REVLON INC /DE/
Form 10-Q
July 31, 2012
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2012

OR

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

For the transition period from ________________ to __________________

Commission File Number: 1-11178

REVLON, INC.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**13-3662955** (I.R.S. Employer Identification No.)
237 Park Avenue, New York, New York (Address of principal executive offices)	**10017** (Zip Code)

212-527-4000

(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x 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 x 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 x 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 x

As of June 30, 2012, 49,224,583 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

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)

	June 30, 2012 (Unaudited)	December 31, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	$ 79.8	$ 101.7
Trade receivables, less allowance for doubtful accounts of $3.9 and $3.2 as of June 30, 2012 and December 31, 2011, respectively	204.5	212.0
Inventories	133.3	111.0
Deferred income taxes current	50.0	49.8
Prepaid expenses and other	66.5	44.2
Total current assets	534.1	518.7
Property, plant and equipment, net	98.5	98.9
Deferred income taxes noncurrent	219.2	232.1
Goodwill, net	194.6	194.7
Other assets	127.5	112.7
Total assets	$ 1,173.9	$ 1,157.1
LIABILITIES AND STOCKHOLDERS DEFICIENCY		
Current liabilities:		
Short-term borrowings	$ 8.5	$ 5.9
Current portion of long-term debt	11.4	8.0
Accounts payable	95.5	89.8
Accrued expenses and other	240.9	231.7
Total current liabilities	356.3	335.4
Long-term debt	1,158.9	1,107.0
Long-term debt affiliates	-	58.4
Redeemable preferred stock	48.5	48.4
Long-term pension and other post-retirement plan liabilities	224.6	245.5
Other long-term liabilities	51.2	55.3
Commitments and contingencies		
Stockholders deficiency:		
Class A Common Stock, par value $0.01 per share; 900,000,000 shares authorized; 49,986,651 shares issued as of June 30, 2012 and December 31, 2011	0.5	0.5
Class B Common Stock, par value $0.01 per share; 200,000,000 shares authorized; 3,125,000 shares issued and outstanding as of June 30, 2012 and December 31, 2011	-	-
Additional paid-in capital	1,015.0	1,014.1

Treasury stock, at cost: 750,900 and 671,271 shares of Class A Common Stock as of June 30, 2012 and December 31, 2011, respectively	(9.7)	(8.6)
Accumulated deficit	(1,478.4)	(1,498.0)
Accumulated other comprehensive loss	(193.0)	(200.9)
Total stockholders deficiency	(665.6)	(692.9)
Total liabilities and stockholders deficiency	$ 1,173.9	$ 1,157.1

See Accompanying Notes to Unaudited Consolidated Financial Statements

Table of Contents

REVLON, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

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

	Three Months Ended June 30, 2012	Three Months Ended June 30, 2011	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
Net sales	$ 357.1	$ 351.2	$ 687.8	$ 684.4
Cost of sales	124.4	121.9	240.1	235.2
Gross profit	232.7	229.3	447.7	449.2
Selling, general and administrative expenses	189.9	181.5	360.6	356.7
Operating income	42.8	47.8	87.1	92.5
Other expenses, net:				
Interest expense	19.6	21.7	39.6	44.3
Interest expense preferred stock dividends	1.6	1.6	3.2	3.2
Amortization of debt issuance costs	1.3	1.4	2.6	2.8
Loss on early extinguishment of debt, net	-	11.3	-	11.3
Foreign currency losses, net	0.4	3.0	2.1	3.3
Miscellaneous, net	0.1	0.3	0.3	1.0
Other expenses, net	23.0	39.3	47.8	65.9
Income from continuing operations before income taxes	19.8	8.5	39.3	26.6
Provision for income taxes	9.1	2.6	20.1	10.3
Income from continuing operations, net of taxes	10.7	5.9	19.2	16.3
Income from discontinued operations, net of taxes	0.4	0.6	0.4	0.6
Net income	$ 11.1	$ 6.5	$ 19.6	$ 16.9
Other comprehensive income:				
Currency translation adjustment, net of tax of $2.1 and nil for the three months ended June 30, 2012 and 2011, respectively, and $1.4 and nil for the six months ended June 30, 2012 and 2011, respectively	1.0	1.1	2.2	0.2
Amortization of pension related costs, net of tax benefit of $0.2 and $0.5 for the three months ended June 30, 2012 and 2011, respectively, and $0.5 and $1.0 for the six months ended June 30, 2012 and 2011, respectively	1.9	0.9	5.7	1.8
Other comprehensive income	2.9	2.0	7.9	2.0
Total comprehensive income	$ 14.0	$ 8.5	$ 27.5	$ 18.9

