

REVLON INC /DE/
Form 10-K
March 12, 2015

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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2014

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

For the transition period from _____ to _____

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

Delaware
(State or other jurisdiction of incorporation or organization)

13-3662955
(I.R.S. Employer Identification No.)

One New York Plaza, New York, New York
(Address of principal executive offices)

10004
(Zip Code)

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

Securities registered pursuant to Section 12(b) or 12(g) of the Act:

Title of each class	Name of each exchange on which registered
Class A Common Stock	New York Stock Exchange

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes No

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Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes No

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

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

The aggregate market value of the registrant's Class A Common Stock held by non-affiliates (using the New York Stock Exchange closing price as of June 30, 2014, the last business day of the registrant's most recently completed second fiscal quarter) was approximately \$356,458,319.

As of December 31, 2014, 52,374,470 shares of Class A Common Stock were outstanding. At such date, 40,669,640 shares of Class A Common Stock were beneficially owned by MacAndrews & Forbes Incorporated and certain of its affiliates.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of Revlon, Inc.'s definitive Proxy Statement to be delivered to shareholders in connection with its Annual Meeting of Stockholders to be held on or about June 4, 2015 are incorporated by reference into Part III of this Form 10-K.

REVLON, INC. AND SUBSIDIARIES

Form 10-K

For the Year Ended December 31, 2014

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PART I

Item 1. Business

Background

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 Incorporated (together with certain of its affiliates other than the Company, "MacAndrews & Forbes"), a corporation wholly-owned by Ronald O. Perelman.

The Company was founded over 80 years ago by Charles Revson, who revolutionized the cosmetics industry by introducing nail enamels matched to lipsticks in fashion colors. Today, the Company continues Revson's legacy by producing and marketing innovative products that address consumers' wants and needs for beauty and personal care products.

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

The Company's Consumer segment is comprised of products that are manufactured, marketed and sold primarily within the mass retail channel in the U.S. and internationally, as well as certain department stores and other specialty stores outside the U.S., under brands such as Revlon, Almay, SinfulColors and Pure Ice in cosmetics; Revlon ColorSilk in women's hair color; Revlon in beauty tools; and Mitchum in anti-perspirant deodorants.

The Company's Professional segment manufactures, markets and sells professional products primarily to hair and nail salons and distributors in the U.S. and internationally under brands such as Revlon Professional in hair color, hair care and hair treatments; CND in nail polishes and enhancements, including CND Shellac and CND Vinylux nail polishes; and American Crew in men's grooming products. The Professional segment also includes Creme of Nature in multi-cultural hair care, which is sold in both the professional channel and in the mass retail channel, primarily in the U.S.

The Company's Business Strategy

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

The Company's strategic goal is to optimize the market and financial performance of its portfolio of brands and assets.

The business strategies employed by the Company to achieve this goal are:

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

2. Grow profitability through intensive innovation and geographical expansion. Creating fewer, bigger and better innovations across our brands that are relevant, unique, impactful, distinctive and ownable. We are also focused on pursuing organic growth opportunities within our existing brand portfolio and existing channels, and pursuing opportunities to expand our geographical presence.

3. Improve cash flow. Improving our cash flows through, among other things, continued effective management of our working capital and by focusing on appropriate return on capital spending.

4. People. Attracting, developing and supporting employees who fit into our innovative culture and inspire the creative drive that represents the foundation of our vision and execution of our strategy.

Recent Transactions

Integration Program

On October 9, 2013 (the "Acquisition Date"), Products Corporation acquired The Colomer Group Participations, S.L. ("Colomer" and the "Colomer Acquisition"), a Spanish company, for a cash purchase price of \$664.5 million. The Colomer Acquisition has provided the Company with broad brand, geographic and channel diversification as well as distribution into new channels and cost synergies and comprises the entirety of the Company's Professional segment. In addition, the Colomer Acquisition has provided opportunities to achieve additional growth by leveraging the combined Company's enhanced innovation capability

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and know-how and improve its anticipation of consumer trends in hair color and hair care, nail color and nail care, and skin care as these trends typically appear first in salons. The Company accounted for the Colomer Acquisition as a business combination in the fourth quarter of 2013 and Colomer's results of operations have been included in the Company's Consolidated Financial Statements since the date of acquisition.

The Company's integration initiatives in connection with the Colomer Acquisition have included actions to integrate Colomer's operations into the Company's business, as well as additional restructuring actions to reduce costs across the Company's businesses (all such actions, together the "Integration Program"). The Integration Program is designed to deliver cost reductions throughout the combined organization by generating synergies and operating efficiencies within the Company's global supply chain, consolidating offices and back office support, as well as actions designed to reduce selling, general and administrative expenses. Certain actions that are part of the Integration Program are subject to consultations with employees, works councils or unions and governmental authorities. The Company plans to substantially complete the Integration Program by the end of 2015.

The Company expects to recognize total restructuring charges, capital expenditures and related non-restructuring costs under the Integration Program of approximately \$50 million in the aggregate through 2015, and to achieve annualized cost reductions of approximately \$30 million to \$35 million by the end of 2015. Through 2014, the Company recognized \$20.1 million in restructuring and related costs in connection with the Integration Program, while approximately \$17.0 million of realized cost reductions benefited the Company's 2014 results. For further discussion of the Colomer Acquisition and the Integration Program, see Note 2, "Business Combination" and Note 3, "Restructuring Charges - Integration Program" to the Consolidated Financial Statements in this Form 10-K.

Debt Transactions

During the year ended December 31, 2014, the Company completed the following debt transactions:

February 2014 Term Loan Amendment: In February 2014, Products Corporation entered into an amendment (the "February 2014 Term Loan Amendment") to its amended term loan agreement, which is comprised of (i) the \$675.0 million term loan due November 19, 2017 (the "2011 Term Loan") and (ii) the \$700.0 million term loan due October 8, 2019 (the "Acquisition Term Loan"), which has \$693.0 million in aggregate principal balance outstanding as of December 31, 2014 (together, the "Amended Term Loan Agreement"). The February 2014 Term Loan Amendment reduced the interest rates applicable to Eurodollar Loans under the 2011 Term Loan to the Eurodollar Rate plus 2.5% per annum, with the Eurodollar Rate not to be less than 0.75% (as compared to 3.0% and 1.0%, respectively, prior to the February 2014 Term Loan Amendment) and the interest rates applicable to Alternate Base Rate Loans under the 2011 Term Loan to the Alternate Base Rate plus 1.5%, with the Alternate Base Rate not to be less than 1.75% (as compared to 2.0% in each case prior to the February 2014 Term Loan Amendment).

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

See Part II, Item 7 - "Management's Discussion and Analysis of Financial Condition and Results of Operations - Financial Condition, Liquidity and Capital Resources – Long-Term Debt Instruments" for further discussion of the above debt transactions.

