 and December 31, 2010 was \$53.9 million and \$46.0 million, respectively.

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. 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.

***Interest Rate Swap Transactions***

Prior to its expiration in April 2010, the Company's floating-to-fixed interest rate swap had a notional amount of \$150.0 million initially relating to indebtedness under Products Corporation's former 2006 Term Loan



**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)

Facility (prior to its complete refinancing in March 2010) and which also related, through its expiration in April 2010, to a notional amount of \$150.0 million relating to indebtedness under Products Corporation's 2010 Term Loan Facility (the 2008 Interest Rate Swap). Under the terms of the 2008 Interest Rate Swap, Products Corporation was required to pay to the counterparty a quarterly fixed interest rate of 2.66% on the \$150.0 million notional amount under the 2008 Interest Rate Swap (which, based upon the 4.0% applicable margin, effectively fixed the interest rate on such notional amounts at 6.66% for the 2-year term of such swap), commencing in July 2008, while receiving a variable interest rate payment from the counterparty equal to three-month U.S. dollar LIBOR.

The 2008 Interest Rate Swap was initially designated as a cash flow hedge of the variable interest rate payments on Products Corporation's former 2006 Term Loan Facility (prior to its complete refinancing in March 2010). However, as a result of the 2010 Refinancing, effective March 11, 2010 (the closing date of the 2010 Refinancing), the 2008 Interest Rate Swap no longer met the criteria to allow for the deferral of the effective portion of unrecognized hedging gains or losses in other comprehensive income, as the scheduled variable interest payment specified on the date originally documented at the inception of the hedge will not occur. As a result, as of March 11, 2010, the Company reclassified an unrecognized loss of \$0.8 million from Accumulated Other Comprehensive Loss into earnings.

**Quantitative Information Derivative Financial Instruments**

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:	Balance Sheet Classification	Fair Values of Derivative Instruments				
		Assets September 30, 2011 Fair Value	December 31, 2010 Fair Value	Balance Sheet Classification	Liabilities September 30, 2011 Fair Value	December 31, 2010 Fair Value
<i>Derivatives not designated as hedging instruments:</i>						
FX Contracts <sup>(a)</sup>	Prepaid expenses and other	\$ 1.5	\$ 0.2	Accrued expenses	\$ 0.2	\$ 2.1

<sup>(a)</sup> The fair values of the FX Contracts at September 30, 2011 and December 31, 2010 were determined by using observable market transactions of spot and forward rates at September 30, 2011 and December 31, 2010.

(b) Effects of Derivative Financial Instruments on Income for the three months ended September 30, 2011 and 2010:

	(September 30, 2011)	(September 30, 2010)
	Amount of Gain (Loss)	
	Recognized in Foreign Currency (Gains) Losses, Net	
	Three months ended, September 30,	
	2011	2010
<i>Derivatives not designated as hedging instruments:</i>		
FX Contracts	\$2.3	\$(2.1)



**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)

Effects of Derivative Financial Instruments on Income and Other Comprehensive Income (Loss) ( OCI ) for the nine months ended September 30, 2011 and 2010:

	\$(0.8)	\$(0.8)	\$(0.8)	\$(0.8)	\$(0.8)
	<b>Derivative Instruments Gain (Loss) Effect on Consolidated</b>				
	<b>Statement of Operations and</b>				
	<b>OCI for the nine months ended September 30,</b>				
	<b>Amount of</b>		<b>Income Statement</b>	<b>Amount of</b>	
	<b>Gain (Loss)</b>		<b>Classification</b>	<b>Gain (Loss)</b>	
	<b>Recognized in OCI</b>		<b>of Gain (Loss)</b>	<b>Reclassified</b>	
	<b>(Effective</b>		<b>Reclassified from</b>	<b>from OCI</b>	
	<b>Portion)</b>		<b>OCI to Income</b>	<b>to Income</b>	
	<b>2011</b>	<b>2010</b>		<b>2011</b>	<b>2010</b>
<i>Derivatives designated as hedging instruments:</i>					
2008 Interest Rate Swap <sup>(a)</sup>	\$	\$	Interest expense	\$	\$ (0.9)
	\$(0.8)	\$(0.8)	\$(0.8)	\$(0.8)	\$(0.8)
	<b>Amount of</b>		<b>Income</b>	<b>Amount of</b>	
	<b>Gain (Loss)</b>		<b>Statement</b>	<b>Gain (Loss)</b>	
	<b>Recognized</b>		<b>Classification of</b>	<b>Recognized</b>	
	<b>in Foreign</b>		<b>Gain (Loss)</b>	<b>in Interest</b>	
	<b>Currency (Gains)</b>		<b>Reclassified</b>	<b>Expense</b>	
	<b>Losses, Net</b>		<b>from</b>	<b>(Ineffective Portion)</b>	
	<b>2011</b>	<b>2010</b>	<b>OCI to Income</b>	<b>2011</b>	<b>2010</b>
<i>Derivatives not designated as hedging instruments:</i>					
FX Contracts	\$ 0.5	\$ (1.5)			
2008 Interest Rate Swap <sup>(a)</sup>			Interest expense		(0.8)
	\$ 0.5	\$ (1.5)		\$	\$ (0.8)

<sup>(a)</sup> Effective March 11, 2010 (the closing date of the 2010 Refinancing), the 2008 Interest Rate Swap, which expired in April 2010, was no longer designated as a cash flow hedge. (See Interest Rate Swap Transactions in this Note 10.)

**(11) Income Taxes**

The provision for income taxes represents federal, foreign, state and local income taxes. The effective tax rate differs from the applicable federal statutory rate due to the effect of state and local income taxes, tax rates and income in foreign jurisdictions, utilization of tax loss carry-forwards, foreign earnings taxable in the U.S., certain nondeductible expenses and certain other items. The Company's tax provision changes quarterly based on various factors including, but not limited to, the geographical mix of earnings, enacted tax legislation, foreign, state and local income taxes, tax audit settlements, the ultimate disposition of deferred tax assets relating to stock-based compensation and the interaction of various

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

global tax strategies. In addition, changes in judgment from the evaluation of new information resulting in the recognition, derecognition and/or re-measurement of a tax position taken in a prior period are recognized in the quarter in which any such change occurs.

For the third quarter of 2011 and 2010, the Company recorded a provision for (benefit from) income taxes of \$22.1 million and \$(0.6) million, respectively. The \$22.1 million provision for income taxes for the third quarter of 2011, as compared to the \$0.6 million benefit from income taxes for the third quarter of 2010, was primarily attributable to higher pre-tax income in the U.S. and certain foreign jurisdictions in 2011 and higher deferred tax expense for the U.S. in 2011 due to the reduction of the valuation allowance in the U.S. on December 31, 2010. In addition, the provision for income taxes in the third quarter of 2011 included various discrete items, including income tax provision to tax return adjustments, which in the aggregate negatively impacted the quarter, while the benefit from income taxes in the third quarter of 2010 included the favorable resolution of tax matters in the U.S. and in certain foreign jurisdictions that did not recur in 2011.

**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 effective tax rate for the three months ended September 30, 2011 is higher than the federal statutory rate of 35% due principally to: (i) various discrete items, including income tax provision to tax return adjustments, which in the aggregate negatively impacted the Company's effective tax rate in the quarter; (ii) foreign earnings taxable in the U.S.; (iii) pre-tax losses in a number of markets outside the U.S. for which there is no tax benefit recognized in the period; and (iv) state and local taxes.

For the first nine months of 2011 and 2010, the Company recorded a provision for income taxes for continuing operations of \$32.4 million and \$9.2 million, respectively. The \$32.4 million provision for income taxes for the first nine months of 2011, as compared to the \$9.2 million provision for income taxes for the first nine months of 2010, was primarily attributable to higher deferred tax expense for the U.S. in 2011 due to the reduction of the valuation allowance in the U.S. on December 31, 2010 and higher pre-tax income in the U.S. and certain foreign jurisdictions in 2011. In addition, the provision for income taxes in the first nine months of 2010 included the favorable resolution of tax matters in the U.S. and in certain foreign jurisdictions that did not recur in 2011.

The effective tax rate for the nine months ended September 30, 2011 is higher than the federal statutory rate of 35% due principally to: (i) foreign earnings taxable in the U.S.; (ii) pre-tax losses in a number of markets outside the U.S. for which there is no tax benefit recognized in the period; and (iii) state and local taxes.

The Company remains subject to examination of its income tax returns in various jurisdictions including, without limitation, the U.S. (federal) for tax years ended December 31, 2008 through December 31, 2010, and Australia and South Africa for tax years ended December 31, 2007 through December 31, 2010.

**(12) Contingencies**

The Company is involved in various routine legal proceedings incident to the ordinary course of its business. The Company believes that the outcome of all pending legal proceedings in the aggregate is unlikely to have a material adverse effect on the Company's business, financial condition and/or its results of operations. However, in light of the uncertainties involved in legal proceedings generally, the ultimate outcome of a particular matter could be material to the Company's operating results for a particular period depending on, among other things, the size of the loss or the nature of the liability imposed and the level of the Company's income for that particular period.

As previously announced, on October 8, 2009, the Company consummated its voluntary exchange offer in which, among other things, Revlon, Inc. issued to stockholders who elected to exchange shares (other than MacAndrews & Forbes) 9,336,905 shares of its Preferred Stock in exchange for the same number of shares of Revlon, Inc. Class A Common Stock tendered in the Exchange Offer (the Exchange Offer). On April 24, 2009, May 1, 2009, May 5, 2009 and May 12, 2009, respectively, four purported class actions were filed by each of Vern Mercier, Arthur Jurkowitz, Suri Lefkowitz and T. Walter Heiser in the Court of Chancery of the State of Delaware (the Chancery Court). On May 4, 2009, a purported class action was filed by Stanley E. Sullivan in the Supreme Court of New York, New York County. Each such lawsuit was brought against Revlon, Inc., Revlon, Inc.'s then directors and MacAndrews & Forbes, and challenged a merger proposal made by MacAndrews & Forbes on April 13, 2009, which would have resulted in MacAndrews & Forbes and certain of its affiliates owning 100% of Revlon, Inc.'s outstanding Common Stock (in lieu of consummating such merger proposal, the Company consummated the aforementioned Exchange Offer). Each action sought, among other things, to enjoin the proposed merger transaction. On June 24, 2009, the Chancery Court consolidated the four Delaware actions (the Initial Consolidated Action), and appointed lead counsel for plaintiffs. As announced on August 10, 2009, an agreement in principle was reached to settle the Initial Consolidated Action, as set forth in a Memorandum of Understanding (as amended in September 2009, the Settlement Agreement).

On December 24, 2009, an amended complaint was filed in the Sullivan action alleging, among other things, that defendants should have disclosed in the Company's Offer to Exchange for the Exchange Offer information



---

**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)**

regarding the Company's financial results for the fiscal quarter ended September 30, 2009. On January 6, 2010, an amended complaint was filed by plaintiffs in the Initial Consolidated Action making allegations similar to those in the amended Sullivan complaint. Revlon initially believed that by filing the amended complaint, plaintiffs in the Initial Consolidated Action had formally repudiated the Settlement Agreement, and on January 8, 2010, defendants filed a motion to enforce the Settlement Agreement.

In addition to the amended complaints in the Initial Consolidated Action and the Sullivan action, on December 21, 2009, Revlon, Inc.'s current directors, a former director and MacAndrews & Forbes were named as defendants in a purported class action filed in the Chancery Court by Edward Gutman. Also on December 21, 2009, a second purported class action was filed in the Chancery Court against Revlon, Inc.'s current directors and a former director by Lawrence Corneck. The Gutman and Corneck actions make allegations similar to those in the amended complaints in the Sullivan action and the Initial Consolidated Action. On January 15, 2010, the Chancery Court consolidated the Gutman and Corneck actions with the Initial Consolidated Action (the Initial Consolidated Action, as consolidated with the Gutman and Corneck actions, is hereafter referred to as the Consolidated Action). A briefing schedule was then set to determine the leadership structure for plaintiffs in the Consolidated Action.

On March 16, 2010, after hearing oral argument on the leadership issue, the Chancery Court changed the leadership structure for plaintiffs in the Consolidated Action. Thereafter, newly appointed counsel for the plaintiffs in the Consolidated Action and the defendants agreed that the defendants would withdraw their motion to enforce the Settlement Agreement and that merits discovery would proceed. Defendants agreed not to withdraw any of the concessions that had been provided to the plaintiffs as part of the Settlement Agreement.

On May 25, 2010, plaintiffs' counsel in the Consolidated Action filed an amended complaint alleging breaches of fiduciary duties arising out of the Exchange Offer and that defendants should have disclosed in the Company's Offer to Exchange information regarding the Company's financial results for the fiscal quarter ended September 30, 2009. Merits discovery is proceeding in the Consolidated Action.

On December 31, 2009, a purported class action was filed in the U.S. District Court for the District of Delaware by John Garofalo against Revlon, Inc., Revlon, Inc.'s current directors, a former director and MacAndrews & Forbes alleging federal and state law claims stemming from the alleged failure to disclose in the Offer to Exchange certain information relating to the Company's financial results for the fiscal quarter ended September 30, 2009. On July 29, 2011, the plaintiff in this action filed an amended complaint. Otherwise, defendants and plaintiff have agreed to stay proceedings in this action, including any response to the amended complaint, until January 31, 2012, to permit plaintiff to participate in the merits discovery in the Consolidated Action. A similar agreement has been reached with the plaintiff in the Sullivan action to stay that action until January 31, 2012.

On May 11, 2010, a purported derivative action was filed in the U.S. District Court for the District of Delaware by Richard Smutek, derivatively and on behalf of Revlon, Inc. against Revlon, Inc.'s current directors and MacAndrews & Forbes alleging breach of fiduciary duty in allowing the Exchange Offer to proceed and failing to disclose in the Offer to Exchange certain information related to the Company's financial results for the fiscal quarter ended September 30, 2009. On August 16, 2010, defendants moved to dismiss the complaint. Briefing on defendants' motions to dismiss was completed on December 10, 2010. Thereafter, the parties requested oral argument on the motions to dismiss. The motions to dismiss are currently pending. On September 27, 2010, plaintiff filed a motion to compel discovery. In response, defendants moved to strike plaintiff's motion to compel discovery or, in the alternative, for an extension of time for defendants to respond to plaintiff's motion. On October 17, 2011, the U.S. District Court for the District of Delaware denied plaintiff's motion to compel and granted defendants' motion to strike.