Basic income per common share:

Continuing operations	0.20	0.11	0.36	0.31
Discontinued operations	0.01	0.01	0.01	0.01
Net income	$ 0.21	$ 0.12	$ 0.37	$ 0.32
Diluted income per common share:				
Continuing operations	0.20	0.11	0.36	0.31
Discontinued operations	0.01	0.01	0.01	0.01
Net income	$ 0.21	$ 0.12	$ 0.37	$ 0.32
Weighted average number of common shares outstanding:				
Basic	52,349,583	52,175,628	52,340,463	52,164,735
Diluted	52,357,163	52,330,097	52,357,004	52,306,335

See Accompanying Notes to Unaudited Consolidated Financial Statements

Table of Contents

REVLON, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENT OF STOCKHOLDERS DEFICIENCY

(dollars in millions)

	Common Stock	Additional Paid-In-Capital	Treasury Stock	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders Deficiency
Balance, January 1, 2012	$ 0.5	$ 1,014.1	$ (8.6)	$ (1,498.0)	$ (200.9)	$ (692.9)
Treasury stock acquired, at cost[a]			(1.1)			(1.1)
Stock-based compensation amortization		0.3				0.3
Excess tax benefits from stock-based compensation		0.6				0.6
Net income				19.6		19.6
Other comprehensive income[b]					7.9	7.9
Balance, June 30, 2012	$ 0.5	$ 1,015.0	$ (9.7)	$ (1,478.4)	$ (193.0)	$ (665.6)

[a] Pursuant to the share withholding provisions of the Third Amended and Restated Revlon, Inc. Stock Plan (the Stock Plan), certain employees, in lieu of paying withholding taxes on the vesting of certain restricted stock, authorized the withholding of an aggregate of 79,629 shares of Revlon, Inc. Class A Common Stock during the first six months of 2012 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 $14.19, 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 $1.1 million.

[b] See Note 7, Accumulated Other Comprehensive Loss, in this Form 10-Q regarding the changes in the accumulated balances for each component of accumulated other comprehensive income during the first six months of 2012.

See Accompanying Notes to Unaudited Consolidated Financial Statements

Table of Contents

REVLON, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

(dollars in millions)

	Six Months Ended June 30, 2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 19.6	$ 16.9
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Income from discontinued operations, net of taxes	(0.4)	(0.6)
Depreciation and amortization	31.3	30.2
Amortization of debt discount	1.0	1.5
Stock compensation amortization	0.3	1.3
Provision for deferred income taxes	15.2	3.6
Loss on early extinguishment of debt, net	-	11.3
Amortization of debt issuance costs	2.6	2.8
Loss on sale of certain assets	0.1	-
Pension and other post-retirement expense	2.8	2.6
Change in assets and liabilities:		
Decrease in trade receivables	6.9	15.4
Increase in inventories	(22.8)	(22.4)
Increase in prepaid expenses and other current assets	(23.3)	(4.7)
(Decrease) increase in accounts payable	(4.5)	15.2
Increase (decrease) in accrued expenses and other current liabilities	11.6	(27.8)
Pension and other post-retirement plan contributions	(19.4)	(15.0)
Purchases of permanent displays	(24.3)	(23.6)
Other, net	(18.4)	(3.4)
Net cash (used in) provided by operating activities	(21.7)	3.3
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(8.9)	(5.9)
Acquisition	-	(39.0)
Proceeds from the sale of certain assets	0.1	0.1
Net cash used in investing activities	(8.8)	(44.8)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase in short-term borrowings and overdraft	12.8	3.6
Borrowings under the 2011 Revolving Credit Facility	-	10.0
Repayments under the 2010 Term Loan Facility	-	(794.0)
Borrowings under the 2011 Term Loan Facility	-	796.0
Repayments under the 2011 Term Loan Facility	(4.0)	-
Payment of financing costs	(0.1)	(3.9)
Other financing activities	(0.2)	(0.7)
Net cash provided by financing activities	8.5	11.0
Effect of exchange rate changes on cash and cash equivalents	0.1	(1.3)

