

REVLON INC /DE/
Form 10-K
March 05, 2008

Table of Contents

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, 2007

OR

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

For the transition period from to

Commission file number 1-11178

REVLON, INC.

(Exact name of registrant as specified in its charter)

DELAWARE

(State or other jurisdiction of
incorporation or organization) 13-3662955

(I.R.S. Employer

Identification No.) 237 Park Avenue, New York, New York 10017 (Address of principal executive offices) (Zip
Code)

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

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

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

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 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, or a non-accelerated
filer. See definition of "accelerated filer" and "large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

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

Yes No

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

The aggregate market value of the registrant's Class A Common Stock held by non-affiliates (using the New York Stock Exchange closing price as of June 30, 2007, the last business day of the registrant's most recently completed second fiscal quarter) was approximately \$278,654,667.

As of December 31, 2007, 479,966,868 shares of Class A Common Stock and 31,250,000 shares of Class B Common Stock were outstanding. At such date 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., and 276,732,040 shares of Class A Common Stock were beneficially owned by MacAndrews & Forbes Holdings Inc. and its affiliates.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of Revlon, Inc.'s definitive Proxy Statement to be delivered to shareholders in connection with its Annual Meeting of Stockholders to be held on or about June 5, 2008 are incorporated by reference into Part III of this Form 10-K.

Revlon, Inc. and Subsidiaries

Form 10-K

For the Year Ended December 31, 2007

Table of Contents

Page	PART I	Item 1. Business	2	Item 1A. Risk Factors	12	Item 1B. Unresolved Staff Comments	23	Item 2. Properties	23	Item 3. Legal Proceedings	23	Item 4. Submission of Matters to a Vote of Security Holders	24	PART II	Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	25	Item 6. Selected Financial Data	26	Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations	28	Item 7A. Quantitative and Qualitative Disclosures About Market Risk	50	Item 8. Financial Statements and Supplementary Data	52	Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosures	52	Item 9A. Controls and Procedures	52	Item 9B. Other Information	53	PART III	Item 10. Directors, Executive Officers and Corporate Governance	59	Item 11. Executive Compensation	59	Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	59	Item 13. Certain Relationships and Related Transactions, and Director Independence	59	Item 14. Principal Accountant Fees and Services	59	PART IV	Item 15. Exhibits, Financial Statement Schedules	61	Index to Consolidated Financial Statements and Schedule	F-1	Report of Independent Registered Public Accounting Firm (Consolidated Financial Statements)	F-2	Report of Independent Registered Public Accounting Firm (Internal Control Over Financial Reporting)	F-3	Financial Statements	F-4	Financial Statement Schedule	F-58	Signatures	Certifications	Exhibits
------	--------	------------------	---	-----------------------	----	------------------------------------	----	--------------------	----	---------------------------	----	---	----	---------	--	----	---------------------------------	----	---	----	---	----	---	----	---	----	----------------------------------	----	----------------------------	----	----------	---	----	---------------------------------	----	---	----	--	----	---	----	---------	--	----	---	-----	---	-----	---	-----	----------------------	-----	------------------------------	------	------------	----------------	----------

Table of Contents

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 and its subsidiaries (“Products Corporation”). 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 operates in a single segment and manufactures, markets and sells an extensive array of cosmetics, women’s hair color, beauty tools, fragrances, skincare, anti-perspirants/deodorants and personal care products. The Company is one of the world’s leading cosmetics companies in the mass retail channel (as hereinafter defined). The Company believes that its global brand name recognition, product quality and marketing experience have enabled it to create one of the strongest consumer brand franchises in the world.

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

The Company’s principal customers include large mass volume retailers, 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 complimentary beauty-related products and accessories.

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

The Company’s Business Strategy

The Company’s business strategy includes:

- Building and leveraging our strong brands. We are building and leveraging our brands, particularly the Revlon brand, across the categories in which we compete. In addition to Revlon and Almay brand color cosmetics, we are seeking to drive growth in other beauty care categories, including women’s hair color, beauty tools and anti-perspirants/deodorants. We are implementing this strategy by developing and sustaining an innovative pipeline of new products and managing our product portfolio with the objective of profitable net sales growth over time. We will: 1) fully utilize our creative,

marketing and research and development capabilities; 2) reinforce clear, consistent brand positioning through effective, innovative advertising and promotion; and 3) work with our retail customers to continue to increase the effectiveness of our in-store marketing, promotion and display walls across categories in which we compete. We took several steps in furtherance of this objective including:

- In 2007, we instituted a rigorous process for the continuous development and evaluation of new product concepts, improved our new product commercialization process and created a comprehensive, long-term portfolio strategy.

Table of Contents

Almay marketing organizations in the U.S., during 2007 we implemented an integrated organizational structure to accelerate new product development, produce effective creative and provide clear lines of communication, responsibility and accountability.

- Within our Revlon and Almay marketing organizations in the U.S., during 2007 we implemented an integrated organizational structure to accelerate new product development, produce effective creative and provide clear lines of communication, responsibility and accountability.
- In 2007, we launched and supported with advertising and promotions a number of new products, including Revlon Limited Edition Collection, Revlon Luxurious Color eyeliner, Revlon 3D Extreme mascara, Revlon Renewist lipcolor, Revlon Age Defying makeup primer, Almay Pure Blends mineral makeup, Almay Smart Shade line extensions (blush and bronzer), Almay Hydracolor lipstick and Mitchum Smart Solid anti-perspirant/deodorant. We also signed Jessica Alba and Beau Garrett as spokesmodels for the Revlon brand.
- For 2008, we are launching an extensive lineup of Revlon and Almay color cosmetics, which includes differentiated and unique offerings for the mass retail channel, innovations in products and packaging, new technologies and extensions within the Revlon and Almay franchises. We are supporting these new products with advertising and promotions using our spokesmodels.
- Our first half 2008 Revlon color cosmetics introductions include Revlon ColorStay minerals collection, Revlon Custom Creations foundation, Revlon Limited Edition Collection, Almay TLC Truly Lasting Color foundation, Almay Intense i-Color “Bring Out” and “Play Up” collections and Almay makeup removers.
- In the second half of 2008, we will offer additional and significant new products and innovations within the Revlon and Almay portfolios.
- Improving the execution of our strategies and plans and providing for continued improvement in our organizational capability through enabling and developing our employees. We are continuing to build our organizational capability primarily through a focus on recruitment and retention of skilled people, providing opportunities for professional development, as well as new and expanded responsibilities and roles for employees who have demonstrated capability and rewarding our employees for success. We have taken several steps in furtherance of this objective including:
 - During 2006 and 2007, we streamlined our organizational structure and created expanded roles and responsibilities for key, capable individuals throughout the organization, and made key promotions within our marketing, finance, operations, customer business development, legal and human resources groups. We have also recruited a number of highly capable and skilled executives and professionals across various functions.
 - We have strengthened our U.S. marketing and sales organization with the creation of our U.S. region and by recruiting talented and experienced executives within marketing, product development and sales.
 - We have created new incentive rewards programs, including restricted stock grants for a broad group of key contributors who will be important in executing our strategies and in contributing to the achievement of our goal of achieving long-term, profitable growth.
 - We have implemented a simple, well-structured approach to global succession planning for key positions.
 - Continuing to strengthen our international business. We are continuing to strengthen our international business through the following key strategies:
 - Focusing on the Revlon brand and our other strong national and multi-national brands in key countries;
 - Leveraging our Revlon and Almay brand marketing worldwide;
 - Adapting our product portfolio to local consumer preferences and trends;

Table of Contents

effective business model in each country; and

resources and controlling costs.

profit margins and cash flow. We are capitalizing on opportunities to improve our operating profit margins and cash flow over time, including reducing sales returns, costs of goods sold and general and administrative expenses and improving working capital management (in each case as a percentage of net sales), and we continue to focus on improving net sales growth. We have taken several steps in furtherance of this objective including:

- We implemented several restructuring actions during 2006 and 2007 intended to reduce ongoing costs and increase operating profit margins. As a result of these actions, we reduced our cost base by approximately \$55 million from previous levels.

– In 2006,

we implemented a series of organizational realignments and streamlining actions involving the consolidation of certain functions within our sales, marketing and creative groups, and certain headquarter functions; reducing layers of management; eliminating certain executive positions; and consolidating various facilities. This new structure streamlined internal processes and has enabled more effective innovation and creativity, while fostering more efficient decision-making and appropriately aligning this decision-making with accountability and has led to improvements in our operational effectiveness and enabled us to be more effective and efficient in meeting the needs of our consumers and retail customers (the “2006 Programs”).

– In 2007, we implemented several

restructuring plans designed to reduce costs and improve our operating profit margins, including the consolidation of facilities and certain functions, principally the closure of our facility in Irvington, New Jersey, which was completed in June 2007, and personnel reductions within our Information Management function and a reduction of our sales force in Canada (the “2007 Programs”).

- We are selectively reducing certain product promotions in the U.S. and Canada leading to lower rates of product returns and an improvement in our operating profit margins.

- Our cash flow from operations has improved significantly in 2007 compared to prior years.

- Continuing to improve our capital structure. We are benefiting from opportunities to reduce and refinance our debt. We have taken several steps in furtherance of this objective, including:

- March 2006 \$110 Million Rights Offering: In the first quarter of 2006, Revlon, Inc. completed a \$110 million rights offering, including the related private placement to MacAndrews & Forbes (together the “\$110 Million Rights Offering”), of Revlon, Inc.’s Class A Common Stock (as hereinafter defined) and used the proceeds, together with available cash, to redeem approximately \$109.7 million in aggregate principal amount of Products Corporation’s 85/8% Senior Subordinated Notes (as hereinafter defined).

- Refinancing of Bank Credit Agreement: In December 2006, Products Corporation refinanced its 2004 Credit Agreement (as hereinafter defined), reducing interest rates and extending the maturity dates for Products Corporation’s bank credit facilities from July 2009 to January 2012 in the case of the revolving credit facility and from July 2010 to January 2012 in the case of the term loan facility. As part of this refinancing, Products Corporation entered into a five-year, \$840 million term loan facility (the “2006 Term Loan Facility”), replacing the \$800 million term loan under Products Corporation’s 2004 Credit Agreement. Products Corporation also amended its existing \$160 million multi-currency revolving credit facility under its 2004 Credit Agreement and extended its maturity through the same five-year period (the “2006 Revolving Credit Facility”)

Table of Contents

and, together with the 2006 Term Loan Facility, the “2006 Credit Facilities”, with the agreements governing the 2006 Credit Facilities being the “2006 Term Loan Agreement”, the “2006 Revolving Credit Agreement”, and together the “2006 Credit Agreements”). In September 2007, we entered into an interest rate swap transaction with Citibank, N.A. acting as the counterparty, which effectively fixed the LIBOR portion of the interest rate on \$150.0 million notional amount of outstanding indebtedness under the 2006 Term Loan Facility at 4.692% through September 17, 2009. (See “Financial Condition, Liquidity and Capital Resources — Credit Agreement Refinancing” and “Financial Condition, Liquidity and Capital Resources — Interest Rate Swap Transaction”).