**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)**

Plaintiffs in each of these actions are seeking, among other things, an award of damages and the costs and disbursements of such actions, including a reasonable allowance for the fees and expenses of each such plaintiff's attorneys and experts. Because the Smutek action is styled as a derivative action on behalf of the Company, any award of damages, costs and disbursements would be made to and for the benefit of the Company.

The Company believes the allegations contained in the amended Sullivan complaint, the amended complaint in the Consolidated Action, the amended Garofalo complaint and the Smutek complaint are without merit and intends to vigorously defend against them. The Company believes it has substantial factual and legal defenses to the claims at issue and believes that it would prevail at trial. However, in an effort to mitigate the utilization of time and resources on these matters, the Company has had discussions regarding settlement of these matters. Based on the current state of discussions, it appears that the likelihood of a settlement is remote at this time.

**(13) Guarantor Financial Information**

Products Corporation's 9/4% Senior Secured Notes are fully and unconditionally guaranteed on a senior secured basis by Revlon, Inc. and Products Corporation's domestic subsidiaries (other than certain immaterial subsidiaries) that guarantee Products Corporation's obligations under its 2011 Credit Agreements (the Guarantor Subsidiaries).

The following Condensed Consolidating Financial Statements present the financial information as of September 30, 2011 and December 31, 2010, and for the three and nine months ended September 30, 2011 and 2010 for (i) Products Corporation on a stand-alone basis; (ii) the Guarantor Subsidiaries on a stand-alone basis; (iii) the subsidiaries of Products Corporation that do not guarantee Products Corporation's 9/4% Senior Secured Notes (the Non-Guarantor Subsidiaries) on a stand-alone basis; and (iv) Products Corporation, the Guarantor Subsidiaries and the Non-Guarantor Subsidiaries on a consolidated basis. The Condensed Consolidating Financial Statements are presented on the equity method, under which the investments in subsidiaries are recorded at cost and adjusted for the applicable share of the subsidiary's cumulative results of operations, capital contributions, distributions and other equity changes. The principal elimination entries eliminate investments in subsidiaries and intercompany balances and transactions.

**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)

**Consolidating Condensed Balance Sheets****As of September 30, 2011**

	<b>Products Corporation</b>	<b>Guarantor Subsidiaries</b>	<b>Non-Guarantor Subsidiaries</b>	<b>Eliminations</b>	<b>Consolidated</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 17.9	\$ 0.1	\$ 31.9	\$	\$ 49.9
Trade receivables, less allowances for doubtful accounts	73.5	22.7	89.3		185.5
Inventories	87.4	10.8	45.4		143.6
Deferred income taxes - current	38.4		5.6		44.0
Prepaid expenses and other	78.9	5.3	25.4		109.6
Intercompany receivables	911.1	439.6	347.6	(1,698.3)	
Investment in subsidiaries	(201.0)	(200.6)		401.6	
Property, plant and equipment, net	86.3	0.8	12.9		100.0
Deferred income taxes - noncurrent	192.6		2.4		195.0
Goodwill, net	150.6	41.4	1.9		193.9
Other assets	49.8	25.6	30.4		105.8
<b>Total assets</b>	<b>\$ 1,485.5</b>	<b>\$ 345.7</b>	<b>\$ 592.8</b>	<b>\$ (1,296.7)</b>	<b>\$ 1,127.3</b>
<b>LIABILITIES AND STOCKHOLDER'S DEFICIENCY</b>					
Short-term borrowings	\$	\$ 6.0	\$ 3.2	\$	\$ 9.2
Current portion of long-term debt	8.0				8.0
Accounts payable	57.8	4.7	29.4		91.9
Accrued expenses and other	127.2	14.1	69.8		211.1
Intercompany payables	539.1	615.4	543.8	(1,698.3)	
Long-term debt	1,108.6				1,108.6
Long-term debt - affiliates	107.0				107.0
Other long-term liabilities	174.1	6.9	46.8		227.8
<b>Total liabilities</b>	<b>2,121.8</b>	<b>647.1</b>	<b>693.0</b>	<b>(1,698.3)</b>	<b>1,763.6</b>
Stockholder's deficiency	(636.3)	(301.4)	(100.2)	401.6	(636.3)
<b>Total liabilities and stockholder's deficiency</b>	<b>\$ 1,485.5</b>	<b>\$ 345.7</b>	<b>\$ 592.8</b>	<b>\$ (1,296.7)</b>	<b>\$ 1,127.3</b>

**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)

**Consolidating Condensed Balance Sheets**

As of December 31, 2010

	<b>Products Corporation</b>	<b>Guarantor Subsidiaries</b>	<b>Non-Guarantor Subsidiaries</b>	<b>Eliminations</b>	<b>Consolidated</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 20.5	\$ 0.1	\$ 56.1	\$	\$ 76.7
Trade receivables, less allowances for doubtful accounts	91.0	14.9	91.6		197.5
Inventories	76.6	2.4	36.0		115.0
Deferred income taxes - current	34.4		5.9		40.3
Prepaid expenses and other	72.5	3.2	22.4		98.1
Intercompany receivables	895.1	432.0	331.1	(1,658.2)	
Investment in subsidiaries	(229.8)	(184.7)		414.5	
Property, plant and equipment, net	89.4	0.6	16.2		106.2
Deferred income taxes - noncurrent	214.0		2.6		216.6
Goodwill, net	150.6	30.0	2.1		182.7
Other assets	55.8	4.2	27.3		87.3
<b>Total assets</b>	<b>\$ 1,470.1</b>	<b>\$ 302.7</b>	<b>\$ 591.3</b>	<b>\$ (1,243.7)</b>	<b>\$ 1,120.4</b>
<b>LIABILITIES AND STOCKHOLDER'S DEFICIENCY</b>					
Short-term borrowings	\$	\$ 1.8	\$ 1.9	\$	\$ 3.7
Current portion of long-term debt	8.0				8.0
Accounts payable	54.3	4.4	25.8		84.5
Accrued expenses and other	140.1	9.0	67.1		216.2
Intercompany payables	516.4	613.4	528.4	(1,658.2)	
Long-term debt	1,100.9				1,100.9
Long-term debt - affiliates	107.0				107.0
Other long-term liabilities	200.5	9.1	47.6		257.2
<b>Total liabilities</b>	<b>2,127.2</b>	<b>637.7</b>	<b>670.8</b>	<b>(1,658.2)</b>	<b>1,777.5</b>
Stockholder's deficiency	(657.1)	(335.0)	(79.5)	414.5	(657.1)
<b>Total liabilities and stockholder's deficiency</b>	<b>\$ 1,470.1</b>	<b>\$ 302.7</b>	<b>\$ 591.3</b>	<b>\$ (1,243.7)</b>	<b>\$ 1,120.4</b>

**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)

**Consolidating Condensed Statement of Operations****For the Three Months Ended September 30, 2011**

	<b>Products Corporation</b>	<b>Guarantor Subsidiaries</b>	<b>Non-Guarantor Subsidiaries</b>	<b>Eliminations</b>	<b>Consolidated</b>
Net Sales	\$ 212.2	\$ 28.1	\$ 139.7	\$ (42.8)	\$ 337.2
Cost of Sales	98.9	13.3	53.7	(42.8)	123.1
Gross profit	113.3	14.8	86.0		214.1
Selling, general and administrative expenses	96.5	11.8	59.4		167.7
Operating income	16.8	3.0	26.6		46.4
Other expenses (income):					
Intercompany interest, net		(0.3)	1.8		1.5
Interest expense	20.2	0.1	0.1		20.4
Amortization of debt issuance costs	0.8				0.8
Loss on early extinguishment of debt					
Foreign currency gains, net	(0.2)		(0.7)		(0.9)
Miscellaneous, net	(8.5)	(3.8)	12.5		0.2
Other expenses (income), net	12.3	(4.0)	13.7		22.0
Income from continuing operations before income taxes	4.5	7.0	12.9		24.4
Provision for (benefit from) income taxes	12.5	(0.5)	7.1		19.1
(Loss) income from continuing operations	(8.0)	7.5	5.8		5.3
Equity in income of subsidiaries	13.3	1.5		(14.8)	
Net income	\$ 5.3	\$ 9.0	\$ 5.8	\$ (14.8)	\$ 5.3

**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)

**Consolidating Condensed Statement of Operations****For the Three Months Ended September 30, 2010**

	<b>Products Corporation</b>	<b>Guarantor Subsidiaries</b>	<b>Non-Guarantor Subsidiaries</b>	<b>Eliminations</b>	<b>Consolidated</b>
Net Sales	\$ 196.7	\$ 20.5	\$ 137.9	\$ (36.1)	\$ 319.0
Cost of Sales	85.4	9.2	51.9	(36.1)	110.4
Gross profit	111.3	11.3	86.0		208.6
Selling, general and administrative expenses	101.2	8.4	58.3		167.9
Operating income	10.1	2.9	27.7		40.7
Other expenses (income):					
Intercompany interest, net	0.7	(0.4)	1.3		1.6
Interest expense	22.9	0.1	0.1		23.1
Amortization of debt issuance costs	1.1				1.1
Foreign currency (gains) losses, net	(0.3)		1.1		0.8
Miscellaneous, net	(7.0)	(3.8)	11.1		0.3
Other expenses (income), net	17.4	(4.1)	13.6		26.9
(Loss) income from continuing operations before income taxes	(7.3)	7.0	14.1		13.8
(Benefit from) provision for income taxes	(1.5)	0.3	0.7		(0.5)
(Loss) income from continuing operations	(5.8)	6.7	13.4		14.3
Loss from discontinued operations, net of taxes	(0.1)				(0.1)
Equity in income of subsidiaries	20.1	10.0		(30.1)	
Net income	\$ 14.2	\$ 16.7	\$ 13.4	\$ (30.1)	\$ 14.2

**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)

**Consolidating Condensed Statement of Operations****For the Nine Months Ended September 30, 2011**

	<b>Products Corporation</b>	<b>Guarantor Subsidiaries</b>	<b>Non-Guarantor Subsidiaries</b>	<b>Eliminations</b>	<b>Consolidated</b>
Net Sales	\$ 659.2	\$ 71.8	\$ 420.4	\$ (129.8)	\$ 1,021.6
Cost of Sales	295.6	33.2	159.3	(129.8)	358.3
Gross profit	363.6	38.6	261.1		663.3
Selling, general and administrative expenses	300.4	31.4	188.3		520.1
Operating income	63.2	7.2	72.8		143.2
Other expenses (income):					
Intercompany interest, net	(0.1)	(0.8)	5.5		4.6
Interest expense	64.2	0.2	0.3		64.7
Amortization of debt issuance costs	2.9				2.9
Loss on early extinguishment of debt, net	11.3				11.3
Foreign currency (gains) losses, net	(1.4)	0.4	3.4		2.4
Miscellaneous, net	(43.1)	3.4	40.9		1.2
Other expenses, net	33.8	3.2	50.1		87.1
Income from continuing operations before income taxes	29.4	4.0	22.7		56.1
Provision for income taxes	16.6	1.9	13.1		31.6
Income from continuing operations	12.8	2.1	9.6		24.5
Income from discontinued operations, net of taxes	0.6				0.6
Equity in income of subsidiaries	11.7	0.4		(12.1)	
Net income	\$ 25.1	\$ 2.5	\$ 9.6	\$ (12.1)	\$ 25.1

**Table of Contents****REVLOIN, INC. AND SUBSIDIARIES****NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

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

**Consolidating Condensed Statement of Operations****For the Nine Months Ended September 30, 2010**

	<b>Products Corporation</b>	<b>Guarantor Subsidiaries</b>	<b>Non-Guarantor Subsidiaries</b>	<b>Eliminations</b>	<b>Consolidated</b>
Net Sales	\$ 620.0	\$ 50.7	\$ 389.4	\$ (107.9)	\$ 952.2
Cost of Sales	265.0	22.3	146.7	(107.9)	326.1
Gross profit	355.0	28.4	242.7		626.1
Selling, general and administrative expenses	297.1	24.8	167.1		489.0
Operating income	57.9	3.6	75.6		137.1
Other expenses (income):					
Intercompany interest, net	2.2	(1.0)	3.5		4.7
Interest expense	67.0	0.2	0.2		67.4
Amortization of debt issuance costs	3.5				3.5
Loss on early extinguishment of debt, net	9.7				9.7
Foreign currency (gains) losses, net	(4.6)	(0.2)	9.5		4.7
Miscellaneous, net	(35.9)	3.6	33.2		0.9
Other expenses, net	41.9	2.6	46.4		90.9
Income from continuing operations before income taxes	16.0	1.0	29.2		46.2
(Benefit from) provision for income taxes	(2.8)	3.0	9.1		9.3
Income (loss) from continuing operations	18.8	(2.0)	20.1		36.9
Income from discontinued operations, net of taxes	0.3				0.3
Equity in income of subsidiaries	18.1	8.6		(26.7)	
Net income	\$ 37.2	\$ 6.6	\$ 20.1	\$ (26.7)	\$ 37.2