Net decrease in cash and cash equivalents		(21.9)		(31.8)
Cash and cash equivalents at beginning of period		101.7		76.7
Cash and cash equivalents at end of period	$	79.8	$	44.9
Supplemental schedule of cash flow information:				
Cash paid during the period for:				
Interest	$	45.8	$	54.0
Preferred stock dividends		3.1		3.1
Income taxes, net of refunds		10.9		12.3
Supplemental schedule of non-cash investing and financing activities:				
Treasury stock received to satisfy minimum tax withholding liabilities	$	1.1	$	1.3

See Accompanying Notes to Unaudited Consolidated Financial Statements

5

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, trade support costs, 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, 2011, filed with the Securities and Exchange Commission (the SEC) on February 16, 2012 (the 2011 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. For the years ended December 31, 2011 and 2010, the Company s subsidiary in Venezuela (Revlon Venezuela) had net sales of approximately 2% and 3%, respectively, of the Company s consolidated net sales. At December 31, 2011 and 2010, total assets of Revlon Venezuela were approximately 2% and 3%, respectively, of the Company s total assets. Prior to the fire, approximately 50% of Revlon Venezuela s net sales were comprised of products imported from the Company s Oxford, North Carolina facility and approximately 50% were comprised of products locally manufactured at the Revlon Venezuela facility. 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 primarily comprised of products imported from the Company s Oxford, North Carolina facility. In the first quarter of 2012, Revlon Venezuela also began importing certain products from third party manufacturers outside of Venezuela, which were locally manufactured at the Revlon Venezuela facility prior to the fire.

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 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.

For the second quarter and first six months of 2012, the Company incurred business interruption losses of nil and $1.1 million, respectively, related to the fire. The business interruption losses incurred through June 30, 2012 include estimated profits lost as a result of the interruption of Revlon Venezuela s business and costs incurred directly related to the fire. The business interruption losses incurred through June 30, 2012 are not indicative of future business interruption losses for insurance purposes or future expected profits for Revlon Venezuela. In the second quarter of 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.

During the first quarter of 2012, the Company received an interim advance of $3.0 million from its insurance carrier in connection with the fire, for total cumulative receipts of $22.7 million received through June 30, 2012. During the first six months of 2012, the Company recognized $1.1 million of income from insurance recoveries, which entirely offset the business interruption losses noted above. During the second quarter of 2011, the Company recognized $4.9 million of income from insurance recoveries, which entirely offset the impairment loss noted above. The income from insurance recoveries is included within selling, general and administrative expenses in the Company s Statements of Income and Comprehensive Income for the six months ended June 30, 2012 and the three and six months ended June 30, 2011. The Company recorded deferred income related to the insurance proceeds received, but not yet recognized, of $7.0 million and $5.1 million as of June 30, 2012 and December 31, 2011, respectively, which is included in accrued expenses and other in the Company s Consolidated Balance Sheets.

An assessment of the extent of damage resulting from the fire and the impact on Revlon Venezuela s business is ongoing, and therefore the final amount and timing of the ultimate insurance recovery is currently unknown.

Recently Adopted 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 ASC 820 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. The Company adopted ASU No. 2011-04 beginning January 1, 2012 and such adoption did not have a material impact on the Company s results of operations, financial condition or disclosures.

In June 2011, the FASB issued ASU No. 2011-05, Presentation of Comprehensive Income . ASU No. 2011-05 eliminates the 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. In addition, in December 2011, the FASB issued ASU No. 2011-12, Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05. ASU No. 2011-12 defers the requirement to present components of reclassifications of comprehensive income by income statement line item on the statement of comprehensive income, with all other requirements of ASU No. 2011-05 unaffected. The Company adopted ASU No. 2011-05 and ASU No. 2011-12 beginning January 1, 2012 and has elected to present items of net income and other comprehensive income in one continuous statement.