- January 2007 \$100 Million Rights Offering: In January 2007, Revlon, Inc. completed a \$100 million rights offering of Revlon, Inc.’s Class A Common Stock (including the related private placement to MacAndrews & Forbes, the “\$100 Million Rights Offering”) and used the proceeds to redeem \$50.0 million in aggregate principal amount of the 85/8% Senior Subordinated Notes, the balance of which was repaid in full on February 1, 2008 (See “Recent Developments”), and to repay approximately \$43.3 million of indebtedness outstanding under Products Corporation’s 2006 Revolving Credit Facility, without any permanent reduction of that commitment, after paying approximately \$1.1 million of fees and expenses incurred in connection with such rights offering, with approximately \$5.0 million of the remaining net proceeds being available for general corporate purposes.

- \$170 Million Senior Subordinated Term Loan: In December 2007, Revlon, Inc. announced that MacAndrews & Forbes, Revlon’s majority stockholder, had agreed to provide Products Corporation with a \$170 million Senior Subordinated Term Loan, the proceeds of which Products Corporation used on February 1, 2008 to repay in full the \$167.4 million remaining aggregate principal amount of Product Corporation’s 85/8% Senior Subordinated Notes, which matured on such date. (See “Recent Developments”).

Recent Developments

On January 30, 2008, Products Corporation entered into its previously-announced \$170 million Senior Subordinated Term Loan Agreement with MacAndrews & Forbes (the “MacAndrews & Forbes Senior Subordinated Term Loan Agreement”). On February 1, 2008, Products Corporation used the proceeds of the MacAndrews & Forbes Senior Subordinated Term Loan to repay in full the approximately \$167.4 million remaining aggregate principal amount of Products Corporation’s 85/8% Senior Subordinated Notes, which matured on February 1, 2008 (the “8 5/8% Senior Subordinated Notes”), and to pay certain related fees and expenses, including the payment to MacAndrews & Forbes of a facility fee of \$2.55 million (or 1.5% of the total aggregate principal amount of such loan) upon MacAndrews & Forbes funding such loan. In connection with such repayment, Products Corporation also used cash on hand to pay approximately \$7.2 million of accrued and unpaid interest due on the 85/8% Senior Subordinated Notes up to, but not including, the February 1, 2008 maturity date.

The MacAndrews & Forbes Senior Subordinated Term Loan bears interest at an annual rate of 11%, which is payable in arrears in cash on March 31, June 30, September 30 and December 31 of each year, commencing on March 31, 2008. The MacAndrews & Forbes Senior Subordinated Term Loan matures on August 1, 2009, provided that Products Corporation may, at its option, prepay such loan, in whole or in part (together with accrued and unpaid interest), at any time prior to maturity without premium or penalty.

The MacAndrews & Forbes Senior Subordinated Term Loan Agreement is an unsecured obligation of Products Corporation and, pursuant to subordination provisions that are generally incorporated from the indenture which governed the 85/8% Senior Subordinated Notes prior to their repayment, is subordinated in right of payment to all existing and future senior debt of Products Corporation, currently including indebtedness under (i) Products Corporation’s 2006 Credit Agreements, and (ii) Products Corporation’s 9½% Senior Notes (as hereinafter defined). The

MacAndrews & Forbes Senior Subordinated

5

Table of Contents

Term Loan Agreement has the right to payment equal in right of payment with any present and future senior subordinated indebtedness of Products Corporation.

The MacAndrews & Forbes Senior Subordinated Term Loan Agreement contains covenants (other than the subordination provisions discussed above) that are generally incorporated from the indenture governing Products Corporation's 9½% Senior Notes due April 1, 2011 (the "9½% Senior Notes"), including covenants that limit the ability of Products Corporation and its subsidiaries to, among other things, incur additional indebtedness, pay dividends on or redeem or repurchase stock, engage in certain asset sales, make certain types of investments and other restricted payments, engage in certain transactions with affiliates, restrict dividends or payments from subsidiaries and create liens on their assets. All of these limitations and prohibitions, however, are subject to a number of important qualifications and exceptions.

The MacAndrews & Forbes Senior Subordinated Term Loan Agreement includes a cross acceleration provision, which is substantially the same as that in Products Corporation's 9½% Senior Notes that provides that it shall be an event of default under the MacAndrews & Forbes Senior Subordinated Term Loan Agreement if any debt (as defined in such agreement) of Products Corporation or any of its significant subsidiaries (as defined in such agreement) is not paid within any applicable grace period after final maturity or is accelerated by the holders of such debt because of a default and the total principal amount of the portion of such debt that is unpaid or accelerated exceeds \$25.0 million and such default continues for 10 days after notice from MacAndrews & Forbes. If any such event of default occurs, MacAndrews & Forbes may declare the MacAndrews & Forbes Senior Subordinated Term Loan to be due and payable immediately.

The MacAndrews & Forbes Senior Subordinated Term Loan Agreement also contains other customary events of default for loan agreements of such type, including, subject to applicable grace periods, nonpayment of any principal or interest when due under the MacAndrews & Forbes Senior Subordinated Term Loan Agreement, non-compliance with any of the material covenants in the MacAndrews & Forbes Senior Subordinated Term Loan Agreement, any representation or warranty being incorrect, false or misleading in any material respect, or the occurrence of certain bankruptcy, insolvency or similar proceedings by or against Products Corporation or any of its significant subsidiaries.

Upon any change of control (as defined in the MacAndrews & Forbes Senior Subordinated Term Loan Agreement), Products Corporation is required to repay the MacAndrews & Forbes Senior Subordinated Term Loan in full, after fulfilling an offer to repay Products Corporation's 9½% Senior Notes and to the extent permitted by Products Corporation's 2006 Credit Agreements.

In connection with the closing of the MacAndrews & Forbes Senior Subordinated Term Loan, Revlon, Inc. and MacAndrews & Forbes entered into a letter agreement in January 2008, pursuant to which Revlon, Inc. agreed that, if Revlon, Inc. conducts any equity offering before the full payment of the MacAndrews & Forbes Senior Subordinated Term Loan, and if MacAndrews & Forbes and/or its affiliates elects to participate in any such offering, MacAndrews & Forbes and/or its affiliates may pay for any shares it acquires in such offering either in cash or by tendering debt valued at its face amount under the MacAndrews & Forbes Senior Subordinated Term Loan Agreement, including any accrued but unpaid interest, on a dollar for dollar basis, or in any combination of cash and such debt. Revlon, Inc. is under no obligation to conduct an equity offering and MacAndrews & Forbes and its affiliates are under no obligation to subscribe for shares should Revlon elect to conduct an equity offering.

In accordance with SFAS No. 6, "Classification of Short-Term Obligations Expected to be Refinanced," the approximately \$167.4 million aggregate principal amount of Products Corporation's 85/8% Senior Subordinated Notes that remained outstanding as of December 31, 2007 has been classified as long-term due to the entering into of the

MacAndrews & Forbes Senior Subordinated Term Loan on January 30, 2008.

6

Table of Contents

Products

Revlon, Inc. conducts business exclusively through Products Corporation. The Company manufactures and markets a variety of products worldwide. The following table sets forth the Company's principal brands.

COSMETICS HAIR BEAUTY TOOLS FRAGRANCE ANTI-PERSPIRANTS/

DEODORANTS SKINCARE Revlon Revlon Colorsilk Revlon Charlie Mitchum Gatineau Almay Bozzano Jean Naté Almay Ultima II

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. The Company also markets a complete range of Revlon ColorStay long-wearing liquid and powder face makeup with patented SoftFlex technology for enhanced comfort. The Revlon ColorStay mineral collection includes loose powder foundation, as well as baked blush and bronzer. The Revlon Limited Edition Collection, focusing on unique styles and expressive looks, offers liquid and powder blush.

The Company markets several different lines of Revlon lip makeup, including lipstick, lip gloss and lip liner, under several Revlon brand names. Super Lustrous is the Company's flagship wax-based lipcolor, offered in a wide variety of shades of lipstick and lipgloss, and has LiquiSilk technology designed to boost moisturization using silk dispersed in emollients. ColorStay Soft & Smooth, with patent pending lip technology, offers long-wearing benefits while enhancing comfort with SoftFlex technology, while ColorStay Overtime lipcolor and ColorStay Overtime Sheer use patented transfer resistant technology. Revlon Renewist lipcolor uses a patented Procollagen moisture core to boost lip moisture. The Revlon Limited Edition Collection, focusing on current trends, offers lip color, lip gloss, lip stain and lip topping.

The Company's eye makeup products include mascaras, eyeliners and eye shadows, under several Revlon brand names. In mascaras, key franchises include Fabulash, which uses a patented lash perfecting brush for fuller lashes, as well as Luxurious Lengths mascara which makes lashes appear longer. 3D Extreme mascara uses a unique bold impact brush to make lashes fuller, curvier and visibly longer. In eyeliners, Revlon Luxurious Color liner uses a smooth formula to provide rich, luxurious color. In eye shadow, Revlon ColorStay 12-Hour patented longwearing eyeshadow enables color to look fresh for 12 hours. ColorStay mineral eye shadow offers longwearing, baked mineral shadow trios that last up to 16 hours. The Revlon Limited Edition Collection, focusing on creating individual looks, includes eye shadow trios, liner/shadow duos, loose shadow compacts, liquid shadow, sheer shadow and powder liner.

The Company's nail color and nail care lines include enamels, treatments and cuticle preparations. The Company's flagship Revlon nail enamel uses a patented formula that provides consumers with improved wear, application, shine and gloss in a toluene-free, formaldehyde-free and phthalate-free formula. The Company's Color Beam Sheer nail enamel comes in a unique array of shades and has multiple patents on its long-wearing formula. The Company also

markets Revlon ColorStay patented nail enamel, including nail enamels which offer superior color and shine for 10 days with an exclusive ColorLock system. In addition, the Company sells Cutex nail enamel remover and nail care products in certain countries outside the U.S.

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

Table of Contents

Within the face category, with Almay Smart Shade patent-pending formulas for foundation, blush and bronzer, Almay consumers can find products that are designed to match their skin tones. Almay TLC Truly Lasting Color makeup is a longwearing foundation that nourishes and protects the skin for up to 16 hours of coverage. In eye makeup, Almay Intense i-Color includes the “Bring Out” and “Play Up” collections — providing ways to enhance and intensify eyes through color-coordinated shades of shadow, liner and mascara for each eye color. The Almay brand flagship Almay One Coat mascara franchise includes products for lash thickening, lengthening and the patented Triple Effect mascara for a more dramatic look. In the lip category, the Almay Ideal lip collection provides a complete lip look through coordinated shades of lipstick, liner and gloss. Almay eye makeup removers are offered in a range of pads and towelettes.

Hair: The Company sells both haircare and haircolor products throughout the world. In haircolor, the Company markets brands, including the Revlon Colorsilk brand in women’s haircolor. In haircare, the Company sells the Flex and Aquamarine lines in many countries and the Bozzano and Juvena brands in Brazil.