**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)

**Consolidating Condensed Statement of Cash Flow****For the Nine Months Ended September 30, 2011**

	<b>Products Corporation</b>	<b>Guarantor Subsidiaries</b>	<b>Non-Guarantor Subsidiaries</b>	<b>Eliminations</b>	<b>Consolidated</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Net cash provided by (used in) operating activities	\$ 6.1	\$ 34.9	\$ (20.8)	\$	\$ 20.2
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Capital expenditures	(8.2)	(0.2)	(1.2)		(9.6)
Acquisition		(39.0)			(39.0)
Proceeds from sales of certain assets	0.1		0.1		0.2
Net cash used in investing activities	(8.1)	(39.2)	(1.1)		(48.4)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>					
Net increase in short-term borrowings and overdraft	4.1	4.3	1.6		10.0
Repayments under the 2010 Term Loan Facility	(794.0)				(794.0)
Borrowings under the 2011 Term Loan Facility	796.0				796.0
Repayments under the 2011 Term Loan Facility	(2.0)				(2.0)
Payment of financing costs	(4.2)				(4.2)
Other financing activities	(0.5)		(0.7)		(1.2)
Net cash (used in) provided by financing activities	(0.6)	4.3	0.9		4.6
Effect of exchange rate changes on cash and cash equivalents			(3.2)		(3.2)
Net decrease in cash and cash equivalents	(2.6)		(24.2)		(26.8)
Cash and cash equivalents at beginning of period	20.5	0.1	56.1		76.7
Cash and cash equivalents at end of period	\$ 17.9	\$ 0.1	\$ 31.9	\$	\$ 49.9

**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)

**Consolidating Condensed Statement of Cash Flow****For the Nine Months Ended September 30, 2010**

	<b>Products Corporation</b>	<b>Guarantor Subsidiaries</b>	<b>Non-Guarantor Subsidiaries</b>	<b>Eliminations</b>	<b>Consolidated</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Net cash provided by (used in) operating activities	\$ 45.4	\$ (2.4)	\$ 6.5	\$	\$ 49.5
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Capital expenditures	(10.2)	(0.1)	(1.1)		(11.4)
Proceeds from sales of certain assets			0.2		0.2
Net cash used in investing activities	(10.2)	(0.1)	(0.9)		(11.2)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>					
Net (decrease) increase in short-term borrowings and overdraft	(7.9)	2.6	2.4		(2.9)
Repayments under the 2006 Term Loan Facility	(815.0)				(815.0)
Borrowings under the 2010 Term Loan Facility	786.0				786.0
Repayments under the 2010 Term Loan Facility	(4.0)				(4.0)
Payment of financing costs	(17.0)				(17.0)
Other financing activities	(0.3)		(0.3)		(0.6)
Net cash (used in) provided by financing activities	(58.2)	2.6	2.1		(53.5)
Effect of exchange rate changes on cash and cash equivalents			1.2		1.2
Net (decrease) increase in cash and cash equivalents	(23.0)	0.1	8.9		(14.0)
Cash and cash equivalents at beginning of period	27.4	0.4	26.7		54.5
Cash and cash equivalents at end of period	\$ 4.4	\$ 0.5	\$ 35.6	\$	\$ 40.5

**(14) Subsequent Event**

On October 12, 2011, the Company received an additional advance payment of \$4.7 million from its insurers in connection with the June 5, 2011 fire at the Company's facility in Venezuela, for total insurance proceeds of \$19.7 million received to date.

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

The final amount and timing of the ultimate insurance recovery is still currently unknown. As of September 30, 2011, the Company has not recognized any income from insurance recoveries beyond the business interruption and impairment losses incurred through such date. For further discussion, see Note 1, Description of Business and Basis of Presentation Fire at Revlon Venezuela Facility.

---

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

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

The Company's vision is glamour, excitement and innovation 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-perspirant 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** in women's hair color; **Revlon** in beauty tools; **Mitchum** in anti-perspirant deodorants; **Charlie** and **Jean Naté** in fragrances; and **Ultima II** and **Gatineau** in skincare.

The Company's principal customers include large mass volume retailers and chain drug 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 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 market 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-perspirant deodorants. The Company also has leading market positions in several product categories in certain foreign countries, including Australia, Canada and South Africa.

***Overview of the Company's Business Strategy***

The Company's strategic goal is to profitably grow our business. The business strategies employed by the Company to achieve this goal are:

1. ***Building our strong brands.*** We continue to build our strong brands by focusing on innovative, high-quality, consumer-preferred brand offering; effective consumer brand communication; appropriate levels of advertising and promotion; and superb execution with our retail partners.

2. ***Developing our organizational capability.*** We continue to develop our organizational capability through attracting, retaining and rewarding highly capable people and through performance management, development planning, succession planning and training.



---

**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)**

3. ***Driving our company to act globally.*** We continue to drive common global processes which are designed to provide the most efficient and effective allocation of our resources.

4. ***Increasing our operating profit and cash flow.*** We continue to focus on increasing our operating profit and cash flow.

5. ***Improving our capital structure.*** We continue to improve our capital structure by focusing on strengthening our balance sheet and reducing debt.

***Overview of Net Sales and Earnings Results***

Consolidated net sales in the third quarter of 2011 were \$337.2 million, an increase of \$18.2 million, or 5.7%, compared to \$319.0 million in the third quarter of 2010. Excluding the favorable impact of foreign currency fluctuations of \$6.8 million, consolidated net sales increased by \$11.4 million, or 3.6%, in the third quarter of 2011, driven by higher net sales in the Company's U.S. region, partially offset by lower net sales in the Company's regions outside the U.S.

Consolidated net sales for the first nine months of 2011 were \$1,021.6 million, an increase of \$69.4 million, or 7.3%, compared to \$952.2 million for the first nine months of 2010. Excluding the favorable impact of foreign currency fluctuations of \$23.5 million, consolidated net sales increased by \$45.9 million, or 4.8%, in the first nine months of 2011, driven by higher net sales in the Company's U.S., Asia Pacific and Latin America regions, partially offset by lower net sales in the Company's Canada region. Net sales in the Europe, Middle East and Africa region remained essentially flat during the period.

Consolidated net income for the third quarter of 2011 was \$0.1 million, compared to \$12.5 million in the third quarter of 2010. The decrease in consolidated net income in the third quarter of 2011, compared to the third quarter of 2010, was primarily due to:

\$22.7 million of higher provision for income taxes primarily attributable to higher pre-tax income in the U.S. and certain foreign jurisdictions in 2011 and higher deferred tax expense in the U.S. in 2011 due to the reduction of the valuation allowance in the U.S. on December 31, 2010;

with the foregoing partially offset by:

\$5.5 million of higher gross profit primarily due to an \$18.2 million improvement in consolidated net sales, partially offset by a \$12.7 million increase in cost of sales; and

a \$2.7 million decrease in interest expense, primarily driven by lower weighted average borrowing rates as a result of the 2011 Refinancings (as hereinafter defined).

Consolidated net income for the first nine months of 2011 was \$17 million, compared to \$31.1 million in the first nine months of 2010. The decrease in consolidated net income in the first nine months of 2011 compared to the first nine months of 2010 was primarily due to:

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

\$31.9 million of higher SG&A expense, primarily driven by \$15.6 million of higher general and administrative expenses, a \$12.9 million unfavorable impact of foreign currency fluctuations and \$7.3 million of higher advertising expenses to support the Company's brands; and

\$23.2 million of higher provision for income taxes primarily attributable to higher deferred tax expense for the U.S. in 2011 due to the reduction of the valuation allowance in the U.S. and higher pre-tax income in the U.S. and certain foreign jurisdictions in 2011; with the foregoing partially offset by:

\$37.2 million of higher gross profit due to a \$69.4 million improvement in consolidated net sales, partially offset by a \$32.2 million increase in cost of sales.

---

**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)

These current and prior period items are discussed in more detail below.

***Fire at Revlon Venezuela Facility***

On June 5, 2011, the Company's facility in Venezuela was destroyed by fire. As of and for the year ended December 31, 2010, the Company's subsidiary in Venezuela ( Revlon Venezuela ) had net sales of approximately 3% of the Company's consolidated net sales and Revlon Venezuela's total assets were approximately 3% of the Company's total assets. Historically, approximately 50% of Revlon Venezuela's net sales were comprised of products imported from Revlon's Oxford, North Carolina facility and approximately 50% were comprised of locally manufactured products. Revlon Venezuela did not have any net sales from the date of the fire until August 12, 2011. The Company's net sales in Venezuela since August 12, 2011 have been solely comprised of products imported from the Company's Oxford, North Carolina facility. The Company is currently evaluating options to minimize the extent and duration of the disruption to Revlon Venezuela's business as a result of the fire and estimates the lost net sales to be between \$15 million and \$20 million for 2011.

The Company maintains comprehensive property insurance, as well as business interruption insurance. Business interruption insurance is intended to reimburse for lost profits and other costs incurred, which are attributable to the loss, during the loss period, subject to the terms and conditions of the applicable policies.

In June 2011, the Company recorded a \$4.9 million impairment loss related to Revlon Venezuela's net book value of inventory, property, plant and equipment destroyed by the fire and in the period from June through September 30, 2011, the Company incurred business interruption losses of \$6.1 million related to the fire, for total losses of \$11.0 million incurred in the first nine months of 2011. The business interruption losses incurred in 2011 include estimated profits lost as a result of the interruption of the business and costs incurred directly related to the fire. The business interruption losses incurred through September 30, 2011 are not indicative of future business interruption losses for insurance purposes or future expected profits for Revlon Venezuela.

In the third quarter of 2011, the Company received a \$15 million interim advance from its insurance carrier in connection with the fire. During the third quarter and first nine months of 2011, the Company recognized \$6.1 million and \$11.0 million, respectively, of income from insurance recoveries, which entirely offset the impairment loss and business interruption losses noted above. The income from insurance recoveries is included within selling, general and administrative expenses in the Company's Statements of Operations for the three and nine months ended September 30, 2011. The deferred balance of \$4.0 million was recorded as deferred income, which is included in accrued expenses and other in the Company's Consolidated Balance Sheet as of September 30, 2011.

An assessment of the extent of damage and the impact on the Company's business in Venezuela is ongoing, and therefore the final amount and timing of the ultimate insurance recovery is currently unknown. See Note 14, "Subsequent Event," to the Unaudited Consolidated Financial Statements in this Form 10-Q in regards to additional advance insurance proceeds received subsequent to September 30, 2011.

***Impact of the March 2011 Disaster in Japan***

The March 2011 disaster in Japan and its aftermath on the Company's global supply chain and its operations in Japan did not have a material impact on the Company's net sales, operating profit or global supply chain in the third quarter or first nine months of 2011. (See **Item IA. Risk Factors** ). However, the Company continues to monitor any potential disruption to the business.

---

**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 Financing Activities*

**Refinancing of the 2010 Term Loan and 2010 Revolving Credit Facilities:** During the second quarter of 2011, Products Corporation consummated the refinancing of the 2010 Term Loan Facility and the 2010 Revolving Credit Facility (together referred to as the 2011 Refinancings), reducing interest rates and extending maturities, consisting of the following transactions:

In May 2011, Products Corporation consummated a refinancing of the 2010 Term Loan Facility (the 2011 Term Loan Facility Refinancing), which included replacing Products Corporation's 2010 bank term loan facility, which was scheduled to mature on March 11, 2015 and had \$794.0 million aggregate principal amount outstanding at December 31, 2010 (the 2010 Term Loan Facility), with a 6.5-year, \$800.0 million term loan facility due November 19, 2017 (the 2011 Term Loan Facility) under a third amended and restated term loan agreement dated May 19, 2011 (the 2011 Term Loan Agreement), among Products Corporation, as borrower, Citigroup Global Markets Inc. (CGMI), J.P. Morgan Securities LLC (JPM Securities), Merrill Lynch, Pierce, Fenner & Smith Incorporated (Merrill Lynch), Credit Suisse Securities (USA) LLC (Credit Suisse) and Wells Fargo Securities, LLC (WFS) as the joint lead arrangers; CGMI, JPM Securities, Merrill Lynch, Credit Suisse, WFS and Natixis, New York Branch (Natixis), as joint bookrunners; JPMorgan Chase Bank, N.A. and Bank of America, N.A. as co-syndication agents; Credit Suisse, Wells Fargo Bank, N.A. and Natixis as co-documentation agents; and Citicorp USA, Inc. (CUSA) as administrative agent and collateral agent.

Products Corporation used \$796 million of proceeds from the 2011 Term Loan Facility, which was drawn in full on the May 19, 2011 closing date and issued to lenders at 99.5% of par, to refinance in full the \$792.0 million of outstanding indebtedness under its 2010 Term Loan Facility and to pay approximately \$2 million of accrued interest. The Company incurred approximately \$3.9 million of fees in connection with consummating the 2011 Term Loan Facility Refinancing in the first nine months of 2011, of which approximately \$2 million was capitalized.

In June 2011, Products Corporation consummated a refinancing of the 2010 Revolving Credit Facility (the 2011 Revolving Credit Facility Refinancing), which included refinancing Products Corporation's 2010 revolving credit facility, which was scheduled to mature on March 11, 2014 and had nil outstanding borrowings at December 31, 2010 (the 2010 Revolving Credit Facility), with a 5-year, \$140.0 million asset-based, multi-currency revolving credit facility due June 16, 2016 (the 2011 Revolving Credit Facility) under a third amended and restated revolving credit agreement dated June 16, 2011 (the 2011 Revolving Credit Agreement) and together with the 2011 Term Loan Agreement, the 2011 Credit Agreements), among Products Corporation and certain of its foreign subsidiaries, as borrowers, and CGMI and Wells Fargo Capital Finance, LLC (WFCF) as the joint lead arrangers; CGMI, WFCF, Merrill Lynch, JPMorgan Securities and Credit Suisse as joint bookrunners; and CUSA as administrative agent and collateral agent.

Products Corporation incurred approximately \$0.7 million of fees in connection with consummating the 2011 Revolving Credit Facility Refinancing in the first nine months of 2011, all of which were capitalized.

For further detail regarding the 2011 Refinancings, see Note 5, Long-Term Debt and Redeemable Preferred Stock, to the Unaudited Consolidated Financial Statements in this Form 10-Q.