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Products

Revlon, Inc. conducts business exclusively through Products Corporation. The Company manufactures and markets a variety of products worldwide. The following table sets forth the Company's principal brands included in its Consumer and Professional segments by product category:

Segment	COSMETICS	HAIR	MEN'S GROOMING	BEAUTY TOOLS	FRAGRANCE	ANTI-PERSPIRANT DEODORANTS	SKINCARE / BODYCARE
Consumer	Revlon	Revlon ColorSilk		Revlon	Charlie	Mitchum	Gatineau
	Almay	Llongueras*			Jean Naté		Natural Honey
	SinfulColors						
	Pure Ice						
Professional	CND	Revlon Professional	American Crew				
		Intercosmo	d:fi				
		Orofluido					
		UniqOne					
		Creme of Nature					

*Licensed from a third party

Consumer Segment:

The Company's Consumer segment includes cosmetics, hair color and hair care, beauty tools, anti-perspirant deodorants, fragrances and skincare products sold in approximately 150 countries in the mass retail channel in the U.S. and internationally, as well as in certain department stores and other specialty stores outside the U.S.

Cosmetics - The Company manufactures and markets a broad range of cosmetics, including face, lip, eye and nail products. Certain of the Company's products incorporate patented, patent-pending or proprietary technology. See "New Product Development and Research and Development."

Revlon: The Company sells a broad range of cosmetics under its flagship brand designed to fulfill consumer wants and needs, principally priced in the upper range of the mass retail channel. The Revlon brand is comprised of face makeup, including foundation, powder, blush and concealers; lip makeup, including lipstick, lip gloss and lip liner; eye makeup, including mascaras, eyeliners, eye shadows and brow products; and nail color and nail care lines. Revlon products include innovative formulas and attractive colors that appeal to wide range of consumers. Key franchises within the Revlon brand include:

Revlon ColorStay offers consumers a full range of products with long-wearing technology;

Revlon PhotoReady products are offered in face and eye and are designed with innovative photochromatic pigments that bend and reflect light to give a flawless, airbrushed appearance in any light;

Revlon Age Defying in face is targeted for women in the over-35 age bracket, incorporating the Company's patented Botafirm ingredients to help reduce the appearance of fine lines and wrinkles;

Revlon Super Lustrous is the Company's flagship wax-based lipcolor, offered in a wide variety of shades of lipstick and lip gloss;

Revlon ColorBurst in lip offers on-trend lip glosses and balms in vibrant colors that address consumers' needs for high-shine lipgloss and softening, smoothing and instantly hydrating balm; and

Revlon Grow Luscious includes both a lengthening and plumping mascara with a lash enhancing formula that improves the lashes' overall appearance and conditions with each use.

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Almay: The Company's Almay brand consists of hypo-allergenic, dermatologist-tested, fragrance-free cosmetics and skincare products. The Almay brand is comprised of face makeup, including foundation, pressed powder, primer and concealer; eye makeup, including eye shadows, mascaras and eyeliners; lip makeup; and makeup removers. Key franchises within the Almay brand include Almay Smart Shade in face; Almay Intense i-Color in eye; and Almay Color + Care in lip.

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SinfulColors and Pure Ice: The Company's SinfulColors and Pure Ice brands consist primarily of value-priced nail enamels, available in many bold, vivid and on-trend colors.

Hair - The Company sells both hair color and hair care products throughout the world in the mass retail channel, primarily under the Company's Revlon ColorSilk franchise, as well as under the premium priced Llongueras brand in Spain. Revlon ColorSilk products provide radiant, long-lasting color that leaves hair nourished, hydrated and ultra-conditioned.

Beauty tools - The Company sells Revlon beauty tools, which include nail, eye and manicure and pedicure grooming tools, eye lash curlers and a full line of makeup brushes under the Revlon brand name.

Fragrances - The Company sells a selection of moderately-priced fragrances, including perfumes, eau de toilettes, colognes and body sprays. The Company's portfolio includes fragrances under globally-recognized brand names such as Charlie and Jean Naté.

Anti-perspirant deodorants - The Company sells Mitchum anti-perspirant deodorant products for men and women, with patented ingredients which provide consumers with up to 48 hours of protection.

Skincare - The Company sells skincare products in the U.S. and in global markets under various regional brands, including the Company's Natural Honey, Gatineau and Ultima II brands.

Professional Segment:

The Company's Professional segment includes a comprehensive line of products sold in the professional channel, including hair color, shampoos, conditioners, styling products, nail polishes and nail enhancements. The Professional segment also includes a multi-cultural line sold in both professional and mass retail channels.

Professional brands -

Revlon Professional: The Company's Revlon Professional brand includes hair color, hair care and hair treatment products, which are distributed exclusively in the professional channel to salons, salon professionals and salon distributors and sold in more than 60 countries. Revlon Professional is synonymous with innovation, fashion and technology to service the most creative salon professionals and their clients. Revlon Professional salon products include Revlonissimo NMT, Nutri Color Creme, Sensor Perm and Revlon Professional Equave.

American Crew and d:fi: The Company sells men's shampoos, conditioners, gels and other hair care and grooming products for use and sale by professional salons under the American Crew brand name. American Crew is the "Official Supplier to Men" of quality grooming products that provide the ultimate usage experience and enhance a man's personal image. American Crew is the leading salon brand created specifically for men and is sold in more than 30 countries. The Company also sells men's hair products under the d:fi brand, which is a value-priced full line of cleansing, conditioning and styling products.

CND: The Company sells nail enhancement systems and nail color and treatment products and services for use by the professional salon industry under the CND brand name. CND is the global leader in professional nail, hand and foot care products, and CND-branded products are sold in more than 75 countries. CND nail products include:

CND Shellac, the original Power Polish that requires UV curing, delivers more than 14 days of flawless wear, superior color and mirror shine with zero dry-time and no nail damage. CND Shellac is a true innovation of chip-free, extended-wear nail color; and

CND Vinylux, a breakthrough polish system that uses a patent-pending technology to provide an enduring, long-lasting polish that lasts a week. While ordinary polishes become brittle and deteriorate over time, CND Vinylux dries with exposure to natural light to a flawless finish and strengthens its resistance to chips over time.

The Company also sells professional hair products under brand names such as Orofluido, UniqOne and Intercosmo.

Multi-cultural hair - The Company sells multi-cultural hair-care products in the mass retail channel and professional channel primarily in the U.S. under the Creme of Nature brand.

Marketing

Consumer Segment: Within the Consumer segment, the Company markets extensive consumer product lines covering a broad range of price points within the mass retail channel in the U.S. and internationally and certain other channels

outside of the U.S.

The Company uses print, television and outdoor advertising, digital marketing and public relations, as well as point-of-sale merchandising, including displays and samples, coupons and other trial incentives. The Company's marketing is designed to emphasize a uniform global image for its portfolio of core brands. The Company coordinates advertising campaigns with in-store

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promotional and other marketing activities. The Company develops jointly with retailers customized, tailored point-of-purchase and other focused marketing programs.