Beauty Tools: The Company sells Revlon Beauty Tools, which include nail and eye grooming tools, such as clippers, scissors, files, tweezers and eye lash curlers. Revlon Beauty Tools are sold individually and in sets under the Revlon brand name and for 2007 were the number one brand of beauty tools in the U.S. mass retail channel.

Fragrances: The Company sells a selection of moderately-priced and premium-priced fragrances, including perfumes, eau de toilettes, colognes and body sprays. The Company’s portfolio includes fragrances such as Charlie and Ciara, as well as Jean Naté.

Anti-perspirants/deodorants: In the area of anti-perspirants/deodorants, the Company markets Mitchum, Aquamarine and Hi & Dri antiperspirant brands in many countries. The Company also markets hypo-allergenic personal care products, including anti-perspirants, under the Almay brand.

Skincare: The Company’s skincare products, including moisturizers, are predominantly sold under the Eterna 27 brand. The Company also sells skincare products in international markets under internationally-recognized brand names 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. 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 carefully tailored advertising, point-of-purchase and other focused marketing programs. The Company uses television advertising, print and internet advertising, as well as coupons and other trial incentives.

The Company also uses cooperative advertising programs, supported by 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, www.almay.com and

www.mitchumman.com devoted to the Revlon, Almay and Mitchum brands, respectively. Each of these websites feature current product and promotional information for the brands, respectively, and are updated regularly to stay current with the Company's new product launches and other advertising and promotional campaigns. In addition, the Almay website offers coupons and/or sampling incentives to its consumers and offers unique, personalized beauty guides.

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

Table of Contents

development groups identify consumer needs and shifts in consumer preferences in order to develop new products, tailor 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 cross-functional product development process, including a rigorous process for the continuous development and evaluation of new product concepts, formed in 2007 and led by senior executives in marketing, sales, product development, operations and finance, which has improved the Company's new product commercialization process and created a comprehensive, long-term portfolio strategy. This new process is intended to optimize the Company's ability to regularly bring to market its innovative new product offerings and to manage the Company's product portfolio for profitable growth over time.

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 worldwide, performing research for new products, ideas, concepts and packaging. The research and development group at the Edison facility also performs extensive safety and quality testing on the Company's products, including toxicology, microbiology and package testing. Additionally, quality control testing is performed at each of the Company's manufacturing facilities.

As of December 31, 2007, the Company employed approximately 160 people in its research and development activities, including specialists in pharmacology, toxicology, chemistry, microbiology, engineering, biology, dermatology and quality control. In 2007, 2006 and 2005, the Company spent \$24.4 million, \$24.4 million and \$26.1 million, respectively, on research and development activities.

Manufacturing and Related Operations and Raw Materials

During 2007, the Company's cosmetics and/or personal care products were produced at the Company's facilities in North Carolina, Venezuela, France, South Africa and Mexico and at third-party facilities around the world.

The Company continually reviews its manufacturing needs against its manufacturing capacities to identify opportunities to reduce costs and 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 designed to maximize cost savings. The Company's global sourcing strategy for materials and components from accredited vendors is also designed to ensure the quality of the raw materials and components and assists in protecting the Company against shortages of, or difficulties in obtaining, such materials. 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's worldwide sales forces had approximately 340 people as of December 31, 2007. In addition, the Company utilizes sales representatives and independent distributors to serve certain markets and related distribution channels.

United States. Net sales in the U.S. accounted for approximately 57% of the Company's 2007 net sales, a majority of which were made in the mass retail channel. The Company also sells a broad range of consumer products to U.S. Government military exchanges and commissaries. The Company licenses its trademarks to select manufacturers for complimentary 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, 2007, 11 licenses were in effect relating to 17 product

categories, which are marketed principally in the mass retail channel. Pursuant to such licenses, the Company retains strict control over product design and development, product quality, advertising and the use of its trademarks. These licensing arrangements offer opportunities for the Company to generate revenues and cash flow through royalties and renewal fees, some of which have been prepaid.

Table of Contents

As part of the Company's strategy to increase the retail consumption of its products, 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.

International. Net sales outside the U.S. accounted for approximately 43% of the Company's 2007 net sales. The five largest countries in terms of these sales were South Africa, Australia, Canada, U.K and Brazil, which together accounted for approximately 23% of the Company's 2007 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 outside the U.S. At December 31, 2007, the Company actively sold its products through wholly-owned subsidiaries established in 15 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 Wal-Mart, Target, Kmart, Walgreens, Rite Aid, CVS and Longs in the U.S., Shoppers DrugMart in Canada, A.S. Watson & Co. retail chains in Asia Pacific and Europe, and Boots in the United Kingdom. Wal-Mart and its affiliates worldwide accounted for approximately 24% of the Company's 2007 net sales. 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. The Company expects that Wal-Mart 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 affect on the Company's business, financial condition and/or results of operations").

Competition

The consumer products business is highly competitive. The Company competes primarily on the basis of:

- developing quality products with innovative performance features, shades, finishes and packaging;
- educating consumers on the Company's product benefits;
- 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;

effective sales force; and

- maintaining an
- obtaining 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

Table of Contents

outlets. The Company's principal competitors include 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 materially adversely affect the Company's net sales and its share of the mass retail channel and could have an adverse affect on the Company's business, financial condition and/or results of operations").

Patents, Trademarks and Proprietary Technology

The Company's major trademarks are registered in the U.S. and in well over 100 other countries, and the Company considers trademark protection to be very important to its business. Significant trademarks include Revlon, ColorStay, Revlon Age Defying makeup with Botafirm, Super Lustrous, Almay, Smart Shade, Mitchum, Charlie, Jean Naté, Revlon Colorsilk, Eterna 27 and, outside the U.S., Bozzano, Cutex, Gatineau and Ultima II. The Company regularly renews its trademark registrations in the ordinary course of business.

The Company utilizes certain proprietary, patent-pending 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 Soft & Smooth and Revlon ColorStay mineral collection; Revlon Age Defying foundation and cosmetics; Revlon Renewist lipcolor; Fabulash mascara; 3D Extreme mascara; classic Revlon nail enamel; Almay Smart Shade makeup; Almay Ideal lipstick, liner and lip gloss; Almay One Coat cosmetics; Almay Triple Effect mascara; and Mitchum Cool Dry anti-perspirant. The Company also protects certain of its packaging and component concepts through design patents. The Company considers its proprietary technology and patent protection to be important to its business.

The Company files patents on a continuing basis in the ordinary course of business on certain of the Company's new technologies. Patents in the U.S. are effective for up to 20 years and international patents are generally effective for up to 20 years. The patents that the Company currently has in place expire at various times between 2008 and 2028 and the Company expects to continue to file patent applications on certain of its technologies in the ordinary course of business in the future.

Government Regulation

The Company is subject to regulation by the Federal Trade Commission (the "FTC") and the Food and Drug Administration (the "FDA") in the U.S., as well as various other federal, state, local and foreign regulatory authorities, including the European Commission in the European Union ("EU"). 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 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. State and local regulations in the U.S. and regulations in the EU that are designed to protect consumers or the environment have an increasing influence on the Company's product claims, ingredients and packaging.

Industry Segments, Foreign and Domestic Operations

The Company operates in a single segment. Certain geographic, financial and other information of the Company is set forth in the Consolidated Statements of Operations and Note 18 "Geographic, Financial and Other Information" to the Consolidated Financial Statements of the Company.

Employees

As of December 31, 2007, the Company employed approximately 5,600 people. As of December 31, 2007, approximately 20 of such employees in the U.S. were covered by collective bargaining agreements. The Company believes that its employee relations are satisfactory. Although the Company has experienced minor work stoppages of limited duration in the past in the ordinary course of business, such work stoppages have not had a material effect on the Company's results of operations or financial condition.

Table of Contents

Available Information

The public may read and copy any materials that the Company files with the SEC 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 2006 Credit Agreements.

Revlon, Inc. is a holding company with no business operations of its own. Revlon, Inc.'s only material asset is all of the outstanding capital stock of Products Corporation, Revlon, Inc.'s wholly-owned operating subsidiary, through which Revlon, Inc. conducts its business operations. As such, Revlon, Inc.'s net (loss) income has historically consisted predominantly of its equity in the net (loss) income of Products Corporation, which for 2007, 2006 and 2005 was approximately \$(9.0) million, \$(244.5) million and \$(77.8) million, respectively, which excluded approximately \$7.0 million, \$6.6 million and \$7.6 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. 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 2006 Credit Agreements, the MacAndrews & Forbes Senior Subordinated Term Loan Agreement and the indenture governing Products Corporation's outstanding 9½% Senior Notes generally restrict Products Corporation from paying dividends or making distributions, except that Products Corporation is permitted to pay dividends and make distributions to Revlon, Inc., among other things, to enable Revlon, Inc. to make certain payments and pay expenses incidental to being a public holding company.

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 2006 Credit Agreements. A foreclosure upon the shares of Products Corporation's common stock would result in Revlon, Inc. no longer holding its only material asset and would have a material adverse effect on the holders of Revlon, Inc.'s Common Stock and would be a change of control under Products Corporation's other debt instruments.

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, 2007, the Company's total indebtedness was \$1,441.0 million, primarily including \$167.4 million aggregate principal amount outstanding of Products Corporation's 85/8% Senior Subordinated Notes (the outstanding balance of which was repaid in full on February 1, 2008 — See "Recent Developments"), \$387.5 million aggregate principal amount outstanding of Products Corporation's 9½% Senior Notes, \$840.0 million

Table of Contents

aggregate principal amount outstanding under the 2006 Term Loan Facility, and \$43.5 million aggregate principal amount outstanding under the 2006 Revolving Credit Facility. In connection with the refinancing of the 85/8% Senior Subordinated Notes, as of February 1, 2008, Products Corporation had \$170 million of aggregate principal amount outstanding under the MacAndrews & Forbes Senior Subordinated Term Loan, which amount was used to repay the \$167.4 million aggregate principal amount outstanding under the 85/8% Senior Subordinated Notes and to pay certain transaction fees and expenses. The Company has a history of net losses and, in addition, if it is unable to achieve sustained profitability 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:

- limit 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 or promotional expenses, new product development costs, purchases and reconfiguration of wall displays, acquisitions, investments, restructuring programs and other general corporate requirements;

- require 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;

- place the Company at a competitive disadvantage compared to its competitors that have less debt;
- limit the Company's flexibility in responding to changes in its business and the industry in which it operates; and
- make 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 indenture governing Products Corporation's outstanding 9½% Senior Notes, the 2006 Credit Agreements and the MacAndrews & Forbes Senior Subordinated Term Loan Agreement, limit Products Corporation's ability to borrow additional money and 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.

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

The MacAndrews & Forbes Senior Subordinated Term Loan expires in August 2009, the 9½% Senior Notes mature in April 2011 and the 2006 Credit Agreements mature in January 2012. 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 9½% Senior Notes if a change of control occurs or in the event that Products Corporation's cash flows from operations are insufficient to allow it to pay the principal amount of its indebtedness at maturity, the Company may be required to refinance Products Corporation's indebtedness, seek to sell assets or operations, seek to sell additional Revlon, Inc. equity or debt securities or Products Corporation debt securities or seek additional capital contributions or loans from MacAndrews & Forbes or from the Company's other affiliates or third parties. Revlon, Inc.

is a public holding company and has no business operations of its own, and Revlon, Inc.'s only material asset is the capital stock of Products Corporation. 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 if the Company took any of the above actions because, under certain circumstances, the indenture governing Products Corporation's outstanding 9½% Senior Notes or any of its other debt

Table of Contents

instruments (including the 2006 Credit Agreements and the MacAndrews & Forbes 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").

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 indebtedness, including the 2006 Credit Agreements, the agreement governing the MacAndrews & Forbes Senior Subordinated Term Loan Agreement and the indenture governing Products Corporation's outstanding 9½% Senior Notes, contain a number of significant restrictions and covenants that limit Products Corporation's ability and its subsidiaries' ability, among other things (subject in each case to limited exceptions), to:

- money;
 - use assets as security in other borrowings or transactions;
 - stock or purchase stock;
 - certain transactions with affiliates; and
 - investments.
- borrow
 -
 - pay dividends on
 - sell assets;
 - enter into
 - make certain

In addition, the 2006 Credit Agreements contain financial covenants limiting Products Corporation's senior secured debt-to-EBITDA ratio (in the case of the 2006 Term Loan Agreement) and, under certain circumstances, requiring Products Corporation to maintain a minimum consolidated fixed charge coverage ratio (in the case of the 2006 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.

The breach of certain covenants contained in the 2006 Credit Agreements would permit Products Corporation's lenders to accelerate amounts outstanding under the 2006 Credit Agreements, which would in turn constitute an event of default under the MacAndrews & Forbes Senior Subordinated Term Loan Agreement and the indenture governing Products Corporation's outstanding 9½% Senior Notes, if the amount accelerated exceeds \$25.0 million and such default remains uncured for 10 days following notice from MacAndrews & Forbes with respect to the MacAndrews & Forbes Senior Subordinated Term Loan Agreement or the trustee or holders of the applicable percentage under the 9½% Senior Notes indenture.

In addition, holders of Products Corporation's outstanding 9½% Senior Notes may require Products Corporation to repurchase their respective notes in the event of a change of control under the 9½% Senior Notes indenture. (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 2006 Credit Agreements, the MacAndrews & Forbes Senior Subordinated Term Loan Agreement or to repurchase or redeem its outstanding 9½% Senior Notes.

Events beyond the Company's control, such as decreased consumer spending in response to weak economic conditions or weakness in the cosmetics category in the mass retail channel; adverse changes in currency; decreased sales of the Company's products as a result of increased competitive activities by the Company's competitors; changes in consumer purchasing habits, including with respect to shopping channels; retailer inventory management; retailer space reconfigurations or reductions in retailer display space; less than anticipated results from the Company's existing or new products or from its advertising and/or marketing plans; or if the Company's expenses, including, without limitation, for advertising and promotions or for returns related to any reduction of retail space, product discontinuances or otherwise, exceed the anticipated level of expenses, could impair the Company's operating performance, which could affect Products Corporation's ability and that of its subsidiaries to comply with the terms of Products Corporation's debt instruments.

Table of Contents

Under such circumstances, Products Corporation and its subsidiaries may be unable to comply with the provisions of Products Corporation's debt instruments, including the financial covenants in the 2006 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 2006 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 not do so on terms which are favorable to it and/or Revlon, Inc.

In the event that Products Corporation was unable to obtain any such waiver or amendment and it was not able to refinance or repay its debt instruments, Products Corporation's inability to meet the financial covenants or other provisions of the 2006 Credit Agreements would constitute an event of default under its debt instruments, including the 2006 Credit Agreements, which would permit the bank lenders to accelerate the 2006 Credit Agreements, which in turn would constitute an event of default under the MacAndrews & Forbes Senior Subordinated Term Loan Agreement and the indenture governing Products Corporation's outstanding 9½% Senior Notes, if the amount accelerated exceeds \$25.0 million and such default remains uncured for 10 days following notice from MacAndrews & Forbes with respect to the MacAndrews & Forbes Senior Subordinated Term Loan Agreement or the trustee under the 9½% Senior 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 was required to repurchase its outstanding 9½% Senior Notes or repay the MacAndrews & Forbes Senior Subordinated Term Loan upon a change of control, Products Corporation may be unable to refinance or restructure the payments on such debt. Further, if Products Corporation was unable to repay, refinance or restructure its indebtedness under the 2006 Credit Agreements, the lenders could proceed against the collateral securing that indebtedness.

Limits on Products Corporation's borrowing capacity under the 2006 Revolving Credit Facility may affect the Company's ability to finance its operations.

While the 2006 Revolving Credit Facility currently provides for up to \$160.0 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 \$160.0 million borrowing base, Products Corporation will not have full access to the 2006 Revolving Credit Facility, but rather could have access to a lesser amount determined by the borrowing base. 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.

Products Corporation's ability to make borrowings under the 2006 Revolving Credit Facility is also conditioned upon its compliance with other covenants in the 2006 Revolving Credit Agreement, including a fixed charge coverage ratio that applies when the "excess borrowing base" (representing the difference between (1) the borrowing base under the 2006 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 2006 Revolving Credit Facility, which could have a material adverse effect on the Company's business, results of operations or financial condition.

At January 31, 2008, the 2006 Term Loan Facility was fully drawn, and the Company had a liquidity position (excluding cash in compensating balance accounts) of approximately \$185.7 million, consisting of cash and cash equivalents (net of any outstanding checks) of \$50.2 million, as well as \$135.5 million in available borrowings under the 2006 Revolving Credit Facility, based upon the calculated borrowing base less approximately \$14.5 million of outstanding letters of credit and \$10.0 million then drawn on the 2006 Revolving Credit Facility.

Table of Contents

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, 2007, \$735.5 million of Products Corporation's total indebtedness, or approximately 51% of Products Corporation's total indebtedness, was subject to floating interest rates, after giving effect to the interest rate swap transaction that Products Corporation entered into in September 2007, which effectively fixed through September 17, 2009 the LIBOR portion of the interest rate on \$150.0 million of aggregate principal amount on indebtedness outstanding under the 2006 Term Loan Facility at 4.692%.

Under the 2006 Term Loan Facility, loans bear interest, at Products Corporation's option, at either the Eurodollar Rate plus 4.0% per annum, which is based upon LIBOR, or the Alternate Base Rate (as defined in the 2006 Term Loan Agreement) plus 3.0% 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 pursuant to the interest rate swap transaction that Products Corporation entered into in September 2007 with Citibank, N.A. acting as the counterparty, the LIBOR portion of the interest rate on \$150.0 million of outstanding indebtedness under the 2006 Term Loan Facility was effectively fixed at 4.692% through September 17, 2009. Under the terms of the interest rate swap transaction, Products Corporation is required to pay to the counterparty a quarterly fixed interest rate of 4.692% on the \$150.0 million notional amount, which commenced in December 2007, while receiving a variable interest rate payment from the counterparty equal to three-month U.S. dollar LIBOR. Borrowings under the 2006 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 2.0% per annum or (ii) the Alternate Base Rate (as defined in the 2006 Revolving Credit Agreement) plus 1.0% per annum. Loans in foreign currencies bear interest in certain limited circumstances, or if mutually acceptable to Products Corporation and the relevant foreign lenders, at the Local Rate, and otherwise at the Eurocurrency Rate (as each such term is defined in the 2006 Revolving Credit Agreement), in each case plus 2.0%.

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 2006 Credit Agreements and other short-term borrowings (which, in the aggregate, is Products Corporation's only debt currently subject to floating interest rates) as of December 31, 2007, an increase in LIBOR of 1% would increase the Company's annual interest expense by approximately \$7.5 million. Increased debt service costs would adversely affect the Company's cash flow. While Products Corporation may enter into other interest hedging contracts, it may not be able to do so on a cost-effective basis, any additional 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.

The Company depends on its Oxford, North Carolina facility for production of a substantial portion of its products. Disruptions to this facility 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 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 would affect the Company's sales, business, financial condition and/or results of operations. Additionally, if product sales exceed forecasts, 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.

16

Table of Contents

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 implemented a rigorous process for the continuous development and evaluation of new product concepts, formed in 2007 and led by senior executives in marketing, sales, product development, operations and finance, which has improved the Company's new product commercialization process and created a comprehensive, long-term portfolio strategy. This new process is intended to optimize the Company's ability to regularly bring to market its innovative new product offerings and to manage the Company's product portfolio for profitable growth over time. 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 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;
- the Company may experience out-of-stocks and/or product returns exceeding its expectations as a result of its new product launches or reductions in retail display space;
- the Company may incur costs exceeding its expectations as a result of the continued development and launch of new products, including, for example, advertising and promotional expenses, sales return expenses or other costs, including trade support, 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 to this facility 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 results of operations.

The Company has implemented the organizational realignment and streamlining programs in 2006 and 2007, which may affect employee morale and retention.

The Company implemented the organizational realignment and streamlining programs in 2006 and 2007 which have resulted in significant reductions in administrative expenses, principally by consolidating responsibilities in certain related functions; reducing layers of management to increase accountability and effectiveness; streamlining support functions to reflect the new organizational structure; eliminating positions; and consolidating various facilities. While these changes were designed to streamline internal processes, provide greater empowerment and accountability to employees and to enable the Company to

Table of Contents

continue to be more effective and efficient in meeting the needs of its consumers and retail customers, operating in this leaner environment could affect employee morale and retention.

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 2006 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 2006 Revolving Credit Agreement and other permitted lines of credit will be sufficient to enable the Company to cover its operating expenses for 2008, including cash requirements in connection with the execution of the Company's business strategy, purchases of permanent wall displays, capital expenditure requirements, payments in connection with the Company's restructuring programs (including, without limitation, the 2006 Programs, the 2007 Programs and prior programs), executive severance not otherwise included in the Company's restructuring programs, debt service payments and costs and regularly scheduled pension and post-retirement plan contributions.

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; 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; less than anticipated results from the Company's existing or new products or from its advertising and/or marketing plans; or if the Company's expenses, including, without limitation, for advertising and promotions or for 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 2006 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 2006 Credit Agreements, the Company could be required to adopt one or more alternatives listed below. For example, the Company could be required to:

- delay the implementation of or revise certain aspects of the Company's business strategy;
- reduce or delay purchases of wall displays or advertising or promotional expenses;
- reduce or delay capital spending;
- restructure Products Corporation's indebtedness;
- sell assets or operations;
- delay, reduce or revise the Company's restructuring plans;
- seek additional capital contributions or loans from MacAndrews & Forbes, the Company's other affiliates and/or third parties;
- sell additional Revlon, Inc. equity or debt securities or debt securities of Products Corporation; or

- reduce other

discretionary spending.

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. In addition, 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

Table of Contents

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 2006 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 also, “— 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.

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.

For 2007, 2006 and 2005, Wal-Mart, Inc. accounted for approximately 24%, 23% and 24%, respectively, of the Company’s worldwide net sales. The Company expects that for 2008 and future periods, Wal-Mart 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 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.