**Results of Operations**

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

***Net sales:***

*Third quarter results*

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

Consolidated net sales in the third quarter of 2011 were \$337.2 million, an increase of \$18.2 million, or 5.7%, compared to \$319.0 million in the third quarter of 2010. Excluding the favorable impact of foreign

**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)

currency fluctuations of \$6.8 million, consolidated net sales increased by \$11.4 million, or 3.6%, in the third quarter of 2011, primarily driven by the inclusion of the net sales of **Sinful Colors** in 2011, as well as higher net sales of **Revlon** color cosmetics and **Revlon ColorSilk** hair color, partially offset by lower net sales in Venezuela due to the June 2011 fire.

*Year-to-date results*

Consolidated net sales for the first nine months of 2011 were \$1,021.6 million, an increase of \$69.4 million, or 7.3%, compared to \$952.2 million for the first nine months of 2010. Excluding the favorable impact of foreign currency fluctuations of \$23.5 million, consolidated net sales increased by \$45.9 million, or 4.8%, in the first nine months of 2011, primarily driven by higher net sales of **Revlon** color cosmetics, as well as the inclusion of the net sales of **Sinful Colors** beginning in March 2011, partially offset by lower net sales of other beauty care products.

	\$1,021.6		\$1,021.6		\$1,021.6		\$1,021.6	
	Three Months Ended		Change		Change		Change <sup>(a)</sup>	
	September 30,							
	2011	2010	\$	%	\$	%	\$	%
United States	\$ 184.7	\$ 166.7	\$ 18.0	10.8%	\$ 18.0	10.8%		
Asia Pacific	58.0	54.5	3.5	6.4	(1.3)	(2.4)		
Europe, Middle East and Africa	51.1	50.6	0.5	1.0	(1.4)	(2.8)		
Latin America	25.6	29.3	(3.7)	(12.6)	(2.8)	(9.6)		
Canada	17.8	17.9	(0.1)	(0.6)	(1.1)	(6.1)		
Total Net Sales	\$ 337.2	\$ 319.0	\$ 18.2	5.7%	\$ 11.4	3.6%		

	\$1,021.6		\$1,021.6		\$1,021.6		\$1,021.6	
	Nine Months Ended		Change		Change		Change <sup>(a)</sup>	
	September 30,							
	2011	2010	\$	%	\$	%	\$	%
United States	\$ 565.8	\$ 528.1	\$ 37.7	7.1%	\$ 37.7	7.1%		
Asia Pacific	169.6	149.1	20.5	13.7	7.0	4.7		
Europe, Middle East and Africa	152.8	143.7	9.1	6.3				
Latin America	78.9	78.0	0.9	1.2	3.1	4.0		
Canada	54.5	53.3	1.2	2.3	(1.9)	(3.6)		
Total Net Sales	\$ 1,021.6	\$ 952.2	\$ 69.4	7.3%	\$ 45.9	4.8%		

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

*United States**Third quarter results*

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

In the U.S., net sales in the third quarter of 2011 increased 10.8% to \$184.7 million, compared to \$166.7 million in the third quarter of 2010, primarily driven by the inclusion of the net sales of **Sinful Colors** in 2011, as well as higher net sales of **Revlon** color cosmetics and **Revlon ColorSilk** hair color. Excluding the results of the recently acquired **Sinful Colors**, net sales in the U.S. increased in the third quarter of 2011.

### *Year-to-date results*

In the U.S., net sales in the first nine months of 2011 increased 7.1% to \$565.8 million, compared to \$528.1 million in the first nine months of 2010, primarily driven by the inclusion of the net sales of **Sinful Colors**

---

**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)**

beginning in March 2011, as well as higher net sales of **Revlon** color cosmetics and **Revlon ColorSilk** hair color. Excluding the results of the recently acquired **Sinful Colors**, net sales in the U.S. increased in the first nine months of 2011.

***Asia Pacific***

*Third quarter results*

In Asia Pacific, net sales in the third quarter of 2011 increased 6.4% to \$58.0 million, compared to \$54.5 million in the third quarter of 2010. Excluding the favorable impact of foreign currency fluctuations, net sales decreased \$1.3 million, or 2.4%, primarily driven by lower net sales of **Revlon** color cosmetics and other beauty care products. From a country perspective, net sales decreased in Japan and Australia (which together contributed 3.9 percentage points to the decrease in the region's net sales in the third quarter of 2011, as compared to the third quarter of 2010), partially offset by an increase in net sales in China (which offset by 1.9 percentage points the decrease in the region's net sales in the third quarter of 2011, as compared to the third quarter of 2010).

*Year-to-date results*

In Asia Pacific, net sales in the first nine months of 2011 increased 13.7% to \$169.6 million, compared to \$149.1 million in the first nine months of 2010. Excluding the favorable impact of foreign currency fluctuations, net sales increased \$7.0 million, or 4.7%, primarily driven by higher net sales of **Revlon** color cosmetics and other beauty care products. From a country perspective, net sales increased in China and certain distributor markets (which together contributed 6.1 percentage points to the increase in the region's net sales in the first nine months of 2011, as compared to the first nine months of 2010), partially offset by a decrease in net sales in Japan (which offset by 1.6 percentage points the increase in the region's net sales in the first nine months of 2011, as compared to the first nine months of 2010).

***Europe, Middle East and Africa***

*Third quarter results*

In Europe, the Middle East and Africa, net sales in the third quarter of 2011 increased 1.0% to \$51.1 million, compared to \$50.6 million in the third quarter of 2010. Excluding the favorable impact of foreign currency fluctuations, net sales decreased \$1.4 million, or 2.8%, primarily driven by lower net sales of fragrances. From a country perspective, net sales decreased in the U.K., France and certain distributor markets (which together contributed 3.8 percentage points to the decrease in the region's net sales in the third quarter of 2011, as compared to the third quarter of 2010), partially offset by an increase in net sales in South Africa (which offset by 1.5 percentage points the decrease in the region's net sales in the third quarter of 2011, as compared to the third quarter of 2010).

*Year-to-date results*

In Europe, the Middle East and Africa, net sales in the first nine months of 2011 increased 6.3% to \$152.8 million, compared to \$143.7 million in the first nine months of 2010. Excluding the favorable impact of foreign currency fluctuations, net sales remained essentially flat, primarily driven by higher net sales of **Revlon** color cosmetics, offset by lower net sales of other beauty care products. From a country perspective, net sales increased in South Africa (which contributed 1.6 percentage points to the increase in the region's net sales in the first nine months of 2011, as compared to the first nine months of 2010), offset by a decrease in net sales in Italy, France and certain distributor markets (which together offset by 1.6 percentage points the increase in the region's net sales in the first nine months of 2011, as compared to the first nine months of 2010).



**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)

***Latin America***

*Third quarter results*

In Latin America, net sales in the third quarter of 2011 decreased 12.6% to \$25.6 million, compared to \$29.3 million in the third quarter of 2010. Excluding the unfavorable impact of foreign currency fluctuations, net sales decreased \$2.8 million, or 9.6%, primarily driven by lower net sales of other beauty care products and **Revlon ColorSilk** hair color, partially offset by higher net sales of **Revlon** color cosmetics. From a country perspective, net sales decreased in Venezuela (which contributed 16.8 percentage points to the decrease in the region's net sales in the third quarter of 2011, as compared to the third quarter of 2010), partially offset by an increase in net sales in Argentina and Mexico (which together offset by 8.6 percentage points the decrease in the region's net sales in the third quarter of 2011, as compared to the third quarter of 2010). Venezuela's decline in net sales was primarily due to the loss of sales during the third quarter of 2011 as a result of the June 2011 fire at Revlon Venezuela's facility. Revlon Venezuela resumed sales of imported goods on August 12, 2011; however the Company has not recorded any sales of locally manufactured goods in Venezuela since the fire in June 2011.

*Year-to-date results*

In Latin America, net sales in the first nine months of 2011 increased 1.2% to \$78.9 million, compared to \$78.0 million in the first nine months of 2010. Excluding the unfavorable impact of foreign currency fluctuations, net sales increased \$3.1 million, or 4.0%, primarily driven by higher net sales of **Revlon** color cosmetics, partially offset by lower net sales of **Revlon ColorSilk** hair color. From a country perspective, net sales increased in Argentina, Mexico and Latin America Export (which together contributed 6.4 percentage points to the increase in the region's net sales in the first nine months of 2011, as compared to the first nine months of 2010), partially offset by a decrease in net sales in Venezuela (which offset by 2.4 percentage points the increase in the region's net sales in the first nine months of 2011, as compared to the first nine months of 2010). Venezuela's decline in net sales was primarily due to the loss of sales in June through September 2011 as a result of the June 2011 fire at Revlon Venezuela's facility referred to above.

***Canada***

*Third quarter results*

In Canada, net sales in the third quarter of 2011 decreased 0.6% to \$17.8 million, compared to \$17.9 million in the third quarter of 2010. Excluding the favorable impact of foreign currency fluctuations, net sales decreased \$1.1 million, or 6.1%, primarily driven by lower net sales of **Almay** color cosmetics.

*Year-to-date results*

In Canada, net sales in the first nine months of 2011 increased 2.3% to \$54.5 million, compared to \$53.3 million in the first nine months of 2010. Excluding the favorable impact of foreign currency fluctuations, net sales decreased \$1.9 million, or 3.6%, primarily driven by lower net sales of **Almay** color cosmetics.

***Gross profit:***

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

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2011	2010	Change	2011	2010	Change
Gross profit	\$ 214.1	\$ 208.6	\$ 5.5	\$ 663.3	\$ 626.1	\$ 37.2
<i>Percentage of net sales</i>	63.5%	65.4%		64.9%	65.8%	

**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 1.9 percentage point decrease in gross profit as a percentage of net sales for the third quarter of 2011, compared to the third quarter of 2010, was primarily due to:

higher allowances, which reduced gross profit as a percentage of net sales by 2.0 percentage points; and

the impact of product mix, which reduced gross profit as a percentage of net sales by 1.1 percentage points;  
with the foregoing partially offset by:

lower costs related to inventory obsolescence and sales returns, which increased gross profit as a percentage of net sales by 0.8 percentage points; and

favorable foreign currency fluctuations, which increased gross profit as a percentage of net sales by 0.6 percentage points.  
The 0.9 percentage point decrease in gross profit as a percentage of net sales for the first nine months of 2011, compared to the first nine months of 2010, was primarily due to:

the impact of product mix, which reduced gross profit as a percentage of net sales by 1.3 percentage points; and

higher allowances, which reduced gross profit as a percentage of net sales by 1.0 percentage points;  
with the foregoing partially offset by:

favorable foreign currency fluctuations, which increased gross profit as a percentage of net sales by 0.7 percentage points;

lower costs related to inventory obsolescence and sales returns, which increased gross profit as a percentage of net sales by 0.3 percentage points; and

lower pension expenses within cost of goods, which increased gross profit as a percentage of net sales by 0.3 percentage points.  
**SG&A expenses:**

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

	Three Months Ended			Nine Months Ended		
	September 30,			September 30,		
	2011	2010	Change	2011	2010	Change
SG&A expenses	\$ 169.3	\$ 169.3	\$	\$ 526.0	\$ 494.1	\$ (31.9)

SG&A expenses remained flat for the third quarter of 2011, as compared to the third quarter of 2010, primarily driven by:

\$10.5 million of higher general and administrative expenses primarily due to (i) an increase in the accrual for incentive compensation, (ii) the inclusion of operating expenses of Sinful Colors in 2011, (iii) higher severance and lease termination costs and (iv) higher professional fees; and

\$3.4 million of unfavorable impact of foreign currency fluctuations;  
with the foregoing partially offset by:

\$8.6 million of lower advertising expenses primarily due to the timing of advertising campaigns in 2011 compared to 2010; 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)**

\$6.1 million of income from insurance recoveries related to the fire at Revlon Venezuela's facility, which entirely offset the business interruption losses incurred through September 30, 2011, as discussed above in Management's Discussion and Analysis of Financial Condition and Results of Operations – Fire at Revlon Venezuela's Facility.

The \$31.9 million increase in SG&A expenses for the first nine months of 2011, as compared to the first nine months of 2010, was driven primarily by:

\$15.6 million of higher general and administrative expenses primarily due to (i) the inclusion of operating expenses of Sinful Colors from the date of acquisition in March 2011, (ii) higher compensation expenses, (iii) higher professional fees and (iv) higher severance and lease termination costs;

\$10.9 million of unfavorable impact of foreign currency fluctuations; and

\$7.3 million of higher advertising expenses to support the Company's brands as the Company continued to optimize its brand support mix;

with the foregoing partially offset by:

\$6.1 million, net, from insurance recoveries, which is comprised of \$11.0 million of income from insurance recoveries related to the fire at Revlon Venezuela's facility, partially offset by the \$4.9 million impairment loss related to Revlon Venezuela's net book value of inventory, property, plant and equipment destroyed by the fire. The \$6.1 million, net, from insurance recoveries entirely offset the business interruption losses incurred from June 5, 2011 through September 30, 2011. See Management's Discussion and Analysis of Financial Condition and Results of Operations – Fire at Revlon Venezuela's Facility for further discussion.

**Interest expense:**

	Three Months Ended			Nine Months Ended		
	September 30, 2011	September 30, 2010	Change	September 30, 2011	September 30, 2010	Change
Interest expense	\$ 20.4	\$ 23.1	\$ 2.7	\$ 64.7	\$ 67.4	\$ 2.7
Interest expense – preferred stock dividends	1.6	1.6		4.8	4.8	

The \$2.7 million decrease in interest expense (excluding interest expense related to the regular dividends on the Revlon, Inc. Series A Preferred Stock, par value \$0.01 per share ( Preferred Stock )) for the third quarter of 2011, as compared to the third quarter of 2010, was primarily due to lower weighted average borrowing rates as a result of the 2011 Refinancings.

The \$2.7 million decrease in interest expense (excluding interest expense related to the regular dividends on the Preferred Stock) for the first nine months of 2011, as compared to the first nine months of 2010, was primarily due to lower weighted average borrowing rates as a result of the 2011 Refinancings and slightly lower average borrowings.

