

REVLON INC /DE/  
Form 10-K  
February 13, 2013  
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**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, 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)

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**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)

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

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

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

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

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.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "accelerated filer", "large accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer

Non-accelerated filer  (Do not check if smaller reporting company) 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

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 29, 2012, the last business day of the registrant's most recently completed second fiscal quarter) was approximately \$166,205,589.

As of December 31, 2012, 49,231,798 shares of Class A Common Stock and 3,125,000 shares of Class B Common Stock and 9,336,905 shares of 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.

**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 6, 2013 are incorporated by reference into Part III of this Form 10-K.**

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**Revlon, Inc. and Subsidiaries**  
**Form 10-K**  
**For the Year Ended December 31, 2012**

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

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

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

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

The Company was founded by Charles Revson, who revolutionized the cosmetics industry by introducing nail enamels matched to lipsticks in fashion colors 80 years ago. Today, the Company has leading market positions in a number of its principal product categories in the U.S. mass retail channel, including color cosmetics (face, lip, eye and nail categories), women's hair color and beauty tools. The Company also has leading market positions in several product categories in certain foreign countries, including Australia, Canada and South Africa.

**The Company's Business Strategy**

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

1. **Building our strong brands.** We continue to build our strong brands by focusing on innovative, high-quality, consumer-preferred brand offering; effective consumer brand communication; appropriate levels of advertising and promotion; and superb execution with our retail partners.
2. **Developing our organizational capability.** We continue to develop our organizational capability through attracting, retaining and rewarding highly capable people and through performance management, development planning, succession planning and training.
3. **Driving our company to act globally.** We continue to drive common global processes which are designed to provide the most efficient and effective allocation of our resources.
4. **Pursue growth opportunities.** We are focusing on pursuing growth opportunities with our existing brands as well as seeking to acquire brands to complement our core business.

5. ***Improving our financial performance.*** We continue to drive our collective business activities to deliver improved financial performance.

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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.

COSMETICS	HAIR	BEAUTY TOOLS	FRAGRANCE	ANTI-PERSPIRANT DEODORANTS	SKINCARE
Revlon	Revlon ColorSilk	Revlon	Charlie	Mitchum	Gatineau
Almay			Jean Naté		Ultima II
SinfulColors					
Pure Ice					

*Cosmetics Revlon:* The Company sells a broad range of cosmetics under its flagship **Revlon** brand designed to fulfill consumer needs, principally priced in the upper range of the mass retail channel, 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).

The Company sells face makeup, including foundation, powder, blush and concealers, under the **Revlon** brand name. **Revlon Age Defying**, which is targeted for women in the over-35 age bracket, incorporates the Company's patented **Botafirm** ingredients to help reduce the appearance of lines and wrinkles. **Revlon Age Defying with DNA Advantage** foundation, powder and concealer help protect the skin's DNA and fight visible signs of aging. The Company also markets a complete range of **Revlon ColorStay** liquid and powder face makeup with patented long-wearing ingredients and **Revlon SoftFlex** technology which provides enhanced comfort as well as a concealer with a time-release formula that continually conceals flaws, imperfections and dark circles. **Revlon ColorStay Aqua** Mineral makeup and finishing powder provides an instant cooling burst of hydrating coconut water for a luminous look that lasts all day. **Revlon ColorStay Whipped Crème** patent-pending makeup provides a mousse-like texture with a time-release formula that balances skin for a flawless look. The **Revlon PhotoReady** franchise, which includes primer, makeup, powder, bronzer, blush and finisher, are designed with innovative photochromatic pigments that bend and reflect light to give a flawless, airbrushed appearance in any light. **Revlon PhotoReady Airbrush** Mousse makeup goes on light as air, while providing the appearance of a perfectly blended, smooth and poreless complexion. **Revlon PhotoReady** Concealer is an all-over face concealer that helps cover imperfections and camouflage dark under-eye circles. **Revlon PhotoReady** Primers smooth skin while evening out uneven skin tone or reducing the appearance of fine lines and wrinkles. **Revlon PhotoReady BB Cream** Skin Perfector is a lightweight, multi-benefit beauty balm that hydrates like a moisturizer, smooths skin like a primer, covers like a foundation and blurs flaws like a concealer, while protecting skin with a broad spectrum SPF 30. **Revlon PhotoReady** Sculpting Brush Palette provides a palette of three complementary shades to sculpt, color and illuminate cheekbones and create a multi-dimensional look. The **Revlon Nearly Naked** franchise, which includes a makeup and pressed powder, provides fresh flawless skin with undetectable coverage.

The Company markets several different lines of **Revlon** lip makeup, including lipstick, lip gloss and lip liner, under several **Revlon** brand names. **Revlon Super Lustrous** lipstick is the Company's flagship wax-based lipcolor, offered in a wide variety of shades of lipstick and lip gloss, and has **LiquiSilk** technology designed to boost moisturization using silk dispersed in emollients. **Revlon ColorStay Ultimate** liquid lipstick is the first and only lipcolor that has patented **ColorStay** long-wearing technology, which is comfortable, food-proof and wears for up to 24 hours in one simple step. **Revlon ColorStay Ultimate Suede** lipstick is a one-step, ultra comfortable lipstick that lasts all day and gives lips a velvety, suede look. **Revlon ColorStay** Mineral lipglaze is the Company's first long-wearing lip gloss with up to eight hours of wear. **Revlon Just Bitten Kissable** balm stain is a pampering balm fused with a lightweight stain that provides for softer, smoother lips with a perfect flush of color. **Revlon ColorBurst** lipgloss is a high-shine luxurious lipgloss available in 15 shades that provides a pop of weightless color and a mirror-like shine and **Revlon ColorBurst** Lip Butter is a softening, smoothing and instantly hydrating lipstick and balm that is available in 20 shades.

The Company's eye makeup products include mascaras, eyeliners, eye shadows and brow products under several **Revlon** brand names. In mascaras, the Company's key franchises include **Revlon Grow Luscious**, which includes both a lengthening and plumping mascara with a lash enhancing formula that improves the lashes

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overall appearance and conditions with each use; **Revlon Lash Fantasy Total Definition**, a two-step primer and mascara with lash-separating brushes for enhanced definition; **Revlon PhotoReady 3D Volume**, a high-fashion, volume mascara that makes lashes look more magnified and multiplied; and **Revlon ColorStay Overtime** lengthening mascara, which wears for 24 hours. In eyeliners, **Revlon ColorStay** eyeliners deliver beautiful color that wear for up to 16 hours; and **Revlon Luxurious Color** liners have a smooth formula that provides rich, luxurious color. In eye shadow, **Revlon ColorStay** 16-hour patented long-wearing eyeshadow has silky, smooth color that does not crease, fade or smudge all day, while **Revlon Luxurious Color** eyeshadows, available in satin, perle, matte and diamond lust finishes, offer rich, smooth and velvety application. **Revlon ColorStay** smoky shadow stick is a two-step shadow that provides a smoky eye effect that lasts for up to 12 hours. **Revlon PhotoReady** Primer, Shadow + Sparkle include a lid smoothing primer, three expertly coordinated shadows that can be used wet or dry, and a sparkle top coat to give eyes added flare.

The Company's nail color and nail care lines include enamels, nail art, treatments and cuticle preparations. The Company's core **Revlon** nail enamel uses a formula that provides consumers with luxurious wear, application, shine and gloss in a toluene-free, formaldehyde-free and phthalate-free formula. The Company offers several nail care products, including **Revlon Quick Dry Top Coat** and **Revlon Quick Dry Base Coat** that help extend the wear and quality of a manicure. **Revlon ColorStay** long-wear nail enamel provides up to 11 days of lasting color and gel-like shine when used with **Revlon ColorStay** base and topcoat. **Revlon Top Speed** nail enamel is a quick dry nail color that sets in 60 seconds and is available in 32 on-trend shades. **Revlon** scented nail enamel is scented with various aromas when dry and is available in 16 shades. **Revlon Nail Art** offers a unique dual-ended package that contains everything needed to achieve a gorgeous on-trend nail art look.

*Hair* **Revlon**: The Company sells both hair color and haircare products throughout the world. In women's hair color, the Company markets brands, including **Revlon ColorSilk**, with patented ingredients which offer radiant, rich color with conditioning. **Revlon Root Erase** by **Colorsilk** includes a unique precise control applicator which erases roots and grays in 10 minutes. **Revlon ColorSilk Luminista**, a line extension to **Revlon ColorSilk**, is designed to add vibrant color and high shine to naturally dark hair. The Company's newest hair color product, **Revlon Luxurious ColorSilk Buttercream** is enriched with a revolutionary ammonia-free Triple Butter Complex for nourished, hydrated and ultra-conditioned hair.

*Beauty Tools* **Revlon**: The Company sells **Revlon** beauty tools, which include nail, eye and manicure and pedicure grooming tools, such as clippers, scissors, files, tweezers, eye lash curlers and a full line of makeup brushes under the **Revlon** brand name. **Revlon** beauty tools are sold individually and in sets.

*Cosmetics* **Almay**: The Company's **Almay** brand consists of hypo-allergenic, dermatologist-tested, fragrance-free cosmetics and skincare products. **Almay** products include face and eye makeup and makeup removers.

Within the face category, **Almay Smart Shade** offers patented ingredients for foundation, pressed powder primer and concealer that are designed to match consumer skin tones. The **Almay Smart Shade** franchise includes new **Almay Smart Shade Mousse Make-Up**, the Company's first mousse make-up to instantly match skintones and **Almay Smart Shade Powder blush**, the first powder blush for the franchise. **Almay Clear Complexion** makeup, concealer, pressed powder and treatment gel, have formulas, with patented ingredients, that treat and help prevent blemishes, while providing flawless coverage. **Almay TLC Truly Lasting Color** makeup and pressed powder have long-wearing formulas that help nourish and protect the skin with coverage that lasts all day. Also, **Almay Wake-Up** liquid makeup, under-eye concealer, powder foundation, and blush + highlighter deliver a radiant, well-rested look, while offering a cooling sensation to the skin.

In eye makeup, the flagship franchise, **Almay Intense i-Color**, enhances and intensifies eyes through color-coordinated shades of shadow, liner and mascara for each eye color. **Almay Intense i-Color Shadow Trios**, which include **Almay Intense i-Color Smoky-i** and **Almay Intense i-Color Shimmer-i** kits helps the consumer to apply shadow with ease and new **Almay Intense i-Color Bold Nudes** that give a neutral look with a pop of color. The **Almay Intense i-Color** shadow stick is a dual-tipped shadow stick designed to simplify application and to provide a long-lasting, crease-free look. The new **Almay Intense i-Color Liquid Shadow + Color Primer** is a primer and shadow in one that can be used alone for a wash of color or under powder shadows for a more intense look. The **Almay Wake-Up** eyeshadow and primer is an all-in-one kit which includes a primer with a touch of caffeine to instantly brighten the eye area and three rich complementing shadows to provide a vibrant, luminous, refreshed look. The **Almay Intense i-Color with light interplay technology** mascara has been upgraded to double the look of lashes and intensify eye color through a patented formula with light catching minerals that do not clump or smudge. The **Almay Intense i-Color** pencil liner has been upgraded to further



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intensify eyes with new light catching minerals. The **Almay One Coat** mascara franchise includes products for lash thickening and visible lengthening, and the patented **Almay Triple Effect** mascara offers a more dramatic look. **Almay One Coat Get Up & Grow** mascara provides instant visible lengthening, while conditioning to promote long-term lash health. **Almay** eye makeup removers are offered in a range of eraser sticks, pads, liquids and towelettes.

*Cosmetics 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.

*Anti-perspirant deodorants:* In the anti-perspirant deodorants product category, the Company markets **Mitchum** anti-perspirant products, with patented ingredients, in many countries. **Mitchum Advanced Control**, a line of stick/solid anti-perspirants offered in five fragrances, delivers a formula featuring **FreshDefense** technology, which offers the highest level of active ingredient for maximum protection against wetness and odor.

*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**.

*Skincare:* The Company sells skincare products in the U.S. and in global markets under globally-recognized brand names, including **Revlon** and **Almay**, and under various regional brands, including the Company's premium-priced **Gatineau** brand, as well as **Ultima II**.

## **Marketing**

The Company markets extensive consumer product lines principally priced in the upper range of the mass retail channel and certain other channels outside of the U.S.

The Company uses print, television and internet advertising, as well as point-of-sale merchandising, including displays and samples, coupons and other trial incentives. The Company's marketing emphasizes a uniform global image and product for its portfolio of core brands. The Company coordinates advertising campaigns with in-store 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. Additionally, the Company maintains separate websites, [www.revlon.com](http://www.revlon.com), [www.almay.com](http://www.almay.com) and [www.mitchum.com](http://www.mitchum.com) devoted to the **Revlon**, **Almay** 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.

## **New Product Development and 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 such needs or preferences. The Company's research and development group is comprised of departments specialized in the technologies critical to the Company's various product categories. The Company has a global cross-functional product development process, including a rigorous process for the continuous development and evaluation of new product concepts, led by executives in marketing, sales, research and development, operations, law and finance. This process has improved the Company's new product commercialization process and created a comprehensive, long-term portfolio strategy which 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 cosmetics research and development facility in Edison, New Jersey. The scientists at the Edison facility 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 key to a product's success. The research and development group at the Edison facility 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.



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As of December 31, 2012, the Company employed approximately 130 people in its research and development activities, including specialists in pharmacology, toxicology, chemistry, microbiology, engineering, biology, dermatology and quality control. In 2012, 2011 and 2010, the Company spent \$24.2 million, \$23.8 million and \$24.0 million, respectively, on research and development activities.

### **Manufacturing and Related Operations and Raw Materials**

During 2012, the Company's cosmetics and/or personal care products were produced at the Company's facilities in the U.S. (North Carolina and Maryland), France and South Africa and at third-party facilities around the world. In December 2012 and January 2013, the Company closed its manufacturing facilities in Maryland and France, respectively, as a result of the September 2012 Program (as hereinafter defined). For additional information regarding the September 2012 Program, see Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Recent Events - September 2012 Program.

The Company continually reviews its manufacturing needs against its manufacturing capacities to identify opportunities to reduce costs and 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.

### **Distribution**

The Company's products are sold in more than 100 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.

*United States.* Net sales in the U.S. accounted for approximately 56% of the Company's 2012 net sales, more than a majority of which were made in the mass retail channel. The Company also sells a broad range of its 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, 2012, ten (10) of such licenses were in effect relating to seventeen (17) product categories, which are marketed principally in the mass-retail distribution 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.

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.

*Outside of the United States.* Net sales outside the U.S. accounted for approximately 44% of the Company's 2012 net sales. The three countries outside the U.S. with the highest net sales were South Africa, Australia and Canada, which together accounted for approximately 18% of the Company's 2012 net sales. The Company distributes its products through drug stores and chemist shops, hypermarkets, mass volume retailers, general merchandise stores, department stores and specialty stores, such as perfumeries. At December 31, 2012, the Company actively sold its products through wholly-owned subsidiaries established in 14 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 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 22% of the Company's 2012 consolidated net sales. As is customary in the consumer products industry, none of the Company's customers is under an obligation to continue purchasing

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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 – 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 products business is highly competitive. The Company competes primarily by:

developing quality products with innovative performance features, shades, finishes, components and packaging;

educating consumers about the benefits of the Company's products;

anticipating and responding to changing consumer 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;

generating competitive margins and inventory turns for its retail customers by providing relevant products and executing effective pricing, incentive and promotion programs;

ensuring product availability through effective planning and replenishment collaboration with retailers;

providing strong and effective advertising, marketing, promotion and merchandising support;

maintaining an effective sales force; and

obtaining and retaining sufficient retail floor space, optimal in-store positioning and effective presentation of its products at retail. The Company competes in selected product categories against a number of multi-national manufacturers. In addition to products sold in the mass retail 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. and The Estée Lauder Companies Inc. (See Item 1A. Risk Factors – Competition in the consumer 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 over 150 other countries. Significant trademarks include **Revlon**, **Revlon ColorStay**, **Revlon Age Defying** makeup with **Botafirm**, **Revlon Age Defying with DNA Advantage**, **Revlon PhotoReady**, **Revlon Nearly Naked**, **Revlon Super Lustrous**, **Revlon ColorBurst**, **Almay**, **Almay**

**Smart Shade, SinfulColors, Pure Ice, Mitchum, Charlie, Jean Naté, Revlon ColorSilk** and, outside the U.S., **Gatineau** and **Ultima II**. 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, including **Revlon ColorStay Aqua** mineral makeup, **Revlon ColorStay Ultimate** liquid lipstick; **Revlon PhotoReady** makeup; **Revlon Age Defying** cosmetics; **Almay Smart Shade** makeup; **Almay Intense i-Color** eye makeup; **Almay Clear Complexion** makeup; **Revlon ColorSilk** hair color; **Mitchum** anti-perspirant; and the **Revlon Pedi-Expert** pedicure tool. 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.

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### **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 manufacturing facility is registered with the FDA as a drug manufacturing establishment, permitting the manufacture of cosmetics that contain over-the-counter drug ingredients, such as sunscreens and anti-perspirants. 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 adversely affect the Company's business, financial condition and/or results of operations ).

### **Industry Segments, Foreign and Domestic Operations**

The Company operates in a single segment. Certain of the Company's geographic, financial and other information is set forth in the Consolidated Statements of Income and Note 22, "Geographic, Financial and Other Information," to the Company's Consolidated Financial Statements in this Form 10-K.

### **Employees**

As of December 31, 2012, the Company employed approximately 5,100 people. As of December 31, 2012, approximately 20 of such employees in the U.S. were covered by collective bargaining agreements. The Company believes that its employee relations are satisfactory.

### **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 2011 Credit Agreements and the 9<sup>3</sup>/<sub>4</sub>% Senior Secured Notes.**

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 2012, 2011 and 2010 was \$71.2 million, \$64.0 million and \$324.3 million, respectively (which excluded \$19.3 million, \$7.4 million and \$7.3 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.



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Revlon, Inc. expects that the regular quarterly dividends on shares of Revlon, Inc.'s Series A preferred stock, par value \$0.01 per share (the Preferred Stock), will continue to be funded by cash interest payments to be received by Revlon, Inc. from Products Corporation on the Contributed Loan (the \$48.6 million portion of the Amended and Restated Senior Subordinated Term Loan (as hereinafter defined) that was contributed to Revlon, Inc. by MacAndrews & Forbes in 2009). Additionally, Revlon, Inc. expects to pay the liquidation preference of the Preferred Stock on October 8, 2013 with the cash payment to be received by Revlon, Inc. from Products Corporation in respect of the maturity of the Contributed Loan. The payment of such interest and principal under the Contributed Loan to Revlon, Inc. by Products Corporation is permissible under the 2011 Credit Agreements, the Amended and Restated Senior Subordinated Term Loan Agreement and the indenture governing Products Corporation's outstanding 9¼% Senior Secured Notes (the 9¼% Senior Secured Notes Indenture). Under the Delaware General Corporation Law, Revlon, Inc. is permitted to pay dividends only from its surplus, which is the excess of its total assets over the sum of its liabilities plus the aggregate par value of its outstanding capital stock, or if Revlon, Inc. has no surplus, out of its net profits for the year in which a dividend is declared and for the immediately preceding fiscal year. Additionally, Revlon, Inc. is permitted to redeem the Preferred Stock only from its surplus. In the event that Revlon, Inc. fails to pay any required dividends on the Preferred Stock, the amount of such unpaid dividends will be added to the amount payable to holders of the Preferred Stock upon redemption. (See The Preferred Stock ranks senior to Revlon, Inc.'s Common Stock and is subordinate to the Company's indebtedness.)

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 the 2011 Credit Agreements, the 9¾% Senior Secured Notes Indenture and the Amended and Restated Senior Subordinated Term Loan Agreement generally restrict Products Corporation from paying dividends, advancing or making distributions to Revlon, Inc. except in limited circumstances (including, without limitation, that Products Corporation is permitted to pay dividends, advance and make distributions to Revlon, Inc. to enable Revlon, Inc., among other things, to pay expenses incidental to being a public holding company, including, among other things, professional fees such as legal, accounting and insurance fees, regulatory fees, such as SEC filing fees, NYSE listing fees and other expenses related to being a public holding company and, subject to certain limitations, to pay dividends, if any, on Revlon, Inc.'s outstanding securities or make distributions in certain circumstances to finance the purchase by Revlon, Inc. of its Class A Common Stock in connection with the delivery of such Class A Common Stock to grantees under the Third Amended and Restated Revlon, Inc. Stock Plan). 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 the 2011 Credit Agreements and the 9¼% Senior Secured Notes Indenture. 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 Preferred Stock and would be a change of control under Products Corporation's other debt instruments. (See 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 the 2011 Credit Agreements and the 9¾% Senior Secured Notes Indenture and could have other consequences.)

### **Products Corporation's substantial indebtedness 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, 2012, the Company's total indebtedness was \$1,220.7 million, primarily including \$788.0 million aggregate principal amount outstanding under the 2011 Term Loan Facility (as hereinafter defined), \$330.0 million in aggregate principal face amount outstanding of Products Corporation's 9¼% Senior Secured Notes and \$58.4 million under the Non-Contributed Loan (as hereinafter defined). Also, Revlon, Inc. has \$48.6 million in liquidation preference of Preferred Stock to be paid by Revlon, Inc. at the maturity of the Preferred Stock. While Revlon, Inc. achieved net income of \$51.1 million and \$53.4 million for the years ended December 31, 2012 and 2011, respectively,



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(which included non-cash benefits of \$15.8 million and \$16.9 million related to reductions of the Company's deferred tax valuation allowance at December 31, 2012 and 2011, respectively), if the Company is unable to achieve 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.

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 that the terms of any such refinancing 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, future working capital, capital expenditures, advertising, promotional or marketing expenses, new product development costs, purchases and reconfigurations of wall displays, acquisitions, 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;

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 2011 Credit Agreements, the 9<sup>3</sup>/<sub>4</sub>% Senior Secured Notes Indenture and the Amended and Restated Senior Subordinated Term Loan Agreement, 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 may increase.

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

The 2011 Term Loan Facility matures in November 2017, the 2011 Revolving Credit Facility matures in June 2016, the 9<sup>3</sup>/<sub>4</sub>% Senior Secured Notes mature in November 2015, the Non-Contributed Loan under the Amended and Restated Senior Subordinated Term Loan matures in October 2014 and the Contributed Loan under the Amended and Restated Senior Subordinated Term Loan matures in October 2013. 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 9<sup>3</sup>/<sub>4</sub>% Senior Secured 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 2011 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 indebtedness using any of the above

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actions because, under certain circumstances, the 9<sup>3</sup>/<sub>4</sub>% Senior Secured Notes Indenture or any of its other debt instruments (including the 2011 Credit Agreements

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and the Amended and Restated Senior Subordinated Term Loan Agreement) 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 would 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 2011 Credit Agreements, the  $9\frac{3}{4}\%$  Senior Secured Notes Indenture and the Amended and Restated Senior Subordinated Term Loan Agreement, 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 by Products Corporation's subsidiaries.

In addition, the 2011 Credit Agreements contain financial covenants limiting Products Corporation's first-lien senior secured debt-to-EBITDA ratio (in the case of the 2011 Term Loan Agreement) and, under certain circumstances, requiring Products Corporation to maintain a minimum consolidated fixed charge coverage ratio (in the case of the 2011 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 be used to fund the costs of executing the Company's business strategy and to grow the Company's business, as well as to fund general corporate purposes.

A breach of the 2011 Credit Agreements would permit Products Corporation's lenders to accelerate amounts outstanding under the 2011 Credit Agreements, which would in turn constitute an event of default under the Amended and Restated Senior Subordinated Term Loan Agreement and the  $9\frac{3}{4}\%$  Senior Secured Notes Indenture, if the amount accelerated exceeds \$25.0 million and such default remains uncured for 10 days following notice from (i) the holders of a majority of the outstanding principal amount of the Amended and Restated Senior Subordinated Term Loan (provided that if Revlon, Inc. or Products Corporation held such majority, notice would be required from the holders of a majority of the outstanding principal amount of the Amended and Restated Senior Subordinated Term Loan not held by Revlon, Inc. or Products Corporation at the time of any such decision) or (ii) the trustee or the holders of at least 30% of the outstanding principal amount of the notes under the  $9\frac{3}{4}\%$  Senior Secured Notes Indenture. In addition, holders of Products Corporation's outstanding  $9\frac{3}{4}\%$  Senior Secured Notes may require Products Corporation to repurchase their respective notes in the event of a change of control under the  $9\frac{3}{4}\%$  Senior Secured Notes Indenture. Upon a

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change of control, Products Corporation would be required, after fulfilling its repayment obligations under the 9<sup>3</sup>/<sub>4</sub>% Senior Secured Notes Indenture, to repay in full the Amended and Restated Senior Subordinated Term Loan, provided that Revlon, Inc. at such time has redeemed or is then concurrently redeeming all of the Preferred Stock. (See Products Corporation's ability to pay the principal of its indebtedness depends on many factors ). 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 2011 Credit Agreements or the Amended and Restated Senior Subordinated Term Loan Agreement or to repurchase or redeem its outstanding 9<sup>3</sup>/<sub>4</sub>% Senior Secured Notes.

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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 cosmetics category in the mass retail channel; adverse changes in currency exchange rates and/or currency controls; decreased sales of the Company's products as a result of increased competitive activities by the Company's competitors; changes in consumer purchasing habits, including with respect to shopping channels; retailer inventory management; retailer space reconfigurations or reductions in retailer display space; changes in retailer pricing or promotional strategies; 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, costs related to litigation, advertising, promotional and/or marketing activities or for sales returns related to any reduction of retail space, product discontinuances or otherwise, exceed the anticipated level of expenses.