The loss of Wal-Mart 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 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 therefore could have a material adverse effect on the Company’s business, financial condition and/or results of operations.

The Company may be unable to 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, combined 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, 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 its products through these distribution channels, which could reduce the Company’s net sales and therefore 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 materially adversely affect the Company’s net sales and its share of the mass retail channel and could have an 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 on the basis of:

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

- educating

consumers on the Company's product benefits;

- 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;

Table of Contents

favorable brand recognition;

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

availability through effective planning and replenishment collaboration with retailers;

and effective advertising, marketing, promotion and merchandising support;

effective sales force; and

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

- maintaining
- generating
- ensuring product
- providing strong
- maintaining an
- obtaining and

An increase in the amount of competition that the Company faces could have a material adverse effect on its share of the mass retail channel and revenues. The Company experienced significant declines in its share in color cosmetics in the U.S. mass retail channel from approximately 32% in the second quarter of 1998 to approximately 22% in the second quarter of 2002. In 2007, the Company achieved a combined U.S. color cosmetics share in the mass retail channel of 19.2% (with the Revlon brand registering a U.S. mass retail channel share of 13.0% for 2007, compared to 14.0% for 2006, and the Almay brand registering a U.S. mass retail channel share of 6.0% for 2007, compared to 6.2% for 2006). It is possible that declines in the Company's share of the mass retail channel could occur in the future.

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 on advertising and marketing and have more flexibility to respond to changing business and economic conditions than the Company. 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.

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 results of operations.

The Company's foreign operations are subject to a variety of social, political and economic risks and may be affected by foreign currency fluctuation, 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, 2007, the Company had operations based in 15 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 inherent in operating in foreign countries, including those in Asia, Eastern Europe, Latin America and South Africa, which could adversely affect the Company's business, financial condition and results of operations. Such changes include changes in the laws and policies that govern foreign investment in countries where the Company has operations, 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.

In addition, fluctuations in foreign currency exchange rates may affect the results of the Company's operations and the value of its foreign assets, which in turn may adversely affect the Company's reported net sales and earnings and, accordingly, the comparability of period-to-period results of operations. Changes in currency exchange rates may affect the relative prices at which the Company and its foreign competitors sell products in the same markets.

Table of Contents

The Company's net sales outside of the U.S. for the years ended December 31, 2007, 2006 and 2005 were approximately 43%, 43% and 41% of the Company's total consolidated net sales, respectively. In addition, changes in the value of relevant currencies may affect the cost of certain items and materials required in the Company's operations.

Products Corporation enters into foreign currency forward exchange contracts to hedge certain cash flows denominated in foreign currency. At December 31, 2007, the notional amount of Products Corporation's foreign currency forward exchange contracts was \$23.6 million. The foreign currency forward exchange contracts that Products Corporation enters into may not adequately protect against currency fluctuations.

Terrorist attacks, acts of war or military actions may adversely affect the markets 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 Madrid, Spain and London, England, military responses to terrorist attacks and future developments, or other military actions, such as the military actions in Iraq, 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 results of operations.

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 the EU in Europe. 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. State and local regulations in the U.S. and regulations in the EU 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 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, either of which could result in, among other things, increased costs to the Company, delays in product launches or result in product returns and therefore 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 2006 Credit Agreements and could have other consequences.

All of Products Corporation's shares of common stock are pledged to secure Revlon, Inc.'s guarantee under the 2006 Credit Agreements. 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.

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 beneficially owned by MacAndrews & Forbes could, in a sufficient amount, constitute a "change of control" under the 2006 Credit Agreements, the MacAndrews & Forbes Senior Subordinated Term Loan Agreement and the indenture governing the 9½% Senior Notes. A change of control constitutes an event of default under the 2006 Credit Agreements, which would permit Products Corporation's lenders to

Table of Contents

accelerate amounts outstanding under the 2006 Credit Facilities. In addition, holders of the 9½% Senior Notes may require Products Corporation to repurchase their respective notes under those circumstances. Upon a change of control, Products Corporation would also be required, after fulfilling its repayment obligations under the 9½% Senior Notes indenture, to repay in full the MacAndrews & Forbes Senior Subordinated Term Loan.

Products Corporation may not have sufficient funds at the time of any such change of control to repay in full the borrowings under the 2006 Credit Facilities or to repurchase or redeem the 9½% Senior Notes and/or repay the MacAndrews & Forbes Senior Subordinated Term 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 2006 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, directly and through MacAndrews & Forbes, beneficially owned, at December 31, 2007, approximately 60% of Revlon, Inc.’s outstanding Common Stock and controlled approximately 74% of the combined voting power of the outstanding shares of Revlon, Inc.’s Class A and Class B Common 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 Revlon, Inc.’s or Products Corporation’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 Delaware General Corporation Law 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 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 thereof, 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, however, or 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 shares held by the Company's stockholders.

Table of Contents

Future sales or issuances of Class A 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 Class A Common Stock, or the availability of Class A 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 Class A Common Stock, including shares held by MacAndrews & Forbes, or investor perception that such sales could occur, could adversely affect prevailing market prices for the Company's Class A Common Stock.

In addition, as stated above, 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 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 Class A Common Stock, preferred stock or securities convertible into shares of the Company's Class A Common Stock or preferred stock may dilute the Company's existing stockholders' equity interest in the Company. With respect to the Company's Class A Common Stock, 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 at the time of such future issuances.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

The following table sets forth, as of December 31, 2007, 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(a)	1,012,000
Edison, New Jersey	Research and office (leased)	123,000
Mexico City, Mexico	Manufacturing, distribution and office	150,000
Caracas, Venezuela	Manufacturing, distribution and office	145,000
Mississauga, Canada	Warehousing, distribution and office (leased)	195,000
Rietfontein, South Africa	Warehousing, distribution and office (leased)	120,000
Canberra, Australia	Warehousing, distribution and office (leased)	125,000
Isando, South Africa	Manufacturing, warehousing, distribution and office	94,000
Stone, United Kingdom	Warehousing and distribution (leased)	92,000

(a) Property subject to liens under the 2006 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, 2007). 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.

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 or its consolidated financial condition.

23

Table of Contents

Item 4. Submission of Matters to a Vote of Security Holders

On November 2, 2007, MacAndrews & Forbes delivered to Revlon, Inc. an executed written stockholder consent approving the amendment and restatement of Revlon, Inc.'s Stock Plan (as hereinafter defined). Reference is made to the definitive Information Statement on Schedule 14C filed by the Company with the SEC on November 19, 2007 describing such changes. As of November 2, 2007, MacAndrews & Forbes beneficially owned approximately 60% of Revlon, Inc.'s Common Stock, representing approximately 74% of the then combined voting power of such Common Stock.

24

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, 2007 beneficially owned (i) 276,732,040 shares of Class A Common Stock (20,819,333 of which were owned by REV Holdings, 252,877,707 of which were beneficially owned by MacAndrews & Forbes and 3,035,000 of which were owned directly by Mr. Perelman) and (ii) all of the outstanding 31,250,000 shares of Revlon, Inc.'s Class B Common Stock.

Based on the shares referenced in clauses (i) and (ii) above, and including Mr. Perelman's vested stock options, Mr. Perelman, directly and indirectly, through MacAndrews & Forbes, at December 31, 2007, beneficially owned approximately 58% of Revlon, Inc.'s Class A Common Stock, 100% of Revlon, Inc.'s Class B Common Stock, together representing approximately 60% of Revlon, Inc.'s outstanding shares of Common Stock and approximately 74% of the combined voting power of the outstanding shares of Revlon, Inc.'s Common Stock. The remaining 203,234,828 shares of Class A Common Stock outstanding at December 31, 2007 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, 2007, there were 932 holders of record of Class A Common Stock. No cash dividends were declared or paid during 2007 by Revlon, Inc. on its Common Stock. The terms of the 2006 Credit Agreements, the MacAndrews & Forbes Senior Subordinated Term Loan Agreement and the 9½% Senior Notes indenture 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 stock prices of Revlon, Inc.'s Class A Common Stock on the NYSE consolidated tape for the years ended December 31, 2007 and 2006.

Year Ended December 31, 2007(a)	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	High	\$ 1.49	\$ 1.46
\$ 1.38	\$ 1.26	Low	1.05	1.04	1.03	1.00	

Year Ended December 31, 2006(a)	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	High	\$ 3.74	\$ 3.61
\$ 1.45	\$ 1.71	Low	3.00	1.24	0.87	1.11	

(a) Represents the closing price per share of Revlon, Inc.'s Class A Common Stock on the NYSE consolidated tape. The Company's stock trading symbol is "REV".

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 Operations Data for each of the years in the five-year period ended December 31, 2007 and the Balance Sheet Data as of December 31, 2007, 2006, 2005, 2004 and 2003 are derived from the Company's Consolidated Financial Statements, which have been audited by KPMG LLP, 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)										
					2007(a)	2006(b)	2005(c)	2004	2003(d)	Statement of Operations Data:
Net sales					\$ 1,400.1	\$ 1,331.4	\$ 1,332.3	\$ 1,297.2	\$ 1,299.3	Gross profit
877.2	785.9	824.2	811.9	798.2	Selling, general and administrative expenses					748.9 808.7
757.8	717.6	770.9	Restructuring costs and other, net		7.3	27.4	1.5	5.8	6.0	Operating income
(loss)	121.0	(50.2)	64.9	88.5	21.3	Interest Expense		136.3	148.8	130.0 130.8 174.5
Loss on early extinguishment of debt					0.1	23.5	9.0 (e)	90.7 (f)	—	Loss from continuing operations
(16.1)	(251.3)	(83.7)	(142.5)	(153.8)	Basic and diluted loss from continuing operations per common share					
					\$ (0.03)	\$ (0.60)	\$ (0.22)	\$ (0.46)	\$ (2.37)	Weighted average number of common shares
outstanding (in millions):(g)										
Basic and diluted					504.4	417.1	385.6	312.8	64.8	

Year Ended December 31,									
(in millions)									
	2007(a)	2006(b)	2005(c)	2004	2003(d)	Balance Sheet Data:			Total
assets	\$ 889.3	\$ 931.9	\$ 1,043.7	\$ 1,000.5	\$ 892.2	Total indebtedness	1,441.0	1,511.4	
1,422.4	1,355.3	1,897.5	Total stockholders' deficiency	(1,082.0)	(1,229.8)	(1,095.9)	(1,019.9)		
(1,725.6)									

(a) Results for 2007 include restructuring charges of approximately \$4.4 million and \$2.9 million in connection with the 2006 Programs and the 2007 Programs, respectively. (b) Results for 2006 include charges of \$9.4 million in connection with the departure of Mr. Jack Stahl, the Company's former President and Chief Executive Officer, in September 2006 (including \$6.2 million for severance and related costs and \$3.2 million for the accelerated amortization of Mr. Stahl's unvested options and unvested restricted stock), \$60.4 million in connection with the discontinuance of the Vital Radiance brand and restructuring charges of approximately \$27.6 million in connection with the 2006 Programs. (c) Results for 2005 include expenses of approximately \$44 million in incremental returns and allowances and approximately \$7 million in accelerated amortization cost of certain permanent displays related to the launch of Vital Radiance and the re-stage of the Almay brand. (d) Results for 2003 include expenses of approximately \$31.0 million related to the accelerated implementation of the stabilization and growth phase of the Company's prior plan. (e) The loss on early extinguishment of debt for 2005 includes: (i) a \$5.0 million prepayment fee related to the prepayment in March 2005 of \$100.0 million of indebtedness outstanding under the 2004 Term Loan Facility of the 2004 Credit Agreement with a portion of the proceeds from the issuance of Products Corporation's Original 9½% Senior Notes (as defined in Note 8 "Long Term Debt" to the Consolidated Financial Statements) and (ii) the aggregate \$1.5 million loss on the redemption of all of Products Corporation's 81/8% Senior Notes and 9% Senior Notes (each as hereinafter defined) in April 2005, as well as the write-off of the portion of deferred financing costs related to such prepaid amount. (f) Represents the loss on the exchange of equity for certain indebtedness in the

Revlon Exchange Transactions (as defined in Note 8 “Long Term Debt” to the Consolidated Financial Statements) and fees, expenses, premiums and the write-off of deferred financing costs related to the Revlon Exchange Transactions, the tender for and redemption of all of Products Corporation’s 12% Senior Secured Notes due 2005 (including the applicable premium) and the repayment of the 2001 Credit Agreement.

Table of Contents (g) Represents the weighted average number of common shares outstanding for the period. Upon consummation of Revlon, Inc.'s rights offering in 2003, the fair value, based on NYSE closing price of Revlon, Inc.'s Class A Common Stock was more than the subscription price. Accordingly, basic and diluted loss per common share have been restated for all periods prior to the rights offering in 2003 to reflect the stock dividend of 1,262,328 shares of Class A Common Stock. On March 25, 2004, in connection with the Revlon Exchange Transactions, Revlon, Inc. issued 299,969,493 shares of Class A Common Stock. (See Note 8 "Long-Term Debt" to the Consolidated Financial Statements). The shares issued in the Revlon Exchange Transactions are included in the weighted average number of shares outstanding since the date of the respective transactions. In addition, upon consummation of Revlon, Inc.'s \$110 Million Rights Offering in March 2006, the fair value, based on NYSE closing price of Revlon, Inc.'s Class A Common Stock was more than the subscription price. Accordingly, basic and diluted loss per common share have been restated for all periods prior to the \$110 Million Rights Offering in March 2006 to reflect the stock dividend of 2,968,636 shares of Class A Common Stock. In addition, upon consummation of Revlon, Inc.'s \$100 Million Rights Offering in January 2007, the fair value, based on NYSE closing price of Revlon, Inc.'s Class A Common Stock on the consummation date was more than the subscription price. Accordingly, the basic and diluted loss per common share have been restated for all prior periods prior to the \$100 Million Rights Offering to reflect the implied stock dividend of 11,715,499 shares.

Table of Contents

Item 7.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

Overview of the Business

The Company is providing this overview in accordance with the SEC's December 2003 interpretive guidance regarding Management's Discussion and Analysis of Financial Condition and Results of Operations.

Revlon, Inc. (and together with its subsidiaries, the "Company") conducts its business exclusively through its direct wholly-owned operating subsidiary, Revlon Consumer Products Corporation and its subsidiaries ("Products Corporation"). 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 operates in a single segment and manufactures, markets and sells an extensive array of cosmetics, women's hair color, beauty tools, fragrances, skincare, anti-perspirants/deodorants and personal 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.

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

Restructuring Programs

During 2007, the Company implemented several restructuring plans designed to reduce costs and improve the Company's operating profit margins, including the consolidation of facilities and certain functions, principally the closure of its facility in Irvington, New Jersey, which was implemented in March 2007 and completed in June 2007, personnel reductions within the Company's Information Management function and a reduction of its sales force in Canada (together with the restructuring plan implemented in March 2007, the "2007 Programs").

During 2007, the Company recorded restructuring charges of \$7.3 million, consisting of commissions of \$2.8 million related to vacating a portion of leased space in the Company's New York City headquarters, as well as employee severance and other personnel benefits of \$1.6 million related to the 2006 Programs and \$2.9 million of employee severance and other personnel benefits related to the 2007 Programs.

Overview of Sales and Earnings Results

Consolidated net sales in 2007 increased \$68.7 million, or 5.2%, to \$1,400.1 million, as compared with \$1,331.4 million in 2006. Excluding the favorable impact of foreign currency fluctuations, consolidated net sales increased by \$42.8 million, or 3.2%, in 2007. Net sales for 2006 were reduced by approximately \$20 million due to Vital Radiance, which was discontinued in September 2006.

In the United States, net sales for 2007 increased \$39.3 million, or 5.1%, to \$804.2 million, from \$764.9 million in 2006. Net sales in the U.S. for 2006 were reduced by approximately \$20 million due to Vital Radiance. Excluding the impact of Vital Radiance, the increase in net sales in 2007 compared to 2006 was due to higher shipments of beauty care products, primarily women's hair color, and Almay color cosmetics, partially offset by lower shipments of Revlon

color cosmetics in 2007.

In the Company's international operations, net sales for 2007 increased \$29.4 million, or 5.2%, to \$595.9 million, from \$566.5 million in 2006. Foreign currency fluctuations favorably impacted net sales in 2007 by \$25.9 million. Excluding the favorable impact of foreign currency fluctuations, international net sales increased by \$3.5 million, or 0.6%, in 2007. The increase in net sales in 2007 was driven primarily by

28

Table of Contents

higher shipments in the Asia Pacific region, partially offset by lower shipments in the Europe region, particularly in Canada. Net sales in Canada in 2006 were positively impacted by certain promotional programs in color cosmetics and the restage of Almay color cosmetics. Shipments in the Latin America region were essentially flat in 2007 compared to 2006.

Consolidated net loss in 2007 decreased by \$235.2 million to \$16.1 million, as compared with a consolidated net loss of \$251.3 million in 2006. The decrease in net loss in 2007 was primarily due to:

- higher net sales, including the impact of significantly lower returns expense (as the 2006 period included charges for estimated returns of Vital Radiance due to its discontinuance in September 2006) and higher shipments of beauty care products in 2007;
- lower selling, general and administrative expenses (“SG&A”), primarily due to the Company’s 2006 and 2007 organizational realignment and streamlining activities, which resulted in lower personnel-related expenses and lower occupancy expenses (primarily the Company’s exit of a portion of its New York City headquarters leased space, including a benefit of \$4.4 million related to the reversal of a deferred rental liability upon exit of the space in the first quarter of 2007);
- lower cost of sales (primarily due to lower estimated excess inventory charges, as the 2006 period included estimated excess inventory charges related to Vital Radiance and Almay);
- lower restructuring costs; and
- lower interest expense due to the impact of lower average borrowing rates on comparable debt levels.

In addition, the net loss in 2006 was negatively impacted by a charge of \$23.5 million related to the early extinguishment of debt in connection with the repayment of a portion of the 85/8% Senior Subordinated Notes.

Overview of AC Nielsen-measured Retail Channel U.S. Share Data

In terms of the U.S. share performance, the U.S. color cosmetics category for the full year 2007 increased approximately 0.3% versus 2006. Combined U.S. share for the Revlon, Almay and Vital Radiance (which was discontinued in September 2006) brands are summarized in the table below:

										\$
Share %	2007	2006	Point							
Change Total Company Color Cosmetics*	19.2 %	21.5 %	(2.3)	Revlon Brand	13.0	14.0	(1.0)			
Almay Brand	6.0	6.2	(0.2)	Vital Radiance Brand (Discontinued)	0.2	1.2	(1.0)	Total Company		
Women’s Hair Color	11.2	9.2	2.0	Total Company Anti-perspirants/deodorants	5.9	6.2	(0.3)			
Revlon Beauty Tools	23.6	26.1	(2.5)							

* Compared to the year ago period, the Revlon brand experienced a share decline, which reflects a decrease in share by products launched in prior years, partially offset by performance in 2007 from new products launched in the second half of 2006 and during 2007. Since September 2006, following the Company’s decision to discontinue Vital Radiance, the Company’s strategy has been to fully focus its efforts on building and leveraging its established brands, particularly the Revlon brand.

All U.S. share and related data herein for the Company's brands are based upon retail dollar sales, which are derived from ACNielsen data. ACNielsen measures retail sales volume of products sold in the U.S. mass retail channel. Such data represent ACNielsen's estimates based upon samples of retail share data gathered by ACNielsen and are therefore subject to some degree of variance and may contain slight rounding differences. ACNielsen's data does not reflect sales volume from Wal-Mart, Inc., which is the Company's largest customer, representing approximately 24% of the Company's 2007 worldwide net sales, or sales volume from regional mass volume retailers, prestige, department stores, television shopping, door-to-door, specialty stores, internet, perfumeries or other distribution outlets, all of which are channels for cosmetics sales. From time to time, ACNielsen adjusts its methodology for data collection and reporting, which may result in adjustments to the categories and share data tracked by ACNielsen for both current and prior periods.

Table of Contents

Overview of Financing Activities

During 2007 and in early 2008, the Company successfully completed the following financing transactions:

• \$100

Million Rights Offering: In January 2007 Revlon, Inc. completed the \$100 Million Rights Offering, which it launched in December 2006 and used the proceeds from such offering to further reduce Products Corporation's debt. Revlon, Inc. promptly transferred the proceeds from the \$100 Million Rights Offering to Products Corporation, which it used to redeem \$50.0 million in aggregate principal amount of its 85/8% Senior Subordinated Notes (the balance of which was repaid in full in February 2008), and repay approximately \$43.3 million of indebtedness outstanding under Products Corporation's 2006 Revolving Credit Facility, without any permanent reduction of that commitment, after incurring approximately \$1.1 million of fees and expenses incurred in connection with such rights offering, with approximately \$5 million of the remaining net proceeds being available for general corporate purposes. (See "Financial Condition, Liquidity and Capital Resources — 2006 and 2007 Refinancing Transactions").

• MacAndrews &

Forbes Senior Subordinated Term Loan: In January 2008, Products Corporation entered into its previously-announced \$170 million MacAndrews & Forbes Senior Subordinated Term Loan Agreement. On February 1, 2008, Products Corporation used the proceeds of the MacAndrews & Forbes Senior Subordinated Term Loan to repay in full the approximately \$167.4 million remaining aggregate principal amount of Products Corporation's 85/8% Senior Subordinated Notes, which matured on February 1, 2008, and to pay certain related fees and expenses, including the payment to MacAndrews & Forbes of a facility fee of \$2.55 million (or 1.5% of the total aggregate principal amount of such loan) upon MacAndrews & Forbes' funding of such loan. In connection with such repayment, Products Corporation also used cash on hand to pay approximately \$7.2 million of accrued and unpaid interest due on the 85/8% Senior Subordinated Notes up to, but not including, the February 1, 2008 maturity date. (See "Recent Developments").

Results of Operations

Year ended December 31, 2007 compared with the year ended December 31, 2006

In the tables, numbers in parenthesis () denote unfavorable variances.

Net sales:

Consolidated net sales in 2007 increased \$68.7 million, or 5.2%, to \$1,400.1, as compared with \$1,331.4 million in 2006. Excluding the favorable impact of foreign currency fluctuations, consolidated net sales increased by \$42.8 million, or 3.2%, in 2007. Net sales for 2006 were reduced by approximately \$20 million due to Vital Radiance, which was discontinued in September 2006.

Year Ended December 31,			Change	Change(1)	2007	2006	\$	%	\$	%	United States	\$
804.2	\$ 764.9	\$ 39.3	5.1 %	\$ 39.3	5.1 %	Asia Pacific	255.6	237.7	17.9	7.5	11.7	
4.9	Europe	211.1	204.2	6.9	3.4	(9.0)	(4.4)	Latin America	129.2	124.6	4.6	3.7
0.8	0.7	Total International	\$ 595.9	\$ 566.5	\$ 29.4	5.2 %	\$ 3.5	0.6 %	\$ 1,400.1	\$ 1,331.4		
	\$ 68.7	5.2 %	\$ 42.8	3.2 %								

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

United States

In the United States, net sales for 2007 increased by \$39.3 million, or 5.1%, to \$804.2 million, from \$764.9 million in 2006. Net sales in the U.S. for 2006 were reduced by approximately \$20 million due to Vital Radiance. Excluding the impact of Vital Radiance, the increase in net sales in 2007 compared to 2006 was due to higher shipments of beauty care products, primarily women's hair color, and Almay color cosmetics, partially offset by lower shipments of Revlon color cosmetics in 2007.

30

Table of Contents

International

In the Company's international operations, foreign currency fluctuations favorably impacted net sales in 2007 by \$25.9 million. Excluding the impact of foreign currency fluctuations, the \$3.5 million increase in net sales in 2007 in the Company's international operations, as compared with 2006, was driven primarily by higher shipments in the Asia Pacific region, partially offset by lower shipments in the Europe region, particularly in Canada. Net sales in Canada in 2006 were positively impacted by certain promotional programs in color cosmetics and the restage of Almay color cosmetics. Shipments in the Latin America region were essentially flat in 2007 compared to 2006.

In Asia Pacific, which is comprised of Asia Pacific and Africa, the increase in net sales, excluding the favorable impact of foreign currency fluctuations, was due primarily to higher shipments in South Africa, and to a lesser extent, Australia and certain distributor markets and lower returns expense in Japan (which together contributed approximately 6.4 percentage points to the increase in net sales for the region in 2007, as compared with 2006). This increase was partially offset by lower shipments in Hong Kong and Taiwan (which together offset by approximately 1.4 percentage points the increase in net sales for the region for 2007, as compared with 2006). The higher shipments in South Africa were driven primarily by growth in color cosmetics and beauty care products. The higher shipments in Australia were driven primarily by growth in color cosmetics. The lower shipments in Hong Kong and Taiwan were driven primarily by a decline in color cosmetics.

In Europe, which is comprised of Europe, Canada and the Middle East, the decrease in net sales, excluding the favorable impact of foreign currency fluctuations, was due primarily to lower shipments of color cosmetics and beauty care products in Canada, partially offset by higher shipments of beauty tools. The decline in color cosmetics in Canada was due primarily to the favorable impact on 2006 net sales of promotions in color cosmetics, partially offset by lower returns and allowances of color cosmetics resulting from lower promotional sales in 2007. The net sales decline in Canada contributed approximately 4.0 percentage points to the decrease in net sales for the region for 2007, as compared with 2006.

In Latin America, which is comprised of Mexico, Central America and South America, the increase in net sales, excluding the favorable impact of foreign currency fluctuations, was driven primarily by higher shipments in Venezuela and, to a lesser extent, Argentina (which together contributed approximately 9.3 percentage points to the increase in net sales for the region in 2007, as compared with 2006). This increase was substantially offset by lower shipments in Brazil and a net sales decline in Chile resulting from the move of the Chile subsidiary business to a distributor model during 2007 (which together offset approximately 8.0 percentage points of the increase in net sales for the region in 2007, as compared with 2006). The higher shipments in Venezuela and Argentina were driven primarily by growth in color cosmetics and beauty care products. The lower shipments in Brazil were driven primarily by declines in beauty care products.

Gross profit:

Year Ended December 31,	2007	2006	Change	Gross profit	\$ 877.2	\$ 785.9	\$ 91.3
-------------------------	------	------	--------	--------------	----------	----------	---------

The increase in gross profit for 2007 compared to 2006 was primarily due to:

- higher net sales including the impact of approximately \$64.4 million of charges for estimated returns and allowances recorded in

2006 related to the Vital Radiance brand, which was discontinued in September 2006;

percentage in 2007 compared to 2006, primarily as a result of lower estimated excess inventory charges of \$31.0 million in 2007 compared to 2006 resulting from estimated excess inventory charges in 2006 related to the Vital Radiance, Almay and Revlon brands, which were partially offset by unfavorable changes in sales mix and lower production volume in 2007; and

- lower cost of sales

\$3.5 million of higher licensing revenues in 2007 compared to 2006.

- approximately

Table of Contents

SG&A expenses:

Year Ended December 31,	2007	2006	Change	SG&A expenses	\$ 748.9	\$ 808.7	\$ 59.8
-------------------------	------	------	--------	---------------	----------	----------	---------

The decrease in SG&A expenses for 2007 compared to 2006 was driven primarily by:

- approximately \$25.2 million of lower general and administrative expenses, primarily related to the impact of the Company's 2006 and 2007 organizational realignment and streamlining activities, which resulted in lower personnel-related expenses and occupancy expenses. Occupancy expenses were lower by \$8.1 million, primarily related to the Company's exit of a portion of its New York City headquarters leased space, including a benefit of \$4.4 million related to the reversal of a deferred rental liability upon exit of the space in the first quarter of 2007;
- approximately \$15.2 million of lower display amortization expenses in 2007 compared to 2006, which included \$8.9 million of charges related to the accelerated amortization and write-off of certain displays in connection with the discontinuance of the Vital Radiance brand, as well as additional display amortization costs in 2006 of \$8.3 million related to the Vital Radiance brand prior to its discontinuance in September 2006;
- approximately \$12.0 million of lower brand support in 2007 compared to 2006, including brand support of \$36.4 million for the Vital Radiance brand in 2006, partially offset by higher advertising spending in 2007 on the Company's core brands; and
- \$9.4 million of severance and accelerated charges recorded in 2006 related to unvested options and unvested restricted stock in connection with the termination of the former CEO's employment in September 2006.

Restructuring costs:

Year Ended December 31,	2007	2006	Change	Restructuring costs and other, net	\$ 7.3	\$ 27.4	\$ 20.1
-------------------------	------	------	--------	------------------------------------	--------	---------	---------

In 2007, the Company recorded \$7.3 million in restructuring expenses for vacating leased space, employee severance and other employee-related termination costs. (See Note 2 "Restructuring Costs and Other, Net" to the Consolidated Financial Statements regarding the 2007 Programs). In 2006, the Company recorded \$27.4 million in restructuring expenses for employee severance and employee-related termination costs related to the 2006 Programs.

During 2007, the Company implemented the 2007 Programs, which consisted of the closure of the Company's Irvington facility and personnel reductions within the Company's Information Management (IM) function and the sales force in Canada, which actions were designed, for the IM function resources, to better align the Company's information management plan, and in Canada, to improve the allocation of resources. Both actions resulted in reduced costs and an improvement in the Company's operating profit margins. In connection with the 2007 Programs, the Company incurred a total of approximately \$2.9 million of restructuring charges and other costs to implement these programs, consisting of approximately \$2.5 million of charges related to employee severance and other employee-related termination costs for the 2007 Programs and approximately \$0.4 million of various other charges related to the closure of the Irvington facility. The Company recorded all \$2.9 million of the restructuring charges for the 2007 Programs in 2007, all of which were cash charges. Of such charges, \$2.3 million was paid out in 2007 and

approximately \$0.6 million is expected to be paid out through 2009.

In connection with the 2006 Programs, the Company recorded charges of approximately \$32.9 million in 2006 and \$5.0 million in 2007, respectively. Of the total \$37.9 million of charges related to the 2006 Programs, approximately \$30.6 million are expected to be paid in cash, of which approximately \$10.4 million was paid out in 2006, \$16.2 million was paid out in 2007 and approximately \$4.0 million is expected to be paid out through 2009. As part of the 2006 Programs, the Company agreed in December 2006 to cancel its lease and modify the sublease of its New York City headquarters space, including vacating 23,000 square feet in December 2006 and vacating an additional 77,300 square feet in

Table of Contents

February 2007. These space reductions are resulting in savings in rental and related expense, while allowing the Company to maintain its corporate offices in a smaller, more efficient space, reflecting its streamlined organization.

The Company's 2006 Programs and 2007 Programs collectively reduced the Company's annualized cost base by approximately \$55 million from previous levels, which primarily benefited SG&A and cost of sales.

Other expenses (income):

Year Ended December 31,	2007	2006	Change	Interest expenses	\$ 136.3	\$ 148.8	\$ 12.5
-------------------------	------	------	--------	-------------------	----------	----------	---------

The decrease in interest expenses for 2007 compared to 2006 was primarily due to lower average borrowing rates on comparable debt levels (See Note 8 "Long-Term Debt" to the Consolidated Financial Statements).

Year Ended December 31,	2007	2006	Change	Loss on early extinguishment of debt	\$ 0.1	\$ 23.5	\$ 23.4
-------------------------	------	------	--------	--------------------------------------	--------	---------	---------

For 2007, the loss on early extinguishment of debt represents the loss on the redemption in February 2007 of approximately \$50 million in aggregate principal amount of Products Corporation's 85/8% Senior Subordinated Notes (See "Recent Developments" describing Products Corporation's full repayment of the balance of the 85/8% Senior Subordinated Notes in February 2008). In 2006, the loss on early extinguishment of debt represents the loss on the redemption in April 2006 of approximately \$110 million in aggregate principal amount of Products Corporation's 85/8% Senior Subordinated Notes using the net proceeds of the \$110 Million Rights Offering completed in March 2006.

Year Ended December 31,	2007	2006	Change	Miscellaneous (income) expense, net	\$ (1.8)	\$ 3.8	\$ 5.6
-------------------------	------	------	--------	-------------------------------------	-----------	--------	--------

During 2007, the Company recognized \$1.3 million of income in connection with a resolution of a non-income tax matter in Brazil. In 2006, the Company incurred fees and expenses associated with the various amendments to Products Corporation's 2004 Credit Agreement. See Note 8 "Long-Term Debt — Other Transactions under the 2004 Credit Agreement Prior to Its Complete Refinancing in December 2006" to the Consolidated Financial Statements.

Provision for income taxes:

Year Ended December 31,	2007	2006	Change	Provision for income taxes	\$ 8.0	\$ 20.1	\$ 12.1
-------------------------	------	------	--------	----------------------------	--------	---------	---------

The decrease in the provision for income taxes in 2007, as compared with 2006, was primarily attributable to the reduction of \$5.9 million of reserves for certain contingent tax liabilities to reflect the favorable resolution of various international tax matters and the reduction of \$4.2 million of valuation allowances, which together offset the effect of

higher taxable income in certain foreign jurisdictions.