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

In accordance with the terms of the certificate of designation of the Preferred Stock, during both the third quarters of 2011 and 2010, Revlon, Inc. recognized \$1.6 million of interest expense related to regular dividends on the Preferred Stock. During both the first nine months of 2011 and 2010, Revlon Inc. recognized \$4.8 million of interest expense related to regular dividends on the Preferred Stock.

**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)

**Loss on early extinguishment of debt, net:**

	Three Months			Nine Months Ended		
	Ended			September 30,		
	2011	2010	Change	2011	2010	Change
Loss on early extinguishment of debt, net	\$	\$	\$	\$ 11.3	\$ 9.7	\$ (1.6)

As a result of the 2011 Refinancings, the Company recognized a loss on the early extinguishment of debt of \$11.3 million during the first nine months of 2011, due to \$1.9 million of fees which were expensed as incurred in connection with the 2011 Refinancings, as well as the write-off of \$9.4 million of unamortized debt discount and deferred financing fees as a result of such refinancings.

During March 2010, Products Corporation consummated the refinancing of the 2006 Term Loan Facility and the 2006 Revolving Credit Facility (together referred to as the 2010 Refinancing). As a result of the 2010 Refinancing, the Company recognized a loss on the early extinguishment of debt of \$9.7 million during the first nine months of 2010, primarily due to \$5.9 million of fees and expenses which were expensed as incurred in connection with the 2010 Refinancing, as well as the write-off of \$3.8 million of unamortized deferred financing fees as a result of such refinancing.

**Foreign currency losses:**

	Three Months Ended			Nine Months Ended		
	September 30,			September 30,		
	2011	2010	Change	2011	2010	Change
Foreign currency (gains) losses	\$ (0.9)	\$ 0.8	\$ 1.7	\$ 2.4	\$ 4.7	\$ 2.3

Foreign currency gains of \$0.9 million during the third quarter of 2011, as compared to foreign currency losses of \$0.8 million during the third quarter of 2010, were primarily driven by:

foreign currency gains related to the Company's foreign currency forward exchange contracts (FX Contracts) for the third quarter of 2011, as compared to foreign currency losses related to the Company's FX Contracts for the third quarter of 2010; and with the foregoing partially offset by:

the unfavorable impact of the revaluation of certain U.S. dollar-denominated intercompany payables from the Company's foreign subsidiaries during the third quarter of 2011 compared to the third quarter of 2010. The \$2.3 million decrease in foreign currency losses during the first nine months of 2011, as compared to the first nine months of 2010, was primarily driven by:

a \$1.1 million lower foreign currency loss in the first nine months of 2011 compared to the first nine months of 2010 related to the re-measurement of Revlon Venezuela's balance sheet. See Financial Condition, Liquidity and Capital Resources - Impact of Foreign Currency Translation - Venezuela in this Form 10-Q for further discussion;

foreign currency gains related to the Company's FX Contracts for the first nine months of 2011, as compared to foreign currency losses related to the Company's FX Contracts for the first nine months of 2010; and with the foregoing partially offset by:

the unfavorable impact of the revaluation of certain U.S. dollar-denominated intercompany payables from the Company's foreign subsidiaries during the first nine months of 2011 compared to the first nine months of 2010.

**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)

***Provision for (benefit from) income taxes:***

	Three Months			Nine Months Ended		
	Ended			September 30,		
	2011	2010	Change	2011	2010	Change
Provision for (benefit from) income taxes	\$ 22.1	\$ (0.6)	\$ (22.7)	\$ 32.4	\$ 9.2	\$ (23.2)

The \$22.1 million provision for income taxes in the third quarter of 2011 as compared to the \$0.6 million benefit from income taxes in the third quarter of 2010 was primarily attributable to higher pre-tax income in the U.S. and certain foreign jurisdictions in 2011 and higher deferred tax expense for the U.S. in 2011 due to the reduction of the valuation allowance in the U.S. on December 31, 2010. In addition, the provision for income taxes in the third quarter of 2011 included various discrete items, including income tax provision to tax return adjustments, which in the aggregate negatively impacted the quarter, while the benefit from income taxes in the third quarter of 2010 included the favorable resolution of tax matters in the U.S. and in certain foreign jurisdictions that did not recur in 2011.

The effective tax rate for the three months ended September 30, 2011 is higher than the federal statutory rate of 35% due principally to: (i) various discrete items, including income tax provision to tax return adjustments, which in the aggregate negatively impacted the Company's effective tax rate in the quarter; (ii) foreign earnings taxable in the U.S.; (iii) pre-tax losses in a number of markets outside the U.S. for which there is no tax benefit recognized in the period; and (iv) state and local taxes.

The \$23.2 million increase in provision for income taxes in the first nine months of 2011, as compared to the first nine months of 2010, was primarily attributable to higher deferred tax expense for the U.S. in 2011 due to the reduction of the valuation allowance in the U.S. on December 31, 2010 and higher pre-tax income in the U.S. and certain foreign jurisdictions in 2011. In addition, the provision for income taxes in the first nine months of 2010 included the favorable resolution of tax matters in the U.S. and in certain foreign jurisdictions that did not recur in 2011.

The effective tax rate for the nine months ended September 30, 2011 is higher than the federal statutory rate of 35% due principally to: (i) foreign earnings taxable in the U.S.; (ii) pre-tax losses in a number of markets outside the U.S. for which there is no tax benefit recognized in the period; and (iii) state and local taxes.

The reduction of the Company's valuation allowance on its net U.S. deferred tax assets will not affect the Company's cash taxes paid in 2011 and thereafter until the Company has fully used its U.S. tax loss carryforwards. See Note 12, *Income Taxes*, to the Consolidated Financial Statements in Revlon, Inc.'s 2010 Form 10-K. The Company expects that its tax provision and effective tax rate in any individual quarter will vary and may not be indicative of the Company's tax provision and effective tax rate for the full year.

The Company has previously disclosed the details of its deferred tax assets, including the amount of its foreign tax loss carryforwards, the expiration dates thereof and the valuation allowance related to those deferred tax assets. See Note 12, *Income Taxes*, to the Consolidated Financial Statements in Revlon, Inc.'s 2010 Form 10-K for further details regarding the Company's deferred tax assets. In assessing the recoverability of its deferred tax assets, management regularly considers whether some portion or all of the deferred tax assets will not be realized based on the recognition threshold and measurement of a tax position in accordance with the Income Tax Topic of the FASB Accounting Standards Codification (the *Income Tax Topic*). The ultimate realization of deferred tax assets is generally dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. At December 31, 2010, the Company's net foreign deferred tax assets were approximately \$110 million, of which \$105 million were reserved at such date.



**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)**

In certain markets outside the U.S., the Company has experienced continued improved earnings trends and has had cumulative taxable income. At December 31, 2010, the Company's net deferred tax assets in these markets totaled approximately \$15 million. In accordance with the Income Tax Topic, the Company has maintained a deferred tax valuation allowance against its deferred tax assets in these markets through September 30, 2011. However, if such earnings trends and our tax position continue, and based upon current expectations for future taxable income, it is possible that the Company will realize the benefits of all or a significant portion of its net deferred tax assets in these markets in the near term, perhaps as early as the fourth quarter of 2011. The Company would realize this non-cash benefit through a reduction in its deferred tax valuation allowance, which would primarily be reflected in the tax provision and would benefit net income in the period of the reduction. If such a reduction were to occur, the Company expects that, beginning with the first quarter after the reduction, the tax provision would reflect a higher effective tax rate. However, any such increase in the effective tax rate generally would not affect the Company's cash taxes paid until after the applicable tax loss carryforwards were fully utilized.

**Financial Condition, Liquidity and Capital Resources**

At September 30, 2011, the Company had a liquidity position of \$156.9 million, consisting of cash and cash equivalents (net of any outstanding checks) of \$42.3 million, as well as \$114.6 million in available borrowings under the 2011 Revolving Credit Facility, based upon the borrowing base less \$21.1 million of undrawn outstanding letters of credit and nil then drawn under the 2011 Revolving Credit Facility at such date.

**Cash Flows**

At September 30, 2011, the Company had cash and cash equivalents of \$49.9 million, compared with \$76.7 million at December 31, 2010. The following table summarizes the Company's cash flows from operating, investing and financing activities for the nine months ended September 30, 2011 and September 30, 2010:

	<b>Nine Months Ended September 30,</b>	
	<b>2011</b>	<b>2010</b>
Net cash provided by operating activities	\$ 20.2	\$ 50.0
Net cash used in investing activities	(48.4)	(11.2)
Net cash provided by (used in) financing activities	4.6	(54.0)
Effect of exchange rate changes on cash and cash equivalents	(3.2)	1.2
<i>Operating Activities</i>		

Net cash provided by operating activities in the first nine months of 2011 was \$20.2 million, as compared to \$50.0 million in the first nine months of 2010. As compared to the first nine months of 2010, cash provided by operating activities in the first nine months of 2011 was impacted by unfavorable changes in working capital, primarily driven by an increase in inventory, increased pension contributions and higher interest payments.

*Investing Activities*

Net cash used in investing activities was \$48.4 million and \$11.2 million for the first nine months of 2011 and 2010, respectively. On March 17, 2011, the Company acquired certain assets, including trademarks and other intellectual property, inventory, certain receivables and manufacturing equipment, related to Sinful Colors cosmetics, Wild and Crazy cosmetics, freshMinerals cosmetics and freshcover cosmetics, which products are sold principally in the U.S. mass retail channel (the Sinful Colors Acquisition). Net cash used in investing activities for the

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

first nine months of 2011 included a cash payment of \$39.0 million for the Sinful Colors Acquisition and \$9.6 million of cash used for capital expenditures. Net cash used in investing activities for the first nine months of 2010 included \$11.4 million of 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)**

*Financing Activities*

Net cash provided by financing activities was \$4.6 million for the first nine months of 2011 and net cash used in financing activities was \$54.0 million for the first nine months of 2010.

Net cash provided by financing activities for the first nine months of 2011 included cash provided by Products Corporation's issuance of the \$800.0 million aggregate principal amount of the 2011 Term Loan Facility, or \$796.0 million, net of discounts, as well as a \$10.0 million increase in short-term borrowings and overdraft, partially offset by cash used for the 2011 Term Loan Refinancing of the \$794.0 million remaining aggregate principal amount of Products Corporation's 2010 Term Loan Facility. Net cash provided by financing activities for the first nine months of 2011 also included the payment of \$4.2 million of the \$4.6 million of fees incurred in connection with the 2011 Refinancings. In addition, the Company made a \$2.0 million scheduled amortization payment on the 2011 Term Loan Facility in the first nine months of 2011.

Net cash used in financing activities for the first nine months of 2010 included the March 2010 refinancing of the \$815.0 million remaining aggregate principal amount of Products Corporation's 2006 Term Loan Facility, partially offset by Products Corporation's issuance of the \$800.0 million aggregate principal amount of the 2010 Term Loan Facility, or \$786.0 million, net of discounts. In addition, the Company made an aggregate \$4.0 million of scheduled amortization payments on the 2010 Term Loan Facility in the first nine months of 2010. Net cash used in financing activities for the first nine months of 2010 also included payment of financing costs of \$17.5 million, which was comprised of (i) the payment of \$15.3 million of fees incurred in connection with the March 2010 refinancing of Products Corporation's 2006 Term Loan Facility and 2006 Revolving Credit Facility; (ii) the payment of \$1.7 million of the \$25.1 million of fees incurred in connection with the refinancing of Products Corporation's 9½% Senior Notes in November 2009 with the 9¾% Senior Secured Notes due November 2015; and (iii) the payment of the remaining balance of \$0.5 million of the \$6.7 million of fees incurred in connection with Revlon, Inc.'s consummation of the voluntary exchange offer in October 2009.

*Long-Term Debt Instruments*

For further detail regarding Products Corporation's long-term debt instruments, see Note 9, Long-Term Debt and Redeemable Preferred Stock, to the Consolidated Financial Statements in Revlon, Inc.'s 2010 Form 10-K, as well as Management's Discussion and Analysis of Financial Condition and Results of Operations - Financial Condition, Liquidity and Capital Resources in Revlon, Inc.'s 2010 Form 10-K.

*2011 Refinancings*

In the second quarter of 2011, Products Corporation consummated the 2011 Refinancings, which included refinancing its 2010 Term Loan Facility with the 2011 Term Loan Facility and Products Corporation's 2010 Revolving Credit Facility with the 2011 Revolving Credit Facility, reducing interest rates and extending maturities.

For further detail regarding the 2011 Refinancings, see Note 5, Long-Term Debt and Redeemable Preferred Stock, to the Unaudited Consolidated Financial Statements in this Form 10-Q.

*2010 Bank Credit Agreements*

Prior to the 2011 Refinancings, under the 2010 Term Loan Facility, Products Corporation made a required quarterly amortization payment in the first quarter of 2011 of \$2.0 million. For detail regarding the 2010 Bank Credit Agreements, see Note 9, Long-Term Debt and Redeemable Preferred Stock, to the Consolidated Financial Statements in Revlon, Inc.'s 2010 Form 10-K, as well as Management's Discussion and Analysis of Financial Condition and Results of Operations - Financial Condition, Liquidity and Capital Resources - 2010 Bank Credit Agreements in Revlon, Inc.'s 2010 Form 10-K.



---

**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)**

***9<sup>3</sup>/<sub>4</sub>% Senior Secured Notes due 2015***

For detail regarding the 9<sup>3</sup>/<sub>4</sub>% Senior Secured Notes, due November 2015, see Note 9, Long-Term Debt and Redeemable Preferred Stock, to the Consolidated Financial Statements in Revlon, Inc.'s 2010 Form 10-K, as well as Management's Discussion and Analysis of Financial Condition and Results of Operations Financial Condition, Liquidity, and Capital Resources 9<sup>3</sup>/<sub>4</sub>% Senior Secured Notes due 2015 in Revlon, Inc.'s 2010 Form 10-K.

Products Corporation was in compliance with all applicable covenants under its 9<sup>3</sup>/<sub>4</sub>% Senior Secured Notes as of September 30, 2011.