Under such circumstances, Products Corporation may be unable to comply with the provisions of Products Corporation's debt instruments, including the financial covenants in the 2011 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 2011 Credit Agreements may not consent to any amendment or waiver 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 2011 Credit Agreements would constitute an event of default under the 2011 Credit Agreements, which would permit the bank lenders to accelerate the 2011 Credit Agreements, which in turn would constitute an event of default under the Amended and Restated Senior Subordinated Term Loan Agreement and the 9<sup>3</sup>/<sub>4</sub>% Senior Secured Notes Indenture, if the amount accelerated exceeds \$25.0 million and such default remains uncured for 10 days following notice from (i) in the case of the Amended and Restated Senior Subordinated Term Loan Agreement, the holders of a majority of the outstanding principal amount of the Amended and Restated Senior Subordinated Term Loan (provided that if Revlon, Inc. or Products Corporation held such majority, notice would be required from the holders of a majority of the outstanding principal amount of the Amended and Restated Senior Subordinated Term Loan not held by Revlon, Inc. or Products Corporation at the time of any such decision) or (ii) in the case of the 9<sup>3</sup>/<sub>4</sub>% Senior Secured Notes Indenture, the trustee or the holders of at least 30% of the outstanding principal amount of the outstanding notes under the 9<sup>3</sup>/<sub>4</sub>% Senior Secured Notes Indenture.

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 9<sup>3</sup>/<sub>4</sub>% Senior Secured Notes or repay the Amended and Restated Senior Subordinated Term Loan or repay the 2011 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 2011 Credit Agreements and/or the 9<sup>3</sup>/<sub>4</sub>% Senior Secured Notes, the lenders and the noteholders, as applicable, 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 2011 Revolving Credit Facility may affect the Company's ability to finance its operations.**

While the 2011 Revolving Credit Facility currently provides for up to \$140.0 million of commitments, Products Corporation's ability to borrow funds under this facility is limited by a borrowing base determined relative to the value, from time to time, of eligible accounts receivable and eligible inventory in the U.S. and the U.K. and eligible real property and equipment in the U.S.

If the value of these eligible assets is not sufficient to support the full \$140.0 million borrowing base, Products Corporation will not have full access to the 2011 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 2011 Revolving Credit Facility. Further, if Products Corporation borrows funds under this 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 so that there is no amount outstanding in excess of the then-existing borrowing base.

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Products Corporation’s ability to borrow under the 2011 Revolving Credit Facility is also conditioned upon its compliance with other covenants in the 2011 Revolving Credit Agreement, including a fixed charge coverage ratio that applies when the difference between (1) the borrowing base under the 2011 Revolving Credit 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 2011 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, 2012, the 2011 Term Loan Facility was fully drawn, with \$788.0 million aggregate principal amount outstanding, and the Company had a liquidity position of \$237.6 million, consisting of cash and cash equivalents (net of any outstanding checks) of \$108.0 million, as well as \$129.6 million in available borrowings under the 2011 Revolving Credit Facility, based upon the calculated borrowing base less \$10.4 million outstanding letters of credit and nil then drawn under the 2011 Revolving Credit Facility at such date.

The 2011 Revolving Credit Facility is syndicated to a group of banks and financial institutions. Each bank is responsible to lend its portion of the \$140.0 million commitment if and when Products Corporation seeks to draw under the 2011 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 2011 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. While Products Corporation has never had any of its lenders under the 2011 Revolving Credit Facility fail to fulfill their lending commitment, economic conditions from late 2008 through 2012 and the volatility in the financial markets during that time period have impacted the liquidity and financial condition of certain banks and financial institutions. Based on information available to the Company, the Company has no reason to believe that any of the lenders under Products Corporation’s 2011 Revolving Credit Facility would be unable to fulfill their commitments to lend as of December 31, 2012. However, if one or more lenders under the 2011 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 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, 2012, \$844.3 million of Products Corporation’s total indebtedness, or approximately 69% of Products Corporation’s total indebtedness, was subject to floating interest rates.

Under the 2011 Term Loan Facility, loans bear interest, at Products Corporation’s option, at either the Eurodollar Rate (as defined in the 2011 Term Loan Agreement) plus 3.50% per annum (provided that in no event shall the Eurodollar Rate (which is based upon LIBOR) be less than 1.25% per annum), or the Alternate Base Rate (as defined in the 2011 Term Loan Agreement) plus 2.50% per annum, 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 2.25% per annum). At December 31, 2012, the Eurodollar Rate, LIBOR and the Alternate Base Rate were 1.25% (as a result of the Eurodollar Rate floor referred to above), 0.31% and 3.25%, respectively. Borrowings under the 2011 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 2011 Revolving Credit Agreement) plus the applicable margin set forth in the grid below:

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

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

Under the Amended and Restated Senior Subordinated Term Loan Agreement, the Non-Contributed Loan bears interest at a floating rate of LIBOR plus 7%, with a 1.5% LIBOR floor.

If any of LIBOR, the base rate, the U.S. federal funds rate or such equivalent local currency rate increases, the Company'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 2011 Credit Agreements, the Non-Contributed Loan and other short-term borrowings (which, in the aggregate, are Products Corporation's only debt currently subject to floating interest rates) as of December 31, 2012, an increase in LIBOR of 1% would increase the Company's annual interest expense by \$8.5 million (assuming that the LIBOR Rate is above the respective floors for the 2011 Term Loan Facility and the Non-Contributed Loan). Increased debt service costs would adversely affect the Company's cash flow. While Products Corporation may enter into interest hedging contracts, Products Corporation may not be able to do so on a cost-effective basis, any hedging transactions it might enter 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.

**The Company depends on its Oxford, North Carolina facility for production of a substantial portion of its products. Disruptions at this facility, or at other third party facilities at which the Company's products are manufactured, could affect 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 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 from other facilities to the Company's Oxford, North Carolina facility, or any other cause could adversely affect the Company's ability to provide products to its customers, which could affect 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 retail customers may not be as high as the Company anticipates;

the Company's advertising, promotional and 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 the new products may fail to achieve their intended effects;

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the Company may experience out-of-stocks and/or product returns exceeding its expectations as a result of its new product launches or retailer space reconfigurations or reductions in retail display space or the Company's net sales may be impacted by retailer inventory management or changes in retailer pricing or promotional strategies;



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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 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 Company's product pricing strategies for new product launches may not be accepted by its retail customers and/or its consumers, which may result in the Company's sales being less than it anticipates; 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 The Company depends on its Oxford, North Carolina facility for production of a substantial portion of its products. Disruptions at this facility, or at other third party facilities at which the Company's products are manufactured, could affect the Company's business, financial condition and/or results of operations could affect the Company's ability to ship and deliver products to meet its retail 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.

**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 2011 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 2011 Revolving Credit Agreement and other permitted lines of credit will be sufficient to enable the Company to cover its operating expenses for 2013, including cash requirements for the payment of expenses in connection with the continued execution of the Company's business strategy, purchases of permanent wall displays, capital expenditure requirements, debt service payments and costs, tax payments, regularly scheduled 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, debt repurchases and costs related to litigation.

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 cosmetics category in the mass retail channel; adverse changes in currency exchange rates and/or currency controls; decreased sales of the Company's products as a result of increased competitive activities by the Company's competitors; changes in consumer purchasing habits, including with respect to shopping channels; retailer inventory management; retailer space reconfigurations or reductions in retailer display space; changes in retailer pricing or promotional strategies; 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, costs related to litigation, advertising, promotional or marketing activities or for sales returns related to any reduction of retail space, product discontinuances or otherwise, exceed the anticipated level of expenses, the Company's current sources of funds may be insufficient to meet its cash requirements. In addition, such developments, if significant, could reduce the Company's revenues and could adversely affect Products Corporation's ability to comply with certain financial covenants under the 2011 Credit Agreements.

If operating revenues, cash on hand and funds available for borrowing are insufficient to cover the Company's expenses or are insufficient to enable Products Corporation to comply with the financial covenants under the 2011 Credit Agreements, the Company could be required to adopt one or more of the alternatives listed below:

delaying the implementation of or revising certain aspects of the Company's business strategy;

reducing or delaying purchases of wall displays or advertising, promotional or marketing expenses;

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reducing or delaying capital spending;

implementing new restructuring programs;

refinancing Products Corporation's indebtedness;

selling assets or operations;

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

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

reducing other discretionary spending.

There can be no assurance that the Company would be able 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 Products Corporation's various debt instruments then in effect, such as due to restrictions on the incurrence of debt, incurrence of liens, asset dispositions and/or related party transactions. If the Company is required to take any of these actions, it could have a material adverse effect on its business, financial condition and/or results of operations.

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 2011 Credit Agreements if the actions do not result in sufficient savings or generate a sufficient amount of additional capital, as the case may be. (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 which discusses, among other things, the consequences of noncompliance with Products Corporation's credit agreement covenants).

**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.**

The economic conditions, both in the U.S. and in many other countries where the Company operates, have contributed and may continue to contribute to high unemployment levels, lower consumer spending and reduced credit availability, and have impacted business and consumer confidence. Such conditions could have an impact on consumer purchases and/or retail customer purchases of the Company's products, which could result in a reduction of net sales, operating income and/or cash flows. Additionally, disruptions in the credit and other financial markets and economic conditions could, among other things, impair the financial condition of one or more of the Company's customers or suppliers, thereby increasing the risk of customer bad debts or non-performance by suppliers. These conditions could have a material adverse effect on the Company's business, financial condition and/or results of operations.

**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.**

Walmart and its affiliates worldwide accounted for approximately 22% of the Company's worldwide net sales in each of 2012, 2011 and 2010. The Company expects that for future periods, 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. These customers have demanded, and may continue to demand, increased service and other accommodations. The Company may be affected by changes in the policies and demands of its retail customers relating to service levels, inventory de-stocking, pricing and promotional strategies or limitations on access to wall display space. As is customary in the consumer products industry, none of the Company's customers is under an obligation to continue purchasing products from the Company in the future.

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The loss of Walmart or one or more of the Company's other customers that may account for a significant portion of the Company's net sales, or any significant decrease in sales to these customers, including as a result of retailer consolidation, retailer inventory management, changes in retailer pricing or promotional strategies or retailer space configurations or any significant decrease in the Company's retail display space in any of these customers' stores, could reduce the Company's net sales and/or operating income and therefore could have a material adverse effect on the Company's business, financial condition and/or results of operations.

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**Declines in the financial markets may result in increased pension expense and increased cash contributions to the Company's pension plans.**

Declines in the U.S. and global financial markets could result in significant declines in the Company's pension plan assets and result in increased pension expense and cash contributions to the Company's pension plans. Interest rate levels will affect the discount rate used to value the Company's year-end pension benefit obligations. One or more of these factors, individually or taken together, could impact future required cash contributions to the Company's pension plans and pension expense. Any one or more of these conditions could have a material adverse effect on the Company's business, financial condition and/or results of operations.

**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.**

In the U.S., mass volume retailers and chain drug and food stores currently are the primary distribution channels for the Company's products. Additionally, other channels, including prestige and department stores, television shopping, door-to-door, specialty stores, the internet, perfumeries and other distribution outlets, combine to account for a significant amount of sales of cosmetics and beauty care products. A decrease in consumer demand in the U.S. mass retail channel for color cosmetics, retailer inventory management, changes in retailer pricing or promotional strategies, a reduction in retailer display space and/or a change in consumers' purchasing habits, such as by buying more cosmetics and beauty care products in channels in which the Company does not currently compete, could impact the sales of the Company's products through these distribution channels, which could reduce the Company's net sales and which could have a material adverse effect on the Company's business, financial condition and/or results of operations.

**Competition in the cosmetics and beauty care products business could have a material adverse effect on the Company's business, financial condition and/or results of operations.**

The cosmetics and beauty care products business is highly competitive. The Company competes primarily by:

developing quality products with innovative performance features, shades, finishes and packaging;

educating consumers about the benefits of the Company's products;

anticipating and responding to changing consumer 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;

generating competitive margins and inventory turns for the Company's retail customers by providing relevant products and executing effective pricing, incentive and promotion programs;

ensuring product availability through effective planning and replenishment collaboration with retailers;

providing strong and effective advertising, promotion, marketing and merchandising support;

maintaining an effective sales force; and

obtaining and retaining sufficient retail display space, optimal in-store positioning and effective presentation of the Company's products at retail.

An increase in or change in the current level of competition that the Company faces could have a material adverse effect on our business, financial condition and results of operations.

In addition, the Company competes against a number of multi-national manufacturers, some of which are larger and have substantially greater resources than the Company, and which may therefore have the ability to spend more aggressively than the Company on advertising, promotions and marketing and have more flexibility than the Company to respond to changing business and economic conditions. In addition to products sold in the mass retail channel, the Company's products also compete with similar products sold through other channels, including prestige and department stores, television shopping, door-to-door, specialty stores, the internet, perfumeries and other distribution outlets.

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Additionally, the Company's major retail customers periodically assess the allocation of retail display space among competitors and in the course of doing so could elect to reduce the display space allocated to the Company's products, if, for example, the Company's marketing strategies for its new and/or existing products are less effective than planned, fail to effectively reach the targeted consumer base or engender the desired consumption; and/or the rate of purchases by the Company's consumers are not as high as the Company anticipates. Any significant loss of display space could have an adverse effect on the Company's business, financial condition and/or results of operations.

**The Company's foreign operations are subject to a variety of social, political and economic risks and have been, and are expected to continue to be, affected by foreign currency fluctuations and/or currency controls, which could adversely affect the results of the Company's business, financial condition and/or results of operations and the value of its foreign assets.**

As of December 31, 2012, the Company had operations based in 14 foreign countries and its products were sold throughout the world. The Company is exposed to the risk of changes in social, political and economic conditions, including inflation, inherent in operating in foreign countries, including those in Asia, Eastern Europe, Latin America (including Venezuela) and South Africa, which could adversely affect the Company's business, financial condition and/or results of operations. Such changes include changes in the laws and policies that govern foreign investment in countries where the Company has operations, hyperinflation, currency devaluation, currency controls, changes in consumer purchasing habits including as to shopping channels, as well as, to a lesser extent, changes in U.S. laws and regulations relating to foreign trade and investment.

The Company's subsidiary in Venezuela ( Revlon Venezuela ) accounted for approximately 2%, 2% and 3% of the Company's net sales for the years ended December 31, 2012, 2011 and 2010, respectively. Effective January 1, 2010, Venezuela was designated as a highly inflationary economy under U.S. GAAP and as a result of the hyperinflationary designation and devaluation of the local currency in Venezuela, the Company's results of operations in 2010 were adversely impacted.

Currency restrictions enacted by the Venezuelan government beginning in 2003 have impacted the ability of Revlon Venezuela to obtain U.S. dollars in exchange for local currency at the official foreign exchange rates. As a result, during 2011 and 2012, the Company used alternative foreign currency markets with less favorable exchange rates to access U.S. Dollars, which adversely impacted the Company's results of operations. (See Management's Discussion and Analysis of Financial Condition and Results of Operations' Financial Condition, Liquidity and Capital Resources' Impact of Foreign Currency Translation' Venezuela' for details).

The Company's net sales outside of the U.S. for the years ended December 31, 2012, 2011 and 2010 were approximately 44%, 45% and 45% of the Company's total consolidated net sales, respectively. Fluctuations in foreign currency exchange rates have affected and may continue to affect the Company's results of operations and the value of its foreign assets in 2012 and 2013, respectively, which in turn may adversely affect the Company's reported net sales and earnings and the comparability of period-to-period results of operations.

Products Corporation enters into foreign currency forward exchange contracts to hedge certain net cash flows denominated in foreign currencies. The foreign currency forward exchange contracts are entered into primarily for the purpose of hedging anticipated inventory purchases and certain intercompany payments denominated in foreign currencies and generally have maturities of less than one year. At December 31, 2012, the notional amount of Products Corporation's foreign currency forward exchange contracts was \$43.9 million. The foreign currency forward exchange contracts that Products Corporation enters into may not adequately protect against foreign currency fluctuations.

**Terrorist attacks, acts of war or military actions may adversely affect the territories in which the Company operates and the Company's business, financial condition and/or results of operations.**

On September 11, 2001, the U.S. was the target of terrorist attacks of unprecedented scope. These attacks contributed to major instability in the U.S. and other financial markets and reduced consumer confidence. These terrorist attacks, as well as terrorist attacks such as those that have occurred in Benghazi, Libya, Madrid, Spain and London, England, attempted attacks, military responses to terrorist attacks and future developments, or other military actions, may adversely affect prevailing economic conditions, resulting in reduced consumer spending and reduced demand for the Company's products. These developments subject the Company's worldwide operations to increased risks and, depending on their magnitude, could reduce net sales and therefore could have a material adverse effect on the Company's business, financial condition and/or results of operations.

**Table of Contents****The Company's products are subject to federal, state and international regulations that could adversely affect the Company's business, financial condition and/or results of operations.**

The Company is subject to regulation by the FTC and the FDA in the U.S., as well as various other federal, state, local and foreign regulatory authorities, including those in the EU, Canada and other countries in which the Company operates. The Company's Oxford, North Carolina manufacturing facility is registered with the FDA as a drug manufacturing establishment, permitting the manufacture of cosmetics that contain over-the-counter drug ingredients, such as sunscreens and anti-perspirants. Regulations in the U.S., the EU, Canada and 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. To the extent federal, state, local and/or foreign regulatory changes occur in the future, they could require the Company to reformulate or discontinue certain of its products or revise its product packaging or labeling, any of which could result in, among other things, increased costs to the Company, delays in product launches, product returns or recalls and lower net sales, and therefore could have a material adverse effect on the Company's business, financial condition and/or results of operations.

**The failure of the Company's information technology systems could disrupt the Company's business operations which could have a material adverse effect on the Company's business, financial condition and/or results of operations.**

The operation of the Company's business depends on its information technology systems. The Company relies on its information technology systems to effectively manage, among other things, the Company's business data, communications, supply chain, inventory management, customer order entry and order fulfillment, processing transactions, summarizing and reporting results of operations, human resources benefits and payroll management, complying with regulatory, legal or tax requirements and other processes and data necessary to manage the Company's business. The failure of the Company's information technology systems to perform as the Company anticipates could disrupt the Company's business and could result in, among other things, transaction errors, processing inefficiencies, loss of data and the loss of sales and customers, which could cause the Company's business and results of operations to suffer. In addition, the Company's information technology systems may be vulnerable to damage or interruption from circumstances beyond the Company's control, including, without limitation, fire, natural disasters, power outages, systems failure, system conversions, security breaches, cyber-attacks, viruses and/or human error. In any such event, the Company could be required to make a significant investment to fix or replace its information technology systems, and the Company could experience interruptions in its ability to service its customers. Any such damage or interruption could have a material adverse effect on the Company's business, financial condition and/or results of operations.

**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 the 2011 Credit Agreements, the 9<sup>3</sup>/<sub>4</sub>% Senior Secured Notes Indenture and the Amended and Restated Senior Subordinated Term Loan Agreement and could have other consequences.**

All of Products Corporation's shares of common stock are pledged to secure Revlon, Inc.'s guarantee under the 2011 Credit Agreements and the 9<sup>3</sup>/<sub>4</sub>% Senior Secured Notes. MacAndrews & Forbes has advised the Company that it has pledged shares of Revlon, Inc.'s Class A Common Stock to secure certain obligations of MacAndrews & Forbes. Additional shares of Revlon, Inc. and shares of common stock of intermediate holding companies between Revlon, Inc. and MacAndrews & Forbes may from time to time be pledged to secure obligations of MacAndrews & Forbes. A default under any of these obligations that are secured by the pledged shares could cause a foreclosure with respect to such shares of Revlon, Inc.'s Class A Common Stock, Products Corporation's common stock or stock of intermediate holding companies between Revlon, Inc. and MacAndrews & Forbes.

A foreclosure upon any such shares of common stock or dispositions of shares of Revlon, Inc.'s Class A Common Stock, Products Corporation's common stock or stock of intermediate holding companies between Revlon, Inc. and MacAndrews & Forbes which are beneficially owned by MacAndrews & Forbes could, in a sufficient amount, constitute a change of control under the 2011 Credit Agreements, the 9<sup>3</sup>/<sub>4</sub>% Senior Secured Notes Indenture and the Amended and Restated Senior Subordinated Term Loan Agreement. A change of control constitutes an event of default under the 2011 Credit Agreements, which would permit Products Corporation's lenders to accelerate amounts outstanding under the 2011 Credit Facilities. In addition, holders of the 9<sup>3</sup>/<sub>4</sub>% Senior Secured Notes may require Products Corporation to repurchase their respective notes under those



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circumstances. Upon a change of control, Products Corporation would also be required, after fulfilling its repayment obligations under the 9<sup>3</sup>/<sub>4</sub>% Senior Secured Notes Indenture, to repay in full the Amended and Restated Senior Subordinated Term Loan, provided that Revlon, Inc. at such time has redeemed or is then concurrently redeeming the Preferred Stock.

Products Corporation may not have sufficient funds at the time of any such change of control to repay in full the borrowings under the 2011 Credit Facilities or to repurchase or redeem the 9<sup>3</sup>/<sub>4</sub>% Senior Secured Notes and/or to repay the Contributed Loan that Revlon, Inc. expects to use to redeem the Preferred Stock and/or repay the Non-Contributed Loan. (See 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 2011 Credit Agreements, which could have a material adverse effect on the Company's business, financial condition and/or results of operations ).

**MacAndrews & Forbes has the power to direct and control the Company's business.**

MacAndrews & Forbes is wholly-owned by Ronald O. Perelman. Mr. Perelman, through MacAndrews & Forbes, beneficially owned, at December 31, 2012, approximately 78% of Revlon, Inc.'s outstanding Class A and Class B Common Stock (representing approximately 77% of the combined voting power of Revlon, Inc.'s Class A Common Stock, Class B Common Stock and Preferred Stock). As a result, MacAndrews & Forbes is able to control the election of the entire Board of Directors of Revlon, Inc. and Products Corporation (as it is a wholly owned subsidiary of Revlon, Inc.) and controls the vote on all matters submitted to a vote of Revlon, Inc.'s and Products Corporation's stockholders, including the approval of mergers, consolidations, sales of some, all or substantially all of the Company's assets, issuances of capital stock and similar transactions.

**Delaware law, provisions of the Company's governing documents and the fact that the Company is a controlled company could make a third-party acquisition of the Company difficult.**

The Company is a Delaware corporation. The General Corporation Law of the State of Delaware contains provisions that could make it more difficult for a third party to acquire control of the Company. MacAndrews & Forbes controls the vote on all matters submitted to a vote of the Company's stockholders, including the election of the Company's entire Board of Directors and approval of mergers, consolidations, sales of some, all or substantially all of the Company's assets, issuances of capital stock and similar transactions.

The Company's certificate of incorporation makes available additional authorized shares of Class A Common Stock for issuance from time to time at the discretion of the Company's Board of Directors without further action by the Company's stockholders, except where stockholder approval is required by law or any applicable NYSE requirements. The Company's certificate of incorporation also authorizes blank check preferred stock, whereby the Company's Board of Directors has the authority to issue shares of preferred stock from time to time in one or more series and to fix the voting rights, if any, designations, powers, preferences and the relative participation, optional or other rights, if any, and the qualifications, limitations or restrictions, of any unissued series of preferred stock, to fix the number of shares constituting such series, and to increase or decrease the number of shares of any such series (but not below the number of shares of such series then outstanding).

This flexibility to authorize and issue additional shares may be utilized for a variety of corporate purposes, including future public offerings to raise additional capital and corporate acquisitions. These provisions and MacAndrews & Forbes' control of the Company, may be construed as having an anti-takeover effect to the extent they would discourage or render more difficult an attempt to obtain control of the Company by means of a proxy contest, tender offer, merger or otherwise, which could affect the market price for the Company's equity securities.

**Future sales or issuances of Common Stock or the Company's issuance of other equity securities may depress the Company's stock price or dilute existing stockholders.**

No prediction can be made as to the effect, if any, that future sales of Common Stock, or the availability of Common Stock for future sales, will have on the market price of the Company's Class A Common Stock. Sales in the public market of substantial amounts of Common Stock, including shares held by MacAndrews & Forbes, or investor perception that such sales could occur, could adversely affect prices for the Company's Class A Common Stock.

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In addition, as stated above, the Company's certificate of incorporation makes available additional authorized shares of Common Stock for issuance from time to time at the discretion of the Company's Board of Directors without further action by the Company's stockholders, except where stockholder approval is required by law or NYSE requirements. The Company may also issue shares of blank check preferred stock or securities convertible into either common stock or preferred stock. Any future issuance of additional authorized shares of the Company's Common Stock, preferred stock or securities convertible into shares of the Company's Common Stock or preferred stock may dilute the Company's existing stockholders' equity interest in the Company. Such future issuances could, among other things, dilute the earnings per share of the Company's Class A Common Stock and the equity and voting rights of those stockholders holding the Company's Class A Common Stock or Preferred Stock at the time of any such future issuances and could dilute the consideration per share payable to holders of Class A Common Stock and Preferred Stock upon the occurrence of certain change of control transactions.

**There is no active listed trading market for Revlon, Inc.'s Preferred Stock and there can be no assurance that one will develop or be maintained.**

There can be no assurance that any market for the Preferred Stock will develop or, if one does develop, that it will be maintained. Revlon, Inc. has not applied, nor does it intend to apply, for listing of the Preferred Stock on any securities exchange. The liquidity of the trading market in the Preferred Stock, and the market price quoted for the Preferred Stock, may be materially adversely affected by:

changes in the overall market for preferred equity securities;

changes in the Company's financial performance or prospects;

the prospects of other companies in the Company's industry generally;

the number of holders of Preferred Stock;

the interest of securities dealers in making a market for Preferred Stock; and

prevailing interest rates.

**Revlon, Inc. may be restricted by the terms of the applicable provisions of Delaware law from paying dividends on the Preferred Stock and/or redeeming the Series A Preferred Stock.**

Under Delaware law, Revlon, Inc. is permitted to pay dividends only from its surplus, which is the excess of Revlon, Inc.'s total assets over the sum of its liabilities plus the aggregate par value of Revlon, Inc.'s outstanding capital stock, or if Revlon, Inc. has no surplus, out of its net profits for the year in which the dividend is declared and/or for the immediately preceding fiscal year. Revlon, Inc. cannot assure holders of the Preferred Stock that Revlon, Inc. will have any surplus or net profits so that it will be able to pay quarterly dividends on the Preferred Stock. Additionally, Revlon, Inc. is permitted to redeem its capital stock, including the Preferred Stock, only from its surplus. Revlon, Inc. cannot assure holders of the Preferred Stock that Revlon, Inc. will have any surplus at such time as it may be required to redeem the Preferred Stock. In the event that Revlon, Inc. fails to pay any required dividends on the Preferred Stock, the amount of such unpaid dividends will be added to the amount payable to holders of the Preferred Stock upon redemption.