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 second quarter of 2012 and 2011 are as follows:

	Pension Plans Three Months Ended June 30,		Other Post-retirement Benefit Plans Three Months Ended June 30,	
	2012	2011	2012	2011
Net periodic benefit costs:				
Service cost	$ 0.4	$ 0.3	$ -	$ -
Interest cost	7.5	8.1	0.2	0.2
Expected return on plan assets	(8.8)	(8.8)	-	-
Amortization of actuarial loss	2.1	1.4	-	0.1
	1.2	1.0	0.2	0.3
Portion allocated to Revlon Holdings LLC	(0.1)	-	-	-
	$ 1.1	$ 1.0	$ 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 six months of 2012 and 2011 are as follows:

	Pension Plans Six Months Ended June 30,		Other Post-retirement Benefit Plans Six Months Ended June 30,	
	2012	2011	2012	2011
Net periodic benefit costs:				
Service cost	$ 0.8	$ 0.6	$ -	$ -
Interest cost	15.0	16.2	0.4	0.4
Expected return on plan assets	(17.6)	(17.5)	-	-
Amortization of actuarial loss	4.1	2.7	0.1	0.2
	2.3	2.0	0.5	0.6
Portion allocated to Revlon Holdings LLC	(0.1)	-	-	-
	$ 2.2	$ 2.0	$ 0.5	$ 0.6

In the three and six months ended June 30, 2012, compared to the three and six months ended June 30, 2011, the Company recognized slightly higher net periodic benefit costs primarily due to the decrease in the weighted-average discount rate, partially offset by the increase in the fair value of pension plan assets at December 31, 2011. 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 2012, comparable to the $5 million cost in 2011.

During the second quarter of 2012, $13.0 million and $0.2 million were contributed to the Company s pension plans and other post-retirement benefit plans, respectively. During the first six months of 2012, $19.0 million and $0.4 million were contributed to the Company s pension plans and other post-retirement benefit plans, respectively. The Company currently expects to contribute approximately $35 million in the aggregate to its pension plans and other post-retirement benefit plans for all of 2012.

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 2011 Form 10-K.

Table of Contents

REVLON, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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

3. INVENTORIES

	June 30, 2012	December 31, 2011
Raw materials and supplies	$ 46.8	$ 37.9
Work-in-process	9.6	8.1
Finished goods	76.9	65.0
	$ 133.3	$ 111.0

4. ACCRUED EXPENSES AND OTHER

	June 30, 2012	December 31, 2011
Sales returns and allowances	$ 76.3	$ 85.4
Advertising and promotional costs	43.7	32.2
Compensation and related benefits	42.5	52.0
Interest	9.4	16.5
Taxes	14.9	15.6
Other	54.1	30.0
	$ 240.9	$ 231.7

5. LONG-TERM DEBT AND REDEEMABLE PREFERRED STOCK

	June 30, 2012	December 31, 2011
2011 Term Loan Facility due 2017, net of discounts [a]	$ 784.2	$ 787.6
2011 Revolving Credit Facility due 2016 [a]	-	-
9 $^{3}/_{4}$% Senior Secured Notes due 2015, net of discounts [b]	327.7	327.4
Amended and Restated Senior Subordinated Term Loan due 2014 [c]	58.4	-
Senior Subordinated Term Loan due 2014 [c]	-	58.4
	1,170.3	1,173.4
Less current portion	(11.4)	(8.0)
	1,158.9	1,165.4

Redeemable Preferred Stock [d]	48.5	48.4
	$ 1,207.4	$ 1,213.8

[a] During the second quarter of 2011, Products Corporation consummated the refinancing of (i) its 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) and (ii) its revolving credit facility, which was scheduled to mature on March 11, 2014 and had nil outstanding borrowings at December 31, 2010, 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). See Note 9, Long-Term Debt and Redeemable Preferred Stock, to the Consolidated Financial Statements in Revlon, Inc. s 2011 Form 10-K for certain details regarding Products Corporation s 2011 Credit Agreements.