Year Ended December 31, 2006 compared with the year ended December 31, 2005

In the tables, numbers in parenthesis () denote unfavorable variances. Certain prior year amounts were reclassified to conform to the current period's presentation, including the transfer, during the second quarter of 2006, of management responsibility for the Company's Canadian operations from the Company's North American operations to the European region of its international operations.

Table of Contents

Net sales:

Consolidated net sales in 2006 were essentially even at \$1,331.4 million, as compared to \$1,332.3 million in 2005.

	Year Ended December 31,			Change	XFX Change(1)			2006	2005	\$	%	\$	%	United States	\$
764.9	\$ 788.3	\$ (23.4)	(3.0)%	\$ (23.4)	(3.0)%	Asia Pacific			237.7	242.6	(4.9)	(2.0)			
2.3	1.0	Europe	204.2	193.8	10.4	5.4	3.9	2.0	Latin America		124.6	107.6	16.9		
15.7	13.6	12.6	Total International		\$ 566.5	\$ 544.0	\$ 22.5	4.1 %	\$ 19.8	3.6 %	\$ 1,331.4				
	\$ 1,332.3	\$ (0.9)	(0.1)%	\$ (3.6)	(0.3)%										

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

United States

In the U.S., the decrease in net sales for 2006 compared to 2005 was primarily due to the discountinane in September 2006 of the Vital Radiance brand, which launched in 2005, partially offset by higher net sales of Revlon and Almay color cosmetics and beauty care products.

International

Excluding the impact of foreign currency fluctuations, international net sales increased by \$19.8 million, or 3.6%, in 2006, as compared with 2005. The increase in net sales in 2006 in the Company's international operations, as compared with 2005, was driven primarily by higher shipments in the Europe and Latin America regions.

In Asia Pacific, which is comprised of Asia Pacific and Africa, the increase in net sales, excluding the impact of foreign currency fluctuations, was driven by South Africa, Australia and China (which together contributed to an approximate 2.9 percentage points to the increase in net sales for the region in 2006, as compared with 2005), partially offset by the lower net sales in Hong Kong, Taiwan and in certain distributor markets (which together contributed approximately 1.6 percentage points to the decrease in net sales for the region for 2006, as compared with 2005).

In Europe, which is comprised of Europe, Canada and the Middle East, the increase in net sales, excluding the impact of foreign currency fluctuations, was due to the U.K. and Canada (which together contributed to an approximate 3.5 percentage points to the increase in net sales for the region for 2006, as compared with 2005), partially offset by the lower net sales in certain distributor markets (which together contributed approximately 1.5 percentage points to the decrease in net sales for the region for 2006, as compared with 2005).

In Latin America, the increase in net sales, excluding the impact of foreign currency fluctuations, was driven primarily by Venezuela, Mexico and certain distributor markets (which together contributed approximately 10.8 percentage points to the increase in net sales for the region in 2006, as compared with 2005).

Gross profit:

Year Ended December 31,	2006	2005	Change	Gross profit	\$ 785.9	\$ 824.2	\$ (38.3)
-------------------------	------	------	--------	--------------	----------	----------	------------

The decrease in gross profit for 2006 compared to 2005 was primarily due to:

- approximately \$30.9 million of higher allowances in 2006, primarily to support the launch of Vital Radiance (which was discontinued in September 2006); and

Table of Contents

• approximately \$15.8 million of higher estimated excess inventory charges related to Vital Radiance, \$5.5 million of estimated excess inventory charges related to certain Almay products, and additional estimated excess inventory charges of \$2.7 million related to a promotional program.

The decrease in gross profit in 2006 compared to 2005 was partially offset by lower returns of non-Vital Radiance products and the higher dollar value of shipments in 2006 compared to 2005.

SG&A expenses:

Year Ended December 31,	2006	2005	Change	SG&A expenses	\$ 808.7	\$ 757.8	\$ (50.9)
-------------------------	------	------	--------	---------------	----------	----------	------------

The increase in SG&A expenses for 2006 compared to 2005 was due in large part to:

• approximately \$41.0 million of higher brand support in 2006 compared to 2005, primarily due to higher advertising and consumer promotion in connection with the complete re-stage of the Almay brand and the Vital Radiance brand before its discontinuance in September 2006;

• approximately \$12.7 million of higher display amortization costs related to Almay and Vital Radiance in 2006 compared to 2005; • the \$8.9 million write-off in 2006 of certain displays, in each case in connection with the discontinuance of the Vital Radiance brand and \$2.9 million of charges related to the write-off of certain advertising, marketing and promotional materials and software and the accelerated display amortization;

• \$6.2 million and \$3.2 million, respectively, of severance-related and accelerated amortization charges related to unvested options and unvested restricted stock, in each case in connection with the termination of the former CEO's employment in September 2006; and

• approximately \$5.6 million of amortization expenses for stock options, resulting from the Company's adoption of SFAS No. 123(R) effective as of January 1, 2006.

These increases were partially offset by approximately \$26.7 million of reductions principally in personnel, travel, professional services and other general and administrative expenses.

Restructuring costs:

Year Ended December 31,	2006	2005	Change	Restructuring costs and other, net	\$ 27.4	\$ 1.5	\$ (25.9)
-------------------------	------	------	--------	------------------------------------	---------	--------	------------

In 2006, the Company recorded \$27.4 million in restructuring expenses for employee severance and employee-related termination costs (See Note 2 "Restructuring Costs and Other, Net" to the Consolidated Financial Statements regarding the 2006 Programs). In 2005, the Company recorded \$1.5 million in restructuring expenses for employee severance and employee-related termination costs related to the 2004 program.

Other expenses (income):

Year Ended December 31,	2006	2005	Change	Interest expenses	\$ 148.8	\$ 130.0	\$ (18.8)
-------------------------	------	------	--------	-------------------	----------	----------	------------

The increase in interest expenses for 2006 compared to 2005 was primarily due to higher average interest rates and higher outstanding borrowings (See Note 8 “Long-Term Debt” to the Consolidated Financial Statements).

35

Table of Contents

Year Ended December 31, 2006 2005 Change Loss on early extinguishment of debt \$ 23.5 \$ 9.0 \$ (14.5)

For 2006, the loss on early extinguishment of debt represents the write-off of the portion of deferred financing costs and the pre-payment fee associated with the refinancing of Products Corporation's 2004 Credit Agreement with the 2006 Credit Agreements, as well as the loss on the redemption in April 2006 of approximately \$110 million in aggregate principal amount of Products Corporation's 85/8% Senior Subordinated Notes (the balance of which was repaid in full in February 2008 — See "Recent Developments"). The \$9.0 million loss on early extinguishment of debt for 2005 includes the \$5.0 million pre-payment fee related to the pre-payment in March 2005 of \$100.0 million of indebtedness outstanding under the Term Loan Facility of the 2004 Credit Agreement with a portion of the proceeds from the issuance of the Original 9½% Senior Notes (as defined in Note 8 "Long-Term Debt" to the Consolidated Financial Statements), the aggregate \$1.5 million loss on the redemption of all of Products Corporation's 81/8% Senior Notes due 2006 (the "81/8% Senior Notes") and 9% Senior Notes due 2006 (the "9% Senior Notes") in April 2005, as well as the write-off of the portion of deferred financing costs related to such prepaid amounts.

Year Ended December 31, 2006 2005 Change Miscellaneous expense (income), net \$ 3.8 \$ (0.5) \$ (4.3)

The increase in miscellaneous, net for 2006, as compared with 2005, is primarily due to fees and expenses associated with the various amendments to Products Corporation's 2004 Credit Agreement. See Note 8 "Long-Term Debt — Other Transactions under the 2004 Credit Agreement Prior to Its Complete Refinancing in December 2006" to the Consolidated Financial Statements.

Provision for income taxes:

Year Ended December 31, 2006 2005 Change Provision for income taxes \$ 20.1 \$ 8.5 \$ (11.6)

The increase in the provision for income taxes in 2006, as compared with 2005, was primarily attributable to higher taxable income in certain markets outside the U.S., a tax on the cash repatriation of dividends from a foreign subsidiary and an increase to tax reserves related to international activities. In 2005, the favorable resolution of various tax matters resulted in a tax benefit of \$3.8 million.

Financial Condition, Liquidity and Capital Resources

Net cash provided by (used in) operating activities was \$3.8 million, \$(138.7) million and \$(139.7) million for 2007, 2006 and 2005, respectively. This improvement in 2007 compared to 2006 was primarily due to lower net loss and decreased purchases of permanent displays, partially offset by changes in net working capital, including cash used for product return settlements in 2007 related to the September 2006 discontinuance of Vital Radiance and lower trade receivables. Cash usage in 2006 and 2005 was primarily attributable to the larger net loss and increased purchases of permanent displays, due in large part to the launch in late 2005 and the September 2006 discontinuance of Vital Radiance and the complete re-stage of Almay, partially offset by improvements in net working capital.

Net cash used in investing activities was \$(17.6) million, \$(22.4) million and \$(15.8) million for 2007, 2006 and 2005, respectively, in each case for capital expenditures.

Net cash provided by financing activities was \$24.6 million, \$163.2 million and \$67.6 million for 2007, 2006 and 2005, respectively. Net cash provided by financing activities for 2007 included net proceeds of \$98.9 million from Revlon, Inc.'s issuance of Class A Common Stock as a result of the closing of the \$100 Million Rights Offering in January 2007. Revlon, Inc.'s proceeds from the \$100 Million Rights Offering were promptly transferred to Products Corporation, which it used in February 2007 to redeem \$50.0 million aggregate principal amount of its 85/8% Senior Subordinated Notes (the balance of which was

Table of Contents

repaid in full in February 2008 — See “Recent Developments”), including \$0.3 million of accrued and unpaid interest up to, but not including, the redemption date. The remainder of such proceeds was used in January 2007 to repay approximately \$43.3 million of indebtedness outstanding under Products Corporation’s 2006 Revolving Credit Facility, without any permanent reduction of that commitment, after incurring fees and expenses of approximately \$1.1 million incurred in connection with the \$100 Million Rights Offering, with approximately \$5 million of the remaining proceeds being available for general corporate purposes.

Net cash provided by financing activities for 2006 included net proceeds of \$107.2 million from Revlon, Inc.’s issuance in March 2006 of Class A Common Stock in the \$110 Million Rights Offering, borrowings during the second and third quarter of 2006 under the 2004 Multi-Currency Facility (as hereinafter defined) under the 2004 Credit Agreement, \$100.0 million from borrowings under the Term Loan Add-on (as hereinafter defined) under the 2004 Credit Agreement and \$840.0 million from borrowings under the 2006 Term Loan Facility.

The net proceeds from the \$110 Million Rights Offering were promptly transferred to Products Corporation, which it used in April 2006, together with available cash, to redeem \$109.7 million aggregate principal amount of its 85/8% Senior Subordinated Notes (the balance of which was repaid in full in Februar