**Holders of Preferred Stock will not participate in any future earnings or growth of the Company's business.**

While holders of the Preferred Stock are entitled to regular quarterly dividends at an annual rate of 12.75% over the four-year term of the Preferred Stock, such holders will not benefit from increases, if any, in the value of the Company, including, without limitation, any increases due to a general economic recovery.

**The Preferred Stock ranks senior to Revlon, Inc.'s Common Stock and is subordinate to the Company's indebtedness.**

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The Preferred Stock ranks senior to Revlon, Inc.'s Common Stock and subordinate to all of the Company's present and future indebtedness, including, without limitation, in the event of any liquidation, dissolution or winding up of the Company. However, pursuant to the Amended and Restated Senior Subordinated Term Loan Agreement, such loan may not be repaid prior to its respective maturity dates (which is October 8, 2013 in the case of the Contributed Loan and which is October 8, 2014 in the case of the Non-Contributed Loan) unless all shares of Preferred Stock have been, or are being, redeemed and all payments due thereon have been, or are

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being, paid in full. Accordingly, upon any such liquidation, dissolution or winding up of the Company prior to the respective maturity dates of the Amended and Restated Senior Subordinated Term Loan, all payments then due to:

debt holders (other than holders of the Amended and Restated Senior Subordinated Term Loan) will be made first;

holders of the Preferred Stock will be made next; and

holders of the Amended and Restated Senior Subordinated Term Loan will be made last.

Dividends on the Preferred Stock are payable in cash quarterly on January 8, April 8, July 8 and October 8 of each year during the term of the Preferred Stock. Revlon, Inc. expects that it will continue to pay such dividends using the interest payments received by Revlon, Inc. from Products Corporation on the Contributed Loan. On October 8, 2013, Revlon, Inc. is required to redeem the Preferred Stock. Revlon, Inc. expects to pay the liquidation preference of the Preferred Stock on that date with the cash payment to be received by Revlon, Inc. from Products Corporation in respect of the maturity of the Contributed Loan. There can be no assurances that Products Contribution will have sufficient cash to pay the interest or repay the principal amount of the Contributed Loan when due or that Revlon, Inc. will have sufficient cash to pay dividends on the Preferred Stock or to redeem the Preferred Stock at the end of its four-year term.

**Holders of Revlon, Inc. s capital stock are subject to future economic dilution in the event that Revlon, Inc. issues equity to third-parties who are not affiliated with MacAndrews & Forbes or to MacAndrews & Forbes on arms length terms.**

Revlon, Inc. is not prohibited from issuing equity to third parties or from issuing equity to MacAndrews & Forbes or its affiliates on arms length terms. In the event of any such issuance, holders of Revlon, Inc. s capital stock, including the Preferred Stock and Revlon, Inc. s Common Stock, will be economically diluted, and their participation in increases, if any, in the value of the Company will be proportionally diluted.

**Item 1B. Unresolved Staff Comments**

None.

**Table of Contents****Item 2. Properties**

The following table sets forth, as of December 31, 2012, the Company's major manufacturing, research and warehouse/distribution facilities, all of which are owned except where otherwise noted.

Location	Use	Approximate Floor Space Sq. Ft.
Oxford, North Carolina	Manufacturing, warehousing, distribution and office <sup>(a)</sup>	1,012,000
Mississauga, Canada	Warehousing, distribution and office (leased)	195,000
Canberra, Australia	Warehousing and distribution	125,000
Edison, New Jersey	Research and office (leased)	123,000
Rietfontein, South Africa	Warehousing, distribution and office (leased)	120,000
Isando, South Africa	Manufacturing, warehousing, distribution and office	94,000
Stone, United Kingdom	Warehousing and distribution (leased)	92,000

<sup>(a)</sup> Property subject to liens under the 2011 Credit Agreements.

In addition to the facilities described above, the Company owns and leases additional facilities in various areas throughout the world, including the lease for the Company's executive offices in New York, New York (approximately 76,500 square feet as of December 31, 2012). Management considers the Company's facilities to be well-maintained and satisfactory for the Company's operations, and believes that the Company's facilities and third party contractual supplier arrangements provide sufficient capacity for its current and expected production requirements.

The Company also owns a facility in Venezuela, that was destroyed by a fire in June 2011. (See Fire at Revlon Venezuela Facility, within Item 7. Management's Discussion and Analysis of Financial Conditions and Results of Operations, for further discussion).

**Item 3. Legal Proceedings**

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

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

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

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

On March 16, 2010, after hearing oral argument on the leadership issue, the Chancery Court changed the leadership structure for plaintiffs in the Consolidated Action. Thereafter, newly appointed counsel for the plaintiffs in the Consolidated Action and the defendants agreed that the defendants would withdraw their motion to enforce the 2009 Settlement Agreement and that merits discovery would proceed. Defendants agreed not to withdraw any of the concessions that had been provided to the plaintiffs as part of the 2009 Settlement Agreement.

On May 25, 2010, plaintiffs' counsel in the Consolidated Action filed an amended complaint alleging breaches of fiduciary duties arising out of the Exchange Offer and that defendants should have disclosed in the Company's Offer to Exchange information regarding the Company's financial results for the fiscal quarter ended September 30, 2009. On January 10, 2012, plaintiffs' counsel filed a motion for class certification. Briefing on that motion was not completed. Merits discovery proceeded in the Consolidated Action.

On December 31, 2009, a purported class action was filed in the U.S. District Court for the District of Delaware by John Garofalo against Revlon, Inc., certain of Revlon, Inc.'s then directors, a former director and MacAndrews & Forbes alleging federal and state law claims stemming from the alleged failure to disclose in the Offer to Exchange certain information relating to the Company's financial results for the fiscal quarter ended September 30, 2009. On July 29, 2011, the plaintiff in this action filed an amended complaint. On January 31, 2012, defendants filed motions to dismiss the amended complaint in the Garofalo action. On March 2, 2012, the plaintiff in the Garofalo action filed a response opposing defendants' motions to dismiss, and a motion alternatively seeking leave to amend and file a second amended complaint. Briefing was completed on the motions to dismiss and motion to amend and defendants requested oral argument. Defendants previously reached an agreement with the plaintiff in the Garofalo action to permit the plaintiff to participate in merits discovery in the Consolidated Action, and agreed to permit the plaintiff to continue to participate in the merits discovery while the motions to dismiss are pending. An agreement was also reached with the plaintiff in the Sullivan action to stay proceedings in that action, including any response to the amended complaint, until December 21, 2012, so that the plaintiff could participate in the merits discovery in the Consolidated Action.

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

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

Although the Company disputes the allegations in the pending actions and believes them to be without merit, on June 21, 2012, without admitting any liability, Revlon, Inc., Revlon, Inc.'s then directors and MacAndrews & Forbes (collectively, Defendants) entered into a binding Memorandum of Understanding (MOU) with Fidelity Management & Research Company (FMR Co.) and its investment advisory affiliates, all of which are direct or indirect subsidiaries of FMR LLC (collectively, Fidelity), which through various funds and management agreements controlled the largest block of shares to participate in the Exchange Offer, to settle potential claims Fidelity could have as a potential member of the classes that plaintiffs seek to certify in the pending actions.

Fidelity executed the MOU on behalf of 6,111,879 shares (the Fidelity Controlled Shares) out of the 6,933,526 shares (the Fidelity Shares) of the Company's Class A Common Stock that Fidelity exchanged in the Exchange Offer, and pursuant to the terms of the MOU, the remaining 821,647 shares agreed on July 12, 2012, to participate in the settlement. As part of the settlement, Fidelity agreed, among other things, to accept a cash payment from Defendants of \$22.5 million (the Fidelity Settlement Amount), which amount was subsequently paid from insurance proceeds in July 2012, in exchange for Fidelity's opting out with respect to the Fidelity Shares of any purported class action related to the Exchange Offer and Fidelity's release of all related potential claims. On July 20, 2012, Fidelity and the Defendants executed a final Stipulation and Settlement Agreement (the Stipulation) the terms of which are substantively identical to the terms of the MOU. The Stipulation supersedes the MOU. In addition, on July 17, 2012, the Defendants entered into a binding MOU with two additional stockholders who collectively exchanged 310,690 shares in the Exchange Offer, the terms of which are substantively identical to the settlement with Fidelity and call for the payment of \$1 million, in the aggregate, to the two stockholders. In August 2012, Defendants and the two additional stockholders executed a final Stipulation and Settlement Agreement which supersedes, and is substantively identical to, the MOU. The \$1 million payment was subsequently paid from insurance proceeds in August 2012.

In the second quarter of 2012, the Company recorded a charge and corresponding income from insurance proceeds related to Revlon, Inc.'s estimated allocable portion of the Fidelity Settlement Amount and the additional \$1 million payment, which resulted in no impact to the Company's Consolidated Statement of Income and Comprehensive Income for the year ended December 31, 2012.

The Defendants also agreed with Fidelity and the two additional stockholders (together, the settling stockholders) that, in the event a settlement is reached with the purported class action plaintiffs, or an award of damages is issued following a trial in any of the actions, and that settlement amount or damage award exceeds the settlement amounts on a per share basis received by the settling stockholders, the settling stockholders would each receive additional consideration subject to certain parameters. The agreements with the settling stockholders are not subject to court approval and have no effect on the actions other than to exclude the settling stockholders from any certified class.

Although the Company continues to believe it has meritorious defenses to the asserted claims in the actions, the Defendants and plaintiffs agreed to the terms of a settlement and on October 8, 2012, executed settlement agreements that, if approved by the courts to which they are presented, will resolve all claims in all of the actions (the Settlement).

The Settlement provides that the Defendants will make net cash payments totaling approximately \$9.2 million to settle all of the actions, and full and complete releases will be provided to Defendants from all plaintiffs. If approved by the courts, the Settlement will also result in additional payments to the settling stockholders totaling approximately \$4.2 million, of which approximately \$4 million will be paid to Fidelity.

In the second quarter of 2012, the Company recorded a charge of \$6.7 million with respect to the Company's then-estimated costs of resolving the actions, including the Company's estimate at that time of additional payments to be made to the settling stockholders. In addition to the charge of \$6.7 million it recorded

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in the second quarter of 2012, the Company recorded an additional charge of \$2.2 million in the third quarter of 2012 in connection with payments to be made by the Company as a result of the Settlement and the additional payments to be made to the settling stockholders. This additional charge is included within SG&A expenses in the Company's Consolidated Statements of Operations and Comprehensive Income for the year ended December 31, 2012.

There can be no assurance as to the amount, if any, of additional insurance proceeds that Revlon, Inc. may receive in connection with its resolution of the actions. In any event, at least \$5 million of future payments to be made by the Defendants relating to these matters, including expenses, will not be covered by insurance.

The Settlement is subject to court approval.

**Item 4. Mine and Safety Disclosures. Not applicable.**



**Table of Contents****PART II****Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities**

MacAndrews & Forbes, which is wholly-owned by Ronald O. Perelman, at December 31, 2012 beneficially owned (i) 37,544,640 shares of Revlon, Inc.'s Class A Common Stock, with a par value of \$0.01 per share (the Class A Common Stock) (25,264,938 shares of which were beneficially owned by MacAndrews & Forbes, 7,718,092 shares of which were owned by a holding company, RCH Holdings One Inc. (of which each of Mr. Perelman and The Ronald O. Perelman 2008 Trust owns 50% of the shares) and 4,561,610 shares of which were beneficially owned by a family member of Mr. Perelman with respect to which shares MacAndrews & Forbes holds a voting proxy), and (ii) all of the outstanding 3,125,000 shares of Revlon, Inc.'s Class B Common Stock, with a par value of \$0.01 per share (the Class B Common Stock and together with the Class A Common Stock, the Common Stock).

Based on the shares referenced in clauses (i) and (ii) above, Mr. Perelman, directly and indirectly, through MacAndrews & Forbes, at December 31, 2012, beneficially owned approximately 76% of Revlon, Inc.'s Class A Common Stock and 100% of Revlon, Inc.'s Class B Common Stock, together representing approximately 78% of the combined Revlon, Inc. Class A and Class B Common Stock, and beneficially owned approximately 66% of the combined Revlon, Inc. Class A and Class B Common Stock and Preferred Stock (representing approximately 77% of the combined voting power of Revlon, Inc.'s Class A and Class B Common Stock and Preferred Stock). The remaining 11,687,158 shares of Class A Common Stock and 9,336,905 shares of Preferred Stock, in each case outstanding at December 31, 2012, were owned by the public.

Revlon, Inc.'s Class A Common Stock is listed and traded on the New York Stock Exchange (the NYSE). As of December 31, 2012, there were 486 holders of record of Class A Common Stock (which does not include the number of beneficial owners holding indirectly through a broker, bank or other nominee). No cash dividends were declared or paid during 2012 by Revlon, Inc. on its Common Stock. The terms of the 2011 Credit Agreements, the 9<sup>3/4</sup>% Senior Secured Notes Indenture and the Amended and Restated Senior Subordinated Term Loan Agreement currently restrict Products Corporation's ability to pay dividends or make distributions to Revlon, Inc., except in limited circumstances.

The table below shows the high and low quarterly closing stock prices of Revlon, Inc.'s Class A Common Stock on the NYSE consolidated tape for the years ended December 31, 2012 and 2011.

	Year Ended December 31, 2012			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
High	\$ 17.83	\$ 17.79	\$ 15.45	\$ 15.88
Low	14.18	13.55	12.81	13.93

	Year Ended December 31, 2011			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
High	\$ 15.87	\$ 17.62	\$ 19.25	\$ 16.18
Low	9.67	14.68	11.72	11.32

For information on securities authorized for issuance under the Company's equity compensation plans, see Item 12 Security Ownership of Certain Beneficial Owners and Related Stockholder Matters.

**Table of Contents****Item 6. Selected Financial Data**

The Consolidated Statements of Income Data for each of the years in the five-year period ended December 31, 2012 and the Consolidated Balance Sheet Data as of December 31, 2012, 2011, 2010, 2009 and 2008 are derived from the Company's Consolidated Financial Statements, which have been audited by an independent registered public accounting firm. The Selected Consolidated Financial Data should be read in conjunction with the Company's Consolidated Financial Statements and the Notes to the Consolidated Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations.

	Year Ended December 31, (in millions, except per share amounts)				
	2012 <sup>(a)</sup>	2011 <sup>(b)</sup>	2010 <sup>(c)</sup>	2009 <sup>(d)</sup>	2008 <sup>(e)</sup>
<b>Statement of Income Data:</b>					
Net sales	\$ 1,426.1	\$ 1,381.4	\$ 1,321.4	\$ 1,295.9	\$ 1,346.8
Gross profit	919.6	888.8	866.1	821.2	855.9
Selling, general and administrative expenses	710.2	685.5	666.6	629.1	709.3
Restructuring charges and other, net	20.7		(0.3)	21.3	(8.4)
Operating income	188.7	203.3	199.8	170.8	155.0
Interest expense	79.1	84.9	90.5	91.5	119.7
Interest expense – preferred stock dividend	6.5	6.4	6.4	1.5	
Amortization of debt issuance costs	5.3	5.3	5.9	5.8	5.6
Loss on early extinguishment of debt, net		11.2	9.7	5.8	0.7
Foreign currency losses, net	2.7	4.4	6.3	8.9	0.1
Provision for (benefit from) income taxes	43.7	36.8	(247.2)	8.3	16.1
Income from continuing operations, net of taxes	50.7	52.8	327.0	48.5	13.1
Income from discontinued operations, net of taxes	0.4	0.6	0.3	0.3	44.8
Net income	51.1	53.4	327.3	48.8	57.9
Basic income per common share:					
Continuing operations	0.97	1.01	6.30	0.94	0.26
Discontinued operations	0.01	0.01	0.01	0.01	0.87
Net income	\$ 0.98	\$ 1.02	\$ 6.31	\$ 0.95	\$ 1.13
Diluted income per common share:					
Continuing operations	0.97	1.01	6.25	0.94	0.26
Discontinued operations	0.01	0.01	0.01	0.01	0.87
Net income	\$ 0.98	\$ 1.02	\$ 6.26	\$ 0.94	\$ 1.13
Weighted average number of common shares outstanding <sup>(f)</sup> :					
Basic	52.3	52.2	51.9	51.6	51.2
Diluted	52.4	52.3	52.3	51.7	51.3

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	December 31, (in millions)				
	2012 <sup>(a)</sup>	2011 <sup>(b)</sup>	2010 <sup>(c)</sup>	2009 <sup>(d)</sup>	2008 <sup>(e)</sup>
<b>Balance Sheet Data:</b>					
Total current assets	\$ 541.2	\$ 518.7	\$ 476.1	\$ 403.6	\$ 428.5
Total non-current assets	695.4	638.4	610.6	390.6	384.9
Total assets	\$ 1,236.6	\$ 1,157.1	\$ 1,086.7	\$ 794.2	\$ 813.4
Total current liabilities <sup>(g)</sup>	\$ 453.1	\$ 335.4	\$ 318.5	\$ 309.3	\$ 323.4
Redeemable preferred stock <sup>(g)</sup>		48.4	48.1	48.0	
Total other non-current liabilities	1,432.8	1,466.2	1,416.5	1,470.5	1,602.8
Total liabilities	\$ 1,885.9	\$ 1,850.0	\$ 1,783.1	\$ 1,827.8	\$ 1,926.2
Total indebtedness	\$ 1,220.7	\$ 1,227.7	\$ 1,219.1	\$ 1,248.1	\$ 1,329.6
Total stockholders' deficiency	(649.3)	(692.9)	(696.4)	(1,033.6)	(1,112.8)

- (a) Results for 2012 include: (1) \$24.1 million in restructuring and related charges recorded as a result of the September 2012 Program (See Note 3, Restructuring Charges of the Consolidated Financial Statements in this Form 10-K); and (2) an increase in net income driven by a non-cash benefit of \$15.8 million related to the reduction of the Company's deferred tax valuation allowance on its net deferred tax assets for certain jurisdictions in the U.S. at December 31, 2012, as a result of the Company's improved earnings trends and cumulative taxable income in those jurisdictions, which is reflected in the provision for income taxes; and (3) an \$8.9 million loss contingency recognized related to litigation associated with the Company's 2009 Exchange Offer (see Item 3. Legal Proceedings).
- (b) Results for 2011 include: (1) an increase in net income driven by a non-cash benefit of \$16.9 million related to the reduction of the Company's deferred tax valuation allowance on its net deferred tax assets for certain jurisdictions outside the U.S. at December 31, 2011 as a result of the Company's improved earnings trends and cumulative taxable income in those jurisdictions, which is reflected in the provision for income taxes; and (2) an \$11.2 million loss on the early extinguishment of debt in connection with the 2011 Refinancings (as hereinafter defined) of Products Corporation's 2010 Term Loan Facility and 2010 Revolving Credit Facility.
- (c) Results for 2010 include: (1) an increase in net income driven by a non-cash benefit of \$260.6 million related to the reduction of the Company's deferred tax valuation allowance on its net U.S. deferred tax assets at December 31, 2010 as a result of the Company achieving three cumulative years, as well as its third consecutive year, of positive U.S. GAAP pre-tax income and taxable income in the U.S., and based upon the Company's then current expectations as of December 31, 2010 for the realization of such deferred tax benefits in the U.S., which is reflected in the provision for income taxes; (2) a \$9.7 million loss on the early extinguishment of debt in connection with the 2010 refinancing of the Company's 2006 bank term loan facility and revolving credit facility; and (3) a \$2.8 million one-time foreign currency loss related to the required re-measurement of the balance sheet of the Company's subsidiary in Venezuela to reflect the impact of the devaluation of Venezuela's local currency relative to the U.S. dollar, as Venezuela was designated as a highly inflationary economy effective January 1, 2010.
- (d) Results for 2009 include: (1) a \$20.8 million charge related to the worldwide organizational restructuring announced in May 2009 (the May 2009 Program), which involved consolidating certain functions; reducing layers of management, where appropriate, to increase accountability and effectiveness; streamlining support functions to reflect the new organizational structure; and further consolidating the Company's office facilities in New Jersey; and (2) a \$5.8 million net loss on early extinguishment of debt in 2009 primarily due to a \$13.5 million loss resulting from applicable redemption and tender premiums and the net write-off of unamortized debt discounts and deferred financing fees in connection with the refinancing of the 9 1/2% Senior Notes in November 2009, partially offset by a \$7.7 million gain on repurchases of an aggregate principal amount of \$49.5 million of the 9 1/2% Senior Notes prior to their complete refinancing in November 2009 at an aggregate purchase price of \$41.0 million, which is net of the write-off of the ratable portion of unamortized debt discounts and deferred financing fees resulting from such repurchases.
- (e) Results for 2008 include a \$5.9 million gain from the sale of a non-core trademark during the first quarter of 2008, and a net \$4.3 million gain related to the sale of the Mexico facility (which is comprised of a \$7.0 million gain on the sale, partially offset by related restructuring charges of \$1.1 million, \$1.2 million of SG&A and cost of sales and \$0.4 million of taxes). In addition, results for 2008 also include various other restructuring charges of \$3.8 million. The results of discontinued operations for 2008 included a one-time gain of \$45.2 million from the disposition of the non-core Bozzano business and certain other non-core brands, including Juvena and Aquamarine, which were sold in the Brazilian market.
- (f) Represents the weighted average number of common shares outstanding for each of the respective periods.

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<sup>(g)</sup> Total current liabilities in 2012 reflects \$48.4 million related to the carrying amount of the Company's Preferred Stock which matures on October 8, 2013.

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**Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations**

Management's Discussion and Analysis of Financial Condition and Results of Operations ( MD&A ) is intended to provide a reader of our financial statements with a narrative from the perspective of our management on our financial condition, results of operations, liquidity and certain other factors that may affect our future results. Our MD&A is presented as follows:

Overview;

Results of Operations;

Financial Condition, Liquidity and Capital Resources;

Disclosures about Contractual Obligations and Commercial Commitments;

Off-Balance Sheet Transactions (there are none);

Discussion of Critical Accounting Policies;

Recent Accounting Pronouncements; and

Inflation.

The Company (as defined below) is providing this overview in accordance with the SEC's December 2003 interpretive guidance regarding MD&A.

**Overview**

***Overview of the Business***

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

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

Effective beginning October 1, 2012, the Company is consolidating and reporting Latin America and Canada (previously reported separately) as the combined Latin America and Canada region. As a result, 2012 and all corresponding prior year amounts have been reclassified to conform to this presentation.

For additional information regarding our business, see Part 1, Item 1 Business of this Annual Report on Form 10-K.

*Overview of Net Sales and Earnings Results*

Consolidated net sales in 2012 were \$1,426.1 million, an increase of \$44.7 million, or 3.2%, compared to \$1,381.4 million in 2011. Excluding the unfavorable impact of foreign currency fluctuations of \$21.2 million, consolidated net sales increased by \$65.9 million, or 4.8% in 2012 compared to 2011, driven by higher net sales in the Company's U.S., Latin America and Canada, and Asia Pacific regions, partially offset by lower net sales in the Company's Europe, Middle East and Africa region.

Consolidated net income in 2012 was \$51.1 million, compared to \$53.4 million in 2011. The decrease in consolidated net income in 2012, compared to 2011, was primarily due to:

\$30.8 million of higher gross profit due to a \$44.7 million increase in consolidated net sales, partially offset by a \$13.9 million increase in cost of sales in 2012;

an \$11.2 million loss on the early extinguishment of debt in 2011 as a result of the 2011 Refinancings (as hereinafter defined) that did not recur in 2012; and

a \$5.8 million decrease in interest expense in 2012, primarily driven by lower weighted average borrowing rates as a result of the 2011 Term Loan Facility Refinancing (as hereinafter defined);

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with the foregoing more than offset by:

\$24.7 million of higher selling, general and administrative ( SG&A ) expense primarily driven by the impact of the \$8.9 million litigation loss contingency recognized in 2012 and higher insurance expense; and

\$24.1 million of restructuring and related charges recognized in connection with the September 2012 Program (as hereinafter defined).

***Recent Events***

**September 2012 Program**

During 2012, the Company recorded charges totaling \$24.1 million related to the restructuring that the Company announced in September 2012 (the September 2012 Program ), which primarily involved the Company exiting its owned manufacturing facility in France and its leased manufacturing facility in Maryland; rightsizing its organizations in France and Italy; and realigning its operations in Latin America, including consolidating Latin America and Canada into a single operating region, which became effective in the fourth quarter of 2012. Certain of the actions were subject to consultations with employees, works councils or unions, and government authorities, which have substantially been concluded as of December 31, 2012. Of the \$24.1 million charge: (a) \$20.7 million is recorded in restructuring charges; (b) \$1.6 million is recorded as a reduction to net sales; (c) \$1.2 million is recorded in cost of goods sold; and (d) \$0.6 million is recorded in SG&A expenses. Included within the \$20.7 million restructuring charges is a net non-cash pension curtailment gain of \$1.5 million.

The Company expects to recognize approximately \$1 million of additional charges in 2013 for a total of approximately \$25 million in charges related to the September 2012 Program. The Company expects to pay cash of approximately \$24 million related to the September 2012 Program, of which \$3.8 million was paid in 2012 and the remainder is expected to be paid in 2013.

The Company expects approximately \$7.5 million of cost reductions to benefit 2013 and annualized cost reductions thereafter are expected to be approximately \$10 million.

See Note 3, Restructuring Charges, to the Consolidated Financial Statements in this Form 10-K.