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)

(b) See Note 9, Long-Term Debt and Redeemable Preferred Stock, to the Consolidated Financial Statements in Revlon, Inc. s 2011 Form 10-K for certain details regarding Products Corporation s 9$^3/_4$% Senior Secured Notes which mature on November 15, 2015 (the 9$^3/_4$% Senior Secured Notes).

(c) On April 30, 2012, MacAndrews & Forbes exercised its right to assign its interest in the Non-Contributed Loan (as hereinafter defined) to various third parties. In connection with such assignment, Products Corporation entered into an Amended and Restated Senior Subordinated Term Loan Agreement with MacAndrews & Forbes, to: (1) modify the interest rate on the Non-Contributed Loan from its prior 12% fixed rate to a floating rate of LIBOR plus 7%, with a 1.5% LIBOR floor, resulting in an interest rate of approximately 8.5% per annum (or a 3.5% reduction) upon the effectiveness of the Amended and Restated Senior Subordinated Term Loan Agreement; (2) insert certain prepayment premiums; and (3) designate Citibank, N.A. as the administrative agent for the Non-Contributed Loan. Refer to Recent Debt Transactions below for further discussion.

(d) See Note 9, Long-Term Debt and Redeemable Preferred Stock, to the Consolidated Financial Statements in Revlon, Inc. s 2011 Form 10-K for certain details regarding Revlon, Inc. s redeemable Preferred Stock (as hereinafter defined).

Recent Debt Transactions

Products Corporation is party to the Senior Subordinated Term Loan Agreement, consisting of (i) the $58.4 million principal amount of the $107.0 million aggregate principal amount of the Senior Subordinated Term Loan (the Non-Contributed Loan) which, at December 31, 2011, remained owing from Products Corporation to MacAndrews & Forbes, and which matures on October 8, 2014, and (ii) the $48.6 million of the $107.0 million aggregate principal amount of the Senior Subordinated Term Loan that MacAndrews & Forbes contributed to Revlon, Inc. in connection with the October 2009 consummation of Revlon, Inc. s exchange offer (the Contributed Loan), which remains due from Products Corporation to Revlon, Inc. and which matures on October 8, 2013.

On April 30, 2012, MacAndrews & Forbes exercised its right to assign its interest in the Non-Contributed Loan. In connection with such assignment, Products Corporation entered into an Amended and Restated Senior Subordinated Term Loan Agreement with MacAndrews & Forbes (the Amended and Restated Senior Subordinated Term Loan Agreement), and a related Administrative Letter was entered into with Citibank, N.A. and MacAndrews & Forbes, to among other things:

modify the interest rate on the Non-Contributed Loan from its prior 12% fixed rate to a floating rate of LIBOR plus 7%, with a 1.5% LIBOR floor, resulting in an interest rate of approximately 8.5% per annum (or a 3.5% reduction) upon the effectiveness of the Amended and Restated Senior Subordinated Term Loan Agreement. Interest under the Amended and Restated Senior Subordinated Term Loan Agreement is payable quarterly in arrears in cash;

insert prepayment premiums such that Products Corporation may optionally prepay the Non-Contributed Loan (i) through October 31, 2013 with a prepayment premium based on a formula designed to provide the assignees of the Non-Contributed Loan with the present value, using a discount rate of 75 basis points over U.S. Treasuries, of the principal, premium and interest that would have accrued on the Non-Contributed Loan from any such prepayment date through October 31, 2013 (provided that, pursuant to the loan s terms (both before and after giving effect to these amendments), no portion of the principal amount of the Non-Contributed Loan may be repaid prior to its October 8, 2014 maturity date unless and until all shares of Revlon, Inc. s Series A Preferred Stock have been or are being concurrently redeemed and all payments due thereon are paid in full or are concurrently being paid in full), (ii) from November 1, 2013 through April 30, 2014 with a 2% prepayment premium on the aggregate principal amount of the Non-Contributed Loan being prepaid, and (iii) from May 1, 2014 through maturity on October 8, 2014 with no prepayment premium;

and

designate Citibank, N.A. as the administrative agent for the Non-Contributed Loan.

10

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)

Concurrently with the effectiveness of the Amended and Restated Senior Subordinated Term Loan Agreement, MacAndrews & Forbes assigned its entire interest in the Non-Contributed Loan to several third parties.