***Senior Subordinated Term Loan***

For detail regarding Products Corporation's Senior Subordinated Term Loan from MacAndrews & Forbes (the Senior Subordinated Term Loan), consisting of (i) the \$48.6 million of the \$107.0 million aggregate outstanding principal amount of the Senior Subordinated Term Loan that was contributed to Revlon, Inc. by MacAndrews & Forbes (the Contributed Loan), which is due from Products Corporation to Revlon, Inc. and matures on October 8, 2013 and (ii) 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), which matures on October 8, 2014, see Note 9, Long-Term Debt and Redeemable Preferred Stock, to the Consolidated Financial Statements in Revlon, Inc.'s 2010 Form 10-K, as well as Management's Discussion and Analysis of Financial Condition and Results of Operations Financial Condition, Liquidity and Capital Resources Senior Subordinated Term Loan in Revlon, Inc.'s 2010 Form 10-K.

***Impact of Foreign Currency Translation Venezuela***

During the third quarter of 2011 and 2010, Revlon Venezuela had net sales of approximately 1% and 3%, respectively, of the Company's consolidated net sales. During the first nine months of 2011 and 2010, Revlon Venezuela had net sales of approximately 2% of the Company's consolidated net sales. At September 30, 2011 and December 31, 2010, total assets in Revlon Venezuela were approximately 2% and 3%, respectively, of the Company's total assets.

**Highly-Inflationary Economy:** Effective January 1, 2010, Venezuela was designated as a highly inflationary economy under U.S. GAAP. As a result, beginning January 1, 2010, the U.S. dollar is the functional currency for Revlon Venezuela. Through December 31, 2009, prior to Venezuela being designated as highly inflationary, currency translation adjustments of Revlon Venezuela's balance sheet were reflected in shareholders' equity as part of Other Comprehensive Income; however, subsequent to January 1, 2010, such adjustments are reflected in earnings.

**Currency Devaluation:** On January 8, 2010, the Venezuelan government announced the devaluation of its local currency, Venezuelan Bolivars (Bolivars), relative to the U.S. dollar and the official exchange rate for non-essential goods changed from 2.15 to 4.30. Throughout 2010, the Company used Venezuela's official rate to translate Revlon Venezuela's financial statements. To reflect the impact of the currency devaluation, a one-time foreign currency loss of \$2.8 million was recorded in January 2010 as a result of the required re-measurement of Revlon Venezuela's balance sheet. As Venezuela was designated as a highly inflationary economy effective January 1, 2010, this foreign currency loss was reflected in earnings in the first quarter of 2010.

In December 2010, the Venezuelan government announced a further devaluation of Bolivars relative to the U.S. dollar for essential goods from 2.6 to 4.3, effective December 31, 2010. Given that the Company has immaterial transactions for essential goods, the further devaluation has not had, nor does the Company expect it to have, a material impact on the Company's results of operations or financial condition.



---

**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)**

**Currency Restrictions:** Currency restrictions enacted by the Venezuelan government in 2003 have become more restrictive and have impacted the ability of Revlon Venezuela to obtain U.S. dollars in exchange for Bolivars at the official foreign exchange rates from the Venezuelan government and its foreign exchange commission, the *Comisión de Administración de Divisas* ( CADIVI ). In May 2010, the Venezuelan government took control over the previously freely-traded foreign currency exchange market and in June 2010, replaced it with a new foreign currency exchange system, the *Sistema de Transacciones en Moneda Extranjera* ( SITME ). SITME provides a mechanism to exchange Bolivars into U.S. dollars. However, SITME can only be used for product purchases and related services, such as freight, and is not available for other transactions, such as the payment of dividends. Also, SITME can only be used for amounts of up to \$50,000 per day, subject to a monthly maximum of \$350,000 per legal entity, and is generally only available to the extent the applicant has not exchanged and received U.S. dollars from CADIVI within the previous 90 days. In the second quarter of 2011, the Company began using a SITME rate of 5.5 Bolivars per U.S. dollar to translate Revlon Venezuela's financial statements, as this was the rate at which the Company accessed U.S. dollars in the SITME market during the second quarter of 2011 ( the SITME Rate ). The Company had previously utilized Venezuela's official exchange rate of 4.3 Bolivars per U.S. dollar to translate Revlon Venezuela's financial statements from January 1, 2010 through March 31, 2011. In the third quarter of 2011, the Company continued using the SITME Rate, which did not materially change from the second quarter of 2011, to translate Revlon Venezuela's financial statements.

To reflect the impact of the change in exchange rates from Venezuela's official exchange rate to the SITME Rate, a foreign currency loss of \$1.7 million was recorded in the second quarter of 2011. As Venezuela was designated as a highly inflationary economy effective January 1, 2010, this foreign currency loss was reflected in earnings during the nine months ended September 30, 2011. For the three and nine months ended September 30, 2011, the change in the exchange rates in Venezuela unfavorably impacted the Company's consolidated net sales by \$0.8 million and \$2.4 million, respectively. The impact on the Company's consolidated operating income for both the three and nine months ended September 30, 2011 was de minimis.

***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 2011 Revolving Credit Facility and other permitted lines of credit. The 2011 Credit Agreements, the indenture governing Products Corporation's 9<sup>3</sup>/<sub>4</sub>% Senior Secured Notes and the 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, tax payments and pension and post-retirement benefit plan contributions. The Company's cash contributions to its pension and post-retirement benefit plans in the first nine months of 2011 were \$28.7 million. The Company expects cash contributions to its pension and post-retirement benefit plans to be approximately \$30 million for full year 2011. The Company expects to pay cash taxes of approximately \$20 million for full year 2011. The Company's purchases of permanent wall displays and capital expenditures in the first nine months of 2011 were \$28.2 million and \$9.6 million, respectively. The Company expects purchases of permanent wall displays and capital expenditures for full year 2011 to be approximately \$40 million and \$20 million, respectively, inclusive of amounts expended in the first nine months of 2011.

The Company has undertaken, and continues to assess, refine and implement, a number of improvements to efficiently manage its cash and working capital, including, among other things, programs intended to optimize

**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)**

inventory levels over time; centralized procurement to secure discounts and efficiencies; prudent management of accounts receivable and accounts payable; and controls on general and administrative spending. In the ordinary course of business, the Company's source or use of cash from operating activities may vary on a quarterly basis as a result of a number of factors, including the timing of working capital flows.

Continuing to execute the Company's business strategy could include taking advantage of additional opportunities to reposition, repackage or reformulate one or more brands or product lines, launching additional new products, acquiring businesses or brands, 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 may also, from time to time, seek to retire or purchase its 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.

The Company expects that operating revenues, cash on hand and funds available for borrowing under the 2011 Revolving Credit Facility and other permitted lines of credit will be sufficient to enable the Company to cover its operating expenses for 2011, 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, severance not otherwise included in the Company's restructuring programs, debt service payments and costs, debt repurchases, tax payments and pension and post-retirement plan contributions.

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 exchange rates and/or currency controls; decreased sales of the Company's products as a result of increased competitive activities by the Company's competitors; changes in consumer purchasing habits, including with respect to shopping channels; retailer inventory management, retailer space reconfigurations or reductions in retailer display space; changes in retailer pricing or promotional strategies; 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 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.

Any such developments, if significant, could reduce the Company's revenues and could adversely affect Products Corporation's ability to comply with certain financial covenants under the 2011 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 **Revlon, Inc.'s 2010 Form 10-K**, as **supplemented in Item 1A. of this Form 10-Q**, for further discussion of certain risks associated with the Company's business and indebtedness.)

**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)

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;

implementing new or revising existing restructuring programs;

refinancing Products Corporation's indebtedness;

selling assets or operations;

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 Revlon, Inc.'s 2010 Form 10-K, as supplemented in Item 1A. of this Form 10-Q, for further discussion of certain risks associated with the Company's business and indebtedness.)**

Revlon, Inc. expects that the payment of the quarterly dividends on its Preferred Stock will be funded by cash interest payments to be received by Revlon, Inc. from Products Corporation on the Contributed Loan (the \$48.6 million portion of the Senior Subordinated Term Loan that was contributed to Revlon, Inc. by MacAndrews & Forbes), subject to Revlon, Inc. having sufficient surplus or net profits in accordance with Delaware law. Additionally, Revlon, Inc. expects to pay the liquidation preference of the Preferred Stock on October 8, 2013 with the cash

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

payment to be received by Revlon, Inc. from Products Corporation in respect of the maturity of the principal amount outstanding under the Contributed Loan, subject to Revlon, Inc. having sufficient surplus in accordance with Delaware law. The payment of such interest and principal under the Contributed Loan to Revlon, Inc. by Products Corporation is permissible under the 2011 Term Loan Agreement, 2011 Revolving Credit Agreement, the Senior Subordinated Term Loan Agreement and the 9<sup>3/4</sup>% Senior Secured Notes Indenture.

In accordance with the terms of the certificate of designation of the Preferred Stock, on July 8, 2011, Revlon, Inc. paid to holders of record of the Preferred Stock at the close of business on June 28, 2011 the Regular Dividend in the amount of \$0.165614 per share for the period from April 8, 2011 through July 8, 2011. In addition, on October 10, 2011, Revlon, Inc. paid to holders of record of the Preferred Stock at the close of business on September 30, 2011 the Regular Dividend in the amount of \$0.171074 per share for the period from July 8, 2011 through October 10, 2011.

**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)

Products Corporation enters into foreign currency forward exchange contracts and option contracts from time to time to hedge certain net cash flows denominated in currencies other than the local currencies of the Company's foreign and domestic operations. The 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. At September 30, 2011, the notional amount and fair value of FX Contracts outstanding was \$53.9 million and \$1.3 million, respectively.

**Disclosures about Contractual Obligations and Commercial Commitments**

As of September 30, 2011, there were no material changes to the Company's total contractual cash obligations, as set forth in the contractual obligations and commercial commitments table included in Revlon, Inc.'s 2010 Form 10-K, other than those entered into in connection with consummating the 2011 Refinancings.

The following reflects the impact of the 2011 Refinancings on the Company's long-term debt obligations:

Contractual Obligations As of September 30, 2011	Payments Due by Period (dollars in millions)				
	Total	2011 Q4	2012-2013	2014-2015	After 2015
Long-term debt, including current portion	\$ 1,128.0	\$ 2.0	\$ 16.0	\$ 346.0	\$ 764.0
Interest on long-term debt <sup>(a)</sup>	373.6	25.9	140.2	138.5	69.0

<sup>(a)</sup> Consists of interest on the \$330.0 million in aggregate principal amount of the 9<sup>3</sup>/<sub>4</sub>% Senior Secured Notes and on the \$798.0 million in aggregate principal amount outstanding under the 2011 Term Loan Facility through the respective maturity dates based upon assumptions regarding the amount of debt outstanding under the 2011 Term Loan Agreement and interest rates on the Company's debt instruments as of September 30, 2011.

**Off-Balance Sheet Transactions**

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

**Discussion of Critical Accounting Policies**

For a discussion of the Company's critical accounting policies, see Revlon, Inc.'s 2010 Form 10-K.

**Effect of Recent Accounting Pronouncements**

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



**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 Company from time to time makes use of derivative financial instruments to adjust its fixed and floating rate ratio. The Company does not hold or issue financial instruments for trading purposes. The qualitative and quantitative information presented in Item 7A of Revlon, Inc.'s 2010 Form 10-K (Item 7A) describes significant aspects of the Company's financial instrument programs that have material market risk as of December 31, 2010. The following table presents the information required by Item 7A as of September 30, 2011:

Debt	Expected Maturity Date for the year ended						Total	Fair Value September 30, 2011
	2011	December 31, (dollars in millions, except for rate information)				Thereafter		
		2012	2013	2014	2015			
Short-term variable rate (various currencies)	\$ 9.2						\$ 9.2	\$ 9.2
Average interest rate <sup>(a)</sup>	6.1%							
Short term variable rate third party (\$US)								
Average interest rate								
Long-term fixed rate third party (\$US)			\$ 48.6 <sup>(b)</sup>		\$ 330.0		378.6	392.2
Average interest rate			12.75%		9.75%			
Long-term fixed rate affiliates (\$US)				\$ 58.4 <sup>(c)</sup>			58.4	55.6
Average interest rate				12.0%				
Long-term variable rate third party (\$US)	2.0	\$ 8.0	8.0	8.0	8.0	\$ 764.0	798.0	768.1
Average interest rate <sup>(a)(d)</sup>	4.8%	4.8%	4.8%	4.8%	4.9%	5.3%		
<b>Total debt</b>	<b>\$ 11.2</b>	<b>\$ 8.0</b>	<b>\$ 56.6</b>	<b>\$ 66.4</b>	<b>\$ 338.0</b>	<b>\$ 764.0</b>	<b>\$ 1,244.2</b>	<b>\$ 1,225.1</b>

(a) Weighted average variable rates are based upon implied forward rates from the U.S. Dollar LIBOR yield curves at September 30, 2011.

(b) Represents the \$48.6 million to be paid by Revlon, Inc. at maturity for the Preferred Stock issued in the voluntary exchange offer consummated in October 2009 (i.e., the earlier of (i) October 8, 2013 and (ii) the consummation of certain change of control transactions), subject to Revlon, Inc. having sufficient surplus in accordance with Delaware law to effect such payments. Annual cash dividends of 12.75% on the Preferred Stock are payable quarterly over the four-year term of the Preferred Stock, subject to Revlon, Inc. having sufficient surplus or net profits in accordance with Delaware law to effect such payments.

(c) Represents the \$58.4 million aggregate principal amount outstanding of the Non-Contributed Loan (the \$58.4 million portion of the Senior Subordinated Term Loan that remains owing from Products Corporation to MacAndrews & Forbes) as of September 30, 2011 which loan matures on October 8, 2014 and bears interest at an annual rate of 12%, which is payable in arrears in cash on January 8, April 8, July 8 and October 8 of each year.

(d)

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

The 2011 Term Loan Facility bears interest at the Eurodollar Rate (as defined in the 2011 Term Loan Agreement) plus 3.50% annum (with the Eurodollar Rate not to be less than 1.25%).

**Table of Contents****REVLON, INC. AND SUBSIDIARIES**

	Average Contractual Rate \$/FC	Original US Dollar Notional Amount	Contract Value September 30, 2011	Fair Value September 30, 2011
<b>Forward Contracts</b>				
Sell Canadian Dollars/Buy USD	0.9833	\$ 17.0	\$ 17.6	\$ 0.6
Sell Australian Dollars/Buy USD	0.9765	14.3	14.7	0.4
Sell British Pounds/Buy USD	1.5707	7.1	7.2	0.1
Sell South African Rand/Buy USD	0.1303	6.2	6.6	0.4
Buy Australian Dollars/Sell New Zealand Dollars	1.3064	5.3	5.1	(0.2)
Sell New Zealand Dollars/Buy USD	0.7578	0.3	0.3	
Sell Hong Kong Dollars/Buy USD	0.1281	0.5	0.5	
Buy Japanese Yen/Sell USD	0.0131	2.0	2.0	
Buy Canadian Dollars/Sell Australian Dollars	1.0387	1.2	1.2	
Total forward contracts		\$ 53.9	\$ 55.2	\$ 1.3

**Item 4. Controls and Procedures**

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

**(b) Changes in Internal Control Over Financial Reporting.** There have not been any changes in the Company's internal control over financial reporting during the third quarter of 2011 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

**Forward-Looking Statements**

This Quarterly Report on Form 10-Q for the three and nine months ended September 30, 2011, as well as other public documents and statements of the Company, contain forward-looking statements that involve risks and uncertainties, which are based on the beliefs, expectations, estimates, projections, assumptions, forecasts, plans, anticipations, targets, outlooks, initiatives, visions, objectives, strategies, opportunities, drivers, focus and intents of the Company's management. While the Company believes that its estimates and assumptions are reasonable, the Company cautions that it is very difficult to predict the impact of known factors, and, of course, it is impossible for the Company to anticipate all factors that could affect its results. The Company's actual results may differ materially from those discussed in such forward-looking statements. Such statements include, without limitation, the Company's expectations and estimates (whether qualitative or quantitative) as to:

- (i) the Company's future financial performance;
- (ii) the effect on sales of decreased consumer spending in response to weak economic conditions or weakness in the cosmetics category in the mass retail channel; adverse changes in currency exchange rates and/or currency controls; decreased sales of the Company's products as a result of increased competitive activities by the Company's competitors, changes in consumer purchasing habits, including with respect to shopping channels; retailer inventory management; retailer space reconfigurations or reductions

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

in retailer display space; changes in retailer pricing or promotional strategies; 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

---

**Table of Contents**

**REVLON, INC. AND SUBSIDIARIES**

limitation, for pension expense 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;

- (iii) the Company's belief that the continued execution of its business strategy could include taking advantage of additional opportunities to reposition, repackage or reformulate one or more brands or product lines, launching additional new products, acquiring businesses or brands, further refining its approach to retail merchandising and/or taking further actions to optimize its manufacturing, sourcing and organizational size and structure, any of which, 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;
- (iv) the Company's expectations regarding its strategic goal to profitably grow its business and as to the business strategies employed to achieve this goal, which are: (a) continuing to build its strong brands by focusing on innovative, high-quality, consumer-preferred brand offering; effective consumer brand communication; appropriate levels of advertising and promotion; and superb execution with its retail partners; (b) continuing to develop its organizational capability through attracting, retaining and rewarding highly capable people and through performance management, development planning, succession planning and training; (c) continuing to drive common global processes which are designed to provide the most efficient and effective allocation of its resources; (d) continuing to focus on increasing its operating profit and cash flow; and (e) continuing to improve its capital structure by focusing on strengthening its balance sheet and reducing debt;
- (v) restructuring activities, restructuring costs and charges, the timing of restructuring payments and the benefits from such activities;
- (vi) the Company's expectation that operating revenues, cash on hand and funds available for borrowing under Products Corporation's 2011 Revolving Credit Facility and other permitted lines of credit will be sufficient to enable the Company to cover its operating expenses for 2011, including the cash requirements referred to in item (viii) below;
- (vii) the Company's expected principal sources of funds, including operating revenues, cash on hand and funds available for borrowing under Products Corporation's 2011 Revolving Credit Facility and other permitted lines of credit, as well as the availability of funds from 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; implementing new or revising existing restructuring programs; refinancing Products Corporation's indebtedness; selling assets or operations; capital contributions and/or loans from MacAndrews & Forbes, the Company's other affiliates; and/or third parties and/or the sale of additional equity securities of Revlon, Inc. or additional debt securities of Revlon, Inc. or Products Corporation;
- (viii) the Company's expected principal uses of funds, including amounts required for the payment of operating expenses, including expenses in connection with the continued execution of the Company's business strategy, payments in connection with the Company's purchases of permanent wall displays, capital expenditure requirements, restructuring programs, severance not otherwise included in the Company's restructuring programs, debt service payments and costs, debt repurchases (including, without limitation, that the Company may also, from time to time, seek to retire or purchase its 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), tax payments and pension and post-retirement benefit plan contributions, and its estimates of the amount and timing of its operating expenses, restructuring costs and payments, severance costs and payments, debt service payments (including payments required under Products Corporation's debt instruments), debt repurchases, cash contributions to the Company's pension



---

**Table of Contents**

**REVLON, INC. AND SUBSIDIARIES**

plans and its other post-retirement benefit plans in 2011, net periodic benefit costs for the pension and other post-retirement benefit plans, cash tax payments, purchases of permanent wall displays and capital expenditures;

- (ix) matters concerning the Company's market-risk sensitive instruments, as well as the Company's expectations as to the counterparty's performance, including that any loss arising from the non-performance by the counterparty would not be material;
- (x) the Company's plan to efficiently manage its cash and working capital, including, among other things, programs intended to optimize inventory levels over time; centralized procurement to secure discounts and efficiencies; prudent management of accounts receivable and accounts payable; controls on general and administrative spending; and the Company's belief that in the ordinary course of business, its source or use of cash from operating activities may vary on a quarterly basis as a result of factors, including the timing of working capital flows;
- (xi) the Company's expectations regarding its future pension expense and cash contributions under its benefit plans;
- (xii) the Company's expectation that the payment of the quarterly dividends on the Preferred Stock will be funded by cash interest payments to be received by Revlon, Inc. from Products Corporation on the Contributed Loan (the \$48.6 million portion of the Senior Subordinated Term Loan that was contributed to Revlon, Inc. by MacAndrews & Forbes), subject to Revlon, Inc. having sufficient surplus or net profits in accordance with Delaware law, and its expectation of paying the liquidation preference of the Preferred Stock on October 8, 2013 with the cash payment to be received by Revlon, Inc. from Products Corporation in respect of the maturity of the principal amount outstanding under the Contributed Loan, subject to Revlon, Inc. having sufficient surplus in accordance with Delaware law;
- (xiii) the Company's expectations as to the future impact of the further devaluation of Venezuelan Bolivars, including, without limitation, that given that the Company has immaterial transactions for essential goods, the Company's expectations that it will not have a material impact on the Company's results of operations or financial condition;
- (xiv) the Company's plans to evaluate options to minimize the extent and duration of the disruption to Revlon Venezuela's business as a result of the fire at its Venezuela facility and its estimate of the lost sales to be between \$15 million and \$20 million for 2011; and the Company's belief that it maintains comprehensive property insurance, as well as business interruption insurance;
- (xv) the Company's plans to continue to assess the potential impact of the March 2011 disaster in Japan and its aftermath on its global supply chain and its operations in Japan;
- (xvi) the Company's expectation and belief that (a) the reduction of the Company's valuation allowance on its net U.S. deferred tax assets will not affect the Company's cash taxes paid in 2011 and thereafter until the Company has fully used its U.S. tax loss carryforwards, (b) its tax provision and effective tax rate in any individual quarter will vary and may not be indicative of the Company's tax provision and effective tax rate for the full year, and (c) if the Company's continued improved earnings trends in certain markets outside the U.S. and its tax position continue, and based upon current expectations for future taxable income, it is possible that the Company will realize the benefits of all or a significant portion of its net deferred tax assets in these markets in the near term, perhaps as early as the fourth quarter of 2011 and that the Company would realize this non-cash benefit through a reduction in its deferred tax valuation allowance, which would primarily be reflected in the tax provision and would benefit net income in the period of the reduction and that if such a reduction were to occur, the Company's expectation that, beginning with the first quarter after the reduction, the tax provision would reflect a higher effective tax rate, however, any such increase in the

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

effective tax rate generally would not affect the Company's cash taxes paid until after the applicable tax loss carryforwards were fully utilized;

**Table of Contents**

**REVLON, INC. AND SUBSIDIARIES**

(xvii) the Company's belief that while the outcome of all pending legal proceedings in the aggregate is unlikely to have a material adverse effect on the Company's business, financial condition and/or its results of operations, in light of the uncertainties involved in legal proceedings generally, the ultimate outcome of a particular matter could be material to the Company's operating results for a particular period depending on, among other things, the size of the loss or the nature of the liability imposed and the level of the Company's income for that particular period; and

(xviii) the Company's belief that the allegations contained in the amended Sullivan complaint, the amended complaint in the Consolidated Action, the amended Garofalo complaint and the Smutek complaint are without merit and intends to vigorously defend against them, that it has substantial factual and legal defenses to the claims at issue and that it would prevail at trial.

Statements that are not historical facts, including statements about the Company's beliefs and expectations, are forward-looking statements. Forward-looking statements can be identified by, among other things, the use of forward-looking language such as estimates, objectives, visions, projects, forecasts, focus, drive towards, plans, targets, strategies, opportunities, assumptions, drivers, believes, intends, expects, scheduled to, anticipates, seeks, may, will or should or the negative of those terms, or other variations of those terms or other language, or by discussions of strategies, targets, long-range plans, models or intentions. Forward-looking statements speak only as of the date they are made, and except for the Company's ongoing obligations under the U.S. federal securities laws, the Company undertakes no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

Investors are advised, however, to consult any additional disclosures the Company made or may make in its 2010 Form 10-K, and in its Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, in each case filed with the SEC in 2011 (which, among other places, can be found on the SEC's website at <http://www.sec.gov>, as well as on the Company's corporate website at [www.revloninc.com](http://www.revloninc.com)). Except as expressly set forth in this Form 10-Q, the information available from time to time on such websites shall not be deemed incorporated by reference into this Quarterly Report on Form 10-Q. A number of important factors could cause actual results to differ materially from those contained in any forward-looking statement. **(See also Item 1A. Risk Factors in Revlon, Inc.'s 2010 Form 10-K as supplemented in Item 1A. of this Form 10-Q, for further discussion of risks associated with the Company's business.)** In addition to factors that may be described in the Company's filings with the SEC, including this filing, the following factors, among others, could cause the Company's actual results to differ materially from those expressed in any forward-looking statements made by the Company:

(i) unanticipated circumstances or results affecting the Company's financial performance, including decreased consumer spending in response to weak economic conditions or weakness in the cosmetics category in the mass retail channel; changes in consumer preferences, such as reduced consumer demand for the Company's color cosmetics and other current products, including new product launches; changes in consumer purchasing habits, including with respect to shopping channels; lower than expected retail customer acceptance or consumer acceptance of, or less than anticipated results from, the Company's existing or new products; higher than expected pension expense and/or cash contributions under its benefit plans, advertising, promotional and/or marketing expenses or lower than expected results from the Company's advertising, promotional and/or marketing plans; higher than expected sales returns or decreased sales of the Company's existing or new products; actions by the Company's customers, such as retailer inventory management and greater than anticipated retailer space reconfigurations or reductions in retail space and/or product discontinuances or a greater than expected impact from retailer pricing or promotional strategies; and changes in the competitive environment and actions by the Company's competitors, including business combinations, technological breakthroughs, new products offerings, increased advertising, promotional and marketing spending and advertising, promotional and/or marketing successes by competitors, including increases in share in the mass retail channel;

**Table of Contents**

**REVLON, INC. AND SUBSIDIARIES**

- (ii) in addition to the items discussed in (i) above, the effects of and changes in economic conditions (such as continued volatility in the financial markets, inflation, monetary conditions and foreign currency fluctuations and currency controls, as well as in trade, monetary, fiscal and tax policies in international markets) and political conditions (such as military actions and terrorist activities);
- (iii) unanticipated costs or difficulties or delays in completing projects associated with the continued execution of the Company's business strategy or lower than expected revenues or the inability to create value through profitable growth as a result of such strategy, including lower than expected sales, or higher than expected costs, including as may arise from any additional repositioning, repackaging or reformulating of one or more brands or product lines, launching of new product lines, including difficulties or delays, or higher than expected expenses, including for sales returns, in launching its new products, acquiring businesses or brands, further refining its approach to retail merchandising, and/or difficulties, delays or increased costs in connection with taking further actions to optimize the Company's manufacturing, sourcing, supply chain or organizational size and structure;
- (iv) difficulties, delays or unanticipated costs in achieving our strategic goal to profitably grow our business and as to the business strategies employed to achieve this goal, such as (a) difficulties, delays or our inability to build our strong brands, such as due to less than effective product development, less than expected acceptance of our new or existing products by consumers and/or retail customers, less than expected acceptance of our advertising, promotional and/or marketing plans by our consumers and/or retail customers, less than expected investment in advertising, promotional and/or marketing activities or greater than expected competitive investment, less than expected acceptance of our brand communication by consumers and/or retail partners, less than expected levels of advertising, promotional and/or marketing activities for our new product launches and/or less than expected levels of execution with our retail partners or higher than expected costs and expenses; (b) difficulties, delays or the inability to develop our organizational capability; (c) difficulties, delays or unanticipated costs in connection with our plans to drive our company to act globally, such as due to higher than anticipated levels of investment required to support and build our brands globally or less than anticipated results from our national and multi-national brands; (d) difficulties, delays or unanticipated costs in connection with our plans to improve our operating profit and cash flow, such as difficulties, delays or the inability to take actions intended to improve results in sales returns, cost of goods sold, general and administrative expenses, working capital management and/or sales growth; and/or (e) difficulties, delays or unanticipated costs in consummating, or our inability to consummate, transactions to improve our capital structure, strengthen our balance sheet and/or reduce debt, including higher than expected costs (including interest rates);
- (v) difficulties, delays or unanticipated costs or less than expected savings and other benefits resulting from the Company's restructuring activities;
- (vi) lower than expected operating revenues, cash on hand and/or funds available under the 2011 Revolving Credit Facility and/or other permitted lines of credit or higher than anticipated operating expenses, such as referred to in clause (viii) below;
- (vii) the unavailability of funds under Products Corporation's 2011 Revolving Credit Facility or other permitted lines of credit, or from 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; implementing new or revising existing restructuring programs; refinancing indebtedness; selling assets or operations; or from capital contributions and/or loans from MacAndrews & Forbes, the Company's other affiliates and/or third parties; and/or the sale of additional equity of Revlon, Inc. or debt securities of Revlon, Inc. or Products Corporation;

---

**Table of Contents**

**REVLON, INC. AND SUBSIDIARIES**

- (viii) higher than expected operating expenses, sales returns, working capital expenses, permanent wall display costs, capital expenditures, restructuring costs, severance not otherwise included in the Company's restructuring programs, debt service payments, debt repurchases, tax payments, cash pension plan contributions, post-retirement benefit plan contributions and/or net periodic benefit costs for the pension and other post-retirement benefit plans;
  - (ix) interest rate or foreign exchange rate changes affecting the Company and its market-risk sensitive financial instruments and/or difficulties, delays or the inability of the counterparty to perform such transactions;
  - (x) difficulties, delays or the inability of the Company to efficiently manage its cash and working capital;
  - (xi) lower than expected returns on pension plan assets and/or lower discount rates, which could result in higher than expected cash contributions and/or pension expense;
  - (xii) difficulties, delays or the inability of the Company to pay the quarterly dividends or the liquidation preference on the Preferred Stock, such as due to the unavailability of funds from Products Corporation related to its payments to Revlon, Inc. under the Contributed Loan or the unavailability of sufficient surplus or net profits to make such dividend payments in accordance with Delaware law or the unavailability of sufficient surplus to make such liquidation preference payments in accordance with Delaware law;
  - (xiii) unexpected consequences related to the future impact of the further devaluation of Bolivars;
  - (xiv) difficulties, delays, unanticipated costs or our inability to minimize the extent and/or the duration of the disruption to the Company's Venezuela business as a result of the fire, less than expected insurance proceeds related to the fire at Revlon Venezuela's facility, and/or greater than expected lost net sales and/or profits lost as a result of the business interruption;
  - (xv) difficulties, delays, unanticipated costs or our inability to mitigate the impact of the March 2011 disaster in Japan and its aftermath on its global supply chain and its operations in Japan;
  - (xvi) unexpected significant variances in the Company's cash taxes paid, tax provision and effective tax rate and/or changes in the Company's earnings trends, tax position or future taxable income that may impact the amount or timing of the Company's realization of the benefits of the net deferred tax assets in certain markets outside of the U.S.;
  - (xvii) unexpected effects on the Company's business, financial condition and/or its results of operations as a result of legal proceedings; and
  - (xviii) unanticipated consequences arising from the amended Sullivan complaint, the amended complaint in the Consolidated Action, the amended Garofalo complaint and/or the Smutek complaint and/or unexpected adverse developments at trial.
- Factors other than those listed above could also cause the Company's results to differ materially from expected results. This discussion is provided as permitted by the Private Securities Litigation Reform Act of 1995.

**Website Availability of Reports and Other Corporate Governance Information**

The Company maintains a comprehensive corporate governance program, including Corporate Governance Guidelines for Revlon, Inc.'s Board of Directors, Revlon, Inc.'s Board Guidelines for Assessing Director Independence and charters for Revlon, Inc.'s Audit Committee, Nominating and Corporate Governance Committee and Compensation Committee. Revlon, Inc. maintains a corporate investor relations website, [www.revloninc.com](http://www.revloninc.com), where stockholders and other interested persons may review, without charge, among other things, Revlon, Inc.'s corporate governance materials and certain SEC filings (such as Revlon, Inc.'s annual

**Table of Contents**

**REVLON, INC. AND SUBSIDIARIES**

reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements, annual reports, Section 16 reports reflecting certain changes in the stock ownership of Revlon, Inc.'s directors and Section 16 officers, and certain other documents filed with the SEC), each of which are generally available on the same business day as the filing date with the SEC on the SEC's website <http://www.sec.gov>, as well as on the Company's corporate website <http://www.revloninc.com>. In addition, under the section of the website entitled, "Corporate Governance," Revlon, Inc. posts printable copies of the latest versions of its Corporate Governance Guidelines, Board Guidelines for Assessing Director Independence, charters for Revlon, Inc.'s Audit Committee, Nominating and Corporate Governance Committee and Compensation Committee, as well as Revlon, Inc.'s Code of Business Conduct, which includes Revlon, Inc.'s Code of Ethics for Senior Financial Officers, and the Audit Committee Pre-Approval Policy. The business and financial materials and any other statement or disclosure on, or made available through, the websites referenced herein shall not be deemed incorporated by reference into this report.

---

**Table of Contents**

**REVLON, INC. AND SUBSIDIARIES**

**PART II OTHER INFORMATION**

**Item 1. Legal Proceedings**

The Company is involved in various routine legal proceedings incident to the ordinary course of its business. The Company believes that the outcome of all pending legal proceedings in the aggregate is unlikely to have a material adverse effect on the Company's business, financial condition and/or its results of operations. However, in light of the uncertainties involved in legal proceedings generally, the ultimate outcome of a particular matter could be material to the Company's operating results for a particular period depending on, among other things, the size of the loss or the nature of the liability imposed and the level of the Company's income for that particular period.

As previously announced, on October 8, 2009, the Company consummated its voluntary exchange offer in which, among other things, Revlon, Inc. issued to stockholders who elected to exchange shares (other than MacAndrews & Forbes) 9,336,905 shares of its Preferred Stock in exchange for the same number of shares of Revlon, Inc. Class A Common Stock tendered in the Exchange Offer (the Exchange Offer). On April 24, 2009, May 1, 2009, May 5, 2009 and May 12, 2009, respectively, four purported class actions were filed by each of Vern Mercier, Arthur Jurkowitz, Suri Lefkowitz and T. Walter Heiser in the Court of Chancery of the State of Delaware (the Chancery Court). On May 4, 2009, a purported class action was filed by Stanley E. Sullivan in the Supreme Court of New York, New York County. Each such lawsuit was brought against Revlon, Inc., Revlon, Inc.'s then directors and MacAndrews & Forbes, and challenged a merger proposal made by MacAndrews & Forbes on April 13, 2009, which would have resulted in MacAndrews & Forbes and certain of its affiliates owning 100% of Revlon, Inc.'s outstanding Common Stock (in lieu of consummating such merger proposal, the Company consummated the aforementioned Exchange Offer). Each action sought, among other things, to enjoin the proposed merger transaction. On June 24, 2009, the Chancery Court consolidated the four Delaware actions (the Initial Consolidated Action), and appointed lead counsel for plaintiffs. As announced on August 10, 2009, an agreement in principle was reached to settle the Initial Consolidated Action, as set forth in a Memorandum of Understanding (as amended in September 2009, the Settlement Agreement).

On December 24, 2009, an amended complaint was filed in the Sullivan action alleging, among other things, that defendants should have disclosed in the Company's Offer to Exchange for the Exchange Offer information regarding the Company's financial results for the fiscal quarter ended September 30, 2009. On January 6, 2010, an amended complaint was filed by plaintiffs in the Initial Consolidated Action making allegations similar to those in the amended Sullivan complaint. Revlon initially believed that by filing the amended complaint, plaintiffs in the Initial Consolidated Action had formally repudiated the Settlement Agreement, and on January 8, 2010, defendants filed a motion to enforce the Settlement Agreement.

In addition to the amended complaints in the Initial Consolidated Action and the Sullivan action, on December 21, 2009, Revlon, Inc.'s current directors, a former director and MacAndrews & Forbes were named as defendants in a purported class action filed in the Chancery Court by Edward Gutman. Also on December 21, 2009, a second purported class action was filed in the Chancery Court against Revlon, Inc.'s current directors and a former director by Lawrence Corneck. The Gutman and Corneck actions make allegations similar to those in the amended complaints in the Sullivan action and the Initial Consolidated Action. On January 15, 2010, the Chancery Court consolidated the Gutman and Corneck actions with the Initial Consolidated Action (the Initial Consolidated Action, as consolidated with the Gutman and Corneck actions, is hereafter referred to as the Consolidated Action). A briefing schedule was then set to determine the leadership structure for plaintiffs in the Consolidated Action.

On March 16, 2010, after hearing oral argument on the leadership issue, the Chancery Court changed the leadership structure for plaintiffs in the Consolidated Action. Thereafter, newly appointed counsel for the plaintiffs in the Consolidated Action and the defendants agreed that the defendants would withdraw their motion

---

## **Table of Contents**

to enforce the Settlement Agreement and that merits discovery would proceed. Defendants agreed not to withdraw any of the concessions that had been provided to the plaintiffs as part of the Settlement Agreement.

On May 25, 2010, plaintiffs' counsel in the Consolidated Action filed an amended complaint alleging breaches of fiduciary duties arising out of the Exchange Offer and that defendants should have disclosed in the Company's Offer to Exchange information regarding the Company's financial results for the fiscal quarter ended September 30, 2009. Merits discovery is proceeding in the Consolidated Action.

On December 31, 2009, a purported class action was filed in the U.S. District Court for the District of Delaware by John Garofalo against Revlon, Inc., Revlon, Inc.'s current directors, a former director and MacAndrews & Forbes alleging federal and state law claims stemming from the alleged failure to disclose in the Offer to Exchange certain information relating to the Company's financial results for the fiscal quarter ended September 30, 2009. On July 29, 2011, the plaintiff in this action filed an amended complaint. Otherwise, defendants and plaintiff have agreed to stay proceedings in this action, including any response to the amended complaint, until January 31, 2012, to permit plaintiff to participate in the merits discovery in the Consolidated Action. A similar agreement has been reached with the plaintiff in the Sullivan action to stay that action until January 31, 2012.

On May 11, 2010, a purported derivative action was filed in the U.S. District Court for the District of Delaware by Richard Smutek, derivatively and on behalf of Revlon, Inc. against Revlon, Inc.'s current directors and MacAndrews & Forbes alleging breach of fiduciary duty in allowing the Exchange Offer to proceed and failing to disclose in the Offer to Exchange certain information related to the Company's financial results for the fiscal quarter ended September 30, 2009. On August 16, 2010, defendants moved to dismiss the complaint. Briefing on defendants' motions to dismiss was completed on December 10, 2010. Thereafter, the parties requested oral argument on the motions to dismiss. The motions to dismiss are currently pending. On September 27, 2010, plaintiff filed a motion to compel discovery. In response, defendants moved to strike plaintiff's motion to compel discovery or, in the alternative, for an extension of time for defendants to respond to plaintiff's motion. On October 17, 2011, the U.S. District Court for the District of Delaware denied plaintiff's motion to compel and granted defendants' motion to strike.

Plaintiffs in each of these actions are seeking, among other things, an award of damages and the costs and disbursements of such actions, including a reasonable allowance for the fees and expenses of each such plaintiff's attorneys and experts. Because the Smutek action is styled as a derivative action on behalf of the Company, any award of damages, costs and disbursements would be made to and for the benefit of the Company.

The Company believes the allegations contained in the amended Sullivan complaint, the amended complaint in the Consolidated Action, the amended Garofalo complaint and the Smutek complaint are without merit and intends to vigorously defend against them. The Company believes it has substantial factual and legal defenses to the claims at issue and believes that it would prevail at trial. However, in an effort to mitigate the utilization of time and resources on these matters, the Company has had discussions regarding settlement of these matters. Based on the current state of discussions, it appears that the likelihood of a settlement is remote at this time.

### **Item 1A. Risk Factors**

In addition to the other information set forth in this report, when evaluating the Company's business, investors should carefully consider the risk factors discussed in Part I, Item 1A. Risk Factors in Revlon, Inc.'s 2010 Form 10-K.

### **The March 2011 disaster in Japan and its aftermath could impact our global supply chain from Japan and our operations within Japan, which could adversely affect the Company's business, financial condition and/or results of operations.**

We are continuing to assess the potential impact of these events on our global supply chain and our operations in Japan. We purchase materials from suppliers in Japan and from other suppliers who source

**Table of Contents**

materials from suppliers in Japan. Any significant interruption in the supply of materials from Japan could adversely affect our global supply chain and our ability to produce certain products, most of which are sold globally.

**Item 5. Exhibits**

\*31.1 Certification of Alan T. Ennis, Chief Executive Officer, dated October 28, 2011, pursuant to Rule 13a-14(a)/15d-14(a) of the Exchange Act.

\*31.2 Certification of Steven Berns, Chief Financial Officer, dated October 28, 2011, pursuant to Rule 13a-14(a)/15d-14(a) of the Exchange Act.

32.1 Certification of Alan T. Ennis, Chief Executive Officer, dated October 28, 2011, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(furnished

herewith)

32.2 Certification of Steven Berns, Chief Financial Officer, dated October 28, 2011, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(furnished

herewith)

\* Filed herewith.

**Table of Contents**

**REVLON, INC. AND SUBSIDIARIES**

**SIGNATURES**

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

Dated: October 28, 2011

**REVLON, INC.**

Registrant

By: /s/ Steven Berns  
Steven Berns  
Executive Vice President and  
Chief Financial Officer

By: /s/ Gina M. Mastantuono  
Gina M. Mastantuono  
Senior Vice President,  
Corporate Controller and  
Chief Accounting Officer