**Pure Ice Acquisition**

On July 2, 2012, the Company acquired certain assets of Bari Cosmetics, Ltd., including trademarks and other intellectual property related to Pure Ice nail enamel and Bon Bons cosmetics brands (the Pure Ice Acquisition ). The Company paid \$66.2 million of total consideration for the Pure Ice Acquisition in cash, comprised of \$45.0 million cash on hand and \$21.2 million drawn under Products Corporation s 2011 Revolving Credit Facility. The results of operations related to the Pure Ice Acquisition are included in the Company s consolidated financial statements commencing on the date of acquisition. As of December 31, 2012, there were no outstanding borrowings under Products Corporation s 2011 Revolving Credit Facility (excluding \$10.4 million of outstanding undrawn letters of credit).

***Other Events***

**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, 2012, 2011 and 2010, the Company s subsidiary in Venezuela ( Revlon Venezuela ) had net sales of approximately 2%, 2% and 3%, respectively, of the Company s consolidated net sales. At December 31, 2012, 2011 and 2010, total assets of Revlon Venezuela were approximately 2%, 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: (i) products imported from the Company s Oxford, North Carolina facility; and (ii) commencing in the first quarter of 2012, certain products imported from third party manufacturers outside of Venezuela, which were locally manufactured at the Revlon Venezuela facility prior to the fire.





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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 years ended December 31, 2012 and 2011, the Company incurred business interruption losses of \$2.8 million and \$9.7 million, respectively, related to the fire. Additionally, in June 2011, the Company recorded a \$4.9 million impairment loss related to Revlon Venezuela's net book value of inventory, property, plant and equipment destroyed by the fire, for total losses of \$14.6 million incurred for the year ended December 31, 2011. The business interruption losses incurred in the years ended December 31, 2012 and 2011 include estimated profits lost as a result of the interruption of Revlon Venezuela's business and costs incurred directly related to the fire. The Company's insurance coverage provides for business interruption losses to be reimbursed, subject to the terms and conditions of such policy, for a period of time, which period for the coverage related to the Venezuela fire ended on October 2, 2012. The business interruption losses incurred through December 31, 2012 are not indicative of future expected profits for Revlon Venezuela.

For the years ended December 31, 2012 and 2011, the Company received interim advances of \$6.6 million and \$19.7 million, respectively, from its insurance carrier in connection with the fire, for total cumulative receipts of \$26.3 million received from the date of the fire through December 31, 2012. During the years ended December 31, 2012 and 2011, the Company recognized \$2.8 million and \$14.6 million, respectively, of income from insurance recoveries, which entirely offset the business interruption losses and 2011 impairment loss noted above. The income from insurance recoveries is included within SG&A expenses in the Company's Consolidated Statements of Income and Comprehensive Income for the years ended December 31, 2012 and 2011. The Company recorded deferred income related to the insurance proceeds received, but not yet recognized, of \$8.9 million and \$5.1 million as of December 31, 2012 and 2011, respectively, which is included in accrued expenses and other in the Company's Consolidated Balance Sheet.

The final amount and timing of the ultimate insurance recovery is currently unknown. See Note 24, "Subsequent Events - Insurance Settlement on Loss of Inventory," to the Consolidated Financial Statements in this Form 10-K for discussion related to the final settlement of the inventory portion of the total insurance claim.

**Results of Operations****Year ended December 31, 2012 compared with the year ended December 31, 2011**

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

**Net sales:**

Consolidated net sales in 2012 were \$1,426.1 million, an increase of \$44.7 million, or 3.2%, compared to \$1,381.4 million in 2011. Excluding the unfavorable impact of foreign currency fluctuations of \$21.2 million, consolidated net sales increased by \$65.9 million, or 4.8% in 2012, primarily driven by higher net sales of **Revlon** color cosmetics, **Revlon ColorSilk** hair color and **SinfulColors** color cosmetics, as well as the inclusion of the net sales of **Pure Ice** color cosmetics beginning in July 2012. These increases were partially offset by lower net sales of fragrances and other beauty care products.

	Year Ended December 31,		Change		XFX Change <sup>(a)</sup>	
	2012	2011	\$	%	\$	%
United States	\$ 799.8	\$ 757.4	\$ 42.4	5.6%	\$ 42.4	5.6%
Asia Pacific	238.9	233.4	5.5	2.4	4.4	1.9
Europe, Middle East and Africa	184.4	208.7	(24.3)	(11.6)	(8.9)	(4.3)
Latin America and Canada	203.0	181.9	21.1	11.6	28.0	15.4
<b>Consolidated Net Sales</b>	<b>\$ 1,426.1</b>	<b>\$ 1,381.4</b>	<b>\$ 44.7</b>	<b>3.2%</b>	<b>\$ 65.9</b>	<b>4.8%</b>

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



**Table of Contents****United States**

In the U.S., net sales in 2012 increased 5.6% to \$799.8 million, compared to \$757.4 million in 2011, primarily driven by the higher net sales of **Revlon** color cosmetics and **SinfulColors** color cosmetics, as well as the inclusion of the net sales of **Pure Ice** color cosmetics beginning in July 2012, partially offset by lower net sales of **Almay** color cosmetics. Excluding the results of the recently acquired **Pure Ice** color cosmetics, net sales in the U.S. increased in 2012.

**Asia Pacific**

In Asia Pacific, net sales in 2012 increased 2.4% to \$238.9 million, compared to \$233.4 million in 2011. Excluding the favorable impact of foreign currency fluctuations, net sales increased \$4.4 million, or 1.9%, in 2012, primarily driven by higher net sales of **Revlon** color cosmetics. From a country perspective, net sales increased in Japan and certain distributor territories (which together contributed 4.1 percentage points to the increase in the region's net sales in 2012, as compared to 2011), partially offset by a decrease in net sales in China (which offset by 2.1 percentage points the increase in the region's net sales in 2012, as compared to 2011).

**Europe, Middle East and Africa**

In Europe, the Middle East and Africa, net sales in 2012 decreased 11.6% to \$184.4 million, compared to \$208.7 million in 2011. Excluding the unfavorable impact of foreign currency fluctuations, net sales decreased \$8.9 million, or 4.3%, in 2012, primarily driven by lower net sales of fragrances and a higher returns accrual of \$1.6 million recorded in 2012 related to the September 2012 Program. From a country perspective, net sales decreased in Italy, France and certain distributor territories (which together contributed 5.9 percentage points to the decrease in the region's net sales in 2012, as compared to 2011), partially offset by an increase in net sales in South Africa (which offset by 1.2 percentage points the decrease in the region's net sales in 2012, as compared to 2011). The decrease in the net sales in France and Italy was partially driven by the \$1.6 million higher returns accrual noted above.

**Latin America and Canada**

In Latin America and Canada, net sales in 2012 increased 11.6% to \$203.0 million, compared to \$181.9 million in 2011. Excluding the unfavorable impact of foreign currency fluctuations, net sales increased \$28.0 million, or 15.4%, in 2012, primarily driven by higher net sales of **Revlon** color cosmetics, **Revlon ColorSilk** hair color and **Almay** color cosmetics. From a country perspective, net sales increased throughout the region. Venezuela's increase in net sales in 2012 was partially driven by the loss of sales during June through December 2011 as a result of the June 2011 fire which destroyed Revlon Venezuela's facility. Net sales in Argentina and Venezuela also benefited from higher selling prices given market conditions and inflation, which accounted for approximately one-third of the \$28.0 million increase in the region's net sales.

**Gross profit:**

	Year Ended December 31,		
	2012	2011	Change
Gross profit	\$ 919.6	\$ 888.8	\$ 30.8
Percentage of net sales	64.5%	64.3%	0.2%

The 0.2 percentage point increase in gross profit as a percentage of net sales for 2012, compared 2011, was primarily due to:

lower manufacturing costs, including materials and freight costs, as a result of supply chain cost reduction initiatives, which increased gross profit as a percentage of net sales by 0.6 percentage points; and

lower sales returns and allowances which increased gross profit as a percentage of net sales by 0.4 percentage points;

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with the foregoing partially offset by:

the impact of product mix, which reduced gross profit as a percentage of net sales by 0.5 percentage points;

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

restructuring related charges recognized in connection with the September 2012 Program, which reduced gross profit as a percentage of net sales by 0.1 percentage points.

**SG&A expenses:**

	Year Ended December 31,		Change
	2012	2011	
SG&A expenses	\$ 710.2	\$ 685.5	\$ (24.7)

The \$24.7 million increase in SG&A expenses for 2012, as compared to 2011, was driven primarily by:

\$19.1 million of higher general and administrative expenses, principally due to the impact of the \$8.9 million litigation loss contingency recognized in 2012 (see Note 19, Commitments and Contingencies to the Consolidated Financial Statements in this Form 10-K for further discussion), higher insurance expense and higher compensation expense; and

\$6.9 million lower benefit from insurance proceeds related to the Venezuela fire recognized in SG&A expenses in 2012, as compared to 2011;

with the foregoing partially offset by:

\$8.7 million of favorable impact of foreign currency fluctuations.

**Restructuring charges:**

	Year Ended December 31,		Change
	2012	2011	
Restructuring charges	\$ 20.7	\$	\$ (20.7)

During 2012, the Company recorded charges totaling \$24.1 million related to the September 2012 Program, which primarily involved the Company exiting its owned manufacturing facility in France and its leased manufacturing facility in Maryland; rightsizing its organizations in France and Italy; and realigning its operations in Latin America, including consolidating Latin America and Canada into a single operating region. Of the \$24.1 million charge: (a) \$20.7 million is recorded in restructuring charges; (b) \$1.6 million is recorded as a reduction to net sales; (c) \$1.2 million is recorded in cost of goods sold; and (d) \$0.6 million is recorded in SG&A expenses. See Note 3, Restructuring Charges, to the Consolidated Financial Statements in this Form 10-K for further discussion of the above.

**Interest expense:**

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	Year Ended December 31,		Change
	2012	2011	
Interest expense	\$ 79.1	\$ 84.9	\$ 5.8
Interest expense - preferred stock dividend	\$ 6.5	\$ 6.4	\$ (0.1)

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The \$5.8 million decrease in interest expense (excluding interest expense related to the regular quarterly dividends on the Preferred Stock) for 2012, as compared to 2011, was primarily due to lower weighted average borrowing rates as a result of the 2011 Term Loan Facility Refinancing. (See Financial Condition, Liquidity and Capital Resources Long Term Debt Instruments and Note 10, Long-Term Debt and Redeemable Preferred Stock, to the Consolidated Financial Statements in this Form 10-K).

In accordance with the terms of the certificate of designation of the Preferred Stock, during 2012 and 2011, Revlon, Inc. recognized \$6.5 million and \$6.4 million, respectively, of interest expense related to the regular quarterly dividends on the Preferred Stock.

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

	Year Ended December 31,		
	2012	2011	Change
Loss on early extinguishment of debt, net	\$	\$ 11.2	\$ 11.2

As a result of the 2011 Refinancings, the Company recognized a loss on the early extinguishment of debt of \$11.2 million during 2011, due to \$1.7 million of fees which were expensed as incurred in connection with the 2011 Refinancings, as well as the write-off of \$9.5 million of unamortized debt discount and deferred financing fees as a result of such refinancings.

**Foreign currency losses, net:**

	Year Ended December 31,		
	2012	2011	Change
Foreign currency losses, net	\$ 2.7	\$ 4.4	\$ 1.7

The decrease in foreign currency losses, net of \$1.7 million during 2012, as compared to 2011, was primarily driven by:

lower losses as a result of the revaluation of certain U.S. Dollar denominated intercompany payables and foreign currency denominated intercompany receivables from the Company's foreign subsidiaries during 2012 as compared to 2011; and

a foreign currency loss of \$1.7 million recorded in 2011 related to the re-measurement of Revlon Venezuela's balance sheet that did not recur in 2012. See Financial Condition, Liquidity and Capital Resources Impact of Foreign Currency Translation Venezuela for further discussion;

with the foregoing partially offset by:

\$0.8 million of higher foreign currency losses related to the Company's foreign currency forward exchange contracts (FX Contracts) during 2012 compared to 2011.

**Provision for income taxes:**

	Year Ended December 31,		
	2012	2011	Change
Provision for income taxes	\$ 43.7	\$ 36.8	\$ (6.9)



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The provision for income taxes in 2012 included a non-cash benefit of \$15.8 million related to the reduction of the Company's deferred tax valuation allowance on certain of its net deferred tax assets for certain jurisdictions within the U.S. at December 31, 2012 as a result of the Company's improved earnings trends and cumulative taxable income in those jurisdictions. The provision for income taxes in 2011 included a non-cash benefit of \$16.9 million recorded in 2011 related to the reduction of the Company's deferred tax valuation allowance on its net deferred tax assets for certain jurisdictions outside the U.S. at December 31, 2011 as a result of the Company's improved earnings trends and cumulative taxable income in those jurisdictions. Excluding these non-cash benefits, the provision for income taxes in 2012 was higher than 2011 primarily due to increased pre-tax income, partially offset by various discrete items, including the favorable resolution of tax matters in certain foreign jurisdictions.

The effective tax rate for 2012 is higher than the federal statutory rate of 35% due principally to: (a) foreign dividends and earnings taxable in the U.S.; and (b) the impact of certain expenses for which there is no tax benefit recognized, primarily related to the September 2012 Program and the litigation loss contingency recorded during 2012 (see Note 3, Restructuring Charges and Note 19, Commitments and Contingencies to the Consolidated Financial Statements in this Form 10-K), partially offset by the effect of the \$15.8 million reduction of the deferred tax valuation allowance described above.

In assessing the recoverability of its deferred tax assets, management regularly considers whether some portion or all of the deferred tax assets will not be realized based on the recognition threshold and measurement of a tax position. The ultimate realization of deferred tax assets is generally dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment.

Based on the level of historical losses for certain jurisdictions within the U.S., the Company had maintained a deferred tax valuation allowance against certain of its deferred tax assets. As of December 31, 2012, the Company had experienced improved earnings trends and had cumulative taxable income in such jurisdictions. As a result of such earnings trends and the Company's tax position, and based upon the Company's projections for future taxable income over the periods in which the deferred tax assets are recoverable, management concluded that it was more likely than not that the Company would realize the benefits of certain of its net deferred tax assets existing at December 31, 2012 in those jurisdictions. Therefore, at December 31, 2012, the Company realized a non-cash benefit of \$15.8 million related to a reduction of the Company's deferred tax valuation allowance on certain of its net deferred tax assets for certain jurisdictions within the U.S. The Company reflected this benefit in the tax provision and this non-cash benefit increased net income at December 31, 2012.

Based upon the level of historical taxable losses for certain jurisdictions outside the U.S., the Company had maintained a deferred tax valuation allowance against its deferred tax assets. As of December 31, 2011, the Company experienced improved earnings trends and had cumulative taxable income in such jurisdictions. As a result of such earnings trends and the Company's tax position, and based upon the Company's projections for future taxable income over the periods in which the deferred tax assets are recoverable, management concluded that it was more likely than not that the Company would realize the benefits of the net deferred tax assets existing at December 31, 2011 in those jurisdictions. Therefore, at December 31, 2011, the Company realized a non-cash benefit of \$16.9 million related to a reduction of the Company's deferred tax valuation allowance on its net deferred tax assets for certain jurisdictions outside the U.S. The Company has reflected this benefit in the tax provision and this non-cash benefit increased the Company's net income at December 31, 2011.

As a result of the reduction of the Company's deferred tax valuation allowance in the U.S. during 2010, as discussed below in the Year ended December 31, 2011 compared with the year ended December 31, 2010 Provision for (benefit from) income taxes, the Company's tax provision has reflected a higher effective tax rate beginning with the first quarter of 2011. However, the increase in the effective tax rate did not affect the Company's cash taxes paid in 2011 and 2012 and will not affect the Company's cash taxes paid thereafter until the Company has fully used its tax loss carryforwards and other tax attributes in the U.S.

See Note 13, Income Taxes, to the Consolidated Financial Statements in this Form 10-K for further discussion of the above.



**Table of Contents****Year ended December 31, 2011 compared with the year ended December 31, 2010**

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

**Net sales:**

Consolidated net sales in 2011 were \$1,381.4 million, an increase of \$60.0 million, or 4.5%, compared to \$1,321.4 million in 2010. Excluding the favorable impact of foreign currency fluctuations of \$17.0 million, consolidated net sales increased by \$43.0 million, or 3.3% in 2011, primarily driven by the inclusion of the net sales of **SinfulColors** color cosmetics beginning in March 2011, as well as higher net sales of **Revlon** and **Almay** color cosmetics and **Revlon ColorSilk** hair color. These increases were partially offset by lower net sales of **Revlon** beauty tools and lower net sales of other beauty care products in Venezuela as a result of the June 2011 fire at Revlon Venezuela's facility.

	Year Ended December 31,		Change		XFX Change (a)	
	2011	2010	\$	%	\$	%
United States	\$ 757.4	\$ 729.1	\$ 28.3	3.9%	\$ 28.3	3.9%
Asia Pacific	233.4	209.9	23.5	11.2	8.4	4.0
Europe, Middle East and Africa	208.7	200.4	8.3	4.1	4.0	2.0
Latin America and Canada	181.9	182.0	(0.1)	(0.1)	2.3	1.3
Consolidated Net Sales	\$ 1,381.4	\$ 1,321.4	\$ 60.0	4.5%	\$ 43.0	3.3%

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

**United States**

In the U.S., net sales in 2011 increased 3.9% to \$757.4 million, compared to \$729.1 million in 2010, primarily driven by the inclusion of the net sales of **SinfulColors** color cosmetics beginning in March 2011, as well as higher net sales of **Almay** color cosmetics and **Revlon ColorSilk** hair color, partially offset by lower net sales of **Revlon** beauty tools and **Revlon** color cosmetics. Excluding the results of **SinfulColors** color cosmetics, net sales in the U.S. increased in 2011.

**Asia Pacific**

In Asia Pacific, net sales in 2011 increased 11.2% to \$233.4 million, compared to \$209.9 million in 2010. Excluding the favorable impact of foreign currency fluctuations, net sales increased \$8.4 million, or 4.0%, in 2011, primarily driven by higher net sales of **Revlon** color cosmetics. From a country perspective, net sales increased in China and certain distributor markets (which together contributed 6.2 percentage points to the increase in the region's net sales in 2011, as compared to 2010), partially offset by a decrease in net sales in Japan and Australia (which together offset by 2.1 percentage points the increase in the region's net sales in 2011, as compared to 2010).

**Europe, Middle East and Africa**

In Europe, the Middle East and Africa, net sales in 2011 increased 4.1% to \$208.7 million, compared to \$200.4 million in 2010. Excluding the favorable impact of foreign currency fluctuations, net sales increased \$4.0 million, or 2.0%, in 2011, primarily driven by higher net sales of **Revlon** color cosmetics. From a country perspective, net sales increased in South Africa (which contributed 2.5 percentage points to the increase in the region's net sales in 2011, as compared to 2010), partially offset by a decrease in net sales in Italy (which offset by 0.8 percentage points the increase in the region's net sales in 2011, as compared to 2010).

**Latin America and Canada**

In Latin America and Canada, net sales in 2011 decreased 0.1% to \$181.9 million, compared to \$182.0 million in 2010. Excluding the unfavorable impact of foreign currency fluctuations, net sales increased \$2.3 million, or 1.3%, in 2011, primarily driven by higher net sales of **Revlon** color cosmetics, partially offset by lower net sales of other beauty care products. From a country perspective, net sales increased in

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Argentina and Latin America Export (which together contributed 3.9 percentage points to the increase in the region's net sales in 2011, as compared to 2010), partially offset by a decrease in net sales in Venezuela and Canada (which offset by 3.1 percentage points the increase in the region's net sales in 2011, as compared to 2010). Venezuela's decline in net sales was due to the loss of a significant portion of sales from June through December 2011 as a result of the June 2011 fire which destroyed Revlon Venezuela's facility. Revlon Venezuela resumed sales of imported goods on August 12, 2011; however, the Company had not recorded any sales of locally manufactured goods in Venezuela since the fire in June 2011.

**Table of Contents****Gross profit:**

	Year Ended December 31,		Change
	2011	2010	
Gross profit	\$ 888.8	\$ 866.1	\$ 22.7
Percentage of net sales	64.3%	65.5%	(1.2)%

The 1.2 percentage point decrease in gross profit as a percentage of net sales for 2011, compared to 2010, was primarily due to:

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

higher allowances, which reduced gross profit as a percentage of net sales by 0.9 percentage points; with the foregoing partially offset by:

favorable foreign currency fluctuations, which increased gross profit as a percentage of net sales by 0.6 percentage points;

lower pension expenses within cost of goods, which increased gross profit as a percentage of net sales by 0.2 percentage points.

**SG&A expenses:**

	Year Ended December 31,		Change
	2011	2010	
SG&A expenses	\$ 685.5	\$ 666.6	\$ (18.9)

The \$18.9 million increase in SG&A expenses for 2011, as compared to 2010, was driven primarily by:

\$17.8 million of higher general and administrative expenses primarily due to (i) the inclusion of operating expenses of **SinfulColors** from the date of acquisition in March 2011, (ii) higher compensation expenses, (iii) higher professional fees and (iv) higher depreciation costs; and

\$8.7 million of unfavorable impact of foreign currency fluctuations; with the foregoing partially offset by:

\$9.7 million, net, from insurance recoveries, which is comprised of \$14.6 million of income from insurance recoveries related to the fire that destroyed Revlon Venezuela's facility, partially offset by the \$4.9 million impairment loss related to Revlon Venezuela's net book value of inventory, property, plant and equipment destroyed by the fire. The \$9.7 million, net, from insurance recoveries entirely offset the business interruption losses incurred from June 5, 2011 through December 31, 2011. (See Management's Discussion and Analysis of Financial Condition and Results of Operations - Fire at Revlon Venezuela's Facility for further discussion).



**Table of Contents****Interest expense:**

	<b>Year Ended December 31,</b>		
	<b>2011</b>	<b>2010</b>	<b>Change</b>
Interest expense	\$ 84.9	\$ 90.5	\$ 5.6
Interest expense - preferred stock dividend	\$ 6.4	\$ 6.4	\$

The \$5.6 million decrease in interest expense (excluding interest expense related to the regular quarterly dividends on the Preferred Stock) for 2011, as compared to 2010, was primarily due to lower weighted average borrowing rates as a result of the 2011 Refinancings. (See Financial Condition, Liquidity and Capital Resources 2011 Refinancings and Note 10, Long-Term Debt and Redeemable Preferred Stock, to the Consolidated Financial Statements in this Form 10-K).

In accordance with the terms of the certificate of designation of the Preferred Stock, during both 2011 and 2010, Revlon, Inc. recognized \$6.4 million of interest expense related to the regular quarterly dividends on the Preferred Stock.

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

	<b>Year Ended December 31,</b>		
	<b>2011</b>	<b>2010</b>	<b>Change</b>
Loss on early extinguishment of debt, net	\$ 11.2	\$ 9.7	\$ (1.5)

As a result of the 2011 Refinancings, the Company recognized a loss on the early extinguishment of debt of \$11.2 million during 2011, due to \$1.7 million of fees which were expensed as incurred in connection with the 2011 Refinancings, as well as the write-off of \$9.5 million of unamortized debt discount and deferred financing fees as a result of such refinancings.

During March 2010, Products Corporation consummated the refinancing of its 2006 bank term loan facility and its 2006 revolving credit facility (together referred to as the 2010 Refinancing). As a result of the 2010 Refinancing, the Company recognized a loss on the early extinguishment of debt of \$9.7 million during 2010, primarily due to \$5.9 million of fees and expenses which were expensed as incurred in connection with the 2010 Refinancing, as well as the write-off of \$3.8 million of unamortized deferred financing fees as a result of such refinancing.

**Foreign currency losses:**

	<b>Year Ended December 31,</b>		
	<b>2011</b>	<b>2010</b>	<b>Change</b>
Foreign currency losses	\$ 4.4	\$ 6.3	\$ 1.9

The \$1.9 million decrease in foreign currency losses during 2011, as compared to 2010, was primarily driven by:

a \$1.1 million lower foreign currency loss in 2011 compared to 2010 related to the re-measurements of Revlon Venezuela's balance sheet (see Financial Condition, Liquidity and Capital Resources Impact of Foreign Currency Translation Venezuela); and

\$2.0 million of lower foreign currency losses related to the Company's FX Contracts during 2011 compared to 2010; with the foregoing partially offset by:

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

**Table of Contents****Provision for (benefit from) income taxes:**

	<b>Year Ended December 31,</b>		
	<b>2011</b>	<b>2010</b>	<b>Change</b>
Provision for (benefit from) income taxes	\$ 36.8	\$ (247.2)	\$ (284.0)

The provision for income taxes in 2011 included a non-cash benefit of \$16.9 million related to the reduction of the Company's deferred tax valuation allowance on its net deferred tax assets for certain jurisdictions outside the U.S. at December 31, 2011 as discussed above in Results of Operations Provision for Income Taxes. The benefit for income taxes in 2010 included a non-cash benefit of \$260.6 million related to a reduction of the Company's deferred tax valuation allowance on its net U.S. deferred tax assets at December 31, 2010. Excluding these non-cash benefits, the provision for income taxes in 2011 was higher than 2010 primarily due to higher deferred tax expense for the U.S. in 2011 due to the reduction of the valuation allowance in the U.S. on December 31, 2010 and higher pre-tax income in the U.S. in 2011. In addition, the provision for income taxes in 2010 benefited from various discrete items, including the favorable resolution of tax matters in the U.S. and certain foreign jurisdictions, that did not recur in 2011.

The effective tax rate for 2011 is higher than the federal statutory rate of 35% due principally to: (i) foreign dividends and earnings taxable in the U.S.; and (ii) foreign and U.S. tax effects attributable to operations outside the U.S., including pre-tax losses in a number of jurisdictions outside the U.S. for which there is no tax benefit recognized in the period, partially offset by the effect of the reduction of the deferred tax valuation allowance described above.