The Company also uses cooperative advertising programs, Company-paid or Company-subsidized demonstrators, and coordinated in-store promotions and displays. Other marketing materials designed to introduce the Company's newest products to consumers and encourage trial and purchase in-store include trial-size products and couponing.

Professional Segment: In the Professional segment, the Company markets products through educational seminars on such products' application methods and consumer benefits, and through trade professional advertising, digital marketing, displays and samples to communicate to professionals and consumers the quality and performance characteristics of such products. Additionally, in countries where the Professional segment has operations, the direct sales force provides customers with point of sale communication and merchandising.

The Company believes that its presence in the professional channel will provide benefits to its consumer products business as it will enable the Company to improve its anticipation of consumer trends in hair color and hair care, nail color and nail care, and skin care, as these trends often appear first in salons. The Professional business also provides the Company with broader geographic coverage and channel diversification beyond the mass retail channel.

Additionally, the Company maintains separate websites, www.revlon.com, www.almay.com, www.revloncolorsilk.com, www.revlonprofessional.com, www.americancrew.com, www.cnd.com and www.mitchum.com, devoted to the Revlon, Almay, Revlon ColorSilk, Revlon Professional, American Crew, CND and Mitchum brands, respectively. Each of these websites feature product and promotional information for the brands and are updated regularly to stay current with the Company's new product launches and other advertising and promotional campaigns.

Research and Development

The Company believes that it is an industry leader in the development of innovative and technologically-advanced cosmetics and beauty products. The Company's marketing and research and development groups identify consumer needs and shifts in consumer preferences in order to develop new products, introduce line extensions and promotions and redesign or reformulate existing products to satisfy consumers' needs and preferences. The Company's research and development group is comprised of departments specialized in the technologies critical to the Company's various product lines. The Company has a rigorous process for the continuous development and evaluation of new product concepts, led by executives in marketing, sales, research and development, and including input from operations, law and finance. This process has created a comprehensive, long-term portfolio strategy that is intended to optimize the Company's ability to regularly bring to market innovative new product offerings and to effectively manage the Company's product portfolio.

The Company operates an extensive research and development facility in Edison, New Jersey for products within its Consumer segment. The Company has research facilities for its products within the Professional segment in the U.S. (in California and Florida), Spain and Mexico. The scientists at these various facilities are responsible for all of the Company's new product research and development worldwide and performing research for new products, ideas, concepts and packaging. The Company's package development and engineering function is also part of the greater research and development organization and fosters a strong synergy of package and formula development which is integral to a product's success. The research and development group performs extensive safety and quality testing on the Company's products, including toxicology, microbiology, efficacy and package testing. Additionally, quality control testing is performed at each of the Company's manufacturing facilities.

As of December 31, 2014, the Company employed approximately 200 people in its research and development activities, including specialists in pharmacology, toxicology, chemistry, microbiology, engineering, biology, dermatology and quality control. In 2014, 2013 and 2012, the Company spent \$31.6 million, \$26.9 million and \$24.2 million, respectively, on research and development activities.

Manufacturing and Related Operations and Raw Materials

During 2014, the Company's products were produced at the Company's facilities in the U.S. (North Carolina and Florida), South Africa, Spain, Italy and Mexico, and at third-party facilities around the world.

The Company continually reviews its manufacturing needs against its manufacturing capacities to identify opportunities to reduce costs and to operate more efficiently. The Company purchases raw materials and components throughout the world, and continuously pursues reductions in cost of goods through the global sourcing of raw materials and components from qualified vendors, utilizing its purchasing capacity to maximize cost savings. The Company's global sourcing strategy for materials and components from accredited vendors is also designed to ensure the highest quality and the continuity of supply of the raw materials and components. The Company believes that alternate sources of raw materials and components exist and does not anticipate any significant shortages of, or difficulty in obtaining, such materials. (See Item 1A. "Risk Factors - The Company depends on its Oxford, North Carolina facility for production of a substantial portion of its products within the Consumer segment. Disruptions at this facility, and/or at other Company or third party facilities at which the Company's products are manufactured for both its

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Consumer and Professional segments, could have a material adverse effect on the Company's business, financial condition and/or results of operations.”)

Distribution

The Company's products are sold in approximately 150 countries across six continents. The Company utilizes a dedicated sales force in those countries where the Company maintains operations, and also utilizes sales representatives and independent distributors to serve certain territories, and related distribution channels. (See Item 1A. “Risk Factors - The Company may be unable to maintain or increase its sales through the Company's primary distribution channels, which could have a material adverse effect on the Company's business, financial condition and/or results of operations” and "Competition in the cosmetics, hair and beauty care products business could have a material adverse effect on the Company's business, financial condition and/or results of operations.")

United States. Net sales in the U.S. accounted for approximately 53% of the Company's 2014 net sales, which were primarily sold in the mass retail channel. The Company also sells a broad range of beauty products to U.S.

Government military exchanges and commissaries. The Company licenses its trademarks to select manufacturers for complementary beauty-related products and accessories that the Company believes have the potential to extend the Company's brand names and image. As of December 31, 2014, seven (7) of such licenses were in effect relating to fifteen (15) product categories, which are marketed principally in the mass retail channel. Pursuant to such licenses, the Company retains strict control over product design and development, product quality, advertising and the use of its trademarks. These licensing arrangements offer opportunities for the Company to generate revenues and cash flow through royalties and renewal fees, some of which are prepaid from time to time.

In the Consumer segment, the Company's retail merchandisers stock and maintain the Company's point-of-sale wall displays intended to ensure that high-selling SKUs are in stock and to ensure the optimal presentation of the Company's products in retail outlets.

The Company's products within its Professional segment are sold primarily through wholesale beauty supply distributors in the U.S.

Outside of the United States. Net sales outside the U.S. accounted for approximately 47% of the Company's 2014 net sales. The three countries outside the U.S. with the highest net sales were Spain, Canada and the U.K., which together accounted for approximately 15% of the Company's 2014 net sales. The Company distributes its products within its Consumer segment through the mass retail channel, drug stores and chemist shops, hypermarkets, mass volume retailers, general merchandise stores, department stores and specialty stores, such as perfumeries. The Company's products within its Professional segment are sold directly to hair and nail salons by the Company's direct sales force in countries where it has operations and through distributors in other countries outside the U.S. At December 31, 2014, the Company actively sold its products through wholly-owned subsidiaries established in 24 countries outside of the U.S. and through a large number of distributors and licensees elsewhere around the world.

Customers

The Company's principal customers for its Consumer segment include large mass volume retailers and chain drug stores, including such well-known retailers as Walmart, Walgreens, CVS and Target in the U.S., Shoppers DrugMart in Canada, A.S. Watson & Co. retail chains in Asia Pacific and Europe and Boots in the U.K. Walmart and its affiliates worldwide accounted for approximately 16% of the Company's 2014 consolidated net sales. The Company's principal customers for its Professional segment include Beauty Systems Group, Salon Centric and TNG Worldwide, as well as individual hair and nail salons and other distributors. As is customary in the industry, none of the Company's customers is under an obligation to continue purchasing products from the Company in the future. The Company expects that Walmart and a small number of other customers will, in the aggregate, continue to account for a large portion of the Company's net sales. (See Item 1A. “Risk Factors -“Economic conditions could have a material adverse effect on the Company's business, financial condition and/or results of operations or on the financial condition of its customers and suppliers” and “The Company depends on a limited number of customers for a large portion of its net sales and the loss of one or more of these customers could reduce the Company's net sales and have a material adverse

effect on the Company's business, financial condition and/or results of operations.")

Competition

The consumer and professional products businesses are highly competitive. The Company competes primarily by:

- developing quality products with innovative performance features, shades, finishes, components and packaging;
- educating consumers and salon professionals about the benefits of the Company's products;
- anticipating and responding to changing consumer and salon professional demands in a timely manner, including the timing of new product introductions and line extensions;
- offering attractively priced products relative to the product benefits provided;
- maintaining favorable brand recognition;

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generating competitive margins and inventory turns for its customers in both the Consumer and Professional segments by providing relevant products and executing effective pricing, incentive and promotion programs; ensuring product availability through effective planning and replenishment collaboration with retailers and salons; providing strong and effective advertising, marketing, promotion and merchandising support; maintaining an effective sales force and distributor network; and obtaining and retaining sufficient retail floor space, optimal in-store positioning and effective presentation of its products at retail and in salons.

The Company competes in selected product categories against a number of multi-national manufacturers in both the Consumer and Professional segments. In addition to products sold in the mass retail channel, the professional salon channel and demonstrator-assisted channels, the Company's products also compete with similar products sold in prestige and department stores, television shopping, door-to-door, specialty stores, the internet, perfumeries, and other distribution outlets. The Company's competitors include, among others, L'Oréal S.A., The Procter & Gamble Company, Avon Products, Inc., Coty, Inc. and The Estée Lauder Companies Inc. (See Item 1A. "Risk Factors-Competition in the cosmetics, hair and beauty care products business could have a material adverse effect on the Company's business, financial condition and/or results of operations.")

Patents, Trademarks and Proprietary Technology

The Company considers trademark protection to be very important to its business and the Company's trademarks are registered in the U.S. and in approximately 150 other countries. Significant trademarks include Revlon, Revlon ColorStay, Revlon Age Defying makeup with Botafirm, Revlon Age Defying with DNA Advantage, Revlon PhotoReady, Revlon Super Lustrous, Revlon ColorBurst, Almay, Almay Smart Shade, SinfulColors, Pure Ice, Mitchum, Charlie, Jean Naté, Revlon ColorSilk, Revlon Professional, Intercosmo, Orofluido, UniqOne, American Crew, Creme of Nature, CND, CND Shellac, CND Vinylux, Gatineau, Ultima II and Natural Honey. The Company regularly renews its trademark registrations in the ordinary course of business.

The Company utilizes certain proprietary and/or patented technologies in the formulation, packaging or manufacture of a number of the Company's products, including, among others, Revlon ColorStay cosmetics, Revlon PhotoReady makeup, Revlon Age Defying cosmetics, Almay Smart Shade makeup, Almay Intense i-Color eye makeup, Revlon ColorSilk hair color, Mitchum anti-perspirant deodorants, CND Shellac nail color systems and CND Vinylux nail polishes. The Company considers its proprietary technology and patent protection to be important to its business.

The Company files patents in the ordinary course of business on certain of the Company's new technologies. Utility patents in the U.S. are enforceable for at least 20 years and international patents are enforceable for 20 years. The patents that the Company currently has in place expire at various times between 2015 and 2032 and the Company expects to continue to file patent applications on certain of its technologies in the ordinary course of business in the future.

Government Regulation

The Company is subject to regulation by the Federal Trade Commission (the "FTC") and the Food and Drug Administration (the "FDA") in the U.S., as well as various other federal, state, local and foreign regulatory authorities, including those in the European Union (the "EU"), Canada and other countries in which the Company operates. The Company's Oxford, North Carolina and Jacksonville, Florida manufacturing facilities are registered with the FDA as drug manufacturing establishments, permitting the manufacture of cosmetics and other beauty-care products that contain over-the-counter drug ingredients, such as sunscreens and anti-perspirant deodorants in the case of the Oxford, North Carolina facility and anti-dandruff hair-care products in the case of the Jacksonville, Florida facility.

Compliance with federal, state, local and foreign laws and regulations pertaining to the discharge of materials into the environment, or otherwise relating to the protection of the environment, has not had, and is not anticipated to have, a material effect on the Company's capital expenditures, earnings or competitive position. Regulations in the U.S., the EU, Canada and in other countries in which the Company operates that are designed to protect consumers or the environment have an increasing influence on the Company's product claims, ingredients and packaging. (See "Risk

Factors - The Company's products are subject to federal, state and international regulations that could have a material adverse effect on the Company's business, financial condition and/or results of operations.")

Industry Segments, Foreign and Domestic Operations

The Company operates in two operating segments, Consumer and Professional, which also comprise its reportable segments. For certain information regarding the Company's segments and foreign and domestic operations, refer to Note 19, "Segment Data and Related Information," to the Company's Consolidated Financial Statements in this Form 10-K.

Employees

As of December 31, 2014, the Company employed approximately 5,600 people. As of December 31, 2014, approximately 25% of the Company's employees were covered by collective bargaining agreements. The Company believes that its employee relations are satisfactory.

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Available Information

The public may read and copy any materials that the Company files with the SEC, including, without limitation, its Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, at the SEC's Public Reference Room at 100 F Street, NE, Washington, D.C. 20549. Information in the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains an internet site that contains reports, proxy and information statements, and other information regarding issuers that file with the SEC at <http://www.sec.gov>. The Company's Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, proxy statements and amendments to those reports, are also available free of charge on our internet website at <http://www.revloninc.com> as soon as reasonably practicable after such reports are electronically filed with or furnished to the SEC.

Item 1A. Risk Factors

In addition to the other information in this report, investors should consider carefully the following risk factors when evaluating the Company's business.

Revlon, Inc. is a holding company with no business operations of its own and is dependent on its subsidiaries to pay certain expenses and dividends. In addition, shares of the capital stock of Products Corporation, Revlon, Inc.'s wholly-owned operating subsidiary, are pledged by Revlon, Inc. to secure its obligations under the Amended Credit Agreements.

Revlon, Inc. is a holding company with no business operations of its own. Revlon, Inc.'s only material asset is all of the outstanding capital stock of Products Corporation, Revlon, Inc.'s wholly-owned operating subsidiary, through which Revlon, Inc. conducts its business operations. As such, Revlon, Inc.'s net income has historically consisted predominantly of its equity in the net income of Products Corporation, which for 2014, 2013 and 2012 was \$47.3 million, \$1.6 million and \$71.2 million, respectively (which excluded \$9.8 million, \$8.1 million and \$19.3 million, respectively, in expenses primarily related to Revlon, Inc. being a public holding company). Revlon, Inc. is dependent on the earnings and cash flow of, and dividends and distributions from, Products Corporation to pay Revlon, Inc.'s expenses incidental to being a public holding company and to pay any cash dividend or distribution on its Class A Common Stock in each case that may be authorized by Revlon, Inc.'s Board of Directors.

Products Corporation may not generate sufficient cash flow to pay dividends or distribute funds to Revlon, Inc. because, for example, Products Corporation may not generate sufficient cash or net income; state laws may restrict or prohibit Products Corporation from issuing dividends or making distributions unless Products Corporation has sufficient surplus or net profits, which Products Corporation may not have; or because contractual restrictions, including negative covenants contained in Products Corporation's various debt instruments, may prohibit or limit such dividends or distributions.

The terms of Products Corporation's Amended Term Loan Agreement and the terms of its third amended and restated revolving credit agreement (together, the "Amended Credit Agreements"), and the indenture governing Products Corporation's 5¾% Senior Notes (the "5¾% Senior Notes Indenture") generally restrict Products Corporation from paying dividends or advancing or making distributions to Revlon, Inc. except in limited circumstances (including, without limitation, that Products Corporation is permitted to pay dividends and advances and make distributions to Revlon, Inc. to enable Revlon, Inc., among other things, to pay expenses incidental to being a public holding company, including, among other things, professional fees such as legal, accounting and insurance fees, regulatory fees, such as SEC filing fees, NYSE listing fees and other expenses related to being a public holding company and, subject to certain limitations, to pay dividends, if any, on Revlon, Inc.'s outstanding securities or make distributions in certain circumstances to finance the purchase by Revlon, Inc. of its Class A Common Stock in connection with the delivery of such Class A Common Stock to grantees under the Fourth Amended and Restated Revlon, Inc. Stock Plan). This limitation therefore restricts Revlon, Inc.'s ability to pay dividends on its Class A Common Stock.

All of the shares of the capital stock of Products Corporation held by Revlon, Inc. are pledged to secure Revlon, Inc.'s guarantee of Products Corporation's obligations under its Amended Credit Agreements. A foreclosure upon the shares of Products Corporation's common stock would result in Revlon, Inc. no longer holding its only material asset and would have a material adverse effect on the holders of Revlon, Inc.'s Common Stock and would be a change of control under Products Corporation's other debt instruments. (See also "Risk Factors - Shares of Revlon, Inc. Class A Common Stock and Products Corporation's capital stock are pledged to secure various of Revlon, Inc.'s and/or other of the Company's affiliates' obligations and foreclosure upon these shares or dispositions of shares could result in the acceleration of debt under Products Corporation's Amended Credit Agreements and Products Corporation's 5¾% Senior Notes Indenture and could have other consequences.")

Products Corporation's substantial indebtedness, including the additional Acquisition Term Loan which it used as a source of funds to consummate the Colomer Acquisition, could adversely affect the Company's operations and flexibility and Products Corporation's ability to service its debt.

Products Corporation has a substantial amount of outstanding indebtedness. As of December 31, 2014, the Company's total indebtedness was \$1,875.3 million (or \$1,870.5 million net of discounts), primarily including \$693.0 million aggregate principal

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amount outstanding under the Acquisition Term Loan that was executed in 2013 in connection with facilitating the consummation of the Colomer Acquisition, \$675.0 million aggregate principal amount outstanding under the 2011 Term Loan and \$500.0 million in aggregate principal face amount outstanding of Products Corporation's 5¾% Senior Notes. While Revlon, Inc. achieved net income of \$40.9 million for the year ended December 31, 2014, it recorded a net loss of \$5.8 million for the year ended December 31, 2013 and if the Company is unable to maintain sustained profitability and free cash flow in future periods, it could adversely affect the Company's operations and Products Corporation's ability to service its debt and/or comply with the financial and/or operating covenants under its various debt instruments.

The Company is subject to the risks normally associated with substantial indebtedness, including the risk that the Company's operating revenues will be insufficient to meet required payments of principal and interest, and the risk that Products Corporation will be unable to refinance existing indebtedness when it becomes due or, if it is unable to comply with the financial or operating covenants under its debt instruments, to obtain any necessary consents, waivers or amendments or that the terms of any such refinancing and/or consents, waivers or amendments will be less favorable than the current terms of such indebtedness. Products Corporation's substantial indebtedness could also have the effect of:

- limiting the Company's ability to fund (including by obtaining additional financing) the costs and expenses of the execution of the Company's business strategy (including activities related to continuing the integration of the Colomer business into the Company's business), future working capital, capital expenditures, advertising, promotional and/or marketing expenses, new product development costs, purchases and reconfigurations of wall displays, acquisitions, acquisition integration costs, investments, restructuring programs and other general corporate requirements;
- requiring the Company to dedicate a substantial portion of its cash flow from operations to payments on Products Corporation's indebtedness, thereby reducing the availability of the Company's cash flow for the execution of the Company's business strategy and for other general corporate purposes;

- placing the Company at a competitive disadvantage compared to its competitors that have less debt;

- exposing the Company to potential events of default (if not cured or waived) under the financial and operating covenants contained in Products Corporation's debt instruments;

- limiting the Company's flexibility in responding to changes in its business and the industry in which it operates; and

- making the Company more vulnerable in the event of adverse economic conditions or a downturn in its business.

Although agreements governing Products Corporation's indebtedness, including the Amended Credit Agreements and the 5¾% Senior Notes Indenture, limit Products Corporation's ability to borrow additional money, under certain circumstances Products Corporation is allowed to borrow a significant amount of additional money, some of which, in certain circumstances and subject to certain limitations, could be secured indebtedness. To the extent that more debt is added to the Company's current debt levels, the risks described above would increase further.

Products Corporation's ability to pay the principal amount of its indebtedness depends on many factors.

The 2011 Term Loan under the Amended Term Loan Facility, with \$675.0 million aggregate principal amount outstanding, matures in November 2017, and the Acquisition Term Loan under the Amended Term Loan Facility, with \$693.0 million aggregate principal amount outstanding, matures on the sixth anniversary of the closing of the Acquisition Term Loan (or October 8, 2019). The Amended Revolving Credit Facility matures on the earlier of August 14, 2018 and 90 days prior to the earliest maturity date of any term loans then outstanding under the Amended Term Loan Facility, but not earlier than June 16, 2016. The 5¾% Senior Notes mature in February 2021. Products Corporation currently anticipates that, in order to pay the principal amount of its outstanding indebtedness upon the occurrence of any event of default, to repurchase its 5¾% Senior Notes if a change of control occurs, or in the event that Products Corporation's cash flows from operations are insufficient to allow it to pay the principal amount of its indebtedness at maturity, the Company may be required to refinance Products Corporation's indebtedness, seek to sell assets or operations, seek to sell additional Revlon, Inc. equity, seek to sell Revlon, Inc. debt securities or Products Corporation debt securities or seek additional capital contributions or loans from MacAndrews & Forbes or from the

Company's other affiliates and/or third parties. The Company may be unable to take any of these actions, because of a variety of commercial or market factors or constraints in Products Corporation's debt instruments, including, for example, market conditions being unfavorable for an equity or debt issuance, additional capital contributions or loans not being available from affiliates and/or third parties, or that the transactions may not be permitted under the terms of the various debt instruments then in effect, such as due to restrictions on the incurrence of debt, incurrence of liens, asset dispositions and/or related party transactions. Such actions, if ever taken, may not enable the Company to satisfy its cash requirements or enable Products Corporation to comply with the financial covenants under the Amended Credit Agreements if the actions do not result in sufficient savings or generate a sufficient amount of additional capital, as the case may be.

None of the Company's affiliates are required to make any capital contributions, loans or other payments to Products Corporation regarding its obligations on its indebtedness. Products Corporation may not be able to pay the principal amount of its

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indebtedness using any of the above actions because, under certain circumstances, the 5¾% Senior Notes Indenture or any of its other debt instruments (including the Amended Credit Agreements) or the debt instruments of Products Corporation's subsidiaries then in effect may not permit the Company to take such actions. (See "Restrictions and covenants in Products Corporation's debt agreements limit its ability to take certain actions and impose consequences in the event of failure to comply").

The future state of the credit markets, including any volatility and/or tightening of the credit markets and reduction in credit availability, could adversely impact the Company's ability to refinance or replace Products Corporation's outstanding indebtedness at or prior to their respective maturity dates, which may have a material adverse effect on the Company's business, financial condition and/or results of operations.

Restrictions and covenants in Products Corporation's debt agreements limit its ability to take certain actions and impose consequences in the event of failure to comply.

Agreements governing Products Corporation's outstanding indebtedness, including the Amended Credit Agreements and the 5¾% Senior Notes Indenture, contain a number of significant restrictions and covenants that limit Products Corporation's ability (subject in each case to limited exceptions) to, among other things:

- borrow money;
- use assets as security in other borrowings or transactions;
- pay dividends on stock or purchase stock;
- sell assets and use the proceeds from such sales;
- enter into certain transactions with affiliates;
- make certain investments;
- prepay, redeem or repurchase specified indebtedness; and
- permit restrictions on the payment of dividends to Products Corporation by its subsidiaries.

In addition, the Amended Credit Agreements contain financial covenants limiting Products Corporation's first-lien senior secured debt-to-EBITDA ratio (in the case of the Amended Term Loan Agreement) and, under certain circumstances, requiring Products Corporation to maintain a minimum consolidated fixed charge coverage ratio (in the case of the Amended Revolving Credit Agreement). These covenants affect Products Corporation's operating flexibility by, among other things, restricting its ability to incur expenses and indebtedness that could otherwise be used to fund the costs of executing the Company's business strategy (including activities related to continuing the integration of the Colomer business into the Company's business and other restructuring activities) and to grow the Company's business, as well as to fund general corporate purposes.

A breach of the Amended Credit Agreements would permit Products Corporation's lenders to accelerate amounts outstanding under the Amended Credit Agreements, which would in turn constitute an event of default under the 5¾% Senior Notes Indenture, if the amount accelerated exceeds \$25.0 million and such default remains uncured for 10 days following notice from the trustee for the 5¾% Senior Notes Indenture or the holders of at least 30% of the outstanding principal amount of the 5¾% Senior Notes. In addition, holders of Products Corporation's outstanding 5¾% Senior Notes may require Products Corporation to repurchase their respective notes in the event of a change of control under the 5¾% Senior Notes Indenture. Products Corporation may not have sufficient funds at the time of any such breach of any such covenant or change of control to repay in full the borrowings under the Amended Credit Agreements or to repurchase or redeem its outstanding 5¾% Senior Notes.

Events beyond the Company's control could impair the Company's operating performance, which could affect Products Corporation's ability to comply with the terms of Products Corporation's debt instruments. Such events may include decreased consumer spending in response to weak economic conditions or weakness in the consumption of beauty care products; adverse changes in currency exchange rates, currency controls and/or government-mandated pricing controls; decreased sales of the Company's products as a result of increased competitive activities by the Company's competitors; changes in consumer purchasing habits, including with respect to shopping channels; inventory management by the Company's customers; space reconfigurations or reductions in display space by the Company's

customers; changes in pricing or promotional strategies by the Company's customers; less than anticipated results from the Company's existing or new products or from its advertising, promotional and/or marketing plans; or if the Company's expenses, including, without limitation, for pension expense under its benefit plans, acquisition-related integration costs, advertising, promotional and/or marketing activities or for sales returns related to any reduction of space by the Company's customers, product discontinuances or otherwise, exceed the anticipated level of expenses. Under such circumstances, Products Corporation may be unable to comply with the provisions of its debt instruments, including the financial covenants in the Amended Credit Agreements. If Products Corporation is unable to satisfy such covenants or other provisions at any future time, Products Corporation would need to seek an amendment or waiver of such financial covenants or other provisions. The respective lenders under the Amended Credit Agreements may not consent to any amendment or waiver

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requests that Products Corporation may make in the future, and, if they do consent, they may only do so on terms that are unfavorable to Products Corporation and/or Revlon, Inc.

In the event that Products Corporation is unable to obtain any such waiver or amendment, Products Corporation's inability to meet the financial covenants or other provisions of the Amended Credit Agreements would constitute an event of default under its Amended Credit Agreements, which would permit the bank lenders to accelerate the Amended Credit Agreements and would constitute an event of default under the 5¾% Senior Notes Indenture if the amount accelerated exceeds \$25.0 million and such default remains uncured for 10 days following notice from the trustee for the 5¾% Senior Notes Indenture or the holders of at least 30% of the outstanding principal amount of the 5¾% Senior Notes.

Products Corporation's assets and/or cash flow and/or that of Products Corporation's subsidiaries may not be sufficient to fully repay borrowings under its outstanding debt instruments, either upon maturity or if accelerated upon an event of default, and if Products Corporation is required to repurchase its outstanding 5¾% Senior Notes or repay the Amended Credit Agreements upon a change of control, Products Corporation may be unable to refinance or restructure the payments on such debt. Further, if Products Corporation is unable to repay, refinance or restructure its indebtedness under the Amended Credit Agreements the lenders, subject to certain conditions and limitations as set forth in the third amended and restated intercreditor agreement, could proceed against the collateral securing that indebtedness.

Limits on Products Corporation's borrowing capacity under the Amended Revolving Credit Facility may affect the Company's ability to finance its operations.

While the Amended Revolving Credit Facility currently provides for up to \$175.0 million of commitments, Products Corporation's ability to borrow funds under such facility is limited by a borrowing base determined relative to the value, from time to time, of eligible trade receivables and eligible inventory in the U.S. and the U.K. and eligible real property and equipment in the U.S. In January 2014, the Colomer U.S. Subsidiaries became additional guarantors under Products Corporation's Amended Term Loan Facility and Amended Revolving Credit Facility and the 5¾% Senior Notes Indenture. In connection with becoming guarantors, substantially all of the assets of the Colomer U.S. Subsidiaries were pledged as collateral under Products Corporation's Amended Term Loan Facility and Amended Revolving Credit Facility, thereby increasing the value of the assets supporting the borrowing base under the Amended Revolving Credit Facility.

If the value of these eligible assets is not sufficient to support the full \$175.0 million borrowing base, Products Corporation will not have full access to the Amended Revolving Credit Facility, but rather could have access to a lesser amount determined by the borrowing base. As Products Corporation continues to manage its working capital, this could reduce the borrowing base under the Amended Revolving Credit Facility. Further, if Products Corporation borrows funds under such facility, subsequent changes in the value or eligibility of the assets within the borrowing base could cause Products Corporation to be required to pay down the amounts outstanding under such facility so that there is no amount outstanding in excess of the then-existing borrowing base.

Products Corporation's ability to borrow under the Amended Revolving Credit Facility is also conditioned upon its compliance with other covenants in the Amended Revolving Credit Agreement governing such facility, including a fixed charge coverage ratio that applies when the difference between (1) the borrowing base under such facility and (2) the amounts outstanding under such facility is less than \$20.0 million. Because of these limitations, Products Corporation may not always be able to meet its cash requirements with funds borrowed under the Amended Revolving Credit Facility, which could have a material adverse effect on the Company's business, financial condition and/or results of operations.

At December 31, 2014, the aggregate principal amount outstanding under the Acquisition Term Loan and the 2011 Term Loan was \$693.0 million and \$675.0 million, respectively, with the Company having a liquidity position of \$435.7 million, consisting of unrestricted cash and cash equivalents (net of any outstanding checks) of \$269.7 million, as well as \$166.0 million in available borrowings under the Amended Revolving Credit Facility, based upon the

calculated borrowing base less \$9.0 million of undrawn outstanding letters of credit and nil then drawn under the Amended Revolving Credit Facility at such date.

The Amended Revolving Credit Facility is syndicated to a group of banks and financial institutions. Each bank is responsible to lend its portion of the \$175.0 million commitment if and when Products Corporation seeks to draw under the Amended Revolving Credit Facility. The lenders may assign their commitments to other banks and financial institutions in certain cases without prior notice to Products Corporation. If a lender is unable to meet its lending commitment, then the other lenders under the Amended Revolving Credit Facility have the right, but not the obligation, to lend additional funds to make up for the defaulting lender's commitment, if any. Products Corporation has never had any of its lenders under the Amended Revolving Credit Facility fail to fulfill their lending commitment. Based on information available to the Company, the Company has no reason to believe that any of the lenders under the Amended Revolving Credit Facility would be unable to fulfill their commitments to lend under the Amended Revolving Credit Facility as of December 31, 2014. However, it is possible that economic conditions and potential volatility in the financial markets, among other factors, could impact the liquidity and financial condition of certain banks and financial institutions. If one or more lenders under the Amended Revolving Credit Facility were unable to fulfill their commitment to lend, such inability would impact the Company's liquidity and, depending upon the amount involved and the Company's liquidity

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requirements, could have an adverse effect on the Company's ability to fund its operations, which could have a material adverse effect on the Company's business, financial condition and/or results of operations.

A substantial portion of Products Corporation's indebtedness is subject to floating interest rates.

A substantial portion of Products Corporation's indebtedness is subject to floating interest rates, which makes the Company more vulnerable in the event of adverse economic conditions, increases in prevailing interest rates or a downturn in the Company's business. As of December 31, 2014, \$1,372.8 million of Products Corporation's total indebtedness (or \$1,368.0 million net of discounts), or approximately 73% of Products Corporation's total indebtedness, was subject to floating interest rates.

Under the Amended Term Loan Agreement, as of December 31, 2014 the \$693.0 million in aggregate principal amount outstanding under the Acquisition Term Loan and the \$675.0 million in aggregate principal amount outstanding under the 2011 Term Loan bear interest, at Products Corporation's option, at either the Eurodollar Rate (as defined in the Amended Term Loan Agreement) plus 2.5% and 3.0% per annum, respectively (provided that in no event shall the Eurodollar Rate (which is based upon LIBOR) be less than 0.75% and 1.0% per annum, respectively), or the Alternate Base Rate (as defined in the Amended Term Loan Agreement) plus 1.5% and 2.0% per annum, respectively, which Alternate Base Rate is based on the greater of Citibank, N.A.'s announced base rate and the U.S. federal funds rate plus 0.5% (provided that in no event shall the Alternative Base Rate be less than 1.75% and 2.0% per annum, respectively).

In November 2013, Products Corporation entered into a forward-starting interest rate swap in a single derivative with a notional amount of \$400.0 million in respect of indebtedness under the Acquisition Term Loan for a 3-year period beginning in May 2015 (the "2013 Interest Rate Swap"). Under the terms of the 2013 Interest Rate Swap, Products Corporation will be required to pay to the counterparty a quarterly fixed interest rate of 2.0709% on the \$400.0 million notional amount, while receiving variable interest rate payments from the counterparty equal to the 3-month U.S. dollar LIBOR, with a LIBOR floor of 1.00% (which effectively fixes the interest rate on such notional amount at 5.0709% over the 3-year term of the 2013 Interest Rate Swap). While Products Corporation may enter into other interest hedging contracts, it may not be able to do so on a cost-effective basis, and any hedging transactions that Products Corporation enters into may not achieve their intended purpose and shifts in interest rates may have a material adverse effect on the Company's business, financial condition and/or results of operations.

At December 31, 2014, the Eurodollar Rate, LIBOR and the Alternate Base Rate for the Acquisition Term Loan and the 2011 Term Loan were as follows:

	Eurodollar Rate	LIBOR	Alternate Base Rate
Acquisition Term Loan	1.00%	0.26%	3.25%
2011 Term Loan	0.75%	0.26%	3.25%

Pursuant to the 2013 Interest Rate Swap, the LIBOR portion of the interest rate on \$400.0 million of outstanding indebtedness under the Acquisition Term Loan is effectively fixed at 5.0709% beginning in May 2015 through May 2018. Borrowings under the Amended Revolving Credit Facility (other than loans in foreign currencies) bear interest at a rate equal to, at Products Corporation's option, either (i) the Eurodollar Rate plus the applicable margin set forth in the grid below, or (ii) the Alternate Base Rate (as defined in the Amended Revolving Credit Agreement) plus the applicable margin set forth in the grid below:

	Alternate Base Rate Loans	Eurodollar Loans, Eurocurrency Loan or Local Rate Loans
Greater than or equal to \$92,000,000	0.50%	1.50%
Less than \$92,000,000 but greater than or equal to \$46,000,000	0.75%	1.75%
Less than \$46,000,000	1.00%	2.00%

Local Loans (as defined in the Amended 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. If any of LIBOR, Euribor, the base rate, the U.S. federal funds rate or such equivalent local currency rate increases, Products Corporation's debt service costs will increase to the extent that Products Corporation has elected such rates for its outstanding loans. Based on the amounts outstanding under the Amended Credit Agreements, and other short-term borrowings (which, in the

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aggregate, are Products Corporation's only debt currently subject to floating interest rates) as of December 31, 2014, an increase in LIBOR and Euribor of 1% would increase the Company's annual interest expense by \$13.9 million. Increased debt service costs would adversely affect the Company's cash flow.

The Company depends on its Oxford, North Carolina facility for production of a substantial portion of its products within the Consumer segment. Disruptions at this facility, and/or at other Company or third party facilities at which the Company's products are manufactured for both its Consumer and Professional segments, could have a material adverse effect on the Company's business, financial condition and/or results of operations.

The Company produces a substantial portion of its products at its Oxford, North Carolina facility. Significant unscheduled downtime at this facility, or at other Company facilities, including those that the Company recently acquired within the Professional segment, and/or third party facilities at which the Company's products are manufactured, whether due to equipment breakdowns, power failures, natural disasters, weather conditions hampering delivery schedules or other disruptions, including those caused by transitioning manufacturing across these facilities, or any other cause could have a material adverse effect on the Company's ability to provide products to its customers, which could have a material adverse effect on the Company's sales, business, financial condition and/or results of operations. Additionally, if product sales exceed forecasts or production, the Company could, from time to time, not have an adequate supply of products to meet customer demands, which could cause the Company to lose sales.

The Company's new product introductions may not be as successful as the Company anticipates, which could have a material adverse effect on the Company's business, financial condition and/or results of operations.

The Company has a rigorous process for the continuous development and evaluation of new product concepts, led by executives in marketing, sales, research and development, product development, operations, law and finance. Each new product launch, including those resulting from this new product development process, carries risks, as well as the possibility of unexpected consequences, including:

- the acceptance of the new product launches by, and sales of such new products to, the Company's customers may not be as high as the Company anticipates;
- the Company's advertising, promotional and/or marketing strategies for its new products may be less effective than planned and may fail to effectively reach the targeted consumer base or engender the desired consumption;
- the rate of purchases by the Company's consumers may not be as high as the Company anticipates;
- the Company's wall displays to showcase its new products may fail to achieve their intended effects;
- the Company may experience out-of-stocks and/or product returns exceeding its expectations as a result of its new product launches or space reconfigurations or reductions in retail display space by its customers or the Company's net sales may be impacted by inventory management by its customers or changes in pricing or promotional strategies by its customers;
- the Company may incur costs exceeding its expectations as a result of the continued development and launch of new products, including, for example, advertising, promotional and/or marketing expenses, sales return expenses or other costs related to launching new products;
- the Company may experience a decrease in sales of certain of the Company's existing products as a result of newly-launched products, the impact of which could be exacerbated by shelf space limitations and/or any shelf space loss. (See Item 1A. Risk Factors - "Competition in the cosmetics, hair and beauty care products business could have a material adverse effect on the Company's business, financial condition and/or results of operations.")
- the Company's product pricing strategies for new product launches may not be accepted by its customers and/or its consumers, which may result in the Company's sales being less than it anticipates;
- the Company may experience a decrease in sales of certain of the Company's products as a result of counterfeit products and/or products sold outside of their intended territories; and
- any delays or difficulties impacting the Company's ability, or the ability of the Company's suppliers, to timely manufacture, distribute and ship products, displays or display walls in connection with launching new products, such as due to inclement weather conditions or those delays or difficulties discussed under Item 1A. Risk Factors - "The

Company depends on its Oxford, North Carolina facility for production of a substantial portion of the Company's products within the Consumer segment. Disruptions at this facility, and/or at other Company or third party facilities at which the Company's products are manufactured for both its Consumer and Professional segments, could affect the Company's business, financial condition and/or results of operations," could have a material adverse effect on the Company's ability to ship and deliver products to meet its customers' reset deadlines.

Each of the risks referred to above could delay or impede the Company's ability to achieve its sales objectives, which could have a material adverse effect on the Company's business, financial condition and/or results of operations.

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The Company's ability to service its debt and meet its cash requirements depends on many factors, including achieving anticipated levels of revenue and expenses. If such revenue or expense levels prove to be other than as anticipated, the Company may be unable to meet its cash requirements or Products Corporation may be unable to meet the requirements of the financial covenants under the Amended Credit Agreements, which could have a material adverse effect on the Company's business, financial condition and/or results of operations.

The Company currently expects that operating revenues, cash on hand, and funds available for borrowing under the Amended Revolving Credit Agreement and other permitted lines of credit will be sufficient to enable the Company to cover its operating expenses for 2015, including cash requirements for the payment of expenses in connection with the execution of the Company's business strategy and its advertising, promotional and/or marketing plans, integration costs related to the Colomer Acquisition, purchases of permanent wall displays, capital expenditure requirements, debt service payments and costs, tax payments, pension and post-retirement plan contributions, payments in connection with the Company's restructuring programs, severance not otherwise included in the Company's restructuring programs and debt and/or equity repurchases, if any.

If the Company's anticipated level of revenue is not achieved, however, because of, for example, decreased consumer spending in response to weak economic conditions or weakness in the consumption of beauty care products; adverse changes in currency exchange rates, currency controls and/or government-mandated pricing controls; decreased sales of the Company's products as a result of increased competitive activities by the Company's competitors; changes in consumer purchasing habits, including with respect to shopping channels; inventory management by the Company's customers; space reconfigurations or reductions in display space by the Company's customers; changes in pricing or promotional strategies by the Company's customers; 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, integration costs related to the Colomer Acquisition, advertising, promotional or marketing activities or for sales returns related to any reduction of space by the Company's customers, product discontinuances or otherwise, exceed the anticipated level of expenses, the Company's current sources of funds may be insufficient to meet its cash requirements. In addition, such developments, if significant, could reduce the Company's revenues and could have a material adverse effect on Products Corporation's ability to comply with certain financial covenants under the Amended Credit Agreements.