Covenants

Products Corporation was in compliance with all applicable covenants under the 2011 Term Loan Agreement and 2011 Revolving Credit Agreement as of June 30, 2012. At June 30, 2012, the aggregate principal amount outstanding under the 2011 Term Loan Facility was $792.0 million and availability under the $140.0 million 2011 Revolving Credit Facility, based upon the calculated borrowing base less $10.3 million of outstanding undrawn letters of credit and nil then drawn on the 2011 Revolving Credit Facility, was $125.5 million. (See also Note 15, Subsequent Events).

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 six months ended June 30, 2012 and 2011, 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 be anti-dilutive, as in each case their exercise price was in excess of the NYSE closing price of the Class A Common Stock at all times during these periods.

For the three months ended June 30, 2012 and 2011, 3,588 and 123,605 weighted average 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 six months ended June 30, 2012 and 2011, 6,740 and 152,902 weighted average 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 and six months ended June 30, 2012 and 2011 are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Numerator:				
Income from continuing operations	$ 10.7	$ 5.9	$ 19.2	$ 16.3
Income from discontinued operations	0.4	0.6	0.4	0.6
Net income	$ 11.1	$ 6.5	$ 19.6	$ 16.9
Denominator:				
Weighted average common shares outstanding				
Basic	52,349,583	52,175,628	52,340,463	52,164,735
Effect of dilutive restricted stock	7,580	154,469	16,541	141,600

Weighted average common shares outstanding				
Diluted	52,357,163	52,330,097	52,357,004	52,306,335

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)

Basic earnings per share:								
Continuing operations	$	0.20	$	0.11	$	0.36	$	0.31
Discontinued operations		0.01		0.01		0.01		0.01
Net income	$	0.21	$	0.12	$	0.37	$	0.32
Diluted earnings per share:								
Continuing operations	$	0.20	$	0.11	$	0.36	$	0.31
Discontinued operations		0.01		0.01		0.01		0.01
Net income	$	0.21	$	0.12	$	0.37	$	0.32

7. ACCUMULATED OTHER COMPREHENSIVE LOSS

The components of accumulated other comprehensive loss as of June 30, 2012 are as follows:

	Foreign Currency Translation	Actuarial (Loss) Gain on Post-retirement Benefits	Prior Service Cost on Post-retirement Benefits	Accumulated Other Comprehensive Loss
Balance January 1, 2012	$ 24.8	$ (225.6)	$ (0.1)	$ (200.9)
Currency translation adjustment, net of tax of $1.4	2.2	-	-	2.2
Amortization of pension related costs, net of tax benefit of $0.5[(a)]	-	5.7	-	5.7
Other comprehensive income	2.2	5.7	-	7.9
Balance June 30, 2012	$ 27.0	$ (219.9)	$ (0.1)	$ (193.0)

(a) The amounts represent the change in accumulated other comprehensive loss as a result of the amortization of actuarial losses during the first six months of 2012 related to the Company s pension and other post-retirement benefit plans. Also included in this amount is a $2.0 million reclassification adjustment recorded in the first quarter of 2012 related to deferred taxes on the amortization of actuarial losses.

8. GEOGRAPHIC, FINANCIAL AND OTHER INFORMATION

The Company manages its business on the basis of one reportable operating segment. As of June 30, 2012, 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.

	Three Months Ended June 30,				Six Months Ended June 30,			
	2012		2011		2012		2011	
Geographic area:								
Net sales:								
United States	$ 203.9	*57%*	$ 194.9	*55%*	$ 388.6	*56%*	$ 381.1	*56%*
Outside of the United States	153.2	*43%*	156.3	*45%*	299.2	*44%*	303.3	*44%*
	$ 357.1		$ 351.2		$ 687.8		$ 684.4	

Table of Contents

REVLON, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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

	June 30, 2012		December 31, 2011	
Long-lived assets, net:				
United States	$ 371.0	*88%*	$ 357.8	*88%*
Outside of the United States	49.6	*12%*	48.5	*12%*
	$ 420.6		$ 406.3	

	Three Months Ended June 30,		Six Months Ended June 30,
	2012	2011	2012