Based upon the level of historical taxable losses for the U.S., the Company had maintained a deferred tax valuation allowance against its deferred tax assets in the U.S. As of December 31, 2010, the Company had experienced improved earnings trends and had cumulative taxable income. As a result of such earnings trends and the Company's tax position, and based upon the Company's projections for future taxable income over the periods in which the deferred tax assets were recoverable, management concluded that it was more likely than not that the Company would realize the benefits of the net deferred tax assets existing at December 31, 2010. Therefore, at December 31, 2010, the Company realized a non-cash benefit of \$260.6 million related to a reduction of the Company's deferred tax valuation allowance on its net U.S. deferred tax assets at December 31, 2010. The Company reflected this benefit in the tax provision and this non-cash benefit increased net income at December 31, 2010.

See Note 13, Income Taxes, to the Consolidated Financial Statements in this Form 10-K for further discussion of the above.

**Financial Condition, Liquidity and Capital Resources**

At December 31, 2012, the Company had liquidity of \$237.6 million, consisting of cash and cash equivalents (net of any outstanding checks) of \$108.0 million, as well as \$129.6 million in available borrowings under the 2011 Revolving Credit Facility (based upon the borrowing base less \$10.4 million of undrawn outstanding letters of credit and nil then drawn under the 2011 Revolving Credit Facility at such date).

**Table of Contents****Cash Flows**

At December 31, 2012, the Company had cash and cash equivalents of \$116.3 million, compared with \$101.7 million at December 31, 2011. The following table summarizes the Company's cash flows from operating, investing and financing activities for 2012, 2011 and 2010 (all amounts are in millions):

	<b>Year Ended December 31,</b>		
	<b>2012</b>	<b>2011</b>	<b>2010</b>
Net cash provided by operating activities	\$ 104.1	\$ 88.0	\$ 97.2
Net cash used in investing activities	(86.3)	(52.6)	(14.9)
Net cash used in financing activities	(3.4)	(7.5)	(62.8)
Effect of exchange rate changes on cash and cash equivalents	0.2	(2.9)	2.7

Net cash provided by operating activities was \$104.1 million, \$88.0 million and \$97.2 million for 2012, 2011 and 2010, respectively. As compared to 2011, cash provided by operating activities in 2012 was impacted by favorable changes in working capital and lower cash interest paid, partially offset by the renewal and partial pre-payment of certain of the Company's multi-year insurance programs. As compared to 2010, cash provided by operating activities in 2011 was impacted by higher interest payments, increased permanent display spending and increased pension contributions.

Net cash used in investing activities was \$86.3 million, \$52.6 million and \$14.9 million for 2012, 2011 and 2010, respectively.

Net cash used in investing activities for 2012 included:

\$66.2 million for the Pure Ice Acquisition; and

\$20.9 million used for capital expenditures.

Net cash used in investing activities for 2011 included:

\$39.0 million for the SinfulColors Acquisition (as hereinafter defined). On March 17, 2011, the Company acquired certain assets, including trademarks and other intellectual property, inventory, certain receivables and manufacturing equipment, related to SinfulColors cosmetics, Wild and Crazy cosmetics, freshMinerals cosmetics and freshcover cosmetics, which products are sold principally in the U.S. mass retail channel (the SinfulColors Acquisition); and

\$13.9 million used for capital expenditures.

Net cash used in investing activities in 2010 included \$15.2 million of capital expenditures.

Net cash used in financing activities was \$3.4 million, \$7.5 million and \$62.8 million for 2012, 2011 and 2010, respectively.

Net cash used in financing activities for 2012 included:

an aggregate \$8.0 million of scheduled amortization payments on the 2011 Term Loan Facility in 2012; with the foregoing partially offset by:



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a \$6.3 million increase in short term borrowings and overdraft.

Net cash used in financing activities for 2011 included:

payment of the \$4.3 million of fees incurred in connection with the 2011 Refinancings; and

an aggregate \$4.0 million of scheduled amortization payments on the 2011 Term Loan Facility in 2011;  
with the foregoing partially offset by:

cash provided by Products Corporation's issuance of the \$800.0 million aggregate principal amount of the 2011 Term Loan Facility, or \$796.0 million, net of discounts, partially offset by cash used for the repayment of \$794.0 million remaining aggregate principal amount of Products Corporation's 2010 Term Loan Facility.

Net cash used in financing activities for 2010 included:

cash used for repayment of \$815.0 million remaining aggregate principal amount of Products Corporation's 2006 bank term loan facility, partially offset by cash provided by Products Corporation's issuance of the \$800.0 million aggregate principal amount of the 2010 Term Loan Facility, or \$786.0 million, net of discounts;

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an aggregate \$6.0 million of scheduled amortization payments on the 2010 Term Loan Facility in 2010; and

payment of financing costs of \$17.5 million, which was primarily comprised of (i) the payment of \$15.3 million of fees incurred in connection with the 2010 refinancing of Products Corporation's 2006 bank term loan facility and revolving credit facility and (ii) the payment of the remaining balance of \$1.7 million of the \$25.1 million of fees incurred in connection with the refinancing of Products Corporation's 9<sup>1</sup>/<sub>2</sub>% Senior Notes in November 2009 with the 9<sup>3</sup>/<sub>4</sub>% Senior Secured Notes due November 2015.

***2012 Debt Transaction***

Products Corporation was party to the Senior Subordinated Term Loan Agreement, consisting of (i) the \$58.4 million Non-Contributed Loan (as hereinafter defined) 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 Contributed Loan (as hereinafter defined), 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 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 (the Amended and Restated Senior Subordinated Term Loan Agreement) 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 per annum) 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 Amended and Restated Senior Subordinated Term Loan Agreement and Redeemable Preferred Stock below for further discussion of the above.

***2011 Refinancings***

In the second quarter of 2011, Products Corporation consummated refinancing of its 2010 Term Loan Facility with the 2011 Term Loan Facility and Products Corporation's 2010 Revolving Credit Facility with the 2011 Revolving Credit Facility (together referred to as the 2011 Refinancings), reducing interest rates and extending maturities.

In May 2011, Products Corporation consummated a refinancing of the 2010 Term Loan Facility (the 2011 Term Loan Facility Refinancing), which included replacing Products Corporation's 2010 bank term loan facility, which was scheduled to mature on March 11, 2015 and had \$794.0 million aggregate principal amount outstanding at December 31, 2010 (the 2010 Term Loan Facility), with a 6.5-year, \$800.0 million term loan facility due November 19, 2017 (the 2011 Term Loan Facility). Products Corporation used \$796 million of proceeds from the 2011 Term Loan Facility, which was drawn in full on the May 19, 2011 closing date and issued to lenders at 99.5% of par, to refinance in full the \$792.0 million of then outstanding indebtedness under its 2010 Term Loan Facility and to pay approximately \$2 million of accrued interest. Products Corporation incurred \$3.6 million of fees in connection with consummating the 2011 Term Loan Facility Refinancing, of which \$1.9 million was capitalized.

In June 2011, Products Corporation consummated a refinancing of the 2010 Revolving Credit Facility, which included refinancing Products Corporation's 2010 revolving credit facility, which was scheduled to mature on March 11, 2014 and had nil outstanding borrowings at December 31, 2010, with a 5-year, \$140.0 million asset-based, multi-currency revolving credit facility due June 16, 2016. Products Corporation incurred \$0.7 million of fees in connection with consummating the 2011 Revolving Credit Facility Refinancing, all of which were capitalized.

The following is a summary description of the 2011 Term Loan Facility and 2011 Revolving Credit Facility. Investors should refer to the principal refinancing agreements (copies of which are included as exhibits to the Company's Form 10-Q for the period ended June 30, 2011, filed with the SEC on July 28, 2011) for complete terms and conditions. Unless otherwise indicated, capitalized terms have the meanings given to them in the 2011 Term Loan Agreement and/or the 2011 Revolving Credit Agreement, as applicable.

**Table of Contents****2011 Term Loan Facility**

Under the 2011 Term Loan Facility, Eurodollar Loans bear interest at the Eurodollar Rate plus 3.50% per annum (with the Eurodollar Rate not to be less than 1.25%) and Alternate Base Rate loans bear interest at the Alternate Base Rate plus 2.50% (with the Alternate Base Rate not to be less than 2.25%). Prior to the November 2017 termination date of the 2011 Term Loan Facility, on September 30, December 31, March 31 and June 30 of each year, Products Corporation is required to repay \$2 million of the principal amount of the term loans outstanding under the 2011 Term Loan Facility on each respective date. For other prepayment terms (including, without limitation, the requirement to pre-pay the 2011 Term Loan Facility with 50% of Products Corporation's excess cash flow, commencing with excess cash flow for the 2012 fiscal year payable in the first 100 days of 2013, which prepayments are applied to reduce Products Corporation's future regularly scheduled term loan amortization payments in the direct order of maturities), see Note 10, Long-Term Debt and Redeemable Preferred Stock, to the Consolidated Financial Statements in this Form 10-K. In addition to its regularly scheduled \$2.0 million principal repayment due on March 31, 2013, prior to April 10, 2013, Products Corporation will also be required to repay approximately \$19.5 million of indebtedness under the 2011 Term Loan Facility, representing 50% of its 2012 excess cash flow (as defined under the 2011 Term Loan Agreement), which repayment would satisfy Products Corporation's future regularly scheduled term loan amortization payments in the direct order of maturities beginning in June 2013 through September 2015.

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

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

The 2011 Term Loan Facility matures on November 19, 2017; provided, however, it will mature on August 15, 2015 if Products Corporation's 9<sup>3</sup>/<sub>4</sub>% Senior Secured Notes have not been refinanced, redeemed, repurchased, defeased or repaid in full on or before such date. See 2013 Senior Notes Refinancing below for a discussion of the 2013 refinancing of the 9<sup>3</sup>/<sub>4</sub>% Senior Secured Notes.

**2011 Revolving Credit Facility**

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

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

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

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



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Local Loans 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. For other fees payable to the lenders under the 2011 Revolving Credit Facility (including, without limitation, a commitment fee of 0.375% of the average daily unused portion of the 2011 Revolving Credit Facility), see Note 10, Long-Term Debt and Redeemable Preferred Stock, to the Consolidated Financial Statements in this Form 10-K.

For prepayment terms under the 2011 Revolving Credit Facility, see Note 10, Long-Term Debt and Redeemable Preferred Stock, to the Consolidated Financial Statements in this Form 10-K.

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

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

The 2011 Revolving Credit Facility matures on June 16, 2016; provided, however, it will mature on August 15, 2015 if Products Corporation's 9<sup>3</sup>/<sub>4</sub>% Senior Secured Notes have not been refinanced, redeemed, repurchased, defeased or repaid in full on or before such date. See 2013 Senior Notes Refinancing below for a discussion of the 2013 refinancing of the 9<sup>3</sup>/<sub>4</sub>% Senior Secured Notes.

**Covenants and Defaults Applicable to the 2011 Credit Facilities**

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

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

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

(a) exceptions permitting Products Corporation to pay dividends or make other payments to Revlon, Inc. to enable it to, among other things, pay expenses incidental to being a public holding company, including, among other things, professional fees such as legal, accounting and insurance fees, regulatory fees, such as SEC filing fees and NYSE listing fees, and other expenses related to being a public holding company;

(b) subject to certain circumstances, to finance the purchase by Revlon, Inc. of its Class A Common Stock in connection with the delivery of such Class A Common Stock to grantees under the Third Amended and Restated Revlon, Inc. Stock Plan and/or the payment of withholding taxes in connection with the vesting of restricted stock awards under such plan;

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

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

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

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

The events of default under the 2011 Credit Facilities include customary events of default for such types of agreements. For a description of the events of defaults, see Note 10, Long-Term Debt and Redeemable Preferred Stock, to the Consolidated Financial Statements in this Form 10-K. If Products Corporation is in default under the senior secured leverage ratio under the 2011 Term Loan Facility or the consolidated fixed charge coverage ratio under the 2011 Revolving Credit Agreement, Products Corporation may cure such default by issuing certain equity securities to, or receiving capital contributions from, Revlon, Inc. and applying such cash which is deemed to increase EBITDA for the purpose of calculating the applicable ratio. Products Corporation may exercise this cure right two times in any four-quarter period.

Products Corporation was in compliance with all applicable covenants under the 2011 Term Loan Agreement and 2011 Revolving Credit Agreement upon closing the respective 2011 Refinancings and as of December 31, 2012. At December 31, 2012, the aggregate principal amount outstanding under the 2011 Term Loan Facility was \$788.0 million and availability under the \$140.0 million 2011 Revolving Credit Facility, based upon the calculated borrowing base less \$10.4 million of outstanding undrawn letters of credit and nil then drawn on the 2011 Revolving Credit Facility, was \$129.6 million. During 2012 and 2011, the average borrowings outstanding under the 2011 Revolving Credit Facility were \$4.1 million and \$5.8 million, respectively.

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

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

In November 2009, Products Corporation issued and sold \$330.0 million in aggregate principal amount of the 9<sup>3</sup>/<sub>4</sub>% Senior Secured Notes due November 15, 2015 (the 9<sup>3</sup>/<sub>4</sub>% Senior Secured Notes) in a private placement which was priced at 98.9% of par, receiving net proceeds (net of original issue discount and underwriters fees) of \$319.8 million. Including the amortization of the original issue discount, the effective interest rate on the 9<sup>3</sup>/<sub>4</sub>% Senior Secured Notes is 10%. Pursuant to a registration rights agreement, in July 2010, Products Corporation completed an offer to exchange the original 9<sup>3</sup>/<sub>4</sub>% Senior Secured Notes for up to \$330 million in aggregate principal amount of its 9<sup>3</sup>/<sub>4</sub>% Senior Secured Notes due 2015 that have been registered under the Securities Act of 1933, as amended (the Securities Act), in which all of the old notes were exchanged for new notes which have substantially identical terms as the old notes, except that the new notes are registered with the SEC under the Securities Act and the transfer restrictions and registration rights applicable to the old notes do not apply to the new notes.

The 9<sup>3</sup>/<sub>4</sub>% Senior Secured Notes bear interest at an annual rate of 9<sup>3</sup>/<sub>4</sub>%, which is payable on May 15 and November 15 of each year, requiring bi-annual interest payments of \$16.1 million on each interest payment date, based on the \$330.0 million aggregate principal face amount of the 9<sup>3</sup>/<sub>4</sub>% Senior Secured Notes outstanding as of December 31, 2012.

Upon a Change in Control (as defined in the 9<sup>3</sup>/<sub>4</sub>% Senior Secured Notes Indenture), subject to certain conditions, each holder of the 9<sup>3</sup>/<sub>4</sub>% Senior Secured Notes will have the right to require Products Corporation to repurchase all or a portion of such holder's 9<sup>3</sup>/<sub>4</sub>% Senior Secured Notes at a price equal to 101% of the principal amount, plus accrued and unpaid interest, if any, to the date of repurchase.

The 9<sup>3</sup>/<sub>4</sub>% Senior Secured Notes Indenture contains covenants that, among other things, limit (i) the issuance of additional debt and redeemable stock by Products Corporation; (ii) the incurrence of liens; (iii) the issuance of debt and preferred stock by Products Corporation's subsidiaries; (iv) the payment of dividends on capital stock of

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Products Corporation and its subsidiaries and the redemption of capital stock of Products Corporation and certain subordinated obligations; (v) the sale of assets and subsidiary stock by Products Corporation; (vi) transactions with affiliates of Products Corporation; (vii) consolidations, mergers and transfers of all or substantially all of Products Corporation's assets; and (viii) certain restrictions on transfers of assets by or distributions from subsidiaries of Products Corporation. All of these limitations and prohibitions, however, are subject to a number of qualifications and exceptions, which are specified in the 9<sup>3</sup>/<sub>4</sub>% Senior Secured Notes Indenture. Products Corporation was in compliance with all applicable covenants under its 9<sup>3</sup>/<sub>4</sub>% Senior Secured Notes Indenture as of December 31, 2012.

For further discussion regarding the 9<sup>3</sup>/<sub>4</sub>% Senior Secured Notes, due November 2015, see Note 10, Long-Term Debt and Redeemable Preferred Stock, to the Consolidated Financial Statements in this Form 10-K.

See 2013 Senior Notes Refinancing below for a discussion of the 2013 refinancing of the 9<sup>3</sup>/<sub>4</sub>% Senior Secured Notes.

***Amended and Restated Senior Subordinated Term Loan and Redeemable Preferred Stock***

In October 2009, Revlon, Inc. consummated a voluntary exchange offer transaction (the 2009 Exchange Offer), in which MacAndrews & Forbes contributed to Revlon, Inc. \$48.6 million of the \$107.0 million aggregate outstanding principal amount of the Senior Subordinated Term Loan (the Contributed Loan), representing \$5.21 of outstanding principal amount for each of the 9,336,905 shares of Revlon, Inc.'s Class A Common Stock exchanged in the 2009 Exchange Offer, and Revlon, Inc. issued to MacAndrews & Forbes 9,336,905 shares of Class A Common Stock at a ratio of one share of Class A Common Stock for each \$5.21 of outstanding principal amount of the Senior Subordinated Term Loan contributed to Revlon. Also upon consummation of the 2009 Exchange Offer, the terms of the Senior Subordinated Term Loan Agreement were amended to extend the maturity date of the Contributed Loan which remains owing from Products Corporation to Revlon, Inc. from August 2010 to October 8, 2013, to change the annual interest rate on the Contributed Loan from 11% to 12.75%, to extend the maturity date of the \$58.4 million principal amount of the Senior Subordinated Term Loan which, at December 31, 2011, remained owing from Products Corporation to MacAndrews & Forbes (the Non-Contributed Loan) from August 2010 to October 8, 2014 and to change the annual interest rate on the Non-Contributed Loan from 11% to 12%.

Each share of Preferred Stock issued in the 2009 Exchange Offer has a liquidation preference of \$5.21 per share, is entitled to receive a 12.75% annual dividend payable quarterly in cash and is mandatorily redeemable for \$5.21 in cash on October 8, 2013. Each share of Preferred Stock entitles its holder to receive cash payments of approximately \$7.87 over the four-year term of the Preferred Stock, through the quarterly payment of 12.75% annual cash dividends and a \$5.21 per share liquidation preference at maturity, in each case to the extent that Revlon, Inc. has lawfully available funds to effect such payments. Each share of Preferred Stock has the same voting rights as a share of Class A Common Stock, except with respect to certain mergers.

In connection with the 2009 Exchange Offer, the Preferred Stock was recorded by Revlon, Inc. as a long-term liability at its fair value of \$47.9 million. The total amount to be paid by Revlon, Inc. at maturity is \$48.6 million, which represents the \$5.21 liquidation preference for each of the 9,336,905 shares of Preferred Stock issued in the 2009 Exchange Offer.

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 the Amended and Restated Senior Subordinated Term Loan Agreement with MacAndrews & Forbes 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 per annum) 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

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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 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.

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.

For further discussion regarding the Amended and Restated Senior Subordinated Term Loan, see Note 10, Long-Term Debt and Redeemable Preferred Stock, to the Consolidated Financial Statements in this Form 10-K.

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

For the years ended December 31, 2012, 2011 and 2010, Revlon Venezuela had net sales of approximately 2%, 2% and 3%, respectively, of the Company's consolidated net sales. At December 31, 2012 and 2011, total assets of Revlon Venezuela were approximately 2% and 2%, respectively, of the Company's total assets.

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

**Currency Devaluation:** On January 8, 2010, the Venezuelan government announced the devaluation of its local currency, Venezuelan Bolivars ( Bolivars ), relative to the U.S. dollar and the official exchange rate for non-essential goods changed from 2.15 to 4.30. Throughout 2010, the Company used Venezuela's official rate to translate Revlon Venezuela's financial statements. In 2010, the devaluation had the impact of reducing the Company's reported net sales and operating income by \$33.4 million and \$8.4 million, respectively. Additionally, to reflect the impact of the currency devaluation, the Company recorded a one-time foreign currency loss of \$2.8 million in January 2010 as a result of the required re-measurement of Revlon Venezuela's balance sheet. As Venezuela was designated as a highly inflationary economy effective January 1, 2010, this foreign currency loss was reflected in earnings in the first quarter of 2010.

**Currency Restrictions:** Currency restrictions enacted by the Venezuelan government in 2003 have become more restrictive and have impacted Revlon Venezuela's ability to obtain U.S. dollars in exchange for Bolivars at the official foreign exchange rates from the Venezuelan government and its foreign exchange commission, the *Comisión de Administracion de Divisas* ( CADIVI ). In May 2010, the Venezuelan government took control over the previously freely-traded foreign currency exchange market and in June 2010, replaced it with a new foreign currency exchange system, the *Sistema de Transacciones en Moneda Extranjera* ( SITME ). SITME provides a mechanism to exchange Bolivars into U.S. dollars. However, U.S. dollars accessed through SITME can only be used for product purchases and related services, such as freight, and are not available for other transactions, such as the payment of dividends. Also, SITME can only be used for amounts of up to \$50,000 per day, subject to a monthly maximum of \$350,000 per legal entity, and is generally only available to the extent the applicant has not exchanged and received U.S. dollars from CADIVI within the previous 90 days. In the second quarter of 2011, the Company began using a SITME rate of 5.5 Bolivars per U.S. dollar to translate Revlon Venezuela's financial statements, as this was the rate at which the Company accessed U.S. dollars in the SITME market during the second quarter of 2011 (the SITME Rate ). The Company had previously utilized Venezuela's official exchange rate of 4.3 Bolivars per U.S. dollar to translate Revlon Venezuela's financial statements from January 1, 2010 through March 31, 2011. Through December 31, 2012, the Company continued using the SITME Rate to translate Revlon Venezuela's financial statements.

To reflect the impact of the change in exchange rates from Venezuela's official exchange rate to the SITME Rate, a foreign currency loss of \$1.7 million was recorded in the second quarter of 2011. As Venezuela was



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designated as a highly inflationary economy effective January 1, 2010, the Company reflected this foreign currency loss in earnings for the year ended December 31, 2011. For the year ended December 31, 2011, the change in the exchange rates in Venezuela unfavorably impacted the Company's consolidated net sales by \$4.6 million.

***Sources and Uses***

The Company's principal sources of funds are expected to be operating revenues, cash on hand and funds available for borrowing under the 2011 Revolving Credit Facility and other permitted lines of credit. The 2011 Credit Agreements, the 9<sup>3/4</sup>% Senior Secured Notes Indenture and the Amended and Restated Senior Subordinated Term Loan Agreement contain certain provisions that by their terms limit Products Corporation and its subsidiaries' ability to, among other things, incur additional debt.

The Company's principal uses of funds are expected to be the payment of operating expenses, including expenses in connection with the continued execution of the Company's business strategy, purchases of permanent wall displays, capital expenditure requirements, debt service payments and costs, tax payments, pension and post-retirement benefit plan contributions, payments in connection with the Company's restructuring programs, severance not otherwise included in the Company's restructuring programs, debt repurchases and costs related to litigation. The Company's cash contributions to its pension and post-retirement benefit plans in 2012 were \$29.8 million. The Company expects cash contributions to its pension and post-retirement benefit plans to be approximately \$20 million in the aggregate for 2013. The Company's cash taxes paid in 2012 were \$18.0 million. The Company expects to pay cash taxes of approximately \$20 million in the aggregate for 2013. The Company's purchases of permanent wall displays and capital expenditures in 2012 were \$43.2 million and \$20.9 million, respectively. The Company expects purchases of permanent wall displays and capital expenditures in the aggregate for 2013 to be approximately \$50 million and \$25 million, respectively. The Company has undertaken, and continues to assess, refine and implement steps to efficiently manage its working capital, including, among other things, initiatives intended to optimize inventory levels over time; centralized procurement to secure discounts and efficiencies; prudent management of accounts receivable and accounts payable; and controls on general and administrative spending. In the ordinary course of business, the Company's source or use of cash from operating activities may vary on a quarterly basis as a result of a number of factors, including the timing of working capital flows.

Continuing to execute the Company's business strategy could include taking advantage of additional opportunities to reposition, repackage or reformulate one or more brands or product lines, launching additional new products, acquiring businesses or brands, further refining the Company's approach to retail merchandising and/or taking further actions to optimize its manufacturing, sourcing and organizational size and structure. Any of these actions, the intended purpose of which would be to create value through profitable growth, could result in the Company making investments and/or recognizing charges related to executing against such opportunities. Any such activities may be funded with cash on hand, funds available under the 2011 Revolving Credit Facility and/or other permitted additional sources of capital, which actions could increase the Company's total debt.

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

The Company expects that operating revenues, cash on hand and funds available for borrowing under the 2011 Revolving Credit Facility and other permitted lines of credit will be sufficient to enable the Company to cover its operating expenses for 2013, including cash requirements in connection with the payment of operating expenses, including expenses in connection with the execution of the Company's business strategy, purchases of permanent wall displays, capital expenditure requirements, 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, debt repurchases and costs related to litigation.

There can be no assurance that available funds will be sufficient to meet the Company's cash requirements on a consolidated basis. If the Company's anticipated level of revenues is not achieved because of, among other things, decreased consumer spending in response to weak economic conditions or weakness in the cosmetics

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category in the mass retail channel; adverse changes in currency exchange rates and/or currency controls; decreased sales of the Company's products as a result of increased competitive activities by the Company's competitors; changes in consumer purchasing habits, including with respect to shopping channels; retailer inventory management, retailer space reconfigurations or reductions in retailer display space; changes in retailer pricing or promotional strategies; or less than anticipated results from the Company's existing or new products or from its advertising, promotional and/or marketing plans; or if the Company's expenses, including, without limitation, for pension expense under its benefit plans, costs related to litigation, advertising, promotional and marketing activities or for sales returns related to any reduction of retail space, product discontinuances or otherwise, exceed the anticipated level of expenses, the Company's current sources of funds may be insufficient to meet the Company's cash requirements.

Any such developments, if significant, could reduce the Company's revenues and could adversely affect Products Corporation's ability to comply with certain financial covenants under the 2011 Credit Agreements and in such event, the Company could be required to take measures, including, among other things, reducing discretionary spending. (See Item 1A. Risk Factors 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 2011 Credit Agreements, which could have a material adverse effect on the Company's business, financial condition and/or results of operations and certain other risk factors discussing certain risks associated with the Company's business and indebtedness).

Revlon, Inc. expects that the payment of the regular quarterly dividends on its Preferred Stock will continue to be funded by cash interest payments to be received by Revlon, Inc. from Products Corporation on the Contributed Loan (the \$48.6 million portion of the Amended and Restated Senior Subordinated Term Loan that was contributed to Revlon, Inc. by MacAndrews & Forbes in connection with consummating the 2009 Exchange Offer), subject to Revlon, Inc. having sufficient surplus or net profits in accordance with Delaware law. Additionally, Revlon, Inc. expects to pay the liquidation preference of the Preferred Stock on October 8, 2013 with the cash payment to be received by Revlon, Inc. from Products Corporation in respect of the maturity of the principal amount outstanding under the Contributed Loan, subject to Revlon, Inc. having sufficient surplus in accordance with Delaware law. The payment of such interest and principal under the Contributed Loan to Revlon, Inc. by Products Corporation is permissible under the 2011 Credit Agreements, the Amended and Restated Senior Subordinated Term Loan Agreement and the 9<sup>3</sup>/<sub>4</sub>% Senior Secured Notes Indenture.

In accordance with the terms of the certificate of designation of the Preferred Stock, during 2012, Revlon, Inc. paid to holders of record of the Preferred Stock an aggregate of \$6.2 million of regular quarterly dividends on the Preferred Stock. In addition, on January 8, 2013, Revlon, Inc. paid to holders of record of the Preferred Stock at the close of business on December 28, 2012 the regular quarterly dividend in the amount of \$0.167016 per share, or \$1.6 million in the aggregate, for the period from October 9, 2012 through January 8, 2013.

Products Corporation enters into FX Contracts and foreign currency option contracts from time to time to hedge certain net cash flows denominated in currencies other than the local currencies of the Company's foreign and domestic operations. The FX Contracts are entered into primarily for the purpose of hedging anticipated inventory purchases and certain intercompany payments denominated in currencies other than the local currencies of the Company's foreign and domestic operations and generally have maturities of less than one year. At December 31, 2012, the notional amount and fair value of FX Contracts outstanding was \$43.9 million and \$(0.3) million, respectively.

**2013 Senior Notes Refinancing**

On February 8, 2013, Products Corporation successfully completed its previously-announced offering, pursuant to an exemption from registration under the Securities Act, of \$500 million aggregate principal amount of 5<sup>3</sup>/<sub>4</sub>% Senior Notes due 2021 (the 5<sup>3</sup>/<sub>4</sub>% Senior Notes). The 5<sup>3</sup>/<sub>4</sub>% Senior Notes are unsecured and were issued to investors at par. The 5<sup>3</sup>/<sub>4</sub>% Senior Notes will mature on February 15, 2021. Interest on the 5<sup>3</sup>/<sub>4</sub>% Senior Notes will accrue at 5<sup>3</sup>/<sub>4</sub>% per annum, paid every six months on February 15<sup>th</sup> and August 15<sup>th</sup>, with the first interest payment due on August 15, 2013.

The 5<sup>3</sup>/<sub>4</sub>% Senior Notes were issued pursuant to an Indenture (the Indenture), dated as of February 8, 2013 (the Closing Date), by and among Products Corporation, Products Corporation's domestic subsidiaries (the Guarantors), which also currently guarantee Products Corporation's 2011 Term Loan Facility and 2011

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Revolving Credit Facility, and U.S. Bank National Association, as trustee. The Guarantors have issued guarantees (the "Guarantees") of Products Corporation's obligations under the 5<sup>3</sup>/<sub>4</sub>% Senior Notes and the Indenture on a senior unsecured basis. The holders of the 5<sup>3</sup>/<sub>4</sub>% Senior Notes and the Guarantees will have certain registration rights pursuant to a Registration Rights Agreement (the "Registration Rights Agreement"), dated as of the Closing Date, by and among Products Corporation, the Guarantors and the representatives of the several initial purchasers of the 5<sup>3</sup>/<sub>4</sub>% Senior Notes.

Products Corporation used the net proceeds from the issuance of the 5<sup>3</sup>/<sub>4</sub>% Senior Notes to: (i) pay the tender offer consideration, including applicable consent payments, in connection with Products Corporation's cash tender offer to purchase any and all of the \$330 million outstanding aggregate principal amount of its 9<sup>3</sup>/<sub>4</sub>% Senior Secured Notes due November 2015 (discussed in more detail below); (ii) pay the applicable premium and accrued interest, along with related fees and expenses, on the 9<sup>3</sup>/<sub>4</sub>% Senior Secured Notes that are subsequently redeemed by Products Corporation following the tender offer; and (iii) pay applicable fees and expenses incurred in connection with the issuance of the 5<sup>3</sup>/<sub>4</sub>% Senior Notes, the tender offer and any redemption. Products Corporation expects to use the remaining balance available from the issuance of the 5<sup>3</sup>/<sub>4</sub>% Senior Notes for general corporate purposes, including debt reduction transactions such as repaying a portion of its 2011 Term Loan Facility due November 2017 and repaying the Contributed Loan portion of its Amended and Restated Senior Subordinated Term Loan at maturity in October 2013.

### *Tender Offer*

On February 8, 2013, Revlon, Inc. also announced the early tender results for Products Corporation's previously-announced cash tender offer and consent solicitation (the "Tender Offer") to purchase any and all of its 9<sup>3</sup>/<sub>4</sub>% Senior Secured Notes due 2015. As of 11:59 p.m., New York City time, on February 7, 2013 (the "Consent Date"), holders of the 9<sup>3</sup>/<sub>4</sub>% Senior Secured Notes had validly tendered and not withdrawn \$192.4 million aggregate principal amount of such 9<sup>3</sup>/<sub>4</sub>% Senior Secured Notes (the "Consent Notes"), which represent approximately 58% of the \$330.0 million aggregate principal amount of the 9<sup>3</sup>/<sub>4</sub>% Senior Secured Notes outstanding. In addition, on the Closing Date, Products Corporation effected a covenant defeasance on the balance of the 9<sup>3</sup>/<sub>4</sub>% Senior Secured Notes by entering into a supplemental indenture to the indenture governing the 9<sup>3</sup>/<sub>4</sub>% Senior Secured Notes, which pursuant to the Tender Offer, eliminated substantially all of the covenants and certain events of default under such indenture. Products Corporation will redeem on March 11, 2013 the aggregate principal amount of 9<sup>3</sup>/<sub>4</sub>% Senior Secured Notes that may be outstanding on such date.

### *Ranking*

The 5<sup>3</sup>/<sub>4</sub>% Senior Notes are Products Corporation's unsubordinated, unsecured obligations and rank senior in right of payment to any future subordinated obligations of Products Corporation and rank pari passu in right of payment with all existing and future senior debt of Products Corporation. Similarly, each Guarantee is the relevant Guarantor's unsubordinated, unsecured obligation and ranks senior in right of payment to any future subordinated obligations of such Guarantor and ranks pari passu in right of payment with all existing and future senior debt of such Guarantor.

The 5<sup>3</sup>/<sub>4</sub>% Senior Notes and the Guarantees will rank effectively junior to Products Corporation's 2011 Term Loan Facility and 2011 Revolving Credit Facility, which are secured, as well as indebtedness and preferred stock of Products Corporation's foreign and immaterial subsidiaries (the "Non-Guarantor Subsidiaries"), none of which will guarantee the 5<sup>3</sup>/<sub>4</sub>% Senior Notes.

### *Optional Redemption*

On and after February 15, 2016, the 5<sup>3</sup>/<sub>4</sub>% Senior Notes may be redeemed at the option of Products Corporation, at any time as a whole, or from time to time in part, at the following redemption prices (expressed as percentages of principal amount), plus accrued interest to the date of redemption, if redeemed during the 12-month period beginning on February 15 of the years indicated below:

Year	Percentage
2016	104.313%
2017	102.875%
2018	101.438%
2019 and thereafter	100.000%



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Products Corporation may redeem the 5<sup>3</sup>/<sub>4</sub>% Senior Notes at its option at any time or from time to time prior to February 15, 2016, as a whole or in part, at a redemption price per 5<sup>3</sup>/<sub>4</sub>% Senior Note equal to the sum of (1) the then outstanding principal amount thereof, plus (2) accrued and unpaid interest (if any) to the date of redemption, plus (3) the applicable premium based on the applicable treasury rate plus 75 basis points.

Prior to February 15, 2016, Products Corporation may, from time to time, redeem up to 35% of the aggregate principal amount of the 5<sup>3</sup>/<sub>4</sub>% Senior Notes and any additional notes with, and to the extent Products Corporation actually receives, the net proceeds of one or more equity offerings from time to time, at 105.75% of the principal amount thereof, plus accrued interest to the date of redemption.

*Change of Control*

Upon the occurrence of specified change of control events, Products Corporation will be required to make an offer to purchase all of the 5<sup>3</sup>/<sub>4</sub>% Senior Notes. The purchase price will be 101% of the outstanding principal amount of the 5<sup>3</sup>/<sub>4</sub>% Senior Notes as of the date of any such repurchase plus accrued and unpaid interest to the date of repurchase.

*Certain Covenants*

The Indenture limits Products Corporation's and the Guarantors' ability, and the ability of certain other subsidiaries, to:

incur or guarantee additional indebtedness ( *Limitation on Debt* );

pay dividends, make repayments on indebtedness that is subordinated in right of payment to the 5<sup>3</sup>/<sub>4</sub>% Senior Notes and make other restricted payments ( *Limitation on Restricted Payments* );

make certain investments;

create liens on their assets to secure debt;

enter into transactions with affiliates;

merge, consolidate or amalgamate with another company ( *Successor Company* );

transfer and sell assets ( *Limitation on Asset Sales* ); and

permit restrictions on the payment of dividends by Products Corporation's subsidiaries ( *Limitation on Dividends from Subsidiaries* ). These covenants are subject to important qualifications and exceptions. The Indenture also contains customary affirmative covenants and events of default.

In addition, if during any period of time the 5<sup>3</sup>/<sub>4</sub>% Senior Notes receive investment grade ratings from both Standard & Poor's and Moody's Investors Services, Inc. and no default or event of default has occurred and is continuing under the Indenture, Products Corporation and its subsidiaries will not be subject to the covenants on *Limitation on Debt*, *Limitation on Restricted Payments*, *Limitation on Asset Sales*, *Limitation on Dividends from Subsidiaries* and certain provisions of the *Successor Company* covenant.

*Registration Rights*

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On the Closing Date, Products Corporation, the Guarantors and the representatives of the initial purchasers of the 5<sup>3</sup>/<sub>4</sub>% Senior Notes entered into the Registration Rights Agreement. Pursuant to the Registration Rights Agreement, Products Corporation and the Guarantors agreed with the representatives of the initial purchasers, for

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the benefit of the holders of the 5<sup>3</sup>/<sub>4</sub>% Senior Notes, that Products Corporation will, at its cost, among other things: (i) file a registration statement with respect to the 5<sup>3</sup>/<sub>4</sub>% Senior Notes within 150 days after the Closing Date to be used in connection with the exchange of the 5<sup>3</sup>/<sub>4</sub>% Senior Notes and related guarantees for publicly registered notes and related guarantees with substantially identical terms in all material respects (except for the transfer restrictions relating to the 5<sup>3</sup>/<sub>4</sub>% Senior Notes and interest rate increases as described below); (ii) use its reasonable best efforts to cause the applicable registration statement to become effective under the Securities Act within 210 days after the Closing Date; and (iii) use its reasonable best efforts to effect an exchange offer of the 5<sup>3</sup>/<sub>4</sub>% Senior Notes and the related guarantees for registered notes and related guarantees within 270 days after the Closing Date. In addition, under certain circumstances, Products Corporation may be required to file a shelf registration statement to cover resales of the 5<sup>3</sup>/<sub>4</sub>% Senior Notes. If Products Corporation fails to satisfy such obligations, it will be obligated to pay additional interest to each holder of the 5<sup>3</sup>/<sub>4</sub>% Senior Notes that are subject to transfer restrictions, with respect to the first 90-day period immediately following any such failure, at a rate of 0.25% per annum on the principal amount of the 5<sup>3</sup>/<sub>4</sub>% Senior Notes that are subject to transfer restrictions held by such holder. The amount of additional interest will increase by an additional 0.25% per annum with respect to each subsequent 90-day period until all registration requirements have been satisfied, up to a maximum amount of additional interest of 0.50% per annum on the principal amount of the 5<sup>3</sup>/<sub>4</sub>% Senior Notes that are subject to transfer restrictions.

**Disclosures about Contractual Obligations and Commercial Commitments**

The following table aggregates all contractual obligations and commercial commitments that affect the Company's financial condition and liquidity position as of December 31, 2012:

Contractual Obligations	Total	Payments Due by Period (dollars in millions)			After 5 years
		Less than 1 year	1-3 years	3-5 years	
Long-term debt, including current portion <sup>(a)</sup>	\$ 1,176.4	\$ 21.5	\$ 390.9	\$ 764.0	
Redeemable preferred stock <sup>(b)</sup>	48.6	48.6			
Interest on long-term debt <sup>(c)</sup>	294.0	83.0	142.4	68.6	
Preferred stock dividend <sup>(d)</sup>	6.2	6.2			
Capital lease obligations	5.6	2.5	2.8	0.3	
Operating leases	62.8	18.1	20.1	9.3	15.3
Purchase obligations <sup>(e)</sup>	73.1	73.1			
Other long-term obligations <sup>(f)</sup>	67.7	48.2	13.4	6.1	
<b>Total contractual obligations</b>	<b>\$ 1,734.4</b>	<b>\$ 301.2</b>	<b>\$ 569.6</b>	<b>\$ 848.3</b>	<b>\$ 15.3</b>

<sup>(a)</sup> Amount includes the \$58.4 million aggregate principal amount outstanding of the Non-Contributed Loan (the portion of the Amended and Restated Senior Subordinated Term Loan that remains owing from Products Corporation to various third parties) as of December 31, 2012, which loan matures on October 8, 2014 and bears interest at a floating rate of LIBOR plus 7%, with a 1.5% LIBOR floor.

<sup>(b)</sup> Reflects the Preferred Stock issued in the 2009 Exchange Offer, which has a liquidation preference of \$5.21 per share. Each share of Preferred Stock entitles its holder to receive cash payments of approximately \$7.87 over the four-year term of the Preferred Stock, through the quarterly payment of 12.75% annual cash dividends and a \$5.21 per share liquidation preference payable at maturity on October 8, 2013.

<sup>(c)</sup> Consists of interest through the respective maturity dates on (i) the \$788.0 million in aggregate principal amount outstanding under the 2011 Term Loan Facility based upon assumptions regarding the amount of debt outstanding under the 2011 Term Loan Agreement; (ii) the \$330.0 million in aggregate principal amount of the 9<sup>3</sup>/<sub>4</sub>% Senior Secured Notes; and (iii) the \$58.4 million aggregate principal amount outstanding of the Non-Contributed Loan; based on interest rates under such debt agreements as of December 31, 2012.





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- (d) Reflects the 12.75% annual cash dividend, payable quarterly over the four-year term of the Preferred Stock, subject to Revlon, Inc. having lawfully available funds to effect such payments.
- (e) Consists of purchase commitments for finished goods, raw materials, components and services pursuant to enforceable and legally binding obligations which include all significant terms, including fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transactions.
- (f) Consists primarily of media and advertising contracts, pension funding obligations (amount due within one year only, as subsequent pension funding obligation amounts cannot be reasonably estimated since the return on pension assets in future periods, as well as future pension assumptions, are not known), software licensing agreements and obligations related to third-party warehousing services. Such amounts exclude employment agreements, severance and other immaterial contractual commitments, which severance and other contractual commitments related to restructuring activities are discussed under *Recent Events* *September 2012 Program* .

### **Off-Balance Sheet Transactions**

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

### **Discussion of Critical Accounting Policies**

In the ordinary course of its business, the Company has made a number of estimates and assumptions relating to the reporting of results of operations and financial condition in the preparation of its financial statements in conformity with U.S. generally accepted accounting principles ( U.S. GAAP ). Actual results could differ significantly from those estimates and assumptions. The Company believes that the following discussion addresses the Company's most critical accounting policies, which are those that are most important to the portrayal of the Company's financial condition and results of operations and require management's most difficult, subjective and complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain.

#### *Allowance for Doubtful Accounts:*

The allowance for doubtful accounts is determined based on historical experience and ongoing evaluations of the Company's receivables and evaluations of the risks of payment. The allowance for doubtful accounts is recorded against accounts receivable balances when they are deemed uncollectible. Recoveries of accounts receivable previously reserved are recorded in the consolidated statements of income and comprehensive income when received.

#### *Sales Returns:*

The Company allows customers to return their unsold products when they meet certain company-established criteria as outlined in the Company's trade terms. The Company regularly reviews and revises, when deemed necessary, the Company's estimates of sales returns based primarily upon historical returns experience, planned product discontinuances and promotional sales, which would permit customers to return items based upon the Company's trade terms. The Company records estimated sales returns as a reduction to sales and cost of sales, and an increase in accrued liabilities and inventories.

Returned products, which are recorded as inventories, are valued based upon the amount that the Company expects to realize upon their subsequent disposition. The physical condition and marketability of the returned products are the major factors the Company considers in estimating realizable value. Cost of sales includes the cost of refurbishment of returned products. Actual returns, as well as realized values on returned products, may differ significantly, either favorably or unfavorably, from the Company's estimates if factors such as product discontinuances, customer inventory levels or competitive conditions differ from the Company's estimates and expectations and, in the case of actual returns, if economic conditions differ significantly from the Company's estimates and expectations.

**Table of Contents***Trade Support Costs:*

In order to support the retail trade, the Company has various performance-based arrangements with retailers to reimburse them for all or a portion of their promotional activities related to the Company's products. The Company regularly reviews and revises, when deemed necessary, estimates of costs to the Company for these promotions based on estimates of what has been incurred by the retailers. Actual costs incurred by the Company may differ significantly if factors such as the level and success of the retailers' programs, as well as retailer participation levels, differ from the Company's estimates and expectations.

*Inventories:*

Inventories are stated at the lower of cost or market value. Cost is principally determined by the first-in, first-out method. The Company records adjustments to the value of inventory based upon its forecasted plans to sell its inventories, as well as planned discontinuances. The physical condition (e.g., age and quality) of the inventories is also considered in establishing its valuation. These adjustments are estimates, which could vary significantly, either favorably or unfavorably, from the amounts that the Company may ultimately realize upon the disposition of inventories if future economic conditions, customer inventory levels, product discontinuances, return levels or competitive conditions differ from the Company's estimates and expectations.

*Pension Benefits:*

The Company sponsors both funded and unfunded pension and other retirement plans in various forms covering employees who meet the applicable eligibility requirements. The Company uses several statistical and other factors in an attempt to estimate future events in calculating the liability and net periodic benefit cost related to these plans. These factors include assumptions about the discount rate, expected long-term return on plan assets and rate of future compensation increases as determined annually by the Company, within certain guidelines, which assumptions would be subject to revisions if significant events occur during the year. The Company uses December 31st as its measurement date for defined benefit pension plan obligations and assets.

The Company selected a weighted-average discount rate of 3.78% in 2012, representing a decrease from the 4.38% weighted-average discount rate selected in 2011 for the Company's U.S. defined benefit pension plans. The Company selected a weighted-average discount rate for the Company's international defined benefit pension plans of 4.33% in 2012, representing a decrease from the 4.77% weighted-average discount rate selected in 2011. The discount rates are used to measure the benefit obligations at the measurement date and the net periodic benefit cost for the subsequent calendar year and are reset annually using data available at the measurement date. The changes in the discount rates used for 2012 were primarily due to decreasing long-term interest yields on high-quality corporate bonds during 2012. At December 31, 2012, the decrease in the discount rates from December 31, 2011 had the effect of increasing the Company's projected pension benefit obligation by approximately \$51 million. For 2013, the Company expects that the aforementioned decrease in the discount rate will have the effect of decreasing the net periodic benefit cost for its U.S. and international defined benefit pension plans by approximately \$2.0 million, as compared to the net periodic benefit cost for 2012.

Each year during the first quarter, the Company selects an expected long-term rate of return on its pension plan assets. For the Company's U.S. defined benefit pension plans, the expected long-term rate of return on the pension plan assets used was 7.75% and 8.00% for 2012 and 2011, respectively. The weighted average expected long-term rate of return used for the Company's international plans was 6.22% and 6.25% for 2012 and 2011, respectively.

The table below reflects the Company's estimates of the possible effects of changes in the discount rates and expected long-term rates of return on its 2012 net periodic benefit costs and its projected benefit obligation at December 31, 2012 for the Company's principal defined benefit pension plans, with all other assumptions remaining constant:

	Effect of 25 basis points increase		Effect of 25 basis points decrease	
	Net periodic benefit costs	Projected pension benefit obligation	Net periodic benefit costs	Projected pension benefit obligation
Discount rate	\$ (0.1)	\$ (21.3)	\$ 0.1	\$ 22.1

Expected long-term rate of return

(1.1)

1.1

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The rate of future compensation increases is another assumption used by the Company's third party actuarial consultants for pension accounting. The rate of future compensation increases used for the Company's projected pension benefit obligation in both 2012 and 2011 was 3.0% and 3.5%, respectively, for the U.S. defined benefit pension plans, excluding the Revlon Employees' Retirement Plan and the Revlon Pension Equalization Plan, as the rate of future compensation increases is no longer relevant to such plans due to the plan amendments made in May 2009.

In addition, the Company's actuarial consultants also use other factors such as withdrawal and mortality rates. The actuarial assumptions used by the Company may differ materially from actual results due to changing market and economic conditions, higher or lower withdrawal rates or longer or shorter life spans of participants, among other things. Differences from these assumptions could significantly impact the actual amount of net periodic benefit cost and liability recorded by the Company.

*Goodwill:*

Goodwill totaled \$217.8 million and \$194.7 million as of December 31, 2012 and 2011, respectively. The Company operates in one operating segment and one reportable segment, which is also the only reporting unit for purposes of accounting for goodwill. Since the Company currently only has one reporting unit, all of its goodwill has been assigned to the enterprise as a whole. The determination of the fair value of goodwill requires management to make estimates and assumptions. Goodwill is reviewed for impairment annually, using September 30<sup>th</sup> carrying values. As the Company has a negative carrying value, management performed an assessment of qualitative factors and concluded that it is more likely than not that a goodwill impairment does not exist. The Company did not record any impairment of goodwill during the years ended December 31, 2012, 2011 or 2010. In addition, the Company assesses potential impairments to goodwill when there is evidence that events or changes in circumstances indicate that the carrying amount may not be recovered. As of December 31, 2012, there have been no significant events since the timing of the Company's annual impairment test that would have triggered additional impairment testing.

*Income Taxes:*

The Company records income taxes based on amounts payable with respect to the current year and includes the effect of deferred taxes. The effective tax rate reflects statutory tax rates, tax-planning opportunities available in various jurisdictions in which the Company operates, and the Company's estimate of the ultimate outcome of various tax audits and issues. Determining the Company's effective tax rate and evaluating tax positions requires significant judgment.

The Company recognizes deferred tax assets and liabilities for the future impact of differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases, as well as for operating loss and tax credit carryforwards. The Company measures deferred tax assets and liabilities using enacted tax rates expected to apply to taxable income in the years in which management expects that the Company will recover or settle those differences. The Company has established valuation allowances for deferred tax assets when management has determined that it is not more likely than not that the Company will realize a tax benefit. In 2010, the Company recognized a non-cash benefit of \$260.6 million related to a reduction of the Company's deferred tax valuation allowance on its net deferred tax assets in the U.S. at December 31, 2010. In 2011, the Company recognized a non-cash benefit of \$16.9 million related to a reduction of the Company's deferred tax valuation allowance on its net deferred tax assets in certain jurisdictions outside the U.S. at December 31, 2011. In 2012, the Company recognized a non-cash benefit of \$15.8 million related to a reduction of the Company's deferred tax valuation allowance on certain of its net deferred tax assets for certain jurisdictions within the U.S. See Management's Discussion and Analysis of Financial Condition and Results of Operations' Provision for (benefit from) income taxes, for further discussion.

The Company recognizes a tax position in its financial statements when it is more likely than not that the position will be sustained upon examination, based on the merits of such position.

**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

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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.

**Inflation**

The Company's costs are affected by inflation and the effects of inflation may be experienced by the Company in future periods. Management believes, however, that such effects have not been material to the Company during the past three years in the U.S. and in foreign non-hyperinflationary countries. The Company operates in certain countries around the world, such as Argentina and Venezuela, which have experienced hyperinflation. In hyperinflationary foreign countries, the Company attempts to mitigate the effects of inflation by increasing prices in line with inflation, where possible, and efficiently managing its costs and working capital levels.

Effective January 1, 2010, the Company determined that the Venezuelan economy should be considered a highly inflationary economy under U.S. GAAP based upon a blended inflation index of the Venezuelan National Consumer Price Index ( NCPI ) and the Venezuelan Consumer Price Index ( CPI ). (See Financial Condition, Liquidity and Capital Resources Impact of Foreign Currency Translation Venezuela for details regarding the designation of Venezuela as a highly inflationary economy effective January 1, 2010 and the Venezuelan government's announcement of the devaluation of its local currency on January 8, 2010).

**Item 7A. Quantitative and Qualitative Disclosures About Market Risk**

*Interest Rate Sensitivity*

The Company has exposure to changing interest rates primarily under the 2011 Term Loan Facility, 2011 Revolving Credit Facility and the Amended and Restated Senior Subordinated Term Loan. The Company manages interest rate risk through the use of a combination of fixed and floating rate debt. The Company from time to time makes use of derivative financial instruments to adjust its fixed and floating rate ratio.

The table below provides information about the Company's indebtedness that is sensitive to changes in interest rates. The table presents cash flows with respect to principal on indebtedness and related weighted average interest rates by expected maturity dates. Weighted average variable rates are based on implied forward rates in the U.S. Dollar LIBOR yield curve at December 31, 2012. The information is presented in U.S. dollar equivalents, which is the Company's reporting currency.

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	Expected maturity date for the year ended December 31, (dollars in millions, except for rate information)						Total	Fair Value December 31, 2012
	2013	2014	2015	2016	2017	Thereafter		
<b>Debt</b>								
Short-term variable rate (various currencies)	\$ 5.0						\$ 5.0	\$ 5.0
Average interest rate <sup>(a)</sup>	6.2%							
Long-term fixed rate third party (\$US)	48.6 <sup>(b)</sup>		\$ 330.0				378.6	396.5
Average interest rate	12.75%		9.75%					
Long-term variable rate third party (\$US)	21.5	58.4 <sup>(c)</sup>	2.5	8.0	\$ 756.0		846.4	849.4
Average interest rate <sup>(a)(d)</sup>	4.8%	8.5%	4.8%	4.8%	4.9%			
Total debt	\$ 75.1	\$ 58.4	\$ 332.5	\$ 8.0	\$ 756.0	\$	\$ 1,230.0	\$ 1,250.9

<sup>(a)</sup> Weighted average variable rates are based upon implied forward rates from the U.S. dollar LIBOR yield curves at December 31, 2012.

<sup>(b)</sup> Represents the \$48.6 million to be paid by Revlon, Inc. at maturity on October 8, 2013 for the Preferred Stock issued in the 2009 Exchange Offer, subject to Revlon, Inc. having sufficient surplus in accordance with Delaware law to effect such payments. Annual cash dividends of 12.75% on the Preferred Stock are payable quarterly over the four-year term of the Preferred Stock, subject to Revlon, Inc. having sufficient surplus or net profits in accordance with Delaware law to effect such payments.

<sup>(c)</sup> Represents the \$58.4 million aggregate principal amount outstanding of the Non-Contributed Loan (the portion of the Amended and Restated Senior Subordinated Term Loan that remains owing from Products Corporation to various third parties) as of December 31, 2012, which loan matures on October 8, 2014.

<sup>(d)</sup> The 2011 Term Loan Facility bears interest at the Eurodollar Rate (as defined in the 2011 Term Loan Agreement) plus 3.50% per annum (with the Eurodollar Rate not to be less than 1.25% per annum). The Non-Contributed Loan bears interest at a floating rate of LIBOR plus 7%, with a 1.5% LIBOR floor, which is payable quarterly in arrears in cash.

**Exchange Rate Sensitivity**

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

	Average Contractual Rate \$/FC	Original US Dollar Notional Amount	Contract Value December 31, 2012	Fair Value December 31, 2012
<b>Forward Contracts ( FC )</b>				
Sell Canadian Dollars/Buy USD	0.9971	\$ 18.8	\$ 18.7	\$ (0.1)
Sell Australian Dollars/Buy USD	1.0151	13.5	13.3	(0.2)
Sell South African Rand/Buy USD	0.1164	6.2	6.3	0.1
Buy Australian Dollars/Sell New Zealand Dollars	1.2745	4.6	4.5	(0.1)
Sell Hong Kong Dollars/Buy USD	0.1290	0.6	0.6	
Sell New Zealand Dollars/Buy USD	0.8042	0.2	0.2	
Total forward contracts		\$ 43.9	\$ 43.6	\$ (0.3)

**Item 8. Financial Statements and Supplementary Data**

Reference is made to the Index on page F-1 of the Company's Consolidated Financial Statements and the Notes thereto.

**Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosures**

None.

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### **Item 9A. Controls and Procedures**

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

**(b) Management's Annual Report on Internal Control over Financial Reporting.** The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control system was designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation and fair presentation of published financial statements in accordance with generally accepted accounting principles and includes those policies and procedures that:

pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of its assets;

provide reasonable assurance that transactions are recorded as necessary to permit preparation of its financial statements in accordance with generally accepted accounting principles, and that its receipts and expenditures are being made only in accordance with authorizations of its management and directors; and

provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on its financial statements.

Internal control over financial reporting may not prevent or detect misstatements due to its inherent limitations. Management's projections of any evaluation of the effectiveness of internal control over financial reporting as to future periods are subject to the risks that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Company's management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2012 and in making this assessment used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control-Integrated Framework in accordance with the standards of the Public Company Accounting Oversight Board (United States).

Revlon, Inc.'s management determined that as of December 31, 2012, the Company's internal control over financial reporting was effective.

KPMG LLP, the Company's independent registered public accounting firm that audited the Company's consolidated financial statements included in this Annual Report on Form 10-K for the period ended December 31, 2012, has issued a report on the Company's internal control over financial reporting. This report appears on page F-3.

**(c) Changes in Internal Control Over Financial Reporting.** There have not been any changes in the Company's internal control over financial reporting during the fiscal quarter ended December 31, 2012 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

### **Item 9B. Other Information**

See Item 7, Management's Discussion and Analysis of Financial Condition, Liquidity and Capital Resources 2013 Senior Notes Refinancing.

### **Forward Looking Statements**

This Annual Report on Form 10-K for the year ended December 31, 2012, as well as other public documents and statements of the Company, contain forward-looking statements that involve risks and uncertainties, which are based on the beliefs, expectations, estimates, projections,



assumptions, forecasts, plans, anticipations, targets,

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outlooks, initiatives, visions, objectives, strategies, opportunities, drivers, focus and intents of the Company's management. While the Company believes that its estimates and assumptions are reasonable, the Company cautions that it is very difficult to predict the impact of known factors, and, of course, it is impossible for the Company to anticipate all factors that could affect its results. The Company's actual results may differ materially from those discussed in such forward-looking statements. Such statements include, without limitation, the Company's expectations and estimates (whether qualitative or quantitative) as to:

(i) the Company's future financial performance;

(ii) the effect on sales of decreased consumer spending in response to weak economic conditions or weakness in the cosmetics category in the mass retail channel; adverse changes in currency exchange rates and/or currency controls; decreased sales of the Company's products as a result of increased competitive activities by the Company's competitors, changes in consumer purchasing habits, including with respect to shopping channels; retailer inventory management; retailer space reconfigurations or reductions in retailer display space; changes in retailer pricing or promotional strategies; less than anticipated results from the Company's existing or new products or from its advertising, promotional and/or marketing plans; or if the Company's expenses, including, without limitation, for pension expense under its benefit plans, costs related to litigation, advertising, promotional and marketing activities or for sales returns related to any reduction of retail space, product discontinuances or otherwise, exceed the anticipated level of expenses;

(iii) the Company's belief that the continued execution of its business strategy could include taking advantage of additional opportunities to reposition, repackage or reformulate one or more brands or product lines, launching additional new products, acquiring businesses or brands, further refining its approach to retail merchandising and/or taking further actions to optimize its manufacturing, sourcing and organizational size and structure, any of which, the intended purpose of which would be to create value through profitable growth, could result in the Company making investments and/or recognizing charges related to executing against such opportunities, which activities may be funded with cash on hand, funds available under the 2011 Revolving Credit Facility and/or other permitted additional sources of capital, which actions could increase the Company's total debt;

(iv) the Company's expectations regarding its strategic goal to profitably grow its business and as to the business strategies employed to achieve this goal, which are: (a) continuing to build its strong brands by focusing on innovative, high-quality, consumer-preferred brand offering; effective consumer brand communication; appropriate levels of advertising and promotion; and superb execution with its retail partners; (b) continuing to develop its organizational capability through attracting, retaining and rewarding highly capable people and through performance management, development planning, succession planning and training; (c) continuing to drive common global processes which are designed to provide the most efficient and effective allocation of its resources; (d) focusing on pursuing growth opportunities with the Company's existing brands as well as seeking to acquire brands to complement the Company's core business; and (e) continuing to drive the Company's collective business activities to deliver improved financial performance;

(v) the effect of restructuring activities, restructuring costs and charges, the timing of restructuring payments and the benefits from such activities, including, without limitation, the Company's expectation that approximately \$7.5 million of cost reductions associated with the September 2012 Program are expected to benefit 2013 and annualized cost reductions thereafter are expected to be approximately \$10 million; the Company's expectation to recognize approximately \$1 million in additional charges in 2013, for a total of approximately \$25 million in charges related to the September 2012 Program; and the Company's expectation that the total cash paid related to the September 2012 Program will be approximately \$24 million, of which \$3.8 million was paid in 2012 and the remainder is expected to be paid in 2013;

(vi) the Company's expectation that operating revenues, cash on hand and funds available for borrowing under Products Corporation's 2011 Revolving Credit Facility and other permitted lines of credit will be sufficient to enable the Company to cover its operating expenses for 2013, including the cash requirements referred to in item (viii) below;

(vii) the Company's expected principal sources of funds, including operating revenues, cash on hand and funds available for borrowing under Products Corporation's 2011 Revolving Credit Facility and other permitted lines of credit, as well as the availability of funds from delaying the implementation of or revising certain aspects of the Company's business strategy; reducing or delaying purchases of wall displays or advertising, promotional or marketing expenses; reducing or delaying capital spending; implementing new

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restructuring programs; refinancing Products Corporation's indebtedness; selling assets or operations; capital contributions and/or loans from MacAndrews & Forbes, the Company's other affiliates and/or third parties; the sale of additional equity securities of Revlon, Inc. or additional debt securities of Revlon, Inc. or Products Corporation; and/or reducing other discretionary spending;

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

(ix) the Company's expectation to use the remaining balance available from the  $\frac{3}{4}\%$  Senior Notes issuance for general corporate purposes, including debt reduction transactions such as repaying a portion of its 2011 Term Loan Facility due November 2017 and repaying the Contributed Loan Portion of its Amended and Restated Senior Subordinated Term Loan at maturity in October 2013;

(x) matters concerning the Company's market-risk sensitive instruments, as well as the Company's expectations as to the counterparty's performance, including that any loss arising from the non-performance by the counterparty would not be material;

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

(xii) the Company's expectations regarding its future net periodic benefit cost for its U.S. and international defined benefit plans;

(xiii) the Company's expectation that the payment of the regular quarterly dividends on the Preferred Stock will continue to be funded by cash interest payments to be received by Revlon, Inc. from Products Corporation on the Contributed Loan (the \$48.6 million portion of the Amended and Restated Senior Subordinated Term Loan that was contributed to Revlon, Inc. by MacAndrews & Forbes in connection with consummating the 2009 Exchange Offer), subject to Revlon, Inc. having sufficient surplus or net profits in accordance with Delaware law, and its expectation of paying the liquidation preference of the Preferred Stock on October 8, 2013 with the cash payment to be received by Revlon, Inc. from Products Corporation in respect of the maturity of the principal amount outstanding under the Contributed Loan, subject to Revlon, Inc. having sufficient surplus in accordance with Delaware law;

(xiv) the Company's belief that it maintains comprehensive property insurance, as well as business interruption insurance; and the Company's belief that the business interruption losses incurred through December 31, 2012 are not indicative of future business interruption losses for insurance purposes or future expected profits for Revlon Venezuela;

(xv) the Company's expectation and belief that: (a) as a result of its improved earnings trends and the Company's tax position, and based upon the Company's projections for future taxable income over the periods in which the deferred tax assets are recoverable, management concluded that it was more likely than not that the Company would realize the benefits of the net deferred tax assets existing at December 31, 2011 in certain jurisdictions outside the U.S., and that it was more likely than not that the Company would realize

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the benefits of certain of its net deferred tax assets existing at December 31, 2012 in certain jurisdictions within the U.S. and (b) the increase in the effective tax rate will not affect the Company's cash taxes paid after 2012 until the Company has fully used its tax loss carryforwards and other tax attributes in the U.S.;

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

(xvii) the Company's belief that the actions arising out of the Exchange Offer are without merit and that it has meritorious defenses to the asserted claims in the actions.

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

Investors are advised, however, to consult any additional disclosures the Company made or may make in its Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, in each case filed with the SEC in 2013 and 2012 (which, among other places, can be found on the SEC's website at <http://www.sec.gov>, as well as on the Company's corporate website at [www.revloninc.com](http://www.revloninc.com)). Except as expressly set forth in this Form 10-K, the information available from time to time on such websites shall not be deemed incorporated by reference into this Annual Report on Form 10-K. A number of important factors could cause actual results to differ materially from those contained in any forward-looking statement. In addition to factors that may be described in the Company's filings with the SEC, including this filing, the following factors, among others, could cause the Company's actual results to differ materially from those expressed in any forward-looking statements made by the Company:

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

(ii) in addition to the items discussed in (i) above, the effects of and changes in economic conditions (such as continued volatility in the financial markets, inflation, monetary conditions and foreign currency fluctuations and currency controls, as well as in trade, monetary, fiscal and tax policies in international markets) and political conditions (such as military actions and terrorist activities);

(iii) unanticipated costs or difficulties or delays in completing projects associated with the execution of the Company's business strategy or lower than expected revenues or the inability to create value through profitable growth as a result of such strategy, including lower than expected sales, or higher than expected costs, including as may arise from any additional repositioning, repackaging or reformulating of one or more

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brands or product lines, launching of new product lines, including difficulties or delays, or higher than expected expenses, including for sales returns, in launching its new products, acquiring businesses or brands, further refining its approach to retail merchandising, and/or difficulties, delays or increased costs in connection with taking further actions to optimize the Company's manufacturing, sourcing, supply chain or organizational size and structure, as well as the unavailability of cash on hand and/or funds under the 2011 Revolving Credit Facility or from other permitted additional sources of capital to fund such potential activities;

(iv) difficulties, delays or unanticipated costs in achieving the Company's strategic goal to profitably grow its business and as to the business strategies employed to achieve this goal, such as (a) difficulties, delays or the Company's inability to build its strong brands, such as due to less than effective product development, less than expected acceptance of its new or existing products by consumers and/or retail customers, less than expected acceptance of its advertising, promotional and/or marketing plans by its consumers and/or retail customers, less than expected investment in advertising, promotional and/or marketing activities or greater than expected competitive investment, less than expected acceptance of its brand communication by consumers and/or retail partners, less than expected levels of advertising, promotional and/or marketing activities for its new product launches and/or less than expected levels of execution with its retail partners or higher than expected costs and expenses; (b) difficulties, delays or the inability to develop its organizational capability; (c) difficulties, delays or unanticipated costs in connection with its plans to drive the Company to act globally, such as due to higher than anticipated levels of investment required to support and build its brands globally or less than anticipated results from its national and multi-national brands; (d) difficulties, delays or unanticipated costs in connection with its plans to pursue growth opportunities with the Company's existing brands, such as due to those reasons set forth in clause (iv)(a) above, and/or acquire brands to complement the Company's core business, such as difficulties, delays or unanticipated costs in consummating, or its inability to consummate, transactions to acquire new brands; and/or (e) difficulties, delays or unanticipated costs in continuing to drive the Company's collective business activities to deliver improved financial performance;

(v) difficulties, delays or unanticipated costs or charges or less than expected savings and other benefits resulting from the Company's restructuring activities, such as greater than anticipated costs or charges or less than anticipated cost reductions or other benefits from the September 2012 Program and the risk that any of such programs may not satisfy the Company's objectives;

(vi) lower than expected operating revenues, cash on hand and/or funds available under the 2011 Revolving Credit Facility and/or other permitted lines of credit or higher than anticipated operating expenses, such as referred to in clause (viii) below;

(vii) the unavailability of funds under Products Corporation's 2011 Revolving Credit Facility or other permitted lines of credit, or from delaying the implementation of or revising certain aspects of the Company's business strategy; reducing or delaying purchases of wall displays or advertising, promotional, or marketing expenses; reducing or delaying capital spending; implementing new or revising existing restructuring programs; refinancing indebtedness; selling assets or operations; or from capital contributions and/or loans from MacAndrews & Forbes, the Company's other affiliates and/or third parties; the sale of additional equity of Revlon, Inc. or debt securities of Revlon, Inc. or Products Corporation; and/or reducing other discretionary spending;

(viii) higher than expected operating expenses, sales returns, working capital expenses, permanent wall display costs, capital expenditures, debt service payments, tax payments, cash pension plan contributions; post-retirement benefit plan contributions; and/or net periodic benefit costs for the pension and other post-retirement benefit plans, restructuring costs, severance not otherwise included in the Company's restructuring programs, debt repurchases and/or costs related to litigation;

(ix) difficulties, delays in or Products Corporation's inability to use proceeds from the issuance of the  $\frac{3}{4}\%$  Senior Notes for debt reduction transactions, whether due to market conditions or otherwise;

(x) interest rate or foreign exchange rate changes affecting the Company and its market-risk sensitive financial instruments and/or difficulties, delays or the inability of the counterparty to perform such transactions;

(xi) difficulties, delays or the inability of the Company to efficiently manage its working capital;

(xii) lower than expected returns on pension plan assets and/or lower discount rates, which could result in higher than expected cash contributions and/or net periodic benefit costs;

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(xiii) difficulties, delays or the inability of the Company to pay the quarterly dividends or the liquidation preference on the Preferred Stock, such as due to the unavailability of funds from Products Corporation related to its payments to Revlon, Inc. under the Contributed Loan or the unavailability of sufficient surplus or net profits to make such dividend payments in accordance with Delaware law or the unavailability of sufficient surplus to make such liquidation preference payments in accordance with Delaware law;

(xiv) less than expected insurance proceeds related to the fire at Revlon Venezuela's facility, and/or greater than expected lost net sales and/or profits lost as a result of the business interruption;

(xv) unexpected significant variances in the Company's cash taxes paid, tax provision and effective tax rate and/or changes in the Company's earnings trends, tax position or future taxable income that may impact the amount or timing of the Company's realization of the benefits of the net deferred tax assets existing at December 31, 2011 in certain jurisdictions outside of the U.S. and existing at December 31, 2012 in certain jurisdictions within the U.S.;

(xvi) unexpected effects on the Company's business, financial condition and/or its results of operations as a result of legal proceedings; and

(xvii) unanticipated consequences related to the approval of the settlement of the actions arising from the Exchange Offer, such as the inability to secure court approval of the settlement terms or unanticipated changes in such terms imposed by the courts.

Factors other than those listed above could also cause the Company's results to differ materially from expected results. This discussion is provided as permitted by the Private Securities Litigation Reform Act of 1995.

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**Part III**

**Item 10. Directors, Executive Officers and Corporate Governance**

A list of Revlon, Inc.'s directors and executive officers and biographical information and other information about them may be found under the caption Proposal No. 1 Election of Directors and Executive Officers, respectively, of Revlon, Inc.'s Proxy Statement for the 2013 Annual Stockholders Meeting (the 2013 Proxy Statement), which sections are incorporated by reference herein.

The information set forth under the caption Code of Business Conduct and Senior Financial Officer Code of Ethics in the 2013 Proxy Statement is also incorporated herein by reference.

The information set forth under the caption Section 16(a) Beneficial Ownership Reporting Compliance in the 2013 Proxy Statement is also incorporated herein by reference.

The information set forth under the captions Compensation Discussion and Analysis, Executive Compensation, Summary Compensation Table, Grants of Plan-Based Awards, Outstanding Equity Awards at Fiscal Year-End, Option Exercises and Stock Vested, Pension Benefits, Non-Qualified Deferred Compensation and Director Compensation in the 2013 Proxy Statement is also incorporated herein by reference.

Information regarding the Company's director nomination process, audit committee and audit committee financial expert matters may be found in the 2013 Proxy Statement under the captions Corporate Governance-Board of Directors and its Committees Nominating and Corporate Governance Committee-Director Nominating Processes; Diversity and Corporate Governance-Board of Directors and its Committees Audit Committee-Composition of the Audit Committee, respectively. That information is incorporated herein by reference.

**Item 11. Executive Compensation**

The information set forth under the captions Compensation Discussion and Analysis, Executive Compensation, Summary Compensation Table, Grants of Plan-Based Awards, Outstanding Equity Awards at Fiscal Year-End, Option Exercises and Stock Vested, Pension Benefits, Non-Qualified Deferred Compensation and Director Compensation in the 2013 Proxy Statement is incorporated herein by reference. The information set forth under the caption Corporate Governance-Board of Directors and its Committees Compensation Committee Composition of the Compensation Committee and Compensation Committee Report in the 2013 Proxy Statement is also incorporated herein by reference.

**Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**

The information set forth under the captions Security Ownership of Certain Beneficial Owners and Management and Equity Compensation Plan Information in the 2013 Proxy Statement is incorporated herein by reference.

**Item 13. Certain Relationships and Related Transactions, and Director Independence**

The information set forth under the captions Certain Relationships and Related Transactions and Corporate Governance Board of Directors and its Committees Controlled Company Exemption and Corporate Governance-Board of Directors and its Committees Audit Committee-Composition of the Audit Committee, respectively, in the 2013 Proxy Statement is incorporated herein by reference.

**Item 14. Principal Accountant Fees and Services**

Information concerning principal accountant fees and services set forth under the caption Audit Fees in the 2013 Proxy Statement is incorporated herein by reference.

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

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The Company maintains a comprehensive corporate governance program, including Corporate Governance Guidelines for Revlon, Inc.'s Board of Directors, Revlon, Inc.'s Board Guidelines for Assessing Director Independence and charters for Revlon, Inc.'s Audit Committee, Nominating and Corporate Governance Committee and Compensation Committee. Revlon, Inc. maintains a corporate investor relations website, [www.revloninc.com](http://www.revloninc.com), where stockholders and other interested persons may review, without charge, among other things, Revlon, Inc.'s corporate governance materials and certain SEC filings (such as Revlon, Inc.'s annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements, annual



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reports, Section 16 reports reflecting certain changes in the stock ownership of Revlon, Inc.'s directors and Section 16 officers, and certain other documents filed with the SEC), each of which are generally available on the same business day as the filing date with the SEC on the SEC's website <http://www.sec.gov>, as well as on the Company's website <http://www.revloninc.com>. In addition, under the section of the website entitled, Corporate Governance, Revlon, Inc. posts printable copies of the latest versions of its Corporate Governance Guidelines, Board Guidelines for Assessing Director Independence, charters for Revlon, Inc.'s Audit Committee, Nominating and Corporate Governance Committee and Compensation Committee, as well as Revlon, Inc.'s Code of Business Conduct (which includes Revlon, Inc.'s Code of Ethics for Senior Financial Officers) and the Audit Committee Pre-Approval Policy. If the Company changes the Code of Ethics for Senior Financial Officers in any material respect or waives any provision of the Code of Business Conduct for its executive officers or Directors, including any waivers of the Code of Ethics for Senior Financial Officers for any of its Senior Financial Officers, the Company expects to provide the public with notice of any such changes or waivers by publishing an appropriate description of such event on its corporate website, [www.revloninc.com](http://www.revloninc.com), or by other appropriate means as required or permitted under applicable rules of the SEC. The Company does not currently expect to make any such waivers. The business and financial materials and any other statement or disclosure on, or made available through, the websites referenced herein shall not be deemed incorporated by reference into this report.

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**PART IV**

**Item 15. Exhibits, Financial Statement Schedules**

(a) List of documents filed as part of this Report:

(1) Consolidated Financial Statements and Reports of Independent Registered Public Accounting Firm included herein: See Index on page F-1.

(2) Financial Statement Schedule: See Index on page F-1.

All other schedules are omitted as they are inapplicable or the required information is furnished in the Company's Consolidated Financial Statements or the Notes thereto.

(3) List of Exhibits:

**3. *Certificate of Incorporation and By-laws.***

3.1 Restated Certificate of Incorporation of Revlon, Inc., dated October 29, 2009 (incorporated by reference to Exhibit 3.1 to Revlon, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2009 filed with the SEC on October 29, 2009).

3.2 Amended and Restated By-Laws of Revlon, Inc., dated as of May 1, 2009 (incorporated by reference to Exhibit 3.1 of Revlon, Inc.'s Current Report on Form 8-K filed with the SEC on April 29, 2009).

3.3 Certificate of Designation of Series A Preferred Stock of Revlon, Inc. (incorporated by reference to Exhibit (d)(9) to Amendment No. 8 of Revlon, Inc.'s Schedule TO/Schedule 13E-3 filed with the SEC on October 8, 2009).

**4. *Instruments Defining the Rights of Security Holders, Including Indentures.***

4.1 Third Amended and Restated Term Loan Agreement dated as of May 19, 2011 (the 2011 Term Loan Agreement), among Products Corporation, as borrower, the lenders party thereto, Citigroup Global Markets Inc. (CGMI), J.P. Morgan Securities LLC (JPM Securities), Merrill Lynch, Pierce, Fenner & Smith Incorporated (Merrill Lynch), Credit Suisse Securities (USA) LLC (Credit Suisse) and Wells Fargo Securities, LLC (WFS), as the joint lead arrangers; CGMI, JPM Securities, Merrill Lynch, Credit Suisse, WFS and Natixis, New York Branch (Natixis), as joint bookrunners; JPMorgan Chase Bank, N.A. and Bank of America, N.A., as co-syndication agents; Credit Suisse, Wells Fargo Bank, N.A. and Natixis, as co-documentation agents; and Citicorp USA, Inc. (CUSA), as administrative agent and collateral agent (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K of Products Corporation filed with the SEC on May 20, 2011 (the Products Corporation May 20, 2011 Form 8-K)).

4.2 Third Amended and Restated Revolving Credit Agreement, dated as of June 16, 2011 (the 2011 Revolving Credit Agreement), among Products Corporation and certain of its foreign subsidiaries, as borrowers, and CGMI and Wells Fargo Capital Finance, LLC (WFCF), as the joint lead arrangers; CGMI, WFCF, Merrill Lynch, JPM Securities and Credit Suisse, as joint bookrunners; and CUSA, as administrative agent and collateral agent (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K of Products Corporation filed with the SEC on June 17, 2011 (the Products Corporation June 17, 2011 Form 8-K)).

4.3 Third Amended and Restated Pledge and Security Agreement dated as of March 11, 2010 among Revlon, Inc., Products Corporation and certain domestic subsidiaries of Products Corporation in favor of CUSA, as collateral agent for the secured parties (incorporated by reference to Exhibit 4.3 to the Current Report on Form 8-K of Products Corporation filed with the SEC on March 16, 2010 (the Products Corporation March 16, 2010 Form 8-K)).

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- 4.4 Third Amended and Restated Intercreditor and Collateral Agency Agreement, dated as of March 11, 2010, among CUSA, as administrative agent for certain bank lenders, U.S. Bank National Association, as trustee for certain noteholders, CUSA, as collateral agent for the secured parties, Revlon, Inc., Products Corporation and certain domestic subsidiaries of Products Corporation (incorporated by reference to Exhibit 4.4 to the Products Corporation March 16, 2010 Form 8-K).
- 4.5 Amended and Restated Guaranty, dated as of March 11, 2010, by and among Revlon, Inc., Products Corporation and certain domestic subsidiaries of Products Corporation, in favor of CUSA, as collateral agent for the secured parties (incorporated by reference to Exhibit 4.5 to the Products Corporation March 16, 2010 Form 8-K).
- 4.6 Form of Revolving Credit Note under the 2011 Revolving Credit Agreement (incorporated by reference to Exhibit 4.3 to the Products Corporation June 17, 2011 Form 8-K).
- 4.7 Third Amended and Restated Copyright Security Agreement, dated as of March 11, 2010, among Products Corporation and CUSA, as collateral agent for the secured parties (incorporated by reference to Exhibit 4.8 to the Products Corporation March 16, 2010 Form 8-K).
- 4.8 Third Amended and Restated Copyright Security Agreement, dated as of March 11, 2010, among Almay, Inc. and CUSA, as collateral agent for the secured parties (incorporated by reference to Exhibit 4.9 to the Products Corporation March 16, 2010 Form 8-K).
- 4.9 Third Amended and Restated Patent Security Agreement, dated as of March 11, 2010, among Products Corporation and CUSA, as collateral agent for the secured parties (incorporated by reference to Exhibit 4.10 to the Products Corporation March 16, 2010 Form 8-K).
- 4.10 Third Amended and Restated Trademark Security Agreement, dated as of March 11, 2010, among Products Corporation and CUSA, as collateral agent for the secured parties (incorporated by reference to Exhibit 4.11 to the Products Corporation March 16, 2010 Form 8-K).
- 4.11 Third Amended and Restated Trademark Security Agreement, dated as of March 11, 2010, among Charles Revson Inc. and CUSA, as collateral agent for the secured parties (incorporated by reference to Exhibit 4.12 to the Products Corporation March 16, 2010 Form 8-K).
- 4.12 Form of Term Loan Note under the 2011 Term Loan Agreement (incorporated by reference to Exhibit 4.4 to the Products Corporation May 20, 2011 Form 8-K).
- 4.13 Amended and Restated Term Loan Guaranty, dated as of March 11, 2010, by Revlon, Inc., Products Corporation and certain domestic subsidiaries of Products Corporation in favor of CUSA, as collateral agent for the secured parties (incorporated by reference to Exhibit 4.14 to the Products Corporation March 16, 2010 Form 8-K).
- 4.14 Reaffirmation Agreement, dated as of June 16, 2011 made by Revlon, Inc., Products Corporation and certain of its domestic subsidiaries and acknowledged by CUSA, as collateral agent for the secured parties (incorporated by reference to Exhibit 4.2 to the Products Corporation June 17, 2011 Form 8-K).
- 4.15 Reaffirmation Agreement, dated as of May 19, 2011 made by Revlon, Inc., Products Corporation and certain of its domestic subsidiaries and acknowledged by CUSA, as collateral agent for the secured parties (incorporated by reference to Exhibit 4.2 to the Products Corporation May 20, 2011 Form 8-K).
- 4.16 Master Assignment and Acceptance, dated as of May 19, 2011 among certain lenders and Citibank, N.A. (incorporated by reference to Exhibit 4.3 to the Products Corporation May 20, 2011 Form 8-K).

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- 4.17 Indenture, dated as of November 23, 2009, between Products Corporation and U.S. Bank National Association, as trustee, relating to Products Corporation's 9<sup>3</sup>/<sub>4</sub>% Senior Secured Notes due November 15, 2015 (incorporated by reference to Exhibit 4.22 to Products Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2009 filed with the SEC on February 25, 2010).
10. **Material Contracts.**
- 10.1 Amended and Restated Senior Subordinated Term Loan Agreement, dated as of April 30, 2012, by and between Products Corporation, as the borrower, and MacAndrews & Forbes, as the initial lender (incorporated by reference to Exhibit 10.1 to Products Corporation's Current Report on Form 8-K filed with the SEC on May 1, 2012).
- 10.2 Administrative Letter Agreement in connection with the Amended and Restated Senior Subordinated Term Loan Agreement, dated as of April 30, 2012, by and among Products Corporation, as the borrower, MacAndrews & Forbes, as the initial lender and Citibank, N.A., as the administrative agent for the Non-Contributed Loan (incorporated by reference to Exhibit 10.2 to Products Corporation's Current Report on Form 8-K filed with the SEC on May 1, 2012).
- 10.3 Stipulation and Agreement of Compromise, Settlement and Release, dated as of July 20, 2012, by and among Fidelity Management & Research Company and its investment advisory affiliates, all of which are direct or indirect subsidiaries of FMR LLC, on behalf of certain managed mutual funds and other accounts, on the one hand, and Ronald O. Perelman, Barry F. Schwartz, David L. Kennedy, Alan T. Ennis, Alan S. Bernikow, Paul J. Bohan, Meyer Feldberg, Ann D. Jordan, Debra L. Lee, Tamara Mellon, Kathi P. Seifert, Revlon, Inc. and MacAndrews & Forbes, on the other hand (Confidential information has been omitted from this exhibit and filed separately with the Securities and Exchange Commission. Revlon, Inc. has requested confidential treatment from the Securities and Exchange Commission with respect to this omitted information) (incorporated by reference to Exhibit 10.1 to Revlon, Inc.'s June 30, 2012 Form 10-Q filed with the SEC on July 31, 2012).
- 10.4 Stipulation of Settlement, dated October 8, 2012, by and among: (i) Richard Smutek, derivatively in the right of and for the benefit of nominal defendant Revlon, Inc.; (ii) nominal defendant Revlon, Inc.; and (iii) Ronald O. Perelman, Barry F. Schwartz, David L. Kennedy, Alan T. Ennis, Alan S. Bernikow, Paul J. Bohan, Meyer Feldberg, Ann D. Jordan, Debra L. Lee, Tamara Mellon, Kathi P. Seifert, and MacAndrews & Forbes (Revlon, Inc., together with such directors and MacAndrews & Forbes, the Defendants) (incorporated by reference to Exhibit 10.1 to Revlon, Inc.'s September 30, 2012 Form 10-Q filed with the SEC on October 25, 2012).
- 10.5 Stipulation and Agreement of Compromise, Settlement and Release, dated October 8, 2012, by and among: (i) the plaintiffs in the actions captioned *Mercier v. Perelman, et al.*, C.A. No. 4532-VCL (Del. Ch.); *Jurkowitz v. Perelman, et al.*, C.A. No. 4557-VCL (Del. Ch.); *Lefkowitz v. Revlon, Inc., et al.*, C.A. No. 4563-VCL (Del. Ch.); *Heiser v. Revlon, Inc., et al.*, C.A. No. 4578-VCL (Del. Ch.); *Gutman v. Perelman, et al.*, C.A. No. 5158-VCL (Del. Ch.); *Corneck v. Perelman, et al.*, C.A. No. 5160-VCL (Del. Ch.), which were consolidated under the caption *In re Revlon, Inc. Shareholders Litigation*, C.A. No. 4578-VCL (Del. Ch.); *Garofalo v. Revlon, Inc., et al.*, C.A. No. 1:09-CV-01008-GMS (D. Del.); and *Sullivan v. Perelman, et al.*, No. 650257/2009 (N.Y. Sup. Ct.); and (ii) the Defendants (incorporated by reference to Exhibit 10.1 to Revlon, Inc.'s September 30, 2012 Form 10-Q filed with the SEC on October 25, 2012).
- 10.6 Tax Sharing Agreement, dated as of June 24, 1992, among MacAndrews & Forbes, Revlon, Inc., Products Corporation and certain subsidiaries of Products Corporation, as amended and restated as of January 1, 2001 (incorporated by reference to Exhibit 10.2 to Products Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2001 filed with the SEC on February 25, 2002).

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- 10.7 Tax Sharing Agreement, dated as of March 26, 2004, by and among Revlon, Inc., Products Corporation and certain subsidiaries of Products Corporation (incorporated by reference to Exhibit 10.25 to Products Corporation's Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2004 filed with the SEC on May 17, 2004).
- 10.8 Amended and Restated Employment Agreement, dated as of April 24, 2012, between Products Corporation and David L. Kennedy (incorporated by reference to Exhibit 10.1 to Revlon, Inc.'s Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2012 filed with the SEC on April 26, 2012).
- 10.9 Amended and Restated Employment Agreement, dated as of May 1, 2009, between Products Corporation and Alan T. Ennis (incorporated by reference to Exhibit 10.2 to Revlon, Inc.'s Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2009 filed with the SEC on July 30, 2009 (the Revlon, Inc. 2009 Second Quarter Form 10-Q)).
- 10.10 Amended and Restated Employment Agreement, dated as of February 14, 2011, between Products Corporation and Robert K. Kretzman (incorporated by reference to Exhibit 10.5 to Revlon, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2010 filed with the SEC on February 17, 2011).
- 10.11 Employment Agreement, dated as of April 29, 2009, between Products Corporation and Steven Berns (incorporated by reference to Exhibit 10.4 to the Revlon, Inc. 2009 Second Quarter Form 10-Q).
- 10.12 Amended and Restated Employment Agreement, dated as of May 1, 2009, between Products Corporation and Chris Elshaw (incorporated by reference to Exhibit 10.7 to Revlon, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2009 filed with the SEC on February 25, 2010 (the Revlon, Inc. 2009 Form 10-K)).
- 10.13 Third Amended and Restated Revlon, Inc. Stock Plan (as amended, the Stock Plan) (incorporated by reference to Exhibit 4.1 to Revlon, Inc.'s Registration Statement on Form S-8 filed with the SEC on December 10, 2007).
- 10.14 Revlon Executive Incentive Compensation Plan (incorporated by reference to Annex C to Revlon, Inc.'s Annual Proxy Statement on Schedule 14A filed with the SEC on April 21, 2010).
- 10.15 Amended and Restated Revlon Pension Equalization Plan, amended and restated as of December 14, 1998 (the PEP) (incorporated by reference to Exhibit 10.15 to Revlon, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 1998 filed with the SEC on March 3, 1999).
- 10.16 Amendment to the PEP, dated as of May 28, 2009 (incorporated by reference to Exhibit 10.13 to the Revlon, Inc. 2009 Form 10-K).
- 10.17 Executive Supplemental Medical Expense Plan Summary, dated July 2000 (incorporated by reference to Exhibit 10.10 to Revlon, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2002 filed with the SEC on March 21, 2003).
- 10.18 Benefit Plans Assumption Agreement, dated as of July 1, 1992, by and among Revlon Holdings, Revlon, Inc. and Products Corporation (incorporated by reference to Exhibit 10.25 to Products Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1992 filed with the SEC on March 12, 1993).
- 10.19 Revlon Executive Severance Pay Plan (incorporated by reference to Exhibit 10.2 to Revlon, Inc.'s Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2009 filed with the SEC on April 30, 2009).
- 10.20 Stockholders Agreement, dated as of February 20, 2004, by and between Revlon, Inc. and Fidelity Management & Research Company (incorporated by reference to Exhibit 10.29 to Revlon, Inc.'s Current Report on Form 8-K filed with the SEC on February 23, 2004).

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10.21 Contribution and Stockholder Agreement, dated as of August 10, 2009, by and between Revlon, Inc. and MacAndrews & Forbes (incorporated by reference to Annex B-1 to Exhibit (a)(1)(J) of Revlon, Inc. s Schedule TO/Schedule 13E-3 filed with the SEC on September 24, 2009).

10.22 Amendment No. 1 to the Contribution and Stockholder Agreement, dated as of September 23, 2009, by and between Revlon, Inc. and MacAndrews & Forbes (incorporated by reference to Annex B-2 of Exhibit (a)(1)(J) of Revlon Inc. s Schedule TO/Schedule 13E-3 filed with the SEC on September 24, 2009).

10.23 Amended and Restated Contribution, Assignment and Assumption Agreement, dated as of October 13, 2009, by and between Revlon, Inc. and MacAndrews & Forbes (incorporated by reference to Exhibit 10.23 to the Revlon, Inc. 2009 Form 10-K).

10.24 Letter Agreement between Revlon, Inc. and MacAndrews & Forbes, dated January 30, 2008 (incorporated by reference to Exhibit 10.2 to Revlon, Inc. s Current Report on Form 8-K filed with the SEC on February 1, 2008).

21. **Subsidiaries.**

\*21.1 Subsidiaries of Revlon, Inc.

23. **Consents of Experts and Counsel.**

\*23.1 Consent of KPMG LLP.

24. **Powers of Attorney.**

\*24.1 Power of Attorney executed by Ronald O. Perelman.

\*24.2 Power of Attorney executed by Barry F. Schwartz.

\*24.3 Power of Attorney executed by Alan S. Bernikow.

\*24.4 Power of Attorney executed by Paul J. Bohan.

\*24.5 Power of Attorney executed by Viet D. Dinh.

\*24.6 Power of Attorney executed by Meyer Feldberg.

\*24.7 Power of Attorney executed by David L. Kennedy.

\*24.8 Power of Attorney executed by Debra L. Lee.

\*24.9 Power of Attorney executed by Tamara Mellon

\*24.10 Power of Attorney executed by Richard J. Santagati.

\*24.11 Power of Attorney executed by Kathi P. Seifert.

\*31.1 Certification of Alan T. Ennis, Chief Executive Officer, dated February 13, 2013, pursuant to Rule 13a-14(a)/15d-14(a) of the Exchange Act.

\*31.2 Certification of Steven Berns, Chief Financial Officer, dated February 13, 2013, pursuant to Rule 13a-14(a)/15d-14(a) of the Exchange Act.

32.1 Certification of Alan T. Ennis, Chief Executive Officer, dated February 13, 2013, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.  
(furnished  
herewith)

32.2 Certification of Steven Berns, Chief Financial Officer, dated February 13, 2013, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.  
(furnished  
herewith)

\*99.1 Revlon, Inc. Audit Committee Pre-Approval Policy.

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*101.INS	XBRL Instance Document
*101.SCH	XBRL Taxonomy Extension Schema
*101.CAL	XBRL Taxonomy Extension Calculation Linkbase
*101.DEF	XBRL Taxonomy Extension Definition Linkbase
*101.LAB	XBRL Taxonomy Extension Label Linkbase
*101.PRE	XBRL Taxonomy Extension Presentation Linkbase

\* Filed herewith

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**REVLON, INC. AND SUBSIDIARIES**

**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SCHEDULE**

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<u>Report of Independent Registered Public Accounting Firm (Consolidated Financial Statements)</u>	F-2
<u>Report of Independent Registered Public Accounting Firm (Internal Control Over Financial Reporting)</u>	F-3
<b>Audited Financial Statements:</b>	
<u>Consolidated Balance Sheets as of December 31, 2012 and 2011</u>	F-4
<u>Consolidated Statements of Income and Comprehensive Income for each of the years in the three-year period ended December 31, 2012</u>	F-5
<u>Consolidated Statements of Stockholders' Deficiency for each of the years in the three-year period ended December 31, 2012</u>	F-6
<u>Consolidated Statements of Cash Flows for each of the years in the three-year period ended December 31, 2012</u>	F-7
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<u>Schedule II Valuation and Qualifying Accounts</u>	F-77



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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Board of Directors and Stockholders

Revlon, Inc.:

We have audited the accompanying consolidated balance sheets of Revlon, Inc. and subsidiaries as of December 31, 2012 and 2011, and the related consolidated statements of income and comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2012. In connection with our audits of the consolidated financial statements, we also have audited the financial statement schedule as listed on the index on page F-1. These consolidated financial statements and the financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and the financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Revlon, Inc. and subsidiaries as of December 31, 2012 and 2011, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2012, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Revlon, Inc. and subsidiaries' internal control over financial reporting as of December 31, 2012, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 13, 2013, expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP

New York, New York

February 13, 2013

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Board of Directors and Stockholders

Revlon, Inc.:

We have audited Revlon, Inc. and subsidiaries' internal control over financial reporting as of December 31, 2012, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Revlon, Inc. and subsidiaries' management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding the prevention and timely detection of any unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of the effectiveness of internal control over financial reporting as to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Revlon, Inc. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2012, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Revlon, Inc. and subsidiaries as of December 31, 2012 and 2011, and the related consolidated statements of income and comprehensive income, stockholders' deficiency, and cash flows for each of the years in the three-year period ended December 31, 2012, and our report dated February 13, 2013 expressed an unqualified opinion on those consolidated financial statements and financial statement schedule.

/s/ KPMG LLP

New York, New York

February 13, 2013

**Table of Contents****REVLON, INC. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS**

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

	December 31, 2012	December 31, 2011
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 116.3	\$ 101.7
Trade receivables, less allowance for doubtful accounts of \$3.5 and \$3.2 as of December 31, 2012 and 2011, respectively	216.0	212.0
Inventories	114.7	111.0
Deferred income taxes - current	48.5	49.8
Prepaid expenses and other	45.7	44.2
Total current assets	541.2	518.7
Property, plant and equipment, net	99.5	98.9
Deferred income taxes - noncurrent	215.2	232.1
Goodwill	217.8	194.7
Intangible assets, net	68.8	29.2
Other assets	94.1	83.5
Total assets	\$ 1,236.6	\$ 1,157.1
<b>LIABILITIES AND STOCKHOLDERS DEFICIENCY</b>		
Current liabilities:		
Short-term borrowings	\$ 5.0	\$ 5.9
Current portion of long-term debt	21.5	8.0
Accounts payable	101.9	89.8
Accrued expenses and other	276.3	231.7
Redeemable preferred stock	48.4	
Total current liabilities	453.1	335.4
Long-term debt	1,145.8	1,107.0
Long-term debt affiliates		58.4
Redeemable preferred stock		48.4
Long-term pension and other post-retirement plan liabilities	233.7	245.5
Other long-term liabilities	53.3	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 December 31, 2012 and 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 December 31, 2012 and 2011		
Additional paid-in capital	1,015.1	1,014.1
Treasury stock, at cost; 754,853 and 671,271 shares of Class A Common Stock as of December 31, 2012 and 2011, respectively	(9.8)	(8.6)
Accumulated deficit	(1,446.9)	(1,498.0)
Accumulated other comprehensive loss	(208.2)	(200.9)
Total stockholders' deficiency	(649.3)	(692.9)

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Total liabilities and stockholders' deficiency	\$ 1,236.6	\$ 1,157.1
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See Accompanying Notes to Consolidated Financial Statements

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**Table of Contents****REVLOIN, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME**

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

	Year Ended December 31,		
	2012	2011	2010
Net sales	\$ 1,426.1	\$ 1,381.4	\$ 1,321.4
Cost of sales	506.5	492.6	455.3
Gross profit	919.6	888.8	866.1
Selling, general and administrative expenses	710.2	685.5	666.6
Restructuring charges	20.7		(0.3)
Operating income	188.7	203.3	199.8
Other expenses, net:			
Interest expense	79.1	84.9	90.5
Interest expense preferred stock dividends	6.5	6.4	6.4
Amortization of debt issuance costs	5.3	5.3	5.9
Loss on early extinguishment of debt, net		11.2	9.7
Foreign currency losses, net	2.7	4.4	6.3
Miscellaneous, net	0.7	1.5	1.2
Other expenses, net	94.3	113.7	120.0
Income from continuing operations before income taxes	94.4	89.6	79.8
Provision for (benefit from) income taxes	43.7	36.8	(247.2)
Income from continuing operations, net of taxes	50.7	52.8	327.0
Income from discontinued operations, net of taxes	0.4	0.6	0.3
Net income	\$ 51.1	\$ 53.4	\$ 327.3
Other comprehensive (loss) income:			
Currency translation adjustment, net of tax <sup>(a)</sup>	(1.5)	(8.3)	7.4
Amortization of pension related costs, net of tax <sup>(b)</sup>	9.4	3.6	5.4
Pension re-measurement, net of tax <sup>(c)</sup>	(15.4)	(45.9)	(8.4)
Pension curtailment gain	0.2		1.5
Revaluation of derivative financial instruments			1.7
Other comprehensive (loss) income	(7.3)	(50.6)	7.6
Total comprehensive income	\$ 43.8	\$ 2.8	\$ 334.9
Basic income per common share:			
Continuing operations	0.97	1.01	6.30
Discontinued operations	0.01	0.01	0.01
Net income	\$ 0.98	\$ 1.02	\$ 6.31

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Diluted income per common share:

Continuing operations	0.97	1.01	6.25
Discontinued operations	0.01	0.01	0.01
Net income	\$ 0.98	\$ 1.02	\$ 6.26

Weighted average number of common shares outstanding:

Basic	52,348,636	52,173,906	51,892,824
Diluted	52,356,882	52,331,807	52,302,636

- (a) Net of tax of \$1.0 million, \$1.8 million and nil for the years ended December 31, 2012, 2011 and 2010, respectively.
- (b) Net of tax of \$(1.0) million, \$(2.0) million and nil for the years ended December 31, 2012, 2011 and 2010, respectively.
- (c) Net of tax of \$7.2 million, \$30.1 million and nil for the years ended December 31, 2012, 2011 and 2010, respectively.

See Accompanying Notes to Consolidated Financial Statements

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**Table of Contents****REVLON, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS 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, 2010	\$ 0.5	\$ 1,007.2	\$ (4.7)	\$ (1,878.7)	\$ (157.9)	\$ (1,033.6)
Treasury stock acquired, at cost <sup>(a)</sup>			(2.5)			(2.5)
Stock-based compensation amortization		3.6				3.6
Excess tax benefits from stock-based compensation		1.2				1.2
Net income				327.3		327.3
Other comprehensive income <sup>(b)</sup>					7.6	7.6
Balance, December 31, 2010	0.5	1,012.0	(7.2)	(1,551.4)	(150.3)	(696.4)
Treasury stock acquired, at cost <sup>(a)</sup>			(1.4)			(1.4)
Stock-based compensation amortization		1.9				1.9
Excess tax benefits from stock-based compensation		0.2				0.2
Net income				53.4		53.4
Other comprehensive loss, net <sup>(b)</sup>					(50.6)	(50.6)
Balance, December 31, 2011	0.5	1,014.1	(8.6)	(1,498.0)	(200.9)	(692.9)
Treasury stock acquired, at cost <sup>(a)</sup>			(1.2)			(1.2)
Stock-based compensation amortization		0.3				0.3
Excess tax benefits from stock-based compensation		0.7				0.7
Net income				51.1		51.1
Other comprehensive loss, net <sup>(b)</sup>					(7.3)	(7.3)
Balance, December 31, 2012	\$ 0.5	\$ 1,015.1	\$ (9.8)	\$ (1,446.9)	\$ (208.2)	\$ (649.3)

<sup>(a)</sup> Pursuant to the share withholding provision 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 83,582; 138,433; and 147,161 shares of Revlon, Inc. Class A Common Stock during 2012, 2011 and 2010, respectively, to satisfy the minimum statutory tax withholding requirements related to such vesting. These shares were recorded as treasury stock using the cost method, at a weighted average price per share of \$14.20, \$10.07 and \$16.84 during 2012, 2011 and 2010, respectively, based on the closing price of Revlon, Inc. Class A Common Stock as reported on the NYSE consolidated tape on the respective vesting dates, for a total of \$1.2 million, \$1.4 million and \$2.5 million, respectively. For details on such withholding taxes on the vesting of certain restricted stock, see Note 16, Stockholders' Deficiency - Treasury Stock.

<sup>(b)</sup> See Note 18, Accumulated Other Comprehensive Loss, regarding the changes in the accumulated balances for each component of accumulated other comprehensive loss during the years ended December 31, 2012, 2011 and 2010.

See Accompanying Notes to Consolidated Financial Statements

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

(dollars in millions)

	2012	December 31, 2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net income	\$ 51.1	\$ 53.4	\$ 327.3
Adjustments to reconcile net income to net cash provided by operating activities:			
Income from discontinued operations, net of taxes	(0.4)	(0.6)	(0.3)
Depreciation and amortization	65.0	60.8	57.0
Amortization of debt discount	2.1	2.5	2.7
Stock compensation amortization	0.3	1.9	3.6
Provision for (benefit from) deferred income taxes	28.4	13.4	(259.3)
Loss on early extinguishment of debt, net		11.2	9.7
Amortization of debt issuance costs	5.3	5.3	5.9
Loss on sale of certain assets	0.4		
Pension and other post-retirement costs	4.0	5.2	9.5
Change in assets and liabilities:			
Increase in trade receivables	(4.7)	(18.3)	(19.2)
(Increase) decrease in inventories	(4.4)	3.6	7.0
(Increase) decrease in prepaid expenses and other current assets	(2.9)	0.2	(7.4)
Increase in accounts payable	4.5	5.0	20.8
Increase in accrued expenses and other current liabilities	47.3	20.1	12.5
Pension and other post-retirement plan contributions	(29.8)	(31.5)	(25.8)
Purchases of permanent displays	(43.2)	(41.3)	(33.7)
Other, net	(18.9)	(2.9)	(13.1)
Net cash provided by operating activities	104.1	88.0	97.2
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Capital expenditures	(20.9)	(13.9)	(15.2)
Business acquisitions	(66.2)	(39.0)	
Proceeds from the sale of certain assets	0.8	0.3	0.3
Net cash used in investing activities	(86.3)	(52.6)	(14.9)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Net increase (decrease) in short-term borrowings and overdraft	6.3	0.2	(10.6)
Repayments under the 2006 Term Loan Facility			(815.0)
Borrowings under the 2010 Term Loan Facility			786.0
Repayments under the 2010 Term Loan Facility		(794.0)	(6.0)
Borrowings under the 2011 Term Loan Facility		796.0	
Repayments under the 2011 Term Loan Facility	(8.0)	(4.0)	
Payment of financing costs	(0.4)	(4.3)	(17.5)
Other financing activities	(1.3)	(1.4)	0.3
Net cash used in financing activities	(3.4)	(7.5)	(62.8)
Effect of exchange rate changes on cash and cash equivalents	0.2	(2.9)	2.7
Net increase in cash and cash equivalents	14.6	25.0	