

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2006

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 1-11178

**REVLON, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

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

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

**10017**  
(Zip Code)

**212-527-4000**

(Registrant's telephone number, including area code)

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

Yes  No

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

As of September 30, 2006, 381,450,845 shares of Class A Common Stock and 31,250,000 shares of Class B Common Stock were outstanding. 217,444,170 shares of Class A Common Stock and all of the 31,250,000 shares of Class B Common Stock were beneficially owned directly and indirectly by MacAndrews & Forbes Holdings Inc. and its affiliates.

**REVLON, INC. AND SUBSIDIARIES**

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

REVLON, INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
(dollars in millions, except per share amounts)

	September 30, 2006	December 31, 2005
	(Unaudited)	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 23.9	\$ 32.5
Trade receivables, less allowances of \$14.4 and \$18.9 as of September 30, 2006 and December 31, 2005, respectively	166.9	282.2
Inventories	206.9	220.6
Prepaid expenses and other	56.5	56.7
Total current assets	454.2	592.0
Property, plant and equipment, net	119.1	119.7
Other assets	165.2	146.0
Goodwill, net	186.1	186.0
Total assets	<u>\$ 924.6</u>	<u>\$ 1,043.7</u>
<b>LIABILITIES AND STOCKHOLDERS' DEFICIENCY</b>		
Current liabilities:		
Short-term borrowings	\$ 10.2	\$ 9.0
Current portion of long-term debt	8.1	—
Accounts payable	99.8	133.1
Accrued expenses and other	343.7	328.4
Total current liabilities	461.8	470.5
Long-term debt	1,446.8	1,413.4
Other long-term liabilities	241.0	255.7
Stockholders' deficiency:		
Class B Common Stock, par value \$.01 per share; 200,000,000 shares authorized, 31,250,000 issued and outstanding as of September 30, 2006 and December 31, 2005, respectively	0.3	0.3
Class A Common Stock, par value \$.01 per share; 900,000,000 shares authorized and 383,665,513 and 344,472,735 shares issued as of September 30, 2006 and December 31, 2005, respectively	3.8	3.4
Additional paid-in capital	883.5	764.8
Treasury stock, at cost; 429,666 and 236,315 shares of Class A Common Stock as of September 30, 2006 and December 31, 2005, respectively	(1.4)	(0.8)
Accumulated deficit	(1,987.7)	(1,741.9)
Accumulated other comprehensive loss	(123.5)	(121.7)
Total stockholders' deficiency	(1,225.0)	(1,095.9)
Total liabilities and stockholders' deficiency	<u>\$ 924.6</u>	<u>\$ 1,043.7</u>

See Accompanying Notes to Unaudited Consolidated Financial Statements

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REVLON, INC. AND SUBSIDIARIES  
UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS  
(dollars in millions, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
Net sales	\$ 305.9	\$ 275.3	\$ 952.5	\$ 894.5
Cost of sales	148.9	117.0	404.2	350.1
Gross profit	157.0	158.3	548.3	544.4
Selling, general and administrative expenses	200.4	190.6	645.3	577.6
Restructuring costs and other, net	13.8	—	23.3	1.5
Operating loss	(57.2)	(32.3)	(120.3)	(34.7)
Other expenses (income):				
Interest expense	38.3	33.2	109.4	94.7
Interest income	(0.2)	(1.4)	(1.0)	(4.8)
Amortization of debt issuance costs	2.0	1.8	5.6	5.1
Foreign currency gains, net	(0.2)	(2.7)	(1.4)	(1.4)
Loss on early extinguishment of debt	—	—	0.4	9.0
Miscellaneous, net	0.1	(0.1)	0.5	1.5
Other expenses, net	40.0	30.8	113.5	104.1
Loss before income taxes	(97.2)	(63.1)	(233.8)	(138.8)
Provision for income taxes	3.3	2.3	12.0	9.2
Net loss	<u>\$ (100.5)</u>	<u>\$ (65.4)</u>	<u>\$ (245.8)</u>	<u>\$ (148.0)</u>
Basic and diluted loss per common share	<u>\$ (0.24)</u>	<u>\$ (0.17)</u>	<u>\$ (0.61)</u>	<u>\$ (0.40)</u>
Weighted average number of common shares outstanding:				
Basic and diluted	<u>412,642,997</u>	<u>374,396,137</u>	<u>401,260,132</u>	<u>373,876,139</u>

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**REVLON, INC. AND SUBSIDIARIES**  
**UNAUDITED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIENCY**  
**AND COMPREHENSIVE LOSS**  
(dollars in millions)

	Common Stock	Additional Paid-In- Capital	Treasury Stock	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Deficiency
Balance, January 1, 2006	\$ 3.7	\$ 764.8	\$ (0.8)	\$ (1,741.9)	\$ (121.7)	\$ (1,095.9)
Net proceeds from Rights Offering	0.4	106.8				107.2
Treasury stock acquired, at cost <sup>(1)</sup>			(0.6)			(0.6)
Stock option compensation		6.5				6.5
Exercise of stock options for common stock		0.2				0.2
Amortization of deferred compensation for restricted stock		5.2				5.2
Comprehensive loss:						
Net loss				(245.8)		(245.8)
Revaluation of foreign currency forward exchange contracts					0.8	0.8
Currency translation adjustment					(2.6)	(2.6)
Total comprehensive loss						(247.6)
Balance, September 30, 2006	\$ 4.1	\$ 883.5	\$ (1.4)	\$ (1,987.7)	\$ (123.5)	\$ (1,225.0)

(1) Amount relates to 193,351 shares of Revlon, Inc. Class A Common Stock withheld from certain executives to satisfy the minimum statutory tax withholding requirements related to the vesting of shares of restricted stock (see Note 2, "Stock Compensation Plan" to the Unaudited Consolidated Financial Statements).

See Accompanying Notes to Unaudited Consolidated Financial Statements

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**REVLON, INC. AND SUBSIDIARIES**  
**UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(dollars in millions)

	Nine Months Ended September 30,	
	2006	2005
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	\$ (245.8)	\$ (148.0)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	84.2	75.3
Amortization of debt discount	0.4	0.1
Stock compensation amortization	11.7	4.4
Loss on early extinguishment of debt	0.4	9.0
Change in assets and liabilities:		
Decrease in trade receivables	115.5	38.4
Decrease (increase) in inventories	14.1	(74.6)
Decrease (increase) in prepaid expenses and other current assets	1.2	(3.1)
Increase (decrease) in accounts payable	(26.0)	6.5
Decrease in accrued expenses and other current liabilities	(24.3)	(3.1)
Purchase of permanent displays	(81.4)	(38.7)
Other, net	25.2	17.9
Net cash used in operating activities	(124.8)	(115.9)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Capital expenditures	(15.5)	(16.0)
Investment in debt defeasance trust	—	(197.9)
Liquidation of investment in debt defeasance trust	—	197.9
Net cash used in investing activities	(15.5)	(16.0)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Net (decrease) increase in short-term borrowings and overdraft	(6.3)	15.8
Borrowings under the Multi-Currency Facility, net	50.7	—
Borrowings under the Term Loan Facility	100.0	—
Proceeds from the issuance of long-term debt	—	386.2
Repayment of long-term debt, including prepayment fee and premiums	(109.7)	(297.9)
Payment of financing costs	(9.4)	(12.0)
Net proceeds from the 2006 Rights Offering	107.2	—
Proceeds from exercise of stock options for common stock	0.2	—
Net cash provided by financing activities	132.7	92.1
Effect of exchange rate changes on cash and cash equivalents	(1.0)	(3.3)
Net decrease in cash and cash equivalents	(8.6)	(43.1)
Cash and cash equivalents at beginning of period	32.5	120.8
Cash and cash equivalents at end of period	\$ 23.9	\$ 77.7

Supplemental schedule of cash flow information:

Cash paid during the period for:		
Interest	\$ 104.0	\$ 92.2
Income taxes, net of refunds	\$ 9.1	\$ 9.1

Supplemental schedule of non-cash investing and financing activities:

Treasury stock received to satisfy minimum tax withholding liabilities	\$ 0.6	\$ 0.8
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See Accompanying Notes to Unaudited Consolidated Financial Statements

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**REVLON, INC. AND SUBSIDIARIES**  
**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**(except where otherwise noted, all tabular amounts in millions, except per share amounts)**

**(1) Basis of Presentation**

Revlon, Inc. (and together with its subsidiaries, the "Company") conducts its business exclusively through its direct wholly-owned operating subsidiary, Revlon Consumer Products Corporation and its subsidiaries ("Products Corporation"). The Company operates in a single segment and manufactures and sells an extensive array of cosmetics, skincare, fragrances, beauty tools, hair color, anti-perspirants/deodorants and other personal care products. The Company's principal customers include large mass volume retailers and chain drug and food stores, as well as certain department stores and other specialty stores, such as perfumeries. The Company also sells consumer products to U.S. military exchanges and commissaries and has a licensing business, pursuant to which the Company licenses certain of its key brand names to third parties for complementary beauty-related products and accessories.

Revlon, Inc. is an indirect majority-owned subsidiary of MacAndrews & Forbes Holdings Inc. ("MacAndrews & Forbes Holdings" and, together with its affiliates other than the Company, "MacAndrews & Forbes"), a corporation wholly-owned by Ronald O. Perelman.

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

The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the financial statements and reported amounts of revenues and expenses during the periods presented. Actual results could differ from these estimates. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the consolidated financial statements in the period they are determined to be necessary. Significant estimates made in the accompanying Unaudited Consolidated Financial Statements include, but are not limited to, allowances for doubtful accounts, inventory valuation reserves, expected sales returns and allowances, certain assumptions related to the recoverability of intangible and long-lived assets, reserves for estimated tax liabilities, restructuring costs, certain estimates and assumptions used in the calculation of the fair value of stock options issued to employees and the derived compensation expense and certain estimates regarding the calculation of the net periodic benefit costs and the projected benefit obligation for the Company's pension and other post-retirement plans. The Unaudited Consolidated Financial Statements should be read in conjunction with the consolidated financial statements and related notes contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2005.

The results of operations and financial position, including working capital, for interim periods are not necessarily indicative of those to be expected for a full year.

Certain prior year amounts have been 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.

**Stock-Based Compensation**

Prior to January 1, 2006 (including the three- and nine-month periods ended September 30, 2005), the Company applied the intrinsic value method as outlined in Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB No. 25") and related interpretations in accounting for stock options granted. Under the intrinsic value method, no compensation expense was recognized in fiscal periods ended prior to January 1, 2006 if the exercise price of the Company's employee stock options was greater than or equal to the market price of Revlon, Inc.'s Class A common stock, par value of \$0.01 per share (the "Class A Common Stock") on the date of the grant. Since all options granted

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under Revlon, Inc.'s Stock Plan (as hereinafter defined) had an exercise price equal to the market value of the underlying Class A Common Stock on the date of grant, no compensation expense was recognized in the accompanying consolidated statements of operations for the fiscal periods ended on or before December 31, 2005 (including the three- and nine-month periods ended September 30, 2005) on stock options granted to employees.

Effective January 1, 2006, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 123(R), "Share-Based Payment" ("SFAS No. 123(R)"). This statement replaces SFAS No. 123, "Accounting for Stock-Based Compensation" ("SFAS No. 123") and supersedes APB No. 25. SFAS No. 123(R), requires that effective for fiscal periods ending after December 31, 2005, all stock-based compensation be recognized as an expense, net of the effect of expected forfeitures, in the financial statements and that such expense be measured at the fair value of the Company's stock-based awards and generally recognized over the grantee's required service period. The Company uses the modified prospective method of application, which requires recognition of compensation expense on a prospective basis. Therefore, the Company's financial statements for fiscal periods ended on or before December 31, 2005 have not been restated to reflect

compensation expense in respect of awards of stock options under the Stock Plan. Under this method, in addition to reflecting compensation expense for new share-based awards granted on or after January 1, 2006, expense is also recognized to reflect the remaining service period (generally, the vesting period of the award) of awards that had been included in the Company's pro forma disclosures in fiscal periods ended on or before December 31, 2005. SFAS No. 123(R) also requires that excess tax benefits related to stock option exercises be reflected as financing cash inflows instead of operating cash inflows. For the nine-month period ended September 30, 2006, no adjustments have been made to the cash flow statement, as any excess tax benefits that would have been realized have been fully provided for, given the Company's historical losses and deferred tax valuation allowance.

#### **Recent Accounting Pronouncements**

In June 2006, the FASB issued Financial Interpretation Number ("FIN") 48, "Accounting for Uncertainty in Income Taxes – an interpretation of SFAS No. 109". This interpretation clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, Accounting for Income Taxes. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The provisions of FIN 48 are effective for fiscal years beginning after December 15, 2006. The Company is currently evaluating the impact that FIN 48 could have on its results of operations or financial condition.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements." This statement clarifies the definition of fair value of assets and liabilities, establishes a framework for measuring fair value of assets and liabilities, and expands the disclosures on fair value measurements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007. The Company is currently evaluating the impact that SFAS No. 157 could have on its results of operations or financial condition.

In September 2006, the FASB issued SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans – an amendment of FASB Statement Nos. 87, 88, 106, and 132(R)". This Statement requires an employer to recognize the overfunded or underfunded status of a defined benefit post-retirement plan (other than a multi-employer plan) as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through other comprehensive income of a business entity. An employer with publicly traded equity securities is required to initially recognize the funded status of a defined benefit post-retirement plan and to provide the required disclosures as of the end of its fiscal years ending after December 15, 2006. SFAS No. 158 also requires an employer to measure plan assets and benefit

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### **REVLON, INC. AND SUBSIDIARIES**

#### **NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

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

obligations as of the date of the employer's fiscal year-end statement of financial position. This requirement is effective for fiscal years ending after December 15, 2008. The Company is currently evaluating the impact that SFAS No. 158 could have on its results of operations or financial condition.

In September 2006, the SEC issued Staff Accounting Bulletin ("SAB") No. 108, "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements," which provides interpretive guidance on the consideration of the effects of prior year misstatements in quantifying current year misstatements for the purpose of a materiality assessment. The SEC staff believes that registrants must quantify errors using both a balance sheet and income statement approach and evaluate whether either approach results in quantifying a misstatement that, when all relevant quantitative and qualitative factors are considered, is material. SAB No. 108 is effective for annual financial statements covering the first fiscal year ending after November 15, 2006, with earlier application encouraged for any interim period of the first fiscal year ending after November 15, 2006, filed after the publication of SAB No. 108 (September 13, 2006). The Company is currently evaluating the impact that SAB No. 108 could have on its results of operations or financial condition.

#### **(2) Stock Compensation Plan**

The Company maintains an Amended and Restated Revlon, Inc. Stock Plan (the "Stock Plan"), which provides for the issuance of awards of shares of Revlon, Inc.'s Class A Common Stock in the form of stock options, stock appreciation rights and restricted or unrestricted stock to eligible employees and directors of Revlon, Inc. and its affiliates, including Products Corporation.

##### **Stock options**

Total net stock option compensation expense includes amounts attributable to the granting of, and the remaining requisite service period of, stock options issued under the Stock Plan, which awards were unvested at January 1, 2006 or granted on or after such date. Net stock option compensation expense in the three- and nine-month periods ended September 30, 2006 was \$2.0 million and \$6.5 million (including, in each case, \$1.4 million in relation to the departure of Jack Stahl, the Company's former President and Chief Executive Officer, in September 2006), or \$0.01 and \$0.02, respectively, for both basic and diluted earnings per share. As of September 30, 2006, the total unrecognized stock option compensation expense related to unvested stock options in the aggregate was \$4.1 million (which includes the write-off of unrecognized stock option compensation related to stock options that will be forfeited as a result of terminations of employment after September 30, 2006 primarily related to restructuring events under the September 2006 Program (as hereinafter defined)).

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### **REVLON, INC. AND SUBSIDIARIES**

#### **NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

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

A summary of the status of stock option grants under the Stock Plan as of September 30, 2006 and changes during the nine-month period then ended is presented below:

	(000's)	Average Exercise Price
Outstanding at January 1, 2006	33,033.1	\$ 4.25
Granted	12.5	3.05
Exercised	(47.2)	3.02
Forfeited and expired	(593.2)	4.84
Outstanding at March 31, 2006	32,405.2	4.24
Granted	10.0	1.46
Exercised	(13.3)	2.59
Forfeited and expired	(1,351.8)	3.51
Outstanding at June 30, 2006	31,050.1	4.27
Granted	—	—
Exercised	—	—
Forfeited and expired (a)	(2,427.1)	3.02
Outstanding at September 30, 2006	<u>28,623.0</u>	4.38

- (a) Includes approximately 2,427,100 shares that were forfeited during the three-month period ended September 30, 2006 primarily in connection with the September 2006 Program and excludes the forfeiture (resulting from terminations of employment after September 30, 2006) of approximately 1,400,000 shares primarily related to restructuring events under the September 2006 Program.

The weighted average grant date fair value of options granted during the nine-month periods ended September 30, 2006 and 2005 approximated \$1.30 and \$1.38, respectively, and was estimated using the Black-Scholes option valuation model with the following weighted-average assumptions:

	Nine Months Ended September 30,	
	2006	2005
Expected life of option (a)	4.75 years	4.75 years
Risk-free interest rate (b)	4.84%	3.95%
Expected volatility (c)	64%	61%
Expected dividend yield (d)	N/A	N/A

- (a) The expected life of an option is calculated using a formula based on the vesting term and contractual life of the option.
- (b) The risk-free interest rate is based upon the rate in effect at the time of the option grant on a zero coupon U.S. Treasury bill for periods approximating the expected life of the option.
- (c) Expected volatility is based on the daily historical volatility of the NYSE closing price of the Company's Class A Common Stock price over the expected life of the option.
- (d) Assumes a dividend rate of nil on the Company's Class A Common Stock for options granted during the nine-month periods ended September 30, 2006 and 2005, respectively.

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**REVLON, INC. AND SUBSIDIARIES**  
**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
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The following table summarizes information about the Stock Plan's options outstanding at September 30, 2006:

Range of Exercise Prices	Outstanding			Exercisable	
	Number of Options (000's)	Weighted Average Years Remaining	Weighted Average Exercise Price	Number of Options (000's)	Weighted Average Exercise Price
\$1.46 to \$3.78	25,414.9	4.83	\$ 2.99	13,131.8	\$ 3.07
3.82 to 6.88	1,397.6	5.11	4.83	997.6	5.24
7.06 to 15.00	988.5	3.13	10.62	988.5	10.62
18.50 to 50.00	822.0	1.19	38.88	822.0	38.88
1.46 to 50.00	<u>28,623.0</u>			<u>15,939.9</u>	

**Restricted stock awards**

The Stock Plan allows for awards of restricted stock to employees and directors of Revlon, Inc. and its affiliates, including Products Corporation. The restricted stock awards outstanding at September 30, 2006 vest over service periods that range from three to five years.

A summary of the status of grants of restricted stock under the Stock Plan and Supplemental Stock Plan (as hereinafter defined) as of September 30, 2006 and changes during the nine-month period then ended is presented below:

	Shares (000's)
Outstanding at January 1, 2006	3,810.0
Granted	—
Vested (a)	(300.0)
Forfeited and expired	—
Outstanding at March 31, 2006	3,510.0
Granted	—
Vested (a)(b)	(1,421.7)
Forfeited and expired	(63.3)
Outstanding at June 30, 2006	2,025.0
Granted	—
Vested (a)(b)(c)	(150.0)
Forfeited and expired (d)	(90.0)
Outstanding at September 30, 2006	<u>1,785.0</u>

- (a) Of the amount vested during the three-month period ended March 31, 2006, 17,594 shares were withheld by the Company to satisfy a certain grantee's minimum withholding tax requirements. (See discussion under "Treasury Stock" below).
- (b) Of the amount vested during the three- and six-month periods ended June 30, 2006, 156,857 and 174,451 shares, respectively, were withheld by the Company to satisfy certain grantees' minimum withholding tax requirements. (See discussion under "Treasury Stock" below).
- (c) Of the amount vested during the three- and nine-month periods ended September 30, 2006,

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**REVLON, INC. AND SUBSIDIARIES**

**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

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

18,900 and 193,351 shares, respectively, were withheld by the Company to satisfy certain grantees' minimum withholding tax requirements. (See discussion under "Treasury Stock" below).

- (d) Includes 90,002 shares that were forfeited in connection with the September 2006 Program and excludes the forfeiture (resulting from terminations of employment after September 30, 2006) of 163,334 shares primarily related to restructuring events under the September 2006 Program.

In 2002, Revlon, Inc. adopted the Revlon, Inc. 2002 Supplemental Stock Plan (the "Supplemental Stock Plan"), the purpose of which was to provide Mr. Stahl, the sole eligible participant under the Supplemental Stock Plan, with inducement awards to entice him to join the Company. The Supplemental Stock Plan covers 530,000 shares of Class A Common Stock. All of the 530,000 shares were issued in the form of restricted shares of Class A Common Stock to Mr. Stahl in February 2002. The terms of the Supplemental Stock Plan and the foregoing grant of restricted shares to Mr. Stahl are substantially the same as the terms and grants under the Stock Plan. Pursuant to the terms of the Supplemental Stock Plan, such grant was made conditioned upon his execution of the Company's standard Employee Agreement as to Confidentiality and Non-Competition.

Generally, no dividends will be paid on unvested restricted stock, provided, however, that in connection with the 2002 grants to Mr. Stahl of 470,000 shares of restricted stock under the Stock Plan and 530,000 shares of restricted stock under the Supplemental Stock Plan (of which an aggregate 500,000 shares of restricted stock from both plans remained unvested at September 30, 2006), in the event any cash or in-kind distributions are made in respect of Common Stock (as hereinafter defined) prior to the lapse of the restrictions on such shares, such dividends will be held by the Company and paid to Mr. Stahl when and if such restrictions lapse.

In connection with the departure of Mr. Stahl from the Company, pursuant to the terms of his separation agreement, the Company incurred charges of \$3.2 million in the third quarter of 2006 within selling, general and administrative expenses ("SG&A") for the accelerated amortization of his unvested stock options and unvested restricted stock. In addition, as a result of Mr. Stahl's departure, pursuant to the terms of his employment agreement \$6.2 million of other severance charges were also recorded within SG&A.

The Company recognizes non-cash compensation expense related to restricted stock awards under the Stock Plan and Supplemental Stock Plan using the straight-line method over the remaining service period. The Company recorded compensation expense related to restricted stock awards under the Stock Plan and Supplemental Stock Plan of \$5.2 million and \$4.2 million during the nine-month periods ended September 30, 2006 and 2005, respectively. The deferred stock-based compensation related to restricted stock awards is \$0.3 million at September 30, 2006 (which includes the write off of deferred stock-based compensation related to restricted share awards that will be forfeited as a result of terminations of employment after September 30, 2006 primarily related to restructuring events under the September 2006 Program). At September 30, 2006, there were 1,785,002 shares of unvested restricted stock under the Stock Plan and the Supplemental Stock Plan.

**Treasury stock**

In the first, second and third fiscal quarters of 2006, certain executives, in lieu of paying withholding taxes on the vesting of certain restricted stock, authorized the withholding of an aggregate 17,594, 156,857 and 18,900 shares, respectively, of Revlon, Inc. Class A Common Stock to satisfy the minimum statutory tax withholding requirements related to such vesting in accordance with the share withholding provisions of the Stock Plan. These shares were recorded as treasury stock using the cost method, at \$3.56, \$3.16 and \$1.28 per share, respectively, the market price on the respective vesting dates, for a total of approximately \$0.1 million, \$0.5 million and nil, respectively.

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**REVLON, INC. AND SUBSIDIARIES**

**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

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

**Pro forma net loss**

Prior to the Company's adoption of SFAS No. 123(R), SFAS No. 123 required that the Company provide pro forma information regarding net loss and net loss per common share as if compensation expense for the Company's stock-based awards had been determined in accordance with the fair value method prescribed therein. The Company had previously adopted the disclosure portion of SFAS No. 148, "Accounting for Stock-Based Compensation – Transition and Disclosure, an amendment of FASB Statements No. 123" ("SFAS No. 148"), requiring quarterly SFAS No. 123 pro forma disclosure. The pro forma charge for compensation expense related to stock-based awards granted was recognized over the service period. For stock options, the service period represents the period of time between the date of grant and the date each stock option becomes exercisable without consideration of acceleration provisions (e.g., retirement, change of control and similar types of acceleration events).

The following table illustrates the effect on net loss and net loss per basic and diluted common share as if the Company had applied the fair value method to its stock-based compensation under the disclosure provisions of SFAS No. 123 and amended disclosure provisions of SFAS No. 148:

Three Months Ended September 30, 2005	Nine Months Ended September 30, 2005
--	---

Net loss as reported	\$ (65.4)	\$ (148.0)
Add: Stock-based employee compensation expense included in reported net loss	1.3	4.4
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards	(5.7)	(16.6)
Pro forma net loss	\$ (69.8)	\$ (160.2)
Basic and diluted loss per common share:		
As reported	\$ (0.17)	\$ (0.40)
Pro forma	\$ (0.19)	\$ (0.43)

### (3) Post-retirement Benefits

The Company sponsors pension plans and certain other post-retirement benefit plans for a substantial portion of its U.S. employees, as well as certain other non-U.S. employees. Relevant aspects of these plans are disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2005. Currently, the Company expects to contribute approximately \$31.4 million to its pension plans and approximately \$1.0 million to other post-retirement plans in 2006.

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## REVLON, INC. AND SUBSIDIARIES NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (except where otherwise noted, all tabular amounts in millions, except per share amounts)

The components of net periodic benefit cost for the pension and the other post-retirement benefit plans for the three-month periods ended September 30, 2006 and 2005 are as follows:

	Three Months Ended September 30,			
	Pension Plans		Other Post-retirement Benefit Plans	
	2006	2005	2006	2005
Service cost	\$ 2.6	\$ 2.4	\$ —	\$ 0.1
Interest cost	7.9	7.7	0.3	0.2
Expected return on plan assets	(7.9)	(7.1)	—	—
Amortization of prior service cost	—	(0.1)	—	—
Amortization of actuarial loss	1.6	1.8	—	—
Curtailment gain	(0.7)	—	—	—
	<u>3.5</u>	<u>4.7</u>	<u>0.3</u>	<u>0.3</u>
Portion allocated to Revlon Holdings LLC	—	—	—	—
Net periodic benefit cost	<u>\$ 3.5</u>	<u>\$ 4.7</u>	<u>\$ 0.3</u>	<u>\$ 0.3</u>

The components of net periodic benefit cost for the pension and the other post-retirement benefit plans for the nine-month periods ended September 30, 2006 and 2005 are as follows:

	Nine Months Ended September 30,			
	Pension Plans		Other Post-retirement Benefit Plans	
	2006	2005	2006	2005
Service cost	\$ 7.8	\$ 7.6	\$ 0.1	\$ (0.1)
Interest cost	23.7	23.3	0.7	0.5
Expected return on plan assets	(23.7)	(21.3)	—	—
Amortization of prior service cost	(0.2)	(0.3)	—	—
Amortization of actuarial loss	5.0	5.8	—	—
Curtailment gain	(0.7)	—	—	—
	<u>11.9</u>	<u>15.1</u>	<u>0.8</u>	<u>0.4</u>
Portion allocated to Revlon Holdings LLC	(0.1)	(0.1)	—	—
Net periodic benefit cost	<u>\$ 11.8</u>	<u>\$ 15.0</u>	<u>\$ 0.8</u>	<u>\$ 0.4</u>

### (4) Inventories

	September 30, 2006	December 31, 2005
Raw materials and supplies	\$ 60.0	\$ 60.7
Work-in-process	18.1	17.6
Finished goods	<u>128.8</u>	<u>142.3</u>
	<u>\$ 206.9</u>	<u>\$ 220.6</u>

### (5) Basic and Diluted Loss Per Common Share

Shares used in basic loss per share are computed using the weighted average number of common shares outstanding each period. Shares used in diluted loss per share include the dilutive effect of

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

unvested restricted stock and outstanding stock options using the treasury stock method, if dilutive. Options to purchase 28,622,957 and 33,349,079 shares of Class A Common Stock with weighted average exercise prices of \$4.38 and \$4.24, respectively, were outstanding at September 30, 2006 and 2005, respectively. Additionally, 1,785,002 and 3,810,002 shares of unvested restricted stock were outstanding as of September 30, 2006 and 2005, respectively. As the Company incurred losses for the three- and nine-month periods ended September 30, 2006 and 2005, respectively, these shares are excluded from the calculation of diluted loss per common share as their effect would be antidilutive. For each period presented, the amount of loss used in the calculation of diluted loss per common share was the same as the amount of loss used in the calculation of basic loss per common share. As a result of the consummation of the Rights Offering (See Note 11) in March 2006, Revlon, Inc. issued a total of 39,285,714 shares of its Class A Common Stock. As of September 30, 2006, Revlon, Inc. had issued and outstanding 381,450,845 shares of Class A Common Stock and the total number of shares of common stock outstanding as of such date, including Revlon, Inc.'s existing 31,250,000 shares of Class B common stock, with a par value of \$0.01 per share ("Class B Common Stock," and together with the Class A Common Stock, the "Common Stock"), was 412,700,845 shares of Common Stock. MacAndrews & Forbes beneficially owned as of such date approximately 57% of Revlon, Inc.'s outstanding Class A Common Stock and approximately 60% of Revlon, Inc.'s total outstanding Common Stock, which together represent approximately 76% of the combined voting power of such shares as of such date. Upon consummation of the Rights Offering, the fair value of Revlon, Inc.'s Class A Common Stock was more than the Rights Offering's \$2.80 per share subscription price. Accordingly, basic and diluted loss per common share has been restated for the three- and nine-month periods ended September 30, 2005, to reflect a stock dividend of 2,931,273 and 2,927,202 shares, respectively, of Revlon, Inc.'s Class A Common Stock.

## (6) Comprehensive Loss

The components of comprehensive loss for the three- and nine-month periods ended September 30, 2006 and 2005, respectively, are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
Net loss	\$ (100.5)	\$ (65.4)	\$ (245.8)	\$ (148.0)
Other comprehensive (loss) income:				
Revaluation of foreign currency forward exchange contracts	0.2	(0.4)	0.8	2.2
Currency translation adjustment	(2.7)	(1.5)	(2.6)	(6.5)
Other comprehensive (loss) income	(2.5)	(1.9)	(1.8)	(4.3)
Comprehensive loss	<u>\$ (103.0)</u>	<u>\$ (67.3)</u>	<u>\$ (247.6)</u>	<u>\$ (152.3)</u>

## (7) Restructuring Costs and Other, Net

During the nine-month period ended September 30, 2006, the Company recorded total restructuring charges of approximately \$23.3 million, of which \$13.5 million was associated with the restructuring announced in September 2006 (the "September 2006 Program"), primarily for employee severance and other employee-related termination costs, and approximately \$10.0 million was associated with the restructuring announced in February 2006 (the "February 2006 Program"), primarily for employee severance and other employee-related termination costs.

The September 2006 Program is designed to reduce costs and improve the Company's profit margins, largely through a broad organizational streamlining that involved consolidating responsibilities in certain

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## REVLON, INC. AND SUBSIDIARIES

### NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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

related functions and reducing layers of management to increase accountability and effectiveness; streamlining support functions to reflect the new organization structure; eliminating certain senior executive positions; and consolidating various facilities.

The February 2006 Program involved the consolidation of certain functions within the Company's sales, marketing and creative groups, as well as certain headquarters functions, which changes were designed to streamline internal processes and to enable the Company to continue to be more effective and efficient in meeting the needs of its consumers and retail customers.

Details of the activities described above during the nine-month period ended September 30, 2006 are as follows:

	Balance as of January 1, 2006	Expenses, Net	Utilized, Net		Balance as of September 30, 2006
			Cash	Noncash	
Employee severance and other personnel benefits:					
2003 programs	\$ 1.2	\$ —	\$ (0.8)	\$ —	\$ 0.4
2004 programs	2.4	—	(2.2)	—	0.2
February 2006 Program	—	10.0	(5.1)	—	4.9
September 2006 Program	—	13.5	—	—	13.5
	3.6	23.5	(8.1)	—	19.0
Lease obligations	0.6	(0.2)	0.2	(0.2)	0.4
	<u>\$ 4.2</u>	<u>\$ 23.3</u>	<u>\$ (7.9)</u>	<u>\$ (0.2)</u>	<u>\$ 19.4</u>

As of September 30, 2006, the unpaid balance of the restructuring costs and other are included in "Accrued expenses and other" and "Other long-term liabilities" in the Company's Consolidated Balance Sheets. The remaining balance at September 30, 2006 for employee severance and other personnel benefits is \$19.4 million, of which \$6.1 million is expected to be paid by the end of 2006 and the remaining obligations of \$13.3 million are expected to be paid through 2008.

## (8) Geographic Information

The Company manages its business on the basis of one reportable operating segment. The Company has operations established in 16 countries outside of the U.S. and its products are sold throughout the world. Certain prior year amounts have been 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.

Geographic area:	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
Net sales:				
United States	\$ 159.5	\$ 141.5	\$ 537.8	\$ 502.0
International	146.4	133.8	414.7	392.5
	<u>\$ 305.9</u>	<u>\$ 275.3</u>	<u>\$ 952.5</u>	<u>\$ 894.5</u>

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**REVLON, INC. AND SUBSIDIARIES**  
**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
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Long-lived assets:	September 30,	December 31,
	2006	2005
United States	\$ 380.5	\$ 366.9
International	89.9	84.8
	<u>\$ 470.4</u>	<u>\$ 451.7</u>

Classes of similar products:	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
Net sales:				
Cosmetics, skin care and fragrances	\$ 180.7	\$ 180.0	\$ 594.8	\$ 589.8
Personal care	125.2	95.3	357.7	304.7
	<u>\$ 305.9</u>	<u>\$ 275.3</u>	<u>\$ 952.5</u>	<u>\$ 894.5</u>

**(9) Derivative Financial Instruments**

The Company uses derivative financial instruments, primarily foreign currency forward exchange contracts, to reduce the effects of fluctuations in foreign currency exchange rates. These contracts, which have been designated as cash flow hedges, were entered into primarily to hedge anticipated inventory purchases and certain intercompany payments denominated in foreign currencies and have maturities of less than one year. Any unrecognized income (loss) related to these contracts is recorded in the Statement of Operations primarily in cost of goods sold when the underlying transactions hedged are realized (e.g., when inventory is sold or intercompany transactions are settled). Products Corporation enters into these contracts with counterparties that are major financial institutions, and accordingly the Company believes that the risk of counterparty nonperformance is remote. The notional amount of the foreign currency forward exchange contracts outstanding at September 30, 2006 and December 31, 2005 was \$28.9 million and \$31.9 million, respectively. The fair value of the foreign currency forward exchange contracts outstanding at September 30, 2006 and December 31, 2005 was \$0.6 million and \$(0.2) million, respectively.

**(10) Long-term Debt**

2004 Credit Agreement:	September 30,	December 31,
	2006	2005
Term Loan Facility due 2010	\$ 800.0	\$ 700.0
Multi-Currency Facility due 2009	50.7	—
8 5/8% Senior Subordinated Notes due 2008 (a)	217.4	327.0
9½% Senior Notes due 2011, net of discounts	386.8	386.4
2004 Consolidated MacAndrews & Forbes Line of Credit	—	—
	<u>1,454.9</u>	<u>1,413.4</u>
Less current portion	(8.1)	—
	<u>\$ 1,446.8</u>	<u>\$ 1,413.4</u>

(a) While the 8 5/8% Senior Subordinated Notes are due in February 2008, under the 2004 Credit Agreement, Products Corporation must refinance such notes by October 30, 2007, such that not more than \$25.0 million of such notes remain outstanding.

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**REVLON, INC. AND SUBSIDIARIES**  
**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
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**2004 Credit Agreement and Amendments**

In July 2004, Products Corporation and certain of its subsidiaries entered into a bank credit agreement with a syndicate of lenders and Citicorp USA, Inc., as multi-currency administrative agent, term loan administrative

agent and collateral agent (as amended, the "2004 Credit Agreement"). The 2004 Credit Agreement originally provided up to \$960.0 million, which consisted of a term loan facility of \$800.0 million (the "Term Loan Facility") and a \$160.0 million asset-based, multi-currency revolving credit facility (the "Multi-Currency Facility"). Availability under the Multi-Currency Facility varies based upon the borrowing base that is determined by the value of eligible accounts receivable, eligible inventory and eligible real property and equipment in the U.S. and the U.K. from time to time. In March 2005, the Term Loan Facility was reduced to \$700.0 million following Products Corporation's March 2005 prepayment of \$100.0 million and in July 2006, the Term Loan Facility was increased back to \$800.0 million as a result of the \$100.0 million Term Loan Add-on (as hereinafter defined). Products Corporation may request the Multi-Currency Facility to be increased from time to time in an aggregate principal amount not to exceed an incremental \$50.0 million subject to certain conditions and subject to the lenders' agreement.

The Multi-Currency Facility will terminate on July 9, 2009 and the loans under the Term Loan Facility will mature on July 9, 2010; provided that the 2004 Credit Agreement will terminate on October 30, 2007, if Products Corporation's 8 5/8% Senior Subordinated Notes (as hereinafter defined) are not redeemed, repurchased, defeased or repaid on or before such date such that not more than \$25.0 million in aggregate principal amount of the 8 5/8% Senior Subordinated Notes remain outstanding.

In February 2006, Products Corporation secured an amendment to the 2004 Credit Agreement (the "first amendment"), which excludes from various financial covenants certain charges in connection with the February 2006 Program described in Note 7 above, as well as some start-up costs incurred by the Company in 2005 related to the **Vital Radiance** brand and the complete re-stage of the **Almay** brand. Specifically, the first amendment provides for the add-back to the 2004 Credit Agreement's definition of "EBITDA" the lesser of (i) \$50 million; or (ii) the cumulative one-time charges associated with (a) the February 2006 Program described in Note 7 and (b) the non-recurring costs in the third and fourth quarters of 2005 associated with the **Vital Radiance** brand and the complete re-stage of the **Almay** brand. Under the 2004 Credit Agreement, "EBITDA" is used in the determination of Products Corporation's senior secured leverage ratio and the consolidated fixed charge coverage ratio.

On July 28, 2006, Products Corporation secured a further amendment (the "second amendment") to its 2004 Credit Agreement to, among other things, add an additional \$100.0 million to the 2004 Credit Agreement's Term Loan Facility (the "Term Loan Add-on"). The second amendment also reset the 2004 Credit Agreement's senior secured leverage ratio covenant to 5.5 to 1.0 through June 30, 2007, stepping down to 5.0 to 1.0 for the remainder of the term of the 2004 Credit Agreement. The second amendment also enables Products Corporation to add back to the 2004 Credit Agreement's definition of "EBITDA" up to \$25 million related to restructuring charges (in addition to the restructuring charges permitted to be added back pursuant to the first amendment to the 2004 Credit Agreement) and charges for certain product returns and/or product discontinuances. Products Corporation used the net proceeds from the Term Loan Add-on to repay amounts outstanding under the Multi-Currency Facility, without any reduction in the commitment under that facility.

On September 29, 2006, Products Corporation secured an additional amendment (the "third amendment") to its 2004 Credit Agreement, which enables Products Corporation to add back to the 2004 Credit Agreement's definition of "EBITDA" up to \$75 million of restructuring charges (in addition to the restructuring charges permitted to be added back pursuant to the first and second amendments to the 2004 Credit Agreement), asset impairment charges, inventory write-offs, inventory returns costs and in each case related charges in connection with the previously-announced discontinuance of the **Vital Radiance** brand, the Company's recent CEO change and the September 2006 Program described in Note 7.

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**REVLON, INC. AND SUBSIDIARIES**  
**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
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***Redemption of 8 5/8% Senior Subordinated Notes***

In March 2006, Revlon, Inc. completed a \$110 million Rights Offering (as hereinafter defined) and promptly transferred the proceeds from the Rights Offering to Products Corporation, which it used in April 2006, together with available cash, to complete the redemption of \$109.7 million aggregate principal amount of its 8 5/8% Senior Subordinated Notes due February 1, 2008 (the "8 5/8% Senior Subordinated Notes") in satisfaction of the applicable requirements under its 2004 Credit Agreement, at an aggregate redemption price of \$111.8 million, including \$2.1 million of accrued and unpaid interest up to, but not including, the redemption date. Following such redemption, there remained outstanding \$217.4 million in aggregate principal amount of the 8 5/8% Senior Subordinated Notes.

**(11) Rights Offering**

In March 2006, Revlon, Inc. completed a \$110 million Rights Offering (including the private placement to MacAndrews & Forbes, the "Rights Offering") that it launched in February 2006, which allowed stockholders to purchase additional shares of Class A Common Stock. The subscription price for each share of Class A Common Stock purchased in the Rights Offering, including shares purchased in the private placement by MacAndrews & Forbes, was \$2.80 per share. Upon completing the Rights Offering, Revlon, Inc. promptly transferred the proceeds to Products Corporation, which it used as described under Note 10 – "Redemption of 8 5/8% Senior Subordinated Notes".

In completing the Rights Offering, Revlon, Inc. issued an additional 39,285,714 shares of its Class A Common Stock, including 15,885,662 shares subscribed for by public shareholders (other than MacAndrews & Forbes) and 23,400,052 shares issued to MacAndrews & Forbes in a private placement directly from Revlon, Inc. The shares issued to MacAndrews & Forbes represented the number of shares of Revlon, Inc.'s Class A Common Stock that MacAndrews & Forbes would otherwise have been entitled to purchase pursuant to its basic subscription privilege in the Rights Offering (which was approximately 60% of the shares of Revlon, Inc.'s Class A Common Stock offered in the Rights Offering).

Revlon, Inc. currently intends to conduct a further \$75 million equity issuance in late 2006 or in the first quarter of 2007, the net cash proceeds of which are intended to be used to repay Products Corporation's indebtedness. In connection with such equity issuance, Revlon, Inc. entered into an amendment to its Investment Agreement with MacAndrews & Forbes extending MacAndrews & Forbes' back-stop obligations through March 31, 2007. Additionally, in February 2006 Products Corporation entered into an amendment to its 2004 Consolidated MacAndrews & Forbes Line of Credit, which was undrawn on September 30, 2006, to ensure that such line of credit remains available to Products Corporation through the completion of Revlon, Inc.'s planned \$75 million equity issuance.

**REVLON, INC. AND SUBSIDIARIES**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION**  
**AND RESULTS OF OPERATIONS**  
(all tabular amounts in millions, except per share amounts)

**Item 2. 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 an indirect majority-owned subsidiary of MacAndrews & Forbes Holdings Inc. ("MacAndrews & Forbes Holdings") and together with 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, skincare, fragrances, beauty tools, hair color, anti-perspirants/deodorants and other personal care products. The Company's principal customers include large mass volume retailers and chain drug and food stores, as well as certain department stores and other specialty stores, such as perfumeries. The Company also sells beauty products to U.S. military exchanges and commissaries and has a licensing business, pursuant to which the Company licenses certain of its key brand names to third parties for complementary beauty-related products and accessories.

**Revlon** is one of the world's leading mass-market beauty brands. **Revlon** 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**, **ColorStay**, **Fabulash**, **Super Lustrous** and **Revlon Age Defying** makeup with **Botafirm**, as well as the completely re-staged **Almay** brand, including the Company's **Almay Intense i-Color** collection, in cosmetics; **Almay**, **Ultima II** and **Gatineau** in skincare; **Charlie** and **Jean Naté** in fragrances; **Revlon** and **Expert Effect** in beauty tools; **Colorsilk** and **Custom Effects** in hair color; and **Mitchum**, **Flex** and **Bozzano** in personal care products.

The Company's objectives include:

- (1) remaining a leader in the beauty business by continuing to provide innovation and leveraging the Company's strong, established brands, particularly the **Revlon** brand, around the world and leveraging the Company's improved relationships with its consumers and retail customers,
- (2) building the excitement and the glamour of **Revlon**-branded color cosmetics and other beauty products, through, among other things, innovation in product development, maximizing all elements of marketing and executing the Company's business plans and new product introductions with excellence,
- (3) building upon the Company's leadership in healthy beauty color cosmetics with the Company's completely re-staged **Almay** brand,
- (4) supporting and building the Company's brands globally and investing at appropriate competitive levels, while controlling spending and working capital, and
- (5) continuing to capitalize on the significant opportunities the Company has to improve its operating profit margins and cash flow over time.

The Company intends to continue to focus on the opportunities that the Company believes exist to increase its operating profit margin and to improve cash flows over time, with key areas of focus being

**REVLON, INC. AND SUBSIDIARIES**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION**  
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actions intended to improve results in the areas of cost of goods sold and returns, as well as overhead and administrative expenses. The Company's cost savings initiatives include, among other things, actions intended to improve product life cycle management, improve in-store merchandising, improve on cost of goods sold (through, among other things, value analysis, package rationalization and strategic sourcing), improve the effectiveness and efficiency of trade promotions, focus on savings from strategic procurement in general and administrative costs, optimize the Company's international supply chain and optimize the Company's overall cost structure.

On September 18, 2006, Revlon, Inc. announced that Jack Stahl, the Company's former President and Chief Executive Officer, was leaving the Company and that its Board of Directors elected David Kennedy as a Director and as President and Chief Executive Officer. Mr. Kennedy previously served as Revlon's Executive Vice President, Chief Financial Officer and Treasurer, and prior to that as the Company's Executive Vice President and President of Revlon's international operations.

In connection with Mr. Stahl's departure from the Company, pursuant to the terms of his separation agreement, the Company incurred charges of \$9.4 million in the third quarter of 2006, including \$6.2 million for severance and related costs and \$3.2 million for the accelerated amortization of his unvested options and unvested restricted stock.

On September 25, 2006, the Company also announced the discontinuance of its **Vital Radiance** brand. As a result, the Company incurred charges of approximately \$49.1 million in the third quarter of 2006, including a provision for estimated returns and allowances of approximately \$30.5 million, as well as approximately \$15.1 million for the write-off of inventories and selling and promotional materials, and approximately \$3.1 million for the write-off and acceleration of amortization of displays.

Certain prior year amounts have been 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.

## Restructuring Programs

In February 2006, Revlon, Inc. announced an organizational realignment (the "February 2006 Program") and has recorded charges of \$10.0 million for the nine-month period ended September 30, 2006, primarily for employee severance and other employee-related termination benefits. The February 2006 Program involved the consolidation of certain functions within the Company's sales, marketing and creative groups, as well as certain headquarters functions, which changes are designed to streamline internal processes and to enable the Company to continue to be more effective and efficient in meeting the needs of its consumers and retail customers.

The Company anticipates that the February 2006 Program will generate ongoing annualized savings of approximately \$15 million that will primarily benefit SG&A expenses. (See Note 7 to the Unaudited Consolidated Financial Statements).

On September 25, 2006, Revlon, Inc. announced the September 2006 Program, a restructuring plan designed to reduce costs and improve the Company's profit margins, largely through a broad organizational streamlining that involved consolidating responsibilities in certain related functions and reducing layers of management to increase accountability and effectiveness; streamlining support functions to reflect the new organization structure; eliminating certain senior executive positions; and consolidating various facilities. The September 2006 Program is expected to result in staffing reductions of approximately 250 employees, primarily in the U.S., or approximately 8% of the Company's total U.S. workforce, and the exiting of certain leased space, principally at the Company's headquarters facility in New York City.

The Company expects to incur approximately \$29 million of restructuring charges and other costs to implement the September 2006 Program, consisting of approximately \$19 million of expected costs related

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### REVLON, INC. AND SUBSIDIARIES MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (all tabular amounts in millions, except per share amounts)

to employee severance and other employee-related termination costs and approximately \$10 million of expected costs related to leases and other asset write-offs. Of the approximately \$29 million in expected restructuring charges, the Company incurred approximately \$14 million of these charges during the fiscal quarter ended September 30, 2006 and expects to incur approximately \$7 million of charges in the fourth quarter of 2006, with the balance of approximately \$8 million of these charges expected to be incurred during the first half of fiscal year 2007. Approximately \$19 million of these charges are expected to reflect cash charges that the Company expects to pay out over the 2006 to 2008 period. The Company also expects to incur approximately \$3.0 million of accelerated amortization charges in SG&A expenses in the fourth quarter of 2006. The Company anticipates that the September 2006 Program will generate ongoing annualized savings of approximately \$34 million that will primarily benefit SG&A expenses. (See Note 7 to the Unaudited Consolidated Financial Statements).

#### Overview of Net Sales and Earnings Results

Net sales in the third quarter of 2006 increased \$30.6 million, or 11.1%, to \$305.9 million, as compared with \$275.3 million in the third quarter of 2005 due to higher net sales in the Company's U.S. and international operations. Net sales for the nine-month period ended September 30, 2006 increased \$58.0 million, or 6.5%, to \$952.5 million, as compared with \$894.5 million for the nine-month period ended September 30, 2005, due to higher net sales in the Company's U.S. and international operations.

In the U.S., net sales for the third quarter of 2006 increased \$18.0 million, or 12.7%, to \$159.5 million, from \$141.5 million in the third quarter of 2005. In the nine-month period ended September 30, 2006, net sales increased \$35.8 million, or 7.1%, to \$537.8 million from \$502.0 million in the nine-month period ended September 30, 2005. The increase in net sales in the third quarter of 2006 is primarily due to higher shipments of beauty care and **Vital Radiance** products and lower provisions for returns and allowances. The third quarter of 2006 included approximately \$24.4 million of returns and allowances provisions related to the discontinuance of the **Vital Radiance** brand; and the third quarter of 2005 included approximately \$31.8 million of returns and allowances provisions related to the complete re-stage of the **Almay** brand. The increase in net sales for the nine-month period ended September 30, 2006 is primarily due to higher shipments of beauty care and **Vital Radiance** products, partially offset by higher provisions for returns and allowances. The nine months ended September 30, 2006 included approximately \$41.6 million of returns and allowances provisions related to the **Vital Radiance** brand; and the nine months ended September 30, 2005 included approximately \$31.8 million of returns and allowances provisions related to the complete re-stage of the **Almay** brand.

In the Company's international operations, net sales for the third quarter of 2006 increased \$12.6 million, or 9.4%, to \$146.4 million, from \$133.8 million in the third quarter of 2005. In the nine-month period ended September 30, 2006, net sales increased \$22.2 million, or 5.7%, to \$414.7 million, from \$392.5 million in the nine-month period ended September 30, 2005. The increase in net sales in the third quarter and nine-month period ended September 30, 2006, as compared with the third quarter and nine-month period ended September 30, 2005, was due primarily to the increase in net sales in the European and Latin American regions.

Net loss for the third quarter of 2006 increased by \$35.1 million to \$100.5 million, as compared with a net loss of \$65.4 million in the third quarter of 2005. In the nine-month period ended September 30, 2006, net loss increased by \$97.8 million to \$245.8 million, as compared with a net loss of \$148.0 million in the nine-month period ended September 30, 2005. Higher net sales for the third quarter of 2006 were more than offset by higher inventory obsolescence charges, primarily related to estimated excess inventory in connection with the discontinuance of the **Vital Radiance** brand, higher selling, general and administrative expenses ("SG&A"), primarily related to higher advertising and promotion in support of the **Vital Radiance** brand and the complete re-stage of **Almay**, higher restructuring expense primarily due to the September 2006 Program and higher interest expense. Higher net sales for the nine-month period ended

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September 30, 2006 were more than offset by higher inventory obsolescence charges primarily related to the discontinuance of the **Vital Radiance** brand and estimated excess inventory related to certain **Almay** products, higher SG&A primarily related to advertising and promotion expense incurred to support the **Vital Radiance** brand and the complete re-stage of the **Almay** brand, higher restructuring expense due to the February 2006 and September 2006 Programs and higher interest expense.

#### Overview of U.S. Market Share Data

In terms of U.S. marketplace performance, the U.S. color cosmetics category for the third quarter of 2006 increased approximately 5.7% versus the third quarter of 2005 and 4.8% for the first nine-month period of 2006 versus the first nine-month period of 2005. Combined U.S. mass-market share for the **Revlon**, **Almay** and **Vital Radiance** brands are summarized in the table below:

	\$ Share %					
	Three Months Ended September 30,			Nine Months Ended September 30,		
	2006	2005	Point Change	2006	2005	Point Change
Total <b>Revlon</b> Color Cosmetics	22.1%	21.6%	0.5	21.9%	22.0%	(0.1)
<b>Revlon</b> Brand	14.5	15.3	(0.7)	14.5	15.6	(1.1)
<b>Almay</b> Brand	6.3	6.3	—	6.4	6.5	(0.1)
<b>Vital Radiance</b> Brand	1.3	—	1.3	1.1	—	1.1
Total Company Women's Hair Color	9.4	8.4	1.0	9.1	8.4	0.7
Total Company Anti- perspirants/deodorants	6.1	6.1	—	6.2	6.2	—
<b>Revlon</b> Beauty Tools	26.6	25.3	1.3	26.7	25.2	1.5

All U.S. market share and market position 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-market distribution channel. Such data represent ACNielsen's estimates based upon data gathered by ACNielsen from market samples 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 2005 worldwide net sales. From time to time, ACNielsen adjusts its methodology for data collection and reporting, which may result in adjustments to the categories and market shares tracked by ACNielsen for both current and prior periods. The category and market share data contained herein has been updated to reflect ACNielsen's July 2005 adjustments.

#### Overview of Financing Activities

The Company has engaged in a number of financing transactions during 2006, including the Rights Offering (as hereinafter defined) completed in March 2006 and the related redemption of approximately \$110 million of Products Corporation's 8 5/8% Senior Subordinated Notes due February 1, 2008 (the "8 5/8% Senior Subordinated Notes") completed in April 2006, as well as the \$100.0 million Term Loan Add-on completed in July 2006. (See "Financial Condition, Liquidity and Capital Resources-2006 Refinancing Transactions").

In March 2006, Revlon, Inc. completed a \$110 million Rights Offering (including the private placement to MacAndrews & Forbes, the "Rights Offering") and issued an additional 39,285,714 shares of its Class A common stock, par value of \$0.01 per share (the "Class A Common Stock"), including 15,885,662 shares subscribed for by public shareholders and 23,400,052 shares issued to MacAndrews &

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Forbes in a private placement directly from Revlon, Inc. Revlon, Inc. promptly transferred the net proceeds of such Rights Offering to Products Corporation, which it used in April 2006, together with available cash, to redeem \$109.7 million in aggregate outstanding principal amount of its 8 5/8% Senior Subordinated Notes (See "Financial Condition, Liquidity and Capital Resources – 2006 Refinancing Transactions").

Revlon, Inc. currently intends to conduct a further \$75 million equity issuance in late 2006 or in the first quarter of 2007, the net cash proceeds of which are intended to be used to repay Products Corporation's indebtedness. In connection with such equity issuance, Revlon, Inc. entered into an amendment to its Investment Agreement with MacAndrews & Forbes extending MacAndrews & Forbes' back-stop obligations through March 31, 2007. Additionally, in February 2006 Products Corporation entered into an amendment to its 2004 Consolidated MacAndrews & Forbes Line of Credit, which was undrawn on September 30, 2006, to ensure that such line of credit remains available to Products Corporation through the completion of Revlon, Inc.'s planned \$75 million equity issuance.

In February 2006, Products Corporation secured an amendment (the "first amendment") to the 2004 Credit Agreement (as hereinafter defined) which excludes from various financial covenants certain charges in connection with Products Corporation's organizational realignment announced in February 2006 and as described further in Note 7 to the Unaudited Consolidated Financial Statements, as well as some start-up costs incurred by the Company in 2005 related to the **Vital Radiance** brand and the complete re-stage of the **Almay** brand. Specifically, the first amendment enables Products Corporation to add-back to the 2004 Credit Agreement's definition of "EBITDA" the lesser of (i) \$50 million; or (ii) the cumulative one-time charges associated with (a) the aforementioned February 2006 organizational realignment; and (b) the non-recurring costs in the third and fourth quarters of 2005 associated with the **Vital Radiance** brand and the complete re-stage of its **Almay** brand. Under the 2004 Credit Agreement, "EBITDA" is used in the determination of Products Corporation's senior secured leverage ratio and the consolidated fixed charge coverage ratio.

On July 28, 2006, Products Corporation secured an additional amendment (the "second amendment") to its 2004 Credit Agreement to, among other things, add an additional \$100.0 million to the 2004 Credit Agreement's Term Loan Facility (the "Term Loan Add-on"). The second amendment also reset the 2004 Credit Agreement's senior secured leverage ratio covenant to 5.5 to 1.0 through June 30, 2007, stepping down to 5.0 to 1.0 for the remainder of the term of the 2004 Credit Agreement. The second amendment also enables Products Corporation to add back to the 2004 Credit Agreement's definition of "EBITDA" up to \$25 million related to restructuring charges (in addition to the restructuring charges permitted to be added back pursuant to the first amendment to the 2004 Credit Agreement) and charges for certain product returns and/or product discontinuances. Products Corporation used the net proceeds from the Term Loan Add-on to repay amounts outstanding under the Multi-Currency Facility, without any reduction in the commitment under that facility.

On September 29, 2006, Products Corporation secured an additional amendment (the "third amendment") to its 2004 Credit Agreement, which enables Products Corporation to add back to the 2004 Credit Agreement's definition of "EBITDA" up to \$75 million of restructuring charges (in addition to the restructuring charges permitted to be added back pursuant to the first and second amendments to the 2004 Credit Agreement), asset impairment charges, inventory write-offs, inventory returns costs and in each case related charges in connection with the previously-announced discontinuance of the **Vital Radiance** brand, the Company's recent CEO change and the September 2006 Program.

## Discussion of Critical Accounting Policies

### Stock-Based Compensation

Prior to January 1, 2006 (including the fiscal quarter ended September 30, 2005), the Company applied the intrinsic value method as outlined in Accounting Principles Board ("APB") Opinion No. 25,

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"Accounting for Stock Issued to Employees," ("APB No. 25") and related interpretations in accounting for stock options granted under the Company's Amended and Restated Revlon, Inc. Stock Plan (the "Stock Plan"), which provides for the issuance of awards in the form of stock options, stock appreciation rights and restricted or unrestricted stock to eligible employees and directors of Revlon, Inc. and its affiliates, including Products Corporation. Under the intrinsic value method, no compensation expense was recognized in fiscal periods ended prior to January 1, 2006 if the exercise price of the Company's employee stock options equaled the market price of Revlon, Inc.'s Class A Common Stock on the date of the grant. Since all options granted under Revlon, Inc.'s Stock Plan had an exercise price equal to the market value of the underlying Class A Common Stock on the date of grant, no compensation expense was recognized in the accompanying consolidated statements of operations for the fiscal periods ended on or before December 31, 2005 on stock options granted to employees.

Effective January 1, 2006, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 123(R), "Share-Based Payment" ("SFAS No. 123(R)"). This statement replaces SFAS No. 123, "Accounting for Stock-Based Compensation" ("SFAS No. 123") and supersedes APB No. 25. SFAS No. 123(R) requires that effective for fiscal periods ending after December 31, 2005, all stock-based compensation be recognized as an expense, net of the effect of expected forfeitures, in the financial statements and that such expense be measured at the fair value of the Company's stock based awards and generally recognized over the grantee's required service period. The Company uses the modified prospective method of application, which requires recognition of compensation expense on a prospective basis. Therefore, the Company's financial statements for fiscal periods ended on or before December 31, 2005 have not been restated to reflect compensation expense in respect of awards of stock options under the Stock Plan. Under this method, in addition to reflecting compensation expense for new share-based awards granted on or after January 1, 2006, expense is also recognized to reflect the remaining service period (generally, the vesting period of the award) of awards that had been included in the Company's pro forma disclosures in fiscal periods ended on or before December 31, 2005. SFAS No. 123(R) also requires that excess tax benefits related to stock option exercises be reflected as financing cash inflows instead of operating cash inflows. For the nine-month period ended September 30, 2006, no adjustments have been made to the cash flow statement, as any excess tax benefits that would have been realized have been fully provided for, given the Company's historical losses and deferred tax valuation allowance.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model based on the weighted-average assumptions listed in Note 2 to the Unaudited Consolidated Financial Statements. Expected volatilities are based on the daily historical volatility of the NYSE closing stock price of the Company's Class A Common Stock, over the expected life of the option. The expected life of the option represents the period of time that options granted are expected to be outstanding, which the Company calculates using a formula based on the vesting term and the contractual life of the respective option. The risk-free interest rate for periods during the expected life of the option is based upon the rate in effect at the time of the grant on a zero coupon U.S. Treasury bill for periods approximating the expected life of the option. If factors change and the Company employs different assumptions in the application of SFAS No. 123(R) in future periods, the compensation expense that the Company records under SFAS No. 123(R) may differ significantly from what has been recorded in the current period. In addition, judgment is also required in estimating the amount of share-based awards that are expected to be forfeited. If actual results differ significantly from these estimates, stock-based compensation expense and the Company's results of operations could be materially impacted.

For a discussion of the Company's other critical accounting policies, see the Company's Annual Report on Form 10-K for the year ended December 31, 2005.

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### Results of Operations

In the tables, numbers in parenthesis ( ) denote unfavorable variances. Certain prior year amounts have been 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.

#### Net sales:

Net sales in the third quarter of 2006 increased \$30.6 million, or 11.1%, to \$305.9 million, as compared with \$275.3 million in the third quarter of 2005, due to higher net sales in the Company's U.S. and international operations.

Net sales for the nine-month period ended September 30, 2006 increased \$58.0 million, or 6.5%, to \$952.5 million, as compared with \$894.5 million for the nine-month period ended September 30, 2005, due to higher net sales in the Company's U.S. and international operations.

	Three Months Ended		Change	
	September 30,		\$	%
	2006	2005		
United States	\$ 159.5	\$ 141.5	\$ 18.0	12.7
International	146.4	133.8	12.6	9.4(1)
	<u>\$ 305.9</u>	<u>\$ 275.3</u>	<u>\$ 30.6</u>	11.1(2)

- (1) Excluding the impact of foreign currency fluctuations, International net sales increased 8.5%.  
(2) Excluding the impact of foreign currency fluctuations, consolidated net sales increased 10.7%.

	Nine Months Ended		Change	
	September 30,		\$	%
	2006	2005		
United States	\$ 537.8	\$ 502.0	\$ 35.8	7.1
International	414.7	392.5	22.2	5.7(1)
	<u>\$ 952.5</u>	<u>\$ 894.5</u>	<u>\$ 58.0</u>	6.5(2)

- (1) Excluding the impact of foreign currency fluctuations, International net sales increased 5.4%.  
(2) Excluding the impact of foreign currency fluctuations, consolidated net sales increased 6.4%.

### United States

#### Third quarter results

In the U.S., net sales for the third quarter of 2006 increased \$18.0 million, or 12.7%, to \$159.5 million, from \$141.5 million in the third quarter of 2005. This increase in net sales in the third quarter of 2006 is primarily due to higher shipments of beauty care and **Vital Radiance** products and lower provisions for returns and allowances. The third quarter of 2006 included approximately \$24.4 million of returns and allowances provisions related to the discontinuance of the **Vital Radiance** brand; and the third quarter of 2005 included approximately \$31.8 million of returns and allowances provisions related to the complete re-stage of the **Almay** brand.

#### Year-to-date results

In the nine-month period ended September 30, 2006, net sales increased \$35.8 million, or 7.1%, to \$537.8 million from \$502.0 million in the nine-month period ended September 30, 2005. This increase in

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net sales for the nine-month period ended September 30, 2006 is primarily due to higher shipments of beauty care and **Vital Radiance** products, partially offset by higher provisions for returns and allowances. The nine-month period ended September 30, 2006 included approximately \$41.6 million of returns and allowances provisions related to the **Vital Radiance** brand; and the nine-month period ended September 30, 2005 included approximately \$31.8 million of returns and allowances provisions related to the complete re-stage of the **Almay** brand.

### International

For the third quarter of 2006, net sales in the Company's international operations were \$146.4 million, compared with \$133.8 million for the third quarter of 2005, an increase of \$12.6 million, or 9.4%. In the nine-month period ended September 30, 2006, net sales in the Company's international operations were \$414.7 million, compared with \$392.5 million for the nine-month period ended September 30, 2005, an increase of \$22.2 million, or 5.7%. Excluding the impact of foreign currency fluctuations, international net sales increased in the third quarter of 2006 by \$11.4 million, or 8.5%, and in the nine-month period ended September 30, 2006 by \$21.3 million, or 5.4%, as compared to the third quarter and nine-month period ended September 30, 2005, respectively. The increase in net sales in the third quarter and nine-month period ended September 30, 2006 in the Company's international operations, as compared with the third quarter and nine-month period ended September 30, 2005, was driven primarily by the increase in net sales in the European and Latin American regions.

#### Third quarter results by region

In Asia Pacific and Africa, for the third quarter of 2006, net sales were substantially unchanged at \$58.5 million, as compared with the third quarter of 2005. Excluding the impact of foreign currency fluctuations, in the third quarter of 2006 net sales in Asia Pacific and Africa increased \$2.2 million, or 3.8%, as compared with the third quarter of 2005. This increase in net sales, excluding the impact of foreign currency fluctuations, was due to South Africa (which factor the Company estimates contributed to an approximate 3.9% increase in net sales for the region for the third quarter of 2006, as compared with the third quarter of 2005).

In Europe, which is comprised of Europe, Canada and the Middle East, for the third quarter of 2006, net sales increased by \$8.3 million, or 17.8%, to \$54.8 million, as compared with \$46.5 million for the third quarter of 2005. Excluding the impact of foreign currency fluctuations, in the third quarter of 2006 net sales in Europe increased by \$5.2 million, or 11.2%, as compared with the third quarter of 2005. The increase in net sales, excluding the impact of foreign currency fluctuations, was due to Canada, the U.K. and France (which factor the Company estimates contributed to an approximate 11.2% increase in net sales for the region for the third quarter of 2006, as compared with the third quarter of 2005). This increase was partially offset by the lower net sales in certain distributor markets (which factor the Company estimates contributed to an approximate 1.6% decrease in net sales for the region for the third quarter of 2006).

In Latin America, which is comprised of Mexico, Central America and South America, for the third quarter of 2006, net sales increased by \$4.4 million, or 15.3%, to \$33.1 million, as compared with \$28.7 million for the third quarter of 2005. Excluding the impact of foreign currency fluctuations, in the third quarter of 2006 net sales in Latin America increased by \$4.0 million, or 13.9%, as compared with the third quarter of 2005. The increase in net sales, excluding the impact of foreign currency fluctuations, was driven primarily by Mexico and Venezuela



(which factor the Company estimates contributed to an approximate 10.1% increase in net sales for the region in the third quarter of 2006, as compared with the third quarter of 2005).

*Year-to-date results by region*

In Asia Pacific and Africa, for the nine-month period ended September 30, 2006, net sales decreased by \$2.4 million, or 1.4%, to \$173.1 million, as compared with \$175.5 million for the nine-month period

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ended September 30, 2005. Excluding the impact of foreign currency fluctuations, net sales in Asia Pacific and Africa increased \$3.0 million, or 1.7%, in the nine-month period ended September 30, 2006, as compared to the nine-month period ended September 30, 2005. This increase in net sales, excluding the impact of foreign currency fluctuations, was driven by South Africa, Australia and China (which factor the Company estimates contributed to an approximate 3.1% increase in net sales for the region in the nine-month period ended September 30, 2006, as compared with the nine-month period ended September 30, 2005), partially offset by the lower net sales in Hong Kong, Taiwan and in certain distributor markets (which factor the Company estimates contributed to an approximate 1.4% decrease in net sales for the region for the nine-month period ended September 30, 2006, as compared with the nine-month period ended September 30, 2005).

In Europe, for the nine-month period ended September 30, 2006, net sales increased by \$12.3 million, or 8.8%, to \$151.5 million, as compared to \$139.2 million for the nine-month period ended September 30, 2005. Excluding the impact of foreign currency fluctuations, in the nine-month period ended September 30, 2006, net sales in Europe increased by \$9.0 million, or 6.5%, as compared to the nine-month period ended September 30, 2005. The increase in net sales, excluding the impact of foreign currency fluctuations, was due to Canada and the U.K. (which factor the Company estimates contributed to an approximate 7.1% increase in net sales for the region for the nine-month period ended September 30, 2006, as compared with the nine-month period ended September 30, 2005), partially offset by the lower net sales in certain distributor markets (which factor the Company estimates contributed to an approximate 0.8% decrease in net sales for the region for the nine-month period ended September 30, 2006, as compared with the nine-month period ended September 30, 2005).

In Latin America, for the nine-month period ended September 30, 2006, net sales increased by \$12.3 million, or 15.8%, to \$90.1 million, as compared with \$77.8 million for the nine-month period ended September 30, 2005. Excluding the impact of foreign currency fluctuations, in the nine-month period ended September 30, 2006 net sales in Latin America increased by \$9.3 million, or 12.0%, as compared to the nine-month period ended September 30, 2005. The increase in net sales, excluding the impact of foreign currency fluctuations, was driven primarily by Venezuela, Mexico and certain distributor markets (which factor the Company estimates contributed to an approximate 11.5% increase in net sales for the region in the nine-month period ended September 30, 2006, as compared with the nine-month period ended September 30, 2005).

**Gross profit:**

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2006	2005	Change	2006	2005	Change
Gross profit	\$ 157.0	\$ 158.3	\$ (1.3)	\$ 548.3	\$ 544.4	\$ 3.9

For the third quarter of 2006, gross profit decreased \$1.3 million to \$157.0 million, as compared with \$158.3 million for the third quarter of 2005. The decrease in gross profit was primarily due to higher obsolescence charges of \$11.5 million for estimated excess inventory levels in connection to the Company's discontinuance of the **Vital Radiance** brand, and \$2.5 million of obsolescence charges related to a promotional program, offset in large part by the higher dollar value of shipments.

For the nine-month period ended September 30, 2006, gross profit increased \$3.9 million to \$548.3 million, as compared with \$544.4 million for the nine-month period ended September 30, 2005. The increase in gross profit was primarily due to the higher dollar value of shipments, which was offset in large part by higher allowances of approximately \$39 million, primarily to support the launch of the **Vital Radiance** brand and the complete re-stage of the **Almay** brand and the aforementioned obsolescence charges of \$11.5 million for estimated excess inventory levels in connection with the Company's

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discontinuance of the **Vital Radiance** brand, as well as increased obsolescence charges, primarily related to estimated excess inventory of \$6.0 million for certain **Almay** products and \$2.5 million related to a promotional program recorded in the third quarter of 2006. Gross profit for the nine-month period ended September 30, 2006 was also negatively impacted by the obsolescence charges of approximately \$10 million recorded in the second quarter of 2006 related to the estimated excess inventory levels in connection with the **Vital Radiance** brand prior to its discontinuance and in connection with certain **Almay** products.

**SG&A expenses:**

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2006	2005	Change	2006	2005	Change
SG&A expenses	\$ 200.4	\$ 190.6	\$ (9.8)	\$ 645.3	\$ 577.6	\$ (67.7)

For the third quarter of 2006, SG&A expenses increased \$9.8 million, or 5.1%, to \$200.4 million, as compared with \$190.6 million for the third quarter of 2005. Such increase was primarily due to higher brand support of \$6.9 million, of which \$3.6 million related to the write-off of certain **Vital Radiance** advertising,

marketing and promotional materials and software associated with the discontinuance of the **Vital Radiance** brand. In addition, SG&A expenses were higher due to higher display amortization expenses of \$5.4 million, including \$3.1 million of charges related to the write-off and accelerated amortization of certain displays in connection to the discontinuance of the **Vital Radiance** brand. The increase in SG&A for the third quarter of 2006 was also impacted by \$6.2 million of severance-related charges and \$3.2 million of accelerated amortization charges related to unvested options and unvested restricted stock in connection with the cessation of the former CEO's employment in September 2006. In addition, the increase in SG&A was also impacted by \$0.6 million of amortization expenses for stock options, resulting from the Company's adoption of SFAS No. 123(R) effective January 1, 2006. These increases were partially offset by reductions in travel, personnel and other general and administrative expenses.

For the nine-month period ended September 30, 2006, SG&A expenses increased \$67.7 million, or 11.7%, to \$645.3 million, as compared with \$577.6 million for the nine-month period ended September 30, 2005. Such increase was due in large part to higher brand support of approximately \$55 million, 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, higher display amortization costs of approximately \$15 million related to **Almay** and **Vital Radiance**, as well as charges related to the write-off of certain advertising, marketing and promotional materials, and software and the accelerated amortization and write-off of certain displays in connection with the discontinuance of the **Vital Radiance** brand. The increase in SG&A for the nine months ended September 30, 2006 was also impacted by \$6.2 million of severance-related charges and \$3.2 million of accelerated amortization charges related to unvested options and unvested restricted stock, in each case in connection with the cessation of the former CEO's employment in September 2006. In addition, the increase in SG&A was also impacted by \$5.1 million of amortization expenses for stock options, resulting from the Company's adoption of SFAS No. 123(R) effective January 1, 2006. These increases were partially offset by reductions in travel, personnel, professional services and other general and administrative expenses.

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**Restructuring costs and other, net:**

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2006	2005	Change	2006	2005	Change
Restructuring costs and other, net	\$ 13.8	\$ —	\$ (13.8)	\$ 23.3	\$ 1.5	\$ (21.8)

During the third quarter and nine-month period ended September 30, 2006, the Company recorded \$13.8 million and \$23.3 million, respectively, in restructuring for employee severance and other personnel benefits (See Note 7 to the Unaudited Consolidated Financial Statements regarding the organizational realignments announced by Revlon, Inc. in February 2006 and September 2006). During the nine-month period ended September 30, 2005, the Company recorded \$1.5 million in restructuring for employee severance and other personnel benefits related to the 2004 program.

**Other expenses:**

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2006	2005	Change	2006	2005	Change
Interest expense	\$ 38.3	\$ 33.2	\$ (5.1)	\$ 109.4	\$ 94.7	\$ (14.7)

For the third quarter of 2006, interest expense increased by \$5.1 million, as compared with the third quarter of 2005. Such increase was primarily due to higher average debt outstanding and higher weighted average borrowing rates, as compared with third quarter of 2005. For the nine-month period ended September 30, 2006, interest expense increased by \$14.7 million, as compared with the nine-month period ended September 30, 2005. Such increase was primarily due to higher average debt outstanding, including as a result of the \$100.0 million Term Loan Add-on, and higher weighted average interest rates, as compared with the nine-month period ended September 30, 2005.

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2006	2005	Change	2006	2005	Change
Loss on early extinguishment of debt	\$ —	\$ —	\$ —	\$ 0.4	\$ 9.0	\$ 8.6

For the nine-month period ended September 30, 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 8 5/8% Senior Subordinated Notes. For the nine-month period ended September 30, 2005, the loss on early extinguishment of debt represents (i) the loss on the redemption in April 2005 of all of the \$116.2 million in aggregate principal amount outstanding of Products Corporation's 8 1/8% Senior Notes due 2006 (the "8 1/8% Senior Notes") and all of the \$75.5 million in aggregate principal amount outstanding of Products Corporation's 9% Senior Notes due 2006 (the "9% Senior Notes"), (ii) the \$5.0 million prepayment fee related to the prepayment in March 2005 of \$100.0 million of indebtedness outstanding under the Term Loan Facility of the 2004 Credit Agreement using a portion of the proceeds from Products Corporation's issuance of \$310 million of its 9 1/2% Senior Notes due 2011 (the "9 1/2% Senior Notes"), and (iii) the write-off of the portion of deferred financing costs related to such prepaid amount.

**Provision for income taxes:**

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2006	2005	Change	2006	2005	Change
Provision for income taxes	\$ 3.3	\$ 2.3	\$ (1.0)	\$ 12.0	\$ 9.2	\$ (2.8)

The increase in the tax provision in the third quarter and the nine-month period ended September 30, 2006, as compared with the third quarter and the nine-month period ended

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September 30, 2005, was primarily attributable to higher taxable income in certain markets outside the U.S., offset in part by the favorable resolution of various international tax matters.

**Financial Condition, Liquidity and Capital Resources**

In the nine-month period ended September 30, 2006, net cash used by operating activities increased to \$124.8 million, as compared with \$115.9 million of net cash used in the nine-month period ended September 30, 2005. This increase was due to the larger net loss, increased purchases of permanent displays, partially offset by favorable changes in net working capital. For the nine-month period ended September 30, 2006 and 2005, net cash used in investing activities was \$15.5 million and \$16.0 million, respectively, in each case for capital expenditures.

For the nine-month period ended September 30, 2006 and 2005, net cash provided by financing activities was \$132.7 million and \$92.1 million, respectively. For the nine-month period ended September 30, 2006, net cash provided by financing activities included net proceeds of \$107.2 million from Revlon, Inc.'s issuance of Class A Common Stock in the March 2006 Rights Offering, borrowings during the second and third quarter of 2006 under the Multi-Currency Facility and \$100.0 million from borrowings under the Term Loan Add-on. The net proceeds from Revlon, Inc.'s 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 8 5/8% Senior Subordinated Notes at an aggregate redemption price of \$111.8 million, including \$2.1 million of accrued and unpaid interest up to, but not including, the redemption date and paid related financing costs of \$9.4 million. The proceeds from the \$100.0 million Term Loan Add-on were used to repay in July 2006 amounts outstanding under the Multi-Currency Facility without any reduction in the commitment under the Multi-Currency Facility. (See "Financial Condition, Liquidity and Capital Resources – 2006 Refinancing Transactions"). For the nine-month period ended September 30, 2005, net cash provided by financing activities included proceeds from the issuance in March and August 2005 of \$386 million aggregate principal amount of Products Corporation's 9½% Senior Notes. The net proceeds from such issuance of the 9½% Senior Notes in March 2005 were used to prepay \$100.0 million of indebtedness under the Term Loan Facility of Products Corporation's 2004 Credit Agreement, along with the \$5.0 million prepayment fee. The Company also used such proceeds to redeem all of the \$116.2 million aggregate principal amount outstanding of Products Corporation's 8 1/8% Senior Notes, plus accrued interest, and all of the \$75.5 million aggregate principal amount outstanding of Products Corporation's 9% Senior Notes, plus accrued interest and the applicable premium and the payment of financing costs.

At October 31, 2006, the Company had a liquidity position, excluding cash in compensating balance accounts, of approximately \$154 million, consisting of cash and cash equivalents (net of any outstanding checks) of approximately \$6 million, as well as approximately \$61 million in available borrowings under the Multi-Currency Facility and \$87 million in available borrowings under the 2004 Consolidated MacAndrews & Forbes Line of Credit (as hereinafter defined).

**2004 Credit Agreement**

Products Corporation and certain of its subsidiaries entered into a credit agreement in 2004 with a syndicate of lenders and Citicorp USA, Inc., as multi-currency administrative agent, term loan administrative agent and collateral agent (as amended, the "2004 Credit Agreement"). The 2004 Credit Agreement consists of an \$800 million term loan facility (after giving effect to the \$100.0 million Term Loan Add-on described in "Overview – Overview of Financing Activities") (the "Term Loan Facility") and a \$160.0 million asset-based, multi-currency revolving credit facility (the "Multi-Currency Facility"). Availability under the Multi-Currency Facility varies based upon the borrowing base that is determined by the value of eligible accounts receivable, eligible inventory and eligible real property and equipment

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in the U.S. and the U.K. from time to time. Products Corporation may request the Multi-Currency Facility to be increased from time to time in an aggregate principal amount not to exceed \$50.0 million subject to certain conditions and subject to the lenders' agreement. (For further discussions on the terms of the 2004 Credit Agreement, see Note 10 to the Unaudited Consolidated Financial Statements of this Form 10-Q, Note 9 "Long-Term Debt" to the Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2005 and the Company's Current Report on Form 8-K filed with the SEC on July 28, 2006).

The Multi-Currency Facility will terminate on July 9, 2009 and the loans under the Term Loan Facility will mature on July 9, 2010; provided that the 2004 Credit Agreement will terminate on October 30, 2007 if Products Corporation's 8 5/8% Senior Subordinated Notes are not redeemed, repurchased, defeased or repaid on or before such date such that not more than \$25.0 million in aggregate principal amount of the 8 5/8% Senior Subordinated Notes remain outstanding (See also Item 1A. "Risk Factors – 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" in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2005). As a result of the redemption of approximately \$110 million of the 8 5/8% Senior Subordinated Notes using the net proceeds of the Rights Offering (See "2006 Refinancing Transactions" below), as well as available cash, at September 30, 2006 there remained outstanding \$217.4 million in aggregate principal amount of the 8 5/8% Senior Subordinated Notes.

At October 31, 2006, the Term Loan Facility was fully drawn (after giving effect to the \$100.0 million Term Loan Add-on) and availability under the \$160.0 million Multi-Currency Facility, based upon the calculated borrowing base less approximately \$14.0 million of outstanding letters of credit and approximately \$85.0 million then drawn on the Multi-Currency Facility, was approximately \$61.0 million. (See "Overview of Financing Activities" and "2006 Refinancing Transactions" for certain amendments to the 2004 Credit Agreement).

### **2004 Consolidated MacAndrews & Forbes Line of Credit**

Products Corporation has a \$87 million line of credit with MacAndrews & Forbes Inc. (as amended, the “2004 Consolidated MacAndrews & Forbes Line of Credit”). As of September 30, 2006, the 2004 Consolidated MacAndrews & Forbes Line of Credit was undrawn. In February 2006, Products Corporation entered into an amendment to its 2004 Consolidated MacAndrews & Forbes Line of Credit extending the term of such agreement until the consummation of Revlon, Inc.’s planned \$75 million equity issuance, which is currently intended to be conducted in late 2006 or the first quarter of 2007. (For further detail regarding the 2004 Consolidated MacAndrews & Forbes Line of Credit, see Note 9 “Long-Term Debt” to the Consolidated Financial Statements in the Company’s Annual Report on Form 10-K for the year ended December 31, 2005 and “2006 Refinancing Transactions”).

### **2006 Refinancing Transactions**

On March 22, 2006, Revlon, Inc. completed a \$110 million Rights Offering which allowed stockholders to purchase additional shares of Class A Common Stock. The subscription price for each share of Class A Common Stock purchased in the Rights Offering, including shares purchased in the private placement by MacAndrews & Forbes, was \$2.80 per share. Upon completing the Rights Offering, Revlon, Inc. promptly transferred the net proceeds to Products Corporation, which it used to redeem \$109.7 million aggregate principal amount of its 8 5/8% Senior Subordinated Notes in satisfaction of the applicable requirements under the 2004 Credit Agreement, at an aggregate redemption price of \$111.8 million, including \$2.1 million of accrued and unpaid interest up to, but not including, the redemption date.

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In completing the Rights Offering, Revlon, Inc. issued an additional 39,285,714 shares of its Class A Common Stock, including 15,885,662 shares subscribed for by public shareholders (other than MacAndrews & Forbes) and 23,400,052 shares issued to MacAndrews & Forbes in a private placement directly from Revlon, Inc. The shares issued to MacAndrews & Forbes represented the number of shares of Revlon, Inc.’s Class A Common Stock that MacAndrews & Forbes would otherwise have been entitled to purchase pursuant to its basic subscription privilege in the Rights Offering (which was approximately 60% of the shares of Revlon, Inc.’s Class A Common Stock offered in the Rights Offering).

Revlon, Inc. currently intends to conduct a further \$75 million equity issuance in late 2006 or in the first quarter of 2007, the net cash proceeds of which are intended to be used to repay Products Corporation’s indebtedness. In connection with such equity issuance, Revlon, Inc. entered into an amendment to its Investment Agreement with MacAndrews & Forbes extending MacAndrews & Forbes’ back-stop obligations through March 31, 2007. Additionally, in February 2006, Products Corporation entered into an amendment to its 2004 Consolidated MacAndrews & Forbes Line of Credit, which was undrawn on September 30, 2006, to ensure that such line of credit remains available to Products Corporation through the completion of Revlon, Inc.’s planned \$75 million equity issuance.

In February 2006, Products Corporation secured the first amendment to its 2004 Credit Agreement, which excludes from various financial covenants certain charges in connection with Products Corporation’s organizational realignment announced in February 2006 and as described further in Note 7 to the Unaudited Consolidated Financial Statements, as well as some start-up costs incurred by the Company in 2005 related to the **Vital Radiance** brand and the complete re-stage of the **Almay** brand. Specifically, the first amendment enables Products Corporation to add-back to the 2004 Credit Agreement’s definition of “EBITDA” the lesser of (i) \$50 million; or (ii) the cumulative one-time charges associated with (a) the aforementioned February 2006 organizational realignment; and (b) the non-recurring costs in the third and fourth quarters of 2005 associated with the **Vital Radiance** brand and the complete re-stage of its **Almay** brand. Under the 2004 Credit Agreement, “EBITDA” is used in the determination of Products Corporation’s senior secured leverage ratio and the consolidated fixed charge coverage ratio.

On July 28, 2006, Products Corporation secured the second amendment to its 2004 Credit Agreement to, among other things, add an additional \$100.0 million in the form of the Term Loan Add-on to the 2004 Credit Agreement’s Term Loan Facility. The second amendment also reset the 2004 Credit Agreement’s senior secured leverage ratio covenant to 5.5 to 1.0 through June 30, 2007, stepping down to 5.0 to 1.0 for the remainder of the term of the 2004 Credit Agreement. The second amendment also amended the 2004 Credit Agreement’s “EBITDA” definition to enable Products Corporation to exclude up to \$25 million related to restructuring charges (in addition to the restructuring charges permitted to be added back pursuant to the first amendment to the 2004 Credit Agreement) and charges for certain product returns and/or product discontinuances. The Company used the net proceeds from the Term Loan Add-on to repay amounts outstanding under the Multi-Currency Facility, without any reduction in the commitment under the Multi-Currency Facility.

On September 29, 2006, Products Corporation secured the third amendment to its 2004 Credit Agreement, which enables Products Corporation to add back to the 2004 Credit Agreement’s definition of “EBITDA” up to \$75 million of restructuring charges (in addition to the restructuring charges permitted to be added back pursuant to the first and second amendments to the 2004 Credit Agreement), asset impairment charges, inventory write-offs, inventory returns costs and in each case related charges in connection with the previously-announced discontinuance of the **Vital Radiance** brand, the Company’s recent CEO change and the September 2006 Program described in Note 7.

### **Sources and Uses**

The Company’s principal sources of funds are expected to be operating revenues, cash on hand and funds available for borrowing under the 2004 Credit Agreement, the 2004 Consolidated

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MacAndrews & Forbes Line of Credit and other permitted lines of credit. The 2004 Credit Agreement, the 2004 Consolidated MacAndrews & Forbes Line of Credit and the indentures governing the 9½% Senior Notes and the 8 5/8% Senior Subordinated Notes contain certain provisions that by their terms limit Products Corporation and its subsidiaries' ability to, among other things, incur additional debt.

The Company's principal uses of funds are expected to be the payment of operating expenses, including expenses in connection with the continued implementation of, and refinement to, the Company's plan, purchases of permanent wall displays, capital expenditure requirements, payments in connection with the Company's restructuring programs (including, without limitation, the Company's February 2006 Program and its September 2006 Program), executive severance not otherwise included in the Company's restructuring programs, debt service payments and costs and regularly scheduled pension and post-retirement benefit plan contributions. Cash contributions to the Company's pension and post-retirement benefit plans were approximately \$29 million in 2005, and the Company expects these payments to be approximately \$32 million in the aggregate in 2006. The Company currently estimates that for 2006 purchases of wall displays will be approximately \$100 million and capital expenditures will be approximately \$24 million. In connection with the February 2006 Program and the September 2006 Program the Company expects to pay out approximately \$1 million and \$4 million, respectively, in the fourth quarter of 2006 and approximately \$3 million and \$16 million, respectively, over the 2007 to 2008 period.

The Company has undertaken, and continues to assess, refine and implement, a number of programs to efficiently manage its cash and working capital including, among other things, programs to carefully manage inventory levels, centralized purchasing to secure discounts and efficiencies in procurement, and providing additional discounts to U.S. customers for more timely payment of receivables and careful management of accounts payable and most recently targeted controls on general and administrative spending.

Continuing to implement and refine the Company's plan could include taking advantage of additional opportunities to reposition, repackage or reformulate one or more brands or product lines, launching additional new products, further refining the Company's approach to retail merchandising and/or taking further actions to optimize its manufacturing, sourcing and organizational size and structure. Any of these actions, whose intended purpose would be to create value through profitable growth, could result in the Company making investments and/or recognizing charges related to executing against such opportunities.

The Company expects that operating revenues, cash on hand, funds available for borrowing under the 2004 Credit Agreement, the 2004 Consolidated MacAndrews & Forbes Line of Credit and other permitted lines of credit will be sufficient to enable the Company to cover its operating expenses for 2006, including cash requirements in connection with the Company's operations, the continued implementation of, and refinement to, the Company's plan, purchases of permanent wall displays, capital expenditure requirements, cash requirements in connection with the Company's restructuring programs (including, without limitation, the Company's February 2006 Program and its September 2006 Program), executive severance not otherwise included in the Company's restructuring programs, the Company's debt service requirements and regularly scheduled pension and post-retirement plan contributions. However, there can be no assurance that such funds will be sufficient to meet the Company's cash requirements on a consolidated basis. If the Company's anticipated level of revenue growth is not achieved because, for example, of decreased consumer spending in response to weak economic conditions or weakness in the mass-market cosmetics category, adverse changes in currency, increased competitive activities from the Company's competitors, changes in consumer purchasing habits, including with respect to shopping channels, retailer inventory management, retailer space reconfigurations, less than anticipated results from the Company's new products and advertising and marketing plans, or if the Company's expenses, including for returns related to the reduction of retail space or product discontinuances, associated with

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the continued implementation of, and refinement to, the Company's plan exceed the anticipated level of expenses, the Company's current sources of funds may be insufficient to meet the Company's cash requirements.

In the event of a decrease in demand for the Company's products, reduced sales, lack of increases in demand and sales, changes in consumer purchasing habits, including with respect to shopping channels, retailer inventory management, retailer space reconfigurations, product discontinuances and/or returns or expenses associated with the continued implementation of, and refinement to, the Company's plan, exceeding its expectations or less than anticipated results from the Company's new products and advertising and marketing plans, any such development, if significant, could reduce the Company's revenues and could adversely affect Products Corporation's ability to comply with certain financial covenants under the 2004 Credit Agreement and in such event the Company could be required to take measures, including reducing discretionary spending. (See also Item 1A. "Risk Factors" in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2005 for further discussion of risks associated with the Company's business).

If the Company is unable to satisfy its cash requirements from the sources identified above or comply with its debt covenants or refinance Products Corporation's 8 5/8% Senior Subordinated Notes on or before October 30, 2007, the Company could be required to adopt one or more alternatives, such as delaying the implementation of or revising aspects of its plan, reducing or delaying purchases of wall displays or advertising or promotional expenses, reducing or delaying capital spending, delaying, reducing or revising restructuring programs, restructuring indebtedness, selling assets or operations, seeking additional capital contributions or loans from MacAndrews & Forbes, the Company's other affiliates and/or third parties, selling additional equity securities of Revlon, Inc. (or debt securities of Products Corporation) or reducing other discretionary spending. There can be no assurance that the Company would be able to take any of the actions referred to above because of a variety of commercial or market factors or constraints in Products Corporation's debt instruments, including, for example, market conditions being unfavorable for an equity or debt issuance, additional capital contributions or loans not being available from affiliates or third parties, or that the transactions may not be permitted under the terms of Products Corporation's various debt instruments then in effect, because of restrictions on the incurrence of debt, incurrence of liens, asset dispositions and related party transactions. In addition, such actions, if taken, may not enable Products Corporation to satisfy its cash requirements or comply with its debt covenants if the actions do not generate a sufficient amount of additional capital. (See also Item 1A. "Risk Factors" in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2005 for further discussion of risks associated with the Company's business).

Revlon, Inc., as a holding company, will be dependent on the earnings and cash flow of, and dividends and distributions from, Products Corporation to pay its expenses and to pay any cash dividend or distribution on Revlon, Inc.'s Class A Common Stock that may be authorized by the Board of Directors of Revlon, Inc. The terms of the 2004 Credit Agreement, the 2004 Consolidated MacAndrews & Forbes Line of Credit and the indentures governing Products Corporation's 9½% Senior Notes and its 8 5/8% Senior Subordinated 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. to enable Revlon, Inc., among other things, to pay expenses incidental to being a public holding company, including, among other things, professional fees, such as legal and accounting fees, regulatory fees, such as SEC filing fees, and other miscellaneous expenses related to being a public holding company and, subject to certain limitations, to pay dividends or make distributions in certain circumstances to finance the purchase by Revlon, Inc. of its Class A Common Stock in connection with the delivery of such Class A Common Stock to grantees under the Stock Plan.

As a result of dealing with suppliers and vendors in a number of foreign countries, Products Corporation enters into foreign currency forward exchange contracts and option contracts from time to

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time to hedge certain cash flows denominated in foreign currencies. There were foreign currency forward exchange contracts with a notional amount of \$28.9 million outstanding at September 30, 2006. The fair value of foreign currency forward exchange contracts outstanding at September 30, 2006 was \$0.6 million.

**Disclosures about Contractual Obligations and Commercial Commitments**

As of September 30, 2006, there had been no material changes to the Company's total contractual cash obligations, which are set forth in the table included in the Company's Annual Report on Form 10-K for the year ended December 31, 2005, with the exception of the repayment of approximately \$109.7 million of Products Corporation's 8 5/8% Senior Subordinated Notes in April 2006, certain advertising commitments entered into in the second quarter of 2006, the \$100.0 million Term Loan Add-on completed in July 2006 and \$50.7 million drawn under the Multi-Currency Facility as of September 30, 2006. The following table reflects the impact of the foregoing:

Contractual Obligations As of September 30, 2006	Payments Due by Period in (dollars in millions)				
	Total	2006 Q4	2007-2008	2009-2010	After 2010
Long-term Debt (a)	\$ 1,458.1	\$ 2.0	\$ 233.6	\$ 832.5	\$ 390.0
Interest on Long-term Debt (b)	542.6	38.0	284.9	210.5	9.3
Other Long-term Obligations (c)	68.0	16.3	51.2	0.5	—

(a) Amount reflects the impact of the aforementioned redemption in April 2006 of \$109.7 million aggregate principal amount of Products Corporation's 8 5/8% Senior Subordinated Notes, the \$100.0 million Term Loan Add-on completed in July 2006 and \$50.7 million drawn under the Multi-Currency Facility as of September 30, 2006.

(b) Consists of interest primarily on the 9½% Senior Notes and the 8 5/8% Senior Subordinated Notes, borrowings under the Multi-Currency Facility as of September 30, 2006 and the \$800.0 million Term Loan Facility under the 2004 Credit Agreement (after giving effect to the \$100.0 million Term Loan Add-on completed in July 2006) through the respective maturity dates based upon assumptions regarding the amount of debt outstanding under the 2004 Credit Agreement and assumed interest rates.

(c) Consists primarily of obligations related to advertising, insurance, employment contracts and other personnel service contracts. Such amounts exclude severance and other contractual commitments related to restructuring, which are discussed under "Restructuring Costs". Amount reflects the additional impact of advertising commitments entered into in the second quarter of 2006.

**Off-Balance Sheet Transactions**

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

**Effect of Recent Accounting Pronouncements**

See discussion of recent accounting pronouncements in Note 1 "Basis of Presentation" to the Unaudited Consolidated Financial Statements.

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

The Company has exposure to market risk both as a result of changing interest rates and movements in foreign currency exchange rates. The Company's policy is to manage market risk through a combination of fixed and floating rate debt, the use of derivative financial instruments and foreign exchange forward and option contracts. The Company does not hold or issue financial instruments for trading purposes. The qualitative and quantitative information presented in Item 7A of the Company's Annual Report on Form 10-K for the year ended December 31, 2005 ("Item 7A") describes significant aspects of the Company's financial instrument programs that have material market risk as of December 31, 2005. The following table presents the information required by Item 7A as of September 30, 2006 (See "Financial Condition, Liquidity and Capital Resources – 2006 Refinancing Transactions" as to the redemption in April 2006 of \$109.7 million aggregate principal amount of Products Corporation's 8 5/8% Senior Subordinated Notes and additional \$100.0 million in the form of the Term Loan Add-on to the 2004 Credit Agreement's Term Loan Facility):

Expected Maturity date for the year ended December 31,	Total	Fair Value
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	2006	2007	2008	2009	2010	Thereafter	September 30, 2006	
<b>Debt</b>								
Short-term variable rate (various currencies)	\$ 10.2	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 10.2	\$ 10.2
Average interest rate (a)	11.3%							
Long-term fixed rate – third party (US)			217.4*			390.0	607.4	551.3
Average interest rate (a)			8.6%			9.5%		
Long-term variable rate – third party (US)	2.0	8.1	8.1	58.8	773.7		850.7	850.7
Average interest rate (a)	11.3%	11.2%	11.0%	9.0%	11.0%			
Total debt	\$ 12.2	\$ 8.1	\$ 225.5	\$ 58.8	\$ 773.7	\$ 390.0	\$ 1,468.3	\$ 1,412.2

	Average Contractual Rate \$/FC	Original US Dollar Notional Amount	Contract Value September 30, 2006	Fair Value September 30, 2006
<b>Forward Contracts</b>				
Sell Hong Kong Dollars/Buy USD	0.1285	\$ 0.7	\$ 0.7	\$ —
Sell Euros/Buy USD	1.2708	2.2	2.2	—
Sell British Pounds/Buy USD	1.8610	3.6	3.6	—
Sell Australian Dollars/Buy USD	0.7565	5.6	5.7	0.1
Sell Canadian Dollars/Buy USD	0.8981	9.6	9.6	—
Sell South African Rand/Buy USD	0.1578	2.8	3.3	0.5
Sell New Zealand Dollars/Buy USD	0.6500	0.4	0.4	—
Sell Japanese Yen/Buy USD	0.0085	0.7	0.7	—
Buy Australian Dollars/Sell New Zealand Dollars	1.1621	3.3	3.3	—
Total forward contracts		\$ 28.9	\$ 29.5	\$ 0.6

(a) Weighted average variable rates are based upon implied forward rates from the yield curves at September 30, 2006.

\* While the 8 5/8% Senior Subordinated Notes are due in February 2008, under the 2004 Credit Agreement, Products Corporation must refinance such notes by October 30, 2007, such that not more than \$25.0 million of such notes remain outstanding. In April 2006, Products Corporation redeemed \$109.7 million in aggregate principal amount of its 8 5/8% Senior Subordinated Notes. Accordingly, at September 30, 2006 there remained outstanding \$217.4 million in aggregate principal amount of such notes. (See "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations – Overview – Overview of Financing Activities").

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### Item 4. Controls and Procedures

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

(b) **Changes in Internal Control Over Financial Reporting.** There have not been any changes in the Company's internal control over financial reporting during the three-month fiscal period ended September 30, 2006 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

### Forward-Looking Statements

This Quarterly Report on Form 10-Q for the third quarter and nine-month period ended September 30, 2006, as well as other public documents and statements of the Company, contain forward-looking statements that involve risks and uncertainties, which are based on the beliefs, expectations, estimates, projections, forecasts, plans, anticipations, targets, outlooks, initiatives, visions, objectives, strategies, opportunities, drivers and intents of the Company's management. While the Company believes that its estimates and assumptions are reasonable, the Company cautions that it is very difficult to predict the impact of known factors, and, of course, it is impossible for the Company to anticipate all factors that could affect its results. The Company's actual results may differ materially from those discussed in such forward-looking statements. Such statements include, without limitation, the Company's expectations and estimates (whether qualitative or quantitative) as to:

- (i) the Company's future financial performance;
- (ii) the effect on sales of weak economic conditions, adverse currency fluctuations, category weakness, competitive activities, retailer inventory management, retailer space reconfigurations, less than anticipated results from the Company's new products, advertising and marketing plans and changes in consumer purchasing habits, including with respect to shopping channels;
- (iii) the Company's belief that the continued implementation and refinement to its plan could include taking advantage of additional opportunities to reposition, repackage or reformulate one or more of its brands or product lines, launching additional new products, further refining its approach to retail merchandising and/or take further actions to optimize its manufacturing, sourcing and organizational size and structure, any of which, whose intended purpose would be to create value through profitable growth, could result in the Company making investments and/or recognizing charges related to executing against such opportunities;
- (iv) the Company's expectations regarding its plan, including the Company's objectives of remaining a leader in the beauty business by continuing to provide innovation and leveraging the Company's strong established brands, particularly the **Revlon** brand, around the world and leveraging the Company's improved relationships with consumers and retail customers; building the excitement and glamour of **Revlon**-branded color cosmetics and other beauty products, through, among other things, innovating in product development, maximizing all elements of marketing and executing the Company's business plans and new product

## REVLON, INC. AND SUBSIDIARIES

introductions with excellence; building upon the Company's leadership in healthy beauty color cosmetics with the Company's completely re-staged **Almay** brand; supporting and building the Company's brands globally and investing at appropriate competitive levels, while controlling spending and working capital and continuing to capitalize on the significant opportunities the Company has to improve its operating profit margins and cash flow over time;

- (v) the Company's plans to continue to focus on the opportunities that the Company believes exist to increase its operating profit margin and improve its cash flows over time, with key areas of focus being actions intended to improve results in the areas of cost of goods sold and returns, as well as overhead and administrative expenses and that its cost savings initiatives would include, among other things, actions intended to improve product life cycle management, improve in-store merchandising, improve on cost of goods sold, improve the effectiveness and efficiency of trade promotions, focus on savings from strategic procurement in general and administrative costs, optimize the Company's international supply chain and optimize the Company's overall cost structure;
- (vi) the Company's plans to continue to strengthen its balance sheet and capital structure, including Revlon, Inc.'s plans to refinance the balance of Products Corporation's 8 5/8% Senior Subordinated Notes before October 30, 2007 prior to their maturity, Revlon, Inc.'s plans to conduct an additional equity issuance of \$75 million in late 2006 or in the first quarter of 2007 and its intent to use the net cash proceeds to repay indebtedness;
- (vii) restructuring activities, restructuring costs, the timing of restructuring payments and the benefits from such activities, including the Company's expectations that ongoing annualized savings associated with the February 2006 Program will be approximately \$15 million, primarily benefiting SG&A expense, and that such program will streamline internal processes and enable the Company to continue to be more effective and efficient in meeting the needs of its consumers and retail customers, and that ongoing annualized savings associated with the September 2006 Program will be approximately \$34 million, primarily benefiting SG&A expense, and that such program will enable the Company to reduce costs and improve its profit margins and, by consolidating responsibilities in certain related functions and reducing layers of management and will increase accountability and effectiveness within the Company;
- (viii) the Company's expectation that operating revenues, cash on hand and funds available for borrowing under Products Corporation's 2004 Credit Agreement, the 2004 Consolidated MacAndrews & Forbes Line of Credit and other permitted lines of credit will be sufficient to satisfy the Company's operating expenses in 2006, including cash requirements referred to in item (x) below;
- (ix) the Company's expected sources of funds, including the availability of funds from Products Corporation's 2004 Credit Agreement, the 2004 Consolidated MacAndrews & Forbes Line of Credit and other permitted lines of credit, restructuring indebtedness, selling assets or operations, capital contributions and/or loans from MacAndrews & Forbes, the Company's other affiliates and/or third parties and/or the sale of additional equity securities of Revlon, Inc. or additional debt securities of Products Corporation;
- (x) the Company's expected uses of funds, including amounts required for the payment of operating expenses, including expenses in connection with the continued implementation of, and refinement to, the Company's plan, payments in connection with the Company's purchases of permanent wall displays, capital expenditure requirements, restructuring programs (including, without limitation, the February 2006 Program and the September 2006 Program), executive severance not otherwise included in the Company's restructuring programs, debt service payments and costs and regularly scheduled pension and post-retirement plan

## REVLON, INC. AND SUBSIDIARIES

contributions, and its estimates of operating expenses, working capital expenses, wall display costs, capital expenditures, restructuring costs, executive severance, debt service payments (including payments required under Products Corporation's debt instruments) and cash contributions to the Company's pension plans and post-retirement benefit plans;

- (xi) matters concerning the Company's market-risk sensitive instruments;
- (xii) the expected effects of the Company's adoption of certain accounting principles; and
- (xiii) the Company's plan to efficiently manage its cash and working capital, including, among other things, by carefully managing inventory levels, centralized purchasing to secure discounts and efficiencies in procurement, and providing additional discounts to U.S. customers for more timely payment of receivables and carefully managing accounts payable and most recently targeted controls on general and administrative spending.

Statements that are not historical facts, including statements about the Company's beliefs and expectations, are forward-looking statements. Forward-looking statements can be identified by, among other things, the use of forward-looking language such as "estimates," "objectives," "visions," "projects," "forecasts," "plans," "targets," "strategies," "opportunities," "drivers," "believes," "intends," "outlooks," "initiatives," "expects," "scheduled to," "anticipates," "seeks," "may," "will," or "should" or the negative of those terms, or other variations of those terms or comparable language, or by discussions of strategies, targets, models or intentions. Forward-looking statements speak only as of the date they are made, and except for the Company's ongoing obligations under the U.S. federal securities laws, the Company undertakes no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise. Investors are advised, however, to consult any additional disclosures the Company made in its Annual Report on Form 10-K for the fiscal year ended December 31, 2005 and makes in its Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, in each case filed with the Securities and Exchange Commission (the "SEC") in



2006 (which, among other places, can be found on the SEC's website at <http://www.sec.gov>, as well as on the Company's website at [www.revloninc.com](http://www.revloninc.com)). The information available from time to time on such websites shall not be deemed incorporated by reference into this Quarterly Report on Form 10-Q. A number of important factors could cause actual results to differ materially from those contained in any forward-looking statement. See also Item 1A. "Risk Factors" in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2005 for further discussion of risks associated with the Company's business. In addition to factors that may be described in the Company's filings with the SEC, including this filing, the following factors, among others, could cause the Company's actual results to differ materially from those expressed in any forward-looking statements made by the Company:

- (i) unanticipated circumstances or results affecting the Company's financial performance, including decreased consumer spending in response to weak economic conditions or weakness in the mass-market cosmetics category; changes in consumer preferences, such as reduced consumer demand for the Company's color cosmetics and other current products; changes in consumer purchasing habits, including with respect to shopping channels; lower than expected retail customer acceptance or consumer acceptance of the Company's product offerings; higher than expected returns or decreased sales of the Company's product offerings, including less than anticipated results from the Company's new products and advertising and marketing plans; actions by the Company's customers, such as retailer inventory management and greater than anticipated retailer space reconfigurations and/or product discontinuances; and changes in the competitive environment and actions by the Company's competitors, including business combinations, technological breakthroughs, new products offerings, continued increased advertising, marketing and promotional spending and marketing and promotional successes, including increases in market share;
- (ii) the effects of and changes in economic conditions (such as inflation, monetary conditions and foreign currency fluctuations, as well as in trade, monetary, fiscal and tax policies in international markets) and political conditions (such as military actions and terrorist activities);

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#### REVLON, INC. AND SUBSIDIARIES

- (iii) unanticipated costs or difficulties or delays in completing projects associated with the continued implementation of, and refinement to, the Company's plan or lower than expected revenues or inability to achieve profitability over the long-term as a result of such plan, including lower than expected sales, or higher than expected costs, including as may arise from any additional repositioning, repackaging or reformulating of one or more of the Company's brands or product lines, launching of new product lines, including difficulties or delays in launching its new products for 2007, further refining its approach to retail merchandising, and/or difficulties, delays or increased costs in connection with taking further actions to optimize the Company's manufacturing, sourcing or organizational size and structure;
- (iv) difficulties, delays or unanticipated costs in implementing and refining the Company's plan, which could affect the Company's ability to achieve its objectives as set forth in clause (iv) above, such as less than effective product innovation, less than expected growth of the Company's established brands, such as **Revlon**, less than expected acceptance of the Company's marketing programs by the Company's consumers and retail customers, disruptions in executing the Company's plans, less than expected performance from the Company's other brands, less than expected investment in brand support or greater than expected competitive investment, less than expected performance of the Company's **Almay** brand or loss of retailer shelf space;
- (v) difficulties, delays or unanticipated costs in connection with the Company's plans to increase its operating profit margin and improve its cash flows over time, such as difficulties, delays or the inability to take actions intended to improve results in cost of goods sold, returns and/or overhead and administrative expenses, including as a result of difficulties, delays or the inability to take actions intended to improve product life cycle management, in-store merchandising, costs of goods sold, the effectiveness and efficiency of trade promotions and/or generate savings from strategic procurement in general and administrative costs, from improvements in the Company's international supply chain and/or from improvements in the Company's overall cost structure;
- (vi) difficulties, delays or unanticipated costs in, or the Company's inability to consummate, transactions to strengthen its balance sheet and capital structure, including difficulties, delays or increased costs associated with, or the inability to consummate, in whole or in part, the refinancing of the balance of Products Corporation's 8 5/8% Senior Subordinated Notes before October 30, 2007 prior to their maturity, or difficulties, delays or increased costs associated with conducting, or Revlon, Inc.'s inability to consummate, in whole or in part, the additional \$75 million equity issuance in late 2006 or in the first quarter of 2007;
- (vii) difficulties, delays or unanticipated costs or less than expected savings and other benefits resulting from the Company's restructuring activities, such as less than anticipated on-going annualized savings from the February 2006 Program and/or the September 2006 Program, and the risk that the February 2006 Program and/or the September 2006 Program may not satisfy the Company's objectives as set forth in clause (vii) above;
- (viii) lower than expected operating revenues, the inability to secure capital contributions or loans from MacAndrews & Forbes, the Company's other affiliates and/or third parties;
- (ix) the unavailability of funds under Products Corporation's 2004 Credit Agreement, the 2004 Consolidated MacAndrews & Forbes Line of Credit or other permitted lines of credit, restructuring indebtedness, selling assets or operations and/or the sale of additional equity or debt securities;
- (x) higher than expected operating expenses, sales returns, working capital expenses, wall display costs, capital expenditures, restructuring costs, executive severance not otherwise included in the Company's restructuring programs, debt service payments, regularly scheduled cash pension plan contributions and/or post-retirement benefit plan contributions;

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**REVLON, INC. AND SUBSIDIARIES**

- (xi) interest rate or foreign exchange rate changes affecting the Company and its market-risk sensitive financial instruments;
- (xii) unanticipated effects of the Company's adoption of certain new accounting standards; and
- (xiii) difficulties, delays or the inability of the Company to efficiently manage its cash and working capital.

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

**REVLON, INC. AND SUBSIDIARIES**

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

The Company maintains a comprehensive corporate governance program, including Corporate Governance Guidelines for Revlon, Inc.'s Board of Directors, Revlon, Inc.'s Board Guidelines for Assessing Director Independence and charters for Revlon, Inc.'s Audit Committee, Nominating and Corporate Governance Committee and Compensation and Stock Plan Committee. Revlon, Inc. maintains a corporate investor relations website, [www.revloninc.com](http://www.revloninc.com), where stockholders and other interested persons may review, without charge, among other things, Revlon, Inc.'s corporate governance materials and certain SEC filings (such as Revlon, Inc.'s annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements, annual reports, Section 16 reports reflecting certain changes in the stock ownership of Revlon, Inc.'s directors and Section 16 executive officers, and certain other documents filed with the SEC), each of which are generally available on the same business day as the filing date with the SEC on the SEC's website <http://www.sec.gov>, as well as on the Company's website <http://www.revloninc.com>. In addition, under the section of the website entitled, "Corporate Governance," Revlon, Inc. posts printable copies of the latest versions of its Corporate Governance Guidelines, Board Guidelines for Assessing Director Independence, charters for Revlon, Inc.'s Audit Committee, Nominating and Corporate Governance Committee and Compensation and Stock Plan Committee, as well as Revlon, Inc.'s Code of Business Conduct, which includes Revlon, Inc.'s Code of Ethics for Senior Financial Officers and the Audit Committee Pre-Approval Policy, each of which the Company will provide in print, without charge, upon written request to Robert K. Kretzman, Executive Vice President and Chief Legal Officer, Revlon, Inc., 237 Park Avenue, New York, NY 10017. Additionally, the business and financial materials and any other statement or disclosure on, or made available through, the websites referenced herein shall not be incorporated by reference into this report.

**REVLON, INC. AND SUBSIDIARIES**

**PART II – OTHER INFORMATION**

**Item 1A. Risk Factors**

For a discussion of the Company's risk factors, see the Company's Annual Report on Form 10-K for the year ended December 31, 2005.

**Item 6. Exhibits**

- 4.1 Amendment No. 2 to Credit Agreement, dated as of July 28, 2006 (incorporated by reference to Exhibit 4.1 of the Current Report on Form 8-K of Revlon Consumer Products Corporation filed with the SEC on July 28, 2006).
- 4.2 Amendment No. 3 to Credit Agreement, dated as of September 29, 2006 (incorporated by reference to Exhibit 4.1 of the Current Report on Form 8-K of Revlon Consumer Products Corporation filed with the SEC on September 29, 2006).
- 10.1 Second Amendment to Employment Agreement, dated as of September 18, 2006, between Revlon Consumer Products Corporation and David L. Kennedy (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of Revlon, Inc. filed with the SEC on September 19, 2006).
- \*10.2 Separation Agreement, dated September 18, 2006, between Revlon Consumer Products Corporation and Jack L. Stahl.
- \*10.3 Separation Agreement, dated October 6, 2006, between Revlon Consumer Products Corporation and Thomas E. McGuire.
- \*10.4 The Revlon Executive Severance Pay Plan.
- \*31.1 Certification of David L. Kennedy, Chief Executive Officer, dated November 7, 2006, pursuant to Rule 13a-14(a)/15d-14(a) of the Exchange Act.
- \*31.2 Certification of Alan T. Ennis, Chief Accounting Officer, dated November 7, 2006, pursuant to Rule 13a-14(a)/15d-14(a) of the Exchange Act.
- 32.1 Certification of David L. Kennedy, Chief Executive Officer, dated November 7, 2006, pursuant

(furnished herewith) to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification of Alan T. Ennis, Chief Accounting Officer, dated November 7, 2006, pursuant to  
(furnished herewith) 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

\* Filed herewith.

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**REVLON, INC. AND SUBSIDIARIES**

**S I G N A T U R E S**

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

Dated: November 7, 2006

**REVLON, INC.**

Registrant

By: /s/ David L. Kennedy

David L. Kennedy  
President and  
Chief Executive Officer

By: /s/ Alan T. Ennis

Alan T. Ennis  
Senior Vice President,  
Corporate Controller and  
Chief Accounting Officer

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237 Park Avenue  
New York, New York 10017

**TERMS NOT FINAL OR AUTHORIZED UNTIL EXECUTED  
BY COMPANY OFFICER WITH APPROPRIATE AUTHORITY**

As of September 18, 2006

Jack L. Stahl  
15 West 63rd Street  
Apartment 23B  
New York, New York 10023

Dear Jack:

This letter agreement and release (the "Agreement") confirms the agreement entered into between you and the Company regarding the termination of your employment with the Company effective September 18, 2006 (the "Resignation Date") and explains the package of separation pay and benefits that has been specially developed for you in full bargained for release and settlement of any and all claims that you have presently, may have or have had in the past arising from your employment and your separation from your employment with the Company up to and including the Effective Date of this Agreement, including, without limitation, any claims under the Employment Agreement between you and the Company dated as of February 17, 2002, as amended by the First Amendment to Employment Agreement effective as of December 17, 2004 (collectively referred to as the "Employment Agreement"). For purposes of this Agreement, the term the "Company" includes Revlon Consumer Products Corporation ("RCPC"), Revlon, Inc. and any of each of their past, present or future parent and subsidiary corporations, affiliates, divisions, successors and assigns (whether or not incorporated) and any of their past, present or future employees, agents, assigns, officers, directors and shareholders whether acting in their individual or representative capacity. It is understood that you and the Company are entering into this Agreement knowingly and voluntarily.

1. RESIGNATION AS DIRECTOR, PRESIDENT AND CHIEF EXECUTIVE OFFICER. It is understood and agreed that you are resigning from your position as Director, President and Chief Executive Officer of Revlon, Inc. and RCPC, effective as of the Resignation Date, and you agree that you will execute all documents requested in order to effectuate this resignation, as well as to resign from any and all other directorships, officerships and other positions with the Company. Notwithstanding the foregoing, during the period from the Resignation Date until October 19, 2006, you will serve as an unpaid advisor to the Company's Chief Executive Officer of the Company and shall provide such assistance as may be reasonably requested by the CEO or his designees in order to ensure a smooth and effective transition of your functions and responsibilities to your successor CEO and his designees.

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2. **CONSIDERATION IN SETTLEMENT.** Accordingly, if you execute this Agreement (and do not revoke it pursuant to Section 13), continue to perform your duties and responsibilities in a professional and satisfactory manner until the Resignation Date and fully comply with the Agreement's terms and conditions:

a) **SEVERANCE PAY.**

i) You will receive severance pay, less applicable withholdings and deductions, for a total of thirty-six (36) months, or such shorter period as provided in subsection 2(a)(iii) herein, with such period to be referred to herein as the "Salary Continuation Period." Your severance pay will be at your base rate of pay in effect on your Resignation Date (i.e., at the rate of \$1,300,000 per annum) and will be payable as follows: (1) for the period beginning on your Resignation Date to March 19, 2007, you will receive severance pay in an amount equal to your required contribution (at the active employee contribution rate, as in effect from time to time) to the cost of your participation in the Company's group medical, dental and/or vision insurance benefit plans (at the level of your participation immediately prior to the Resignation Date, subject to the terms and conditions of such plans, as in effect and amended from time to time); (2) on the first payroll pay date following March 19, 2007 (the "Lump Sum Payment Date"), you will be paid a lump sum payment in the gross amount of approximately \$650,000, less applicable withholdings and deductions, and (3) during the remainder of the Salary Continuation Period after March 19, 2007, you will receive severance pay at your base rate of pay in effect on your Resignation Date, less applicable withholdings and deductions, payable on a bi-weekly basis. You agree that if any amount of withholdings are required by the Company in respect of the Mortgage Loan Forgiveness and/or Tax Loan Forgiveness under subsections 2(g) and 2(h) below, that the Company may withhold any such amounts from any severance payments payable to you under this subsection 2(a)(i).

ii) Through March 19, 2008, any severance payments payable to you under this subsection 2(a) will not be reduced by any compensation payable to you through other employment, a consultancy or any other source. Thereafter, your entitlement to severance pay under this subsection shall be reduced by any compensation earned by you after March 19, 2008 from any source during the remainder of the Salary Continuation Period, other than royalties earned on "*Frameworks for Leadership Success*" (the working title), and you agree that you will immediately notify the Company's Chief Legal Officer when you receive any such compensation.

iii) Notwithstanding anything to the contrary above, all severance payments to you under this subsection 2(a) shall immediately cease and you shall have no entitlement to any further compensation under this subsection 2(a) on such date that the aggregate gross amount of severance payments to you under subsection 2(a)(i) plus the sum of (x) the amount of the Mortgage Loan Forgiven pursuant to subsection 2(g) below and (y) the amount of the Tax Loan Forgiven pursuant to subsection 2(h) below have totaled \$6 million.

b) **BENEFITS CONTINUATION PERIOD.** For purposes of this Agreement, the "Benefits Continuation Period" shall mean the period from the Resignation Date until September 18, 2009.

c) **CONTINUATION OF MEDICAL, DENTAL AND/OR VISION INSURANCE BENEFITS.** You will be permitted to continue participation in the Company's group and executive medical, dental and/or vision insurance benefit plans at the level of your participation immediately prior to the Resignation Date (for example, Employee, Employee +1, Family levels, etc.), subject to the terms and conditions of such plans (other than any condition requiring continued employment with the Company), as in effect and amended from time to time, and at the contribution level in effect for active employees until (i) the end of the Benefits Continuation Period or (ii) you become eligible for coverage under medical and/or dental insurance benefit plans, as the case may be, of another company, whichever occurs first. Notwithstanding the preceding sentence, you shall not be entitled to submit any claims for reimbursement under the Company's executive medical plan until after March 19, 2007. You will be permitted to have the period of continuation of medical and/or dental insurance benefits under COBRA (which is generally a period of 18 months) commence upon expiration of the Benefits Continuation Period or such earlier date as is triggered under subsection (ii) in the preceding sentence. As a condition of your continued coverage of medical and/or dental insurance benefits under COBRA, you (or your eligible dependents) will be required to contribute on a timely basis at the applicable COBRA contribution rate, as in effect from time to time. Details regarding your required contributions will be provided by the Company's COBRA administrator at an appropriate time. You will immediately notify the Company's Chief Legal Officer when you become eligible for coverage under medical, dental and/or vision insurance benefit plans of another company.

d) **CONTINUATION OF LIFE / AD&D INSURANCE.** Your Basic Life Insurance coverage under the Revlon Life and Accident Insurance Program (the "Program") will be continued at no cost to you for a period of twenty-four (24) months following the Resignation Date. In addition, you can continue any Supplemental Accidental Death and Dismemberment, Dependent Life and/or Dependent Accidental Death and Dismemberment insurance coverage previously elected by you under the Program at your expense during this period. During the Benefits Continuation Period, the Company will continue to make available to you supplemental term life insurance coverage with a death benefit of \$10,000,000, subject to any required medical examinations, to which you hereby agree to submit, and the Company will reimburse you for the premium expense related thereto. Such supplemental coverage shall be provided pursuant to the Company's optional supplemental term insurance program, to the extent available, or to the extent not available, you may select a plan of your choice and you may designate the beneficiary of such plan. After the expiration of the coverage periods described above, you will be advised of any options you may have to convert the insurance coverages described above to an individual policy at your own expense, and, at your written request, information regarding such conversion options will be provided to you at that time.

e) **RETIREMENT BENEFITS.** In furtherance of your retirement benefit expectations, and without limiting the Company's ability to modify, in any way, any or all of its defined benefit plans, the Company agrees to guarantee you a minimum monthly pension benefit, as set forth below:

i) Commencing with your retirement on or after March 1, 2014, the Company shall pay or provide to you a monthly straight life annuity pension amount of \$13,883.44 (which represents 33.32% of \$41,667), to be reduced by the actuarial equivalent of all benefits paid or payable (calculated on a straight life annuity basis) to or in respect of you under (A) the Revlon Employees Retirement Plan, the Revlon Pension Equalization Plan, and any successors to either of them, and (B) all other defined benefit retirement and defined contribution plans, whether or not tax qualified, maintained at any time by the Company, any of your past employers, including, without limitation, The Coca-Cola Company, or the affiliates of any of them, in all cases without regard to whether the applicable plan has previously terminated, is being currently maintained or is established and maintained in the future. Such offset for benefits under other plans, including, without limitation, the plans of The Coca-Cola Company, or any of its affiliates, shall be determined as of the day the pension benefits under this subclause 2(e)(i) starts; shall not be subsequently adjusted on account of any subsequent benefit accruals or change in benefit amounts expected under such other plans, whether on account of your death or otherwise; and shall disregard benefits derived from employee contributions and from employer matching contributions under any 401(k) plan. If you shall retire on or after March 1, 2009 but prior to March 1, 2014, you shall be entitled to receive the pension benefit payable pursuant to this subclause 2(e)(i), but subject to actuarial reduction for such early commencement.

ii) You may elect to have the pension determined pursuant to subsection 2(e)(i) above paid as an actuarially equivalent joint and 50% survivor annuity with your spouse as beneficiary if she shall survive you and be legally married to you at the time of your death. Such election shall be made by you not later than 90 days before the pension benefit is to start and shall take effect only if you and your spouse are alive and married to each other on the day the pension starts. If your spouse dies after the pension starts and before you, no adjustment shall be made to the amount of annual pension payable to you.

iii) If you die before March 1, 2014, a lifetime pension shall be payable to your spouse, if any, to whom you were legally married on the date of your death, commencing on March 1, 2014 in a monthly amount determined as if you had survived to that date and had then elected to have your benefit under subsection 2(e)(i) above paid as an actuarially equivalent joint and 50% survivor annuity with your spouse as beneficiary.

iv) For purposes of determining actuarial equivalence under subsection 2(e)(i) above, the following assumptions shall be used: an interest rate equal to the AA corporate bond long-term rate in effect on the first day of the month preceding the month in which the benefit is to start, the 1983 Group Annuity Mortality Table, and otherwise the reasonable actuarial assumptions and methods selected by the Company's primary actuary in consultation with your financial advisors.

v) Payments pursuant to this subsection 2(e) shall be made quarterly or at such more frequent intervals as the Company may elect. The Company's obligation under this subsection 2(e) shall be an unsecured, unfunded and unaccrued contingent general obligation of RCPC to be satisfied from RCPC's unsegregated general funds, provided that RCPC shall have the right, if it so elects, to defease its obligation hereunder by the purchase and delivery to you of an annuity on your life in the amount provided for above or to fund its obligation hereunder through the purchase of insurance or other instruments, and you agree to comply with

the reasonable requests of RCPC should RCPC elect to do so, including by submitting to medical examination required in connection with the purchase of any such insurance.

f) **STOCK OPTIONS AND RESTRICTED STOCK.** Pursuant to the terms of your Employment Agreement, which was approved by the Compensation and Stock Plan Committee of the Board of Directors of Revlon, Inc. on November 9, 2004 and by the Board of Directors of Revlon, Inc. on December 8, 2004: (a) each stock option grant identified in the schedule below shall continue to vest in accordance with its terms as if your employment had not terminated and you had remained employed by the Company and shall remain exercisable pursuant to the terms and conditions of the Revlon, Inc. Amended and Restated Stock Plan (as amended or modified from time to time, the "Stock Plan") until the Grant Expiration Date identified in the schedule below; and (b) each grant of restricted shares awarded to you identified in the schedule below shall continue to vest pursuant to the terms and conditions of the Stock Plan as if your employment had not terminated and you had remained employed by the Company, as identified in the schedule below:

Date	Type	Shares	Price	Date Grant Fully Vests	Grant Expiration Date
February 17, 2002	Stock Option	400,000	\$3.82	February 17, 2007	March 19, 2008
May 19, 2003	Stock Option	100,000	\$3.09	May 19, 2007	May 19, 2008
April 14, 2004	Stock Option	5,020,000	\$3.03	December 31, 2007	December 31, 2008
April 14, 2004	Stock Option	500,000	\$3.03	December 31, 2007	December 31, 2008
February 17, 2002	Restricted Stock	1,000,000	\$3.82	February 17, 2007	<i>not applicable</i>
April 14, 2004	Restricted Stock	2,400,000	\$3.03	April 14, 2007	<i>not applicable</i>
April 14, 2004	Restricted Stock	300,000	\$3.03	April 14, 2007	<i>not applicable</i>

g) **MORTGAGE LOAN FORGIVENESS.** By no later than the later to occur of (x) the tenth business day following the Resignation Date or (y) the Effective Date of this Agreement, the Company shall forgive the Mortgage Loan between the Company and you and Lynn H. Stahl, dated as of April 30, 2002 (the "Mortgage Loan"), in its entirety in the amount of \$1,871,359.62 (which represents the outstanding principal and accrued interest in respect of such loan as of September 18, 2006), and such forgiveness shall, for all purposes of this Agreement, be deemed to have been an actual payment of a special bonus by the Company to you in such amount, and upon such forgiveness the Mortgage Loan and the Secured Promissory Note between you and Lynn H. Stahl and the Company, dated as of April 30, 2002, shall be terminated and shall have no further force or effect.

h) **TAX LOAN FORGIVENESS.** Immediately upon the later to occur of the Resignation Date or the Effective Date of this Agreement, the Company shall forgive the loan made to you by the Company under Section 3.7.2 of your Employment Agreement and the Promissory Note Agreement and Pledge Agreement attached as Exhibits C and D to the Employment Agreement, in the amount of \$2,252,337.21 (which represents the outstanding principal and accrued interest in respect of such loan as of September 18, 2006), and upon such forgiveness all shares pledged in the Pledge Agreement shall be released and the Promissory Note Agreement and Pledge Agreement shall be terminated and shall have no further force or effect.



i) LEGAL FEES REIMBURSEMENT. The Company will reimburse you for up to \$10,000 of reasonable and documented legal fees and related expenses incurred by you in connection with counsel review of this Agreement, with such reimbursement to be paid to you as soon as practicable following March 19, 2007, conditioned upon your presentation of documentation of such expenses.

j) STATEMENT. You acknowledge that the statement attached as Exhibit A (the "Statement") has been prepared with and reviewed and approved by you. Neither you nor the Company shall make any internal announcements within the Company or make any statements to the press, to prospective employers or others (other than key personnel of MacAndrews & Forbes Holdings, Inc.) regarding your employment that are inconsistent with the attached Statement. The Company and you agree to refer all inquiries regarding your employment with the Company from prospective employers or others to the Company's Chief Executive Officer or Chief Legal Officer, and not to any other individual employed by or affiliated with the Company and that you will not assert any claim against the Company based upon, arising out of, related to or in any way connected with its responses to inquiries from prospective employers or others, which are not inconsistent with the Statement.

k) NO MITIGATION. In no event shall you have any duty to seek other employment.

3. SECTION 409A. The Company's provision of compensation and benefits under this Agreement is being made in good faith compliance with Section 409A of the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder ("Section 409A"). Additionally, it is understood and agreed that the schedule for the provision of compensation and benefits provided for in this Agreement, including, without limitation, the consideration set forth in Section 2 above (CONSIDERATION IN SETTLEMENT), reflects your initial deferral election pursuant to Section 409A, if any such election is required. It is expressly understood that the Company reserves the right to provide the compensation or benefits provided in this Agreement at times and in a manner that minimizes taxes, interest or penalties as a result of Section 409A, including any required withholdings.

4. VACATION. Within ten (10) business days of the Resignation Date, you will receive a check for any accrued and unused 2006 vacation prorated for the period of your active employment with the Company in 2006 through the Resignation Date, less applicable withholdings and deductions.

5. RELEASE.

a) In exchange for the consideration provided to you under this Agreement, you agree to release and hold harmless (on behalf of yourself and your family, heirs, executors, administrators, successors and assigns) now and forever, the Company from and waive any claim in any legal jurisdiction that you have presently, may have or have had in the past, known or unknown, against the Company upon or by reason of any matter, cause or thing whatsoever,

from the beginning of the world to the date of this release, including, without limitation, all claims arising from your employment, or separation from your employment, with, the Company, or otherwise. Notwithstanding the prior sentence, it is understood and agreed that the only rights or claims that you are not releasing and waiving are your rights (i) under this Agreement, subject in all cases to the terms and conditions hereof, (ii) to the payment of vested benefits (if any) under the terms of the Company's qualified pension plans (the Revlon Employees' Retirement Plan and the Revlon Employees' Savings, Investment and Profit Sharing Plan), as amended from time to time, (iii) under the Stock Plan or (iv) to indemnification as provided in Section 17 (INDEMNIFICATION) below.

b) Revlon (defined for purposes of this subsection only as the corporate entities Revlon, Inc., RCPC, their respective subsidiaries and their respective successors and assigns) hereby waives, releases and gives up any and all claims in any legal jurisdiction that Revlon has presently, may have or has had in the past against you, your heirs, executors, successors and assigns upon or by reason of any matter, cause or thing whatsoever, from the beginning of the world to the date of this release, which Revlon actually knew, or reasonably should have known, on or prior to the date of your execution of this Agreement, including, without limitation, all claims arising from your employment, or separation from your employment, with the Company or otherwise, except that the release in this subsection shall not apply to any claim which directly or indirectly results from any breach of fiduciary duties as a director or executive officer, any violation of law by you, or any breach by you of this Agreement and/or the agreements incorporated by reference. Revlon represents that as of the date hereof, Revlon, Inc. and RCPC have no actual knowledge of any breach of fiduciary duties as a director or executive officer by you or any violation of law by you.

6. EXTENT OF RELEASE. Without limiting the generality of the preceding "GENERAL RELEASE" Section, this Agreement is intended to and shall release the Company from any and all claims or rights arising under any federal, state or local statute (including, without limitation, Title VII of the Civil Rights Act of 1964, the Age Discrimination in Employment Act of 1967, the Equal Pay Act, the Americans with Disabilities Act of 1990, the Employee Retirement Income Security Act of 1974, the Family and Medical Leave Act of 1993, the Fair Labor Standards Act, the Older Workers Benefit Protection Act of 1990, the Civil Rights Act of 1866, the Civil Rights Act of 1991, the Workers Adjustment and Retraining Act, the New York State Human Rights Law, the New York City Administrative Code, and all other statutes regulating the terms and conditions of your employment, in each case, as amended), regulation or ordinance, under the common law or in equity (including any claims for wages, wrongful discharge, discrimination, retaliation, whistleblower claims, any tort claims, or otherwise), or under any policy, agreement, understanding or promise, written or oral, formal or informal, between the Company and you, including, without limitation, any claim you might have for severance, termination or severance pay in any legal jurisdiction, or pursuant to the Company's severance policies or practices as from time to time in effect, or otherwise.

7. RIGHT TO COUNSEL. The Company hereby advises you that you should consult with an attorney prior to execution of this Agreement. You acknowledge that you understand it is in your best interest to have this document reviewed by an attorney of your own

choosing and at your own expense, and you hereby acknowledge that you have been afforded a period of at least twenty-one (21) days during which to consider this Agreement and to have it reviewed by your attorney, and you represent that you have done so.

8. **FREE WILL.** You are entering into this Agreement of your own free will and without coercion, intimidation or threat of retaliation. You acknowledge and agree that the Company has not exerted any undue pressure or influence on you in this regard. You acknowledge that you have had reasonable time to determine whether entering into this Agreement is in your best interest and you have read and fully understand the terms set forth in this Agreement. You understand that if you request additional time to review the provisions of this Agreement, a reasonable extension of time will be granted.

9. **ADEQUACY OF CONSIDERATION.** The consideration provided to you under the entirety of this Agreement, including, without limitation, that consideration provided under Section 2 (CONSIDERATION IN SETTLEMENT) above, which you agree is adequate consideration to support this Agreement, is not required under the Company's policies or otherwise and you acknowledge that you know of no circumstances other than you agreeing to the terms of this Agreement which would require the Company to provide such consideration. The Company agrees that your obligations and the consideration provided by you herein are adequate consideration to support this Agreement, including, without limitation, the release in subsection 5(b) above. You acknowledge that no representations of any kind or character have been made by the Company to induce your execution of this Agreement and that the only representations made to you in order to obtain your consent to this Agreement are as stated herein.

10. **RESTRICTIONS.** You represent and warrant that neither you, nor any person, organization or entity acting on your behalf, has filed or initiated any complaint, charge, claim or proceeding against the Company before any local, state or federal agency, court or other body relating to your employment or the termination thereof (each individually a "Proceeding"). To the fullest extent permitted by law, you waive any right you may have to benefit in any manner from any relief (whether through an award of money, equitable relief or otherwise) arising out of any past, present or future Proceeding, including, without limitation, any Proceeding conducted by the Equal Employment Opportunity Commission ("EEOC"). In addition to the release of all claims you have against the Company under the "GENERAL RELEASE" AND "EXTENT OF RELEASE" in Sections 5 and 6 above, you further agree, to the extent permitted by law, not to instigate, encourage, or voluntarily assist or participate in an action or proceeding commenced by any person or other entity against the Company.

11. **PENALTIES.** If you fail to abide by any of the terms of Sections 5, 6, 10 or 15 of this Agreement or if you fail in any material respect to abide by the terms of Sections 12 and 16 of this Agreement, the Company may, except as otherwise prohibited by law, reclaim any amounts paid or forgiven under this Agreement, without waiving the release granted herein, and terminate any benefit or payments that are due under this Agreement, in addition to any other remedies it may have.

12. COOPERATION. Upon request, you agree to give your assistance and cooperation willingly in any matter relating to your expertise or experience as the Company may reasonably request, including your attendance and truthful testimony where deemed appropriate by the Company, with respect to any investigation or the Company's defense or prosecution of any existing or future claims or litigations relating to matters in which you were involved or potentially have knowledge by virtue of your employment with the Company. Such assistance and cooperation shall be provided by you without fee or charge, other than reasonable travel expenses and disbursements. Assistance shall be given during regular business hours at locations and times mutually agreed upon by you and the Company, with due regard to your availability given your then applicable employment, except with respect to mandated court appearances for which you will make yourself available upon reasonable advance notice.

13. REVOCATION AND EFFECTIVE DATE. This Agreement may be revoked by you within the seven (7) days after the date on which you sign this Agreement and you understand that this Agreement and your eligibility to receive any compensation and/or benefits under the Agreement shall not become binding or enforceable until this seven (7) day period has expired without you having so revoked. This Agreement shall become effective on the eighth (8th) day following your signing of this Agreement (the "Effective Date") provided that you have not revoked the Agreement. Any such revocation must be made in a signed letter executed by you stating specifically that you are revoking your acceptance of this Agreement and received by the Company at the following address no later than 5:00 p.m. New York time on the seventh day after you have executed this Agreement: Robert K. Kretzman, Executive Vice President, General Counsel and Chief Legal Officer, Revlon Consumer Products Corporation, 237 Park Avenue, New York, New York 10017. You understand that if you revoke this Agreement, this Agreement and your eligibility to receive any compensation and/or benefits under the Agreement will not be effective or enforceable and you will not be entitled to any payments and benefits hereunder. You understand and agree that you would not receive the payments and benefits set forth in this Agreement, except for your execution of this Agreement and the fulfillment of your promises, obligations and covenants set forth herein. The terms of this Agreement are not final and authorized until this Agreement is executed by a Company officer with appropriate authority. Until such execution by a Company officer, the Agreement shall be considered to be a draft for discussion purposes.

14. NOTICE. Any notice to be given under this Agreement shall be given in writing and delivered either personally or sent by certified mail to the Company c/o Robert K. Kretzman at the above address and to you at your address in the Company's records.

15. CONFIDENTIALITY / NON-COMPETITION.

a) In consideration of the payments and benefits provided in this Agreement, you agree to comply with and perform each and every covenant and undertaking set forth in any agreements related to non-competition or trade secrets, confidential information and/or work product previously executed by you, including, without limitation, the Employee Agreement as

to Confidentiality and Non-Competition, which you executed on February 8, 2006 (the "Non-Competition Agreement"), to the same extent as if the same were fully set forth herein, with the express understanding that the non-solicitation covenants in Sections 7(b) and 7(c) of the Non-Competition Agreement shall remain in effect until December 31, 2007 and the non-competition covenant in Section 9 of the Non-Competition Agreement shall remain in effect until September 18, 2009.

b) In addition to any agreement related to trade secrets, confidential information and/or work products previously executed by you, (including, without limitation, the Non-Competition Agreement executed by you), you agree that you will not at any time divulge to any other entity or person any confidential information acquired by you concerning the Company's or its affiliates' business results, financial condition, marketing plans, strategic plans, new product development plans, advertising strategies and plans, trademarks, patents, copyrights and other designs and intellectual property, financial affairs, business processes or methods or their research, development or marketing programs or plans, any other of its or their trade secrets, any information regarding personal matters of any directors, officers, employees or agents of the Company or their respective family members, any information concerning this Agreement or the terms herein, or any information concerning the circumstances of your employment with and your separation from your employment with the Company, or any information regarding discussions related to any of the foregoing or make, write, publish, produce or in any way participate in placing into the public domain any statement, opinion or information with respect to any of the foregoing or which reflects adversely upon or would reasonably impair the reputation or best interests of the Company or any of its directors, officers, employees or agents or their respective family members, except in each case (i) information which is required to be disclosed by court order, subpoena or other judicial process, (ii) information regarding your job responsibilities and performance during your employment with the Company to prospective employers in connection with an application for employment, (iii) information regarding the financial terms of this Agreement to your spouse or your tax or financial advisor for purposes of obtaining tax or financial advice provided that such persons are made aware of and agrees to comply with the confidentiality obligation, or (iv) information which is necessary to be disclosed to your attorney to determine whether you should enter into this Agreement. The foregoing prohibitions shall include, without limitation, directly or indirectly publishing (or causing, participating in, assisting or providing any statement, opinion or information in connection with the publication of) any diary, memoir, letter, story, photograph, interview, article, essay, account or description (whether fictionalized or not) concerning any of the foregoing, publication being deemed to include any presentation or reproduction of any written, verbal or visual material in any communication medium, including any book, magazine, newspaper, internet publication or discussion group, theatrical production or movie, or television or radio programming or commercial, other than publication of your book with the working title "*Frameworks for Leadership Success*" in the exact form approved by the Company on May 1, 2006 subject only to minimal editorial changes. In addition to any and all other remedies available to the Company for any violation of this Section, you agree to immediately remit and disgorge to the Company any and all payments paid or payable to you in connection with or as a result of engaging in any of the above acts. In the event that you are

required to make disclosure under any court order, subpoena or other judicial process which in any way relates to your employment with the Company, you will promptly notify the Company, take all reasonable steps requested by the Company to defend against the compulsory disclosure and permit the Company to participate with counsel of its choice in any proceeding relating to the compulsory disclosure. You acknowledge that all information the disclosure of which is prohibited by this Section is of a confidential and proprietary character and of great value to the Company and that a breach of this Section will constitute a material breach of this Agreement, which will cause the Company to suffer immediate, substantial and irreparable injury. You confirm that, as of the date of your execution of this Agreement, you have not violated the terms of this Section 15 (CONFIDENTIALITY / NON-COMPETITION).

16. RETURN OF COMPANY PROPERTY. You understand and agree that you are obligated to return all Revlon property in your possession or control, as required under the Employee Agreement as to Confidentiality and Non-Competition, including, without limitation, computer disks or data (including, data retained on any computer), mobile phones, home-office equipment or computers purchased or provided by the Company, any keys, identification and access cards, records, documents, files or other materials, and your Company-provided automobile. By executing this Agreement, you represent and agree that you (i) have returned to the Company all Company property in your possession or control, (ii) have removed any and all computer data relating to the Company's confidential information and trade secrets from any personal computer(s) in your possession or control, and (iii) have not retained any such computer data (or copies thereof) in any form. Notwithstanding anything to the contrary in this Section 16, the Company agrees that you may retain without any payment required by you, the blackberry provided by the Company to you and the laptop computer provided by the Company to you for use in your home, provided that as soon as possible following the Resignation Date, you will return such blackberry and laptop computer to the Company, to the attention of Robert K. Kretzman, for a temporary period for purposes of deletion of confidential and proprietary data.

17. INDEMNIFICATION. RCPC and/or Revlon, Inc. will indemnify you, to the maximum extent permitted by applicable law, against all costs, charges and expenses incurred or sustained by you in connection with any action, suit or proceeding to which you may be made a party, brought by any shareholder of RCPC, Revlon, Inc. or any of their subsidiaries directly or derivatively or by any third party by reason of any act or omission by you as an officer, director or employee of RCPC or Revlon, Inc. or of any their subsidiaries or affiliates. In addition, you will continue to have the benefit of the Company's directors and officer's liability insurance policy in respect of your prior service as an officer, director or employee of the Company to the same extent as the other officers and directors of the Company.

18. NON-ADMISSION. Nothing contained in this Agreement shall be deemed or construed as an admission of wrongdoing or liability on the part of either you or the Company.

19. SEVERABILITY CLAUSE. Should any provision or part of this Agreement be found to be invalid or unenforceable, only that particular provision or part so found and not the entire agreement shall be inoperative.

20. ASSIGNMENT. This Agreement may be assigned by the Company to (i) any affiliate of the Company or (ii) any non-affiliate of the Company that shall acquire all or the greater part of the business and assets of the Company. In the event of any such assignment, the Company shall cause such affiliate or non-affiliate, as the case may be, to assume the obligations of the Company hereunder with the same effect as if such assignee were the "Company" hereunder, and, in the case of such assignment to a non-affiliate, the Company and its affiliates shall be released from all liability hereunder. This Agreement is personal to you and you may not assign any rights or delegate any responsibilities hereunder without the Company's prior written approval.

21. NON-ALIENATION. You shall not have any right to pledge, anticipate or in any way create a lien upon any payment or benefit provided under this Agreement, and no such payment or benefit shall be assignable in anticipation of payment, either by voluntary or involuntary acts or by operation of law.

22. OFFSET. You hereby authorize the Company to offset any sums owed by you to the Company against the severance pay payable to you pursuant to this Agreement, to the fullest extent permitted under applicable law.

23. GOVERNING LAW AND CHOICE OF FORUM. This Agreement shall be governed by, and construed pursuant to, the laws of the State of New York applicable to transactions executed and to be wholly performed in New York between residents thereof, without regard to conflicts of laws, except as otherwise preempted by the laws of the United States. The parties consent and agree to the exclusive jurisdiction of the Federal and State courts sitting in the City and State of New York for all purposes.

24. ENTIRE AGREEMENT. This Agreement and any attachments or exhibits hereto expressly supersede any and all previous understandings and agreements between the Company and you and constitute the sole and exclusive understanding between the Company and you concerning the subjects set forth herein, other than any agreements related to non-competition or trade secrets, confidential information and/or work product previously executed by you (including your Non-Competition Agreement), the terms of which remain in full force and effect. This Agreement and any attachments or exhibits hereto may not be altered, modified, changed or discharged except in a writing signed by you and the Company. You understand and agree that other than as set forth in this Agreement and the attachments or exhibits hereto, you will not receive any compensation, payments or benefits of any kind from the Company and you expressly agree that you are not entitled to, and have no right to, any additional compensation, payments or benefits other than the payment of vested benefits under the terms of the Company's qualified pension plans, as amended from time to time.

If the foregoing text of this document correctly reflects our mutual agreements, please execute and return to the undersigned the two originals of this Agreement.

Sincerely,

REVLON CONSUMER PRODUCTS CORPORATION

By: /s/ Robert K. Kretzman

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Robert K. Kretzman  
Executive Vice President,  
General Counsel and Chief Legal Officer



AGREEMENT AND  
ACKNOWLEDGMENT

I, **JACK L. STAHL**, acknowledge receipt of the Letter Agreement and Release and I agree to all the terms and conditions set forth in the Letter Agreement and Release. I have read and fully understand the meaning and effect of the terms set forth in the Letter Agreement and Release and enter into such agreement of my own free will and without coercion, intimidation or threat of retaliation. I also acknowledge and understand that I have been afforded twenty-one (21) days to consider the Letter Agreement and Release and to have the agreement reviewed by my attorney if I so choose. I acknowledge that if I execute this Letter Agreement and Release prior to the expiration of the twenty-one (21) day period or if I choose to forego the advice of an attorney, I do so freely, knowingly and voluntarily and waive any and all future claims that such action or actions would affect the validity of this Letter Agreement and Release.

Date: September 19, 2006

Name: /s/ Jack L. Stahl

October 6, 2006

Thomas E. McGuire  
660 River Chase Ridge  
Atlanta, GA 30328

Dear Tom:

This letter agreement and release (the "Agreement") confirms the agreement entered into between you and the Company regarding your separation from your employment with the Company effective as of October 13, 2006 (the "Separation Date") and explains the package of separation pay and benefits that has been specially developed for you in full bargained for release and settlement of any and all claims that you have presently, may have or have had in the past arising from your employment with and separation from your employment with the Company up to and including the Effective Date of this Agreement, including any claims in respect of the Employment Agreement between you and the Company dated as of August 18, 2003, as amended effective as of August 17, 2004 and March 2, 2006 (the "Employment Agreement"). For purposes of this Agreement, the term the "Company" includes Revlon Consumer Products Corporation and any of its past, present or future parent and subsidiary corporations, affiliates, divisions, successors and assigns (whether or not incorporated) and any of their past, present or future employees, agents, assigns, officers, directors and shareholders whether acting in their individual or representative capacity. It is understood that you and the Company are entering into this Agreement knowingly and voluntarily.

1. RESIGNATION AS PRESIDENT, REVLON INTERNATIONAL. It is understood and agreed that you are resigning from your position as President, Revlon International effective as of the Separation Date, and you agree that you will execute all documents requested in order to effectuate this resignation, as well as to resign from any and all other directorships, officerships and other positions with the Company. The Company agrees that your resignation is not a termination for Cause as that term is defined in the Employment Agreement.

2. CONSIDERATION IN SETTLEMENT. Accordingly, if you execute this Agreement (and do not revoke it pursuant to Section 13 below), continue to perform your duties and responsibilities in a professional and satisfactory manner until the Separation Date and fully comply with the Agreement's terms and conditions:

a) SEVERANCE PAY.

i) You will receive severance pay, less applicable withholdings and deductions, for a total of twenty-four (24) months, with such period to be referred to herein as the "Salary Continuation Period." Your severance pay will be at your base rate of pay in effect

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on your Separation Date and will be payable as follows: (1) for the period beginning on your Separation Date to April 13, 2007, you will receive severance pay in an amount equal to your required contribution (at the active employee contribution rate, as in effect from time to time) to the cost of your participation in the Company's group medical, dental and/or vision insurance benefit plans (at the level of your participation immediately prior to the Separation Date, subject to the terms and conditions of such plans, as in effect and amended from time to time), less applicable withholdings and deductions; (2) on the first payroll pay date following April 13, 2007, you will be paid a lump sum payment equal to the gross amount of your base rate of pay in effect on your Separation Date for the period from the Separation Date to April 13, 2007, less any amounts paid to you under (1) above, less applicable withholdings and deductions, and (3) during the remainder of the Salary Continuation Period after April 13, 2007, you will receive severance pay at your base rate of pay in effect on your Separation Date, less applicable withholdings and deductions, payable on a bi-weekly basis.

ii) Through May 13, 2008, any severance payments payable to you under this subsection 2(a) will not be reduced by any compensation payable to you through other employment, a consultancy or any other source. Thereafter, your entitlement to severance pay under this subsection shall be reduced by the amount of any compensation payable to you as a result of any employment or consultancy undertaken by you and/or by the amount of any other severance or termination payments to you, in each case in respect of periods after May 13, 2008 until the conclusion of the Salary Continuation Period, and you agree that you will immediately notify the Company's Chief Legal Officer when you receive any such compensation. Notwithstanding the above, due to your role and responsibilities with the Company, you may be restricted from undertaking employment with a competitor of the Company under the terms of any agreements related to non-competition or trade secrets, confidential information and/or work product you previously signed, and you must provide prompt written notice to the Company c/o Robert K. Kretzman, Executive Vice President, General Counsel and Chief Legal Officer, Revlon Consumer Products Corporation, 237 Park Avenue, New York, New York 10017, if you have been offered employment with a Restricted Entity, as defined in the Employee Agreement as to Confidentiality and Non-Competition you executed on August 1, 2003 (the "Non-Competition Agreement"), and wish to accept such offer of employment, specifying the specific employment title and duties or other interest so offered and the terms (including compensation) of such offer. Also, it is agreed that your entitlement to receive severance pay and benefits under this Agreement shall immediately cease in the event that you accept employment with the Company in any other position during the Salary Continuation Period.

b) BENEFITS CONTINUATION PERIOD. For purposes of this Agreement, the "Benefits Continuation Period" shall mean the period from the Separation Date until October 13, 2008.

c) CONTINUATION OF MEDICAL, DENTAL AND/OR VISION INSURANCE BENEFITS AND FLEXIBLE SPENDING ACCOUNT. You will be permitted to continue participation in the Company's group medical, dental and/or vision insurance benefit plans at the level of your participation immediately prior to the Separation Date (for example, Employee, Employee +1, Family levels), subject to the terms and conditions of such plans, as in

effect and amended from time to time, and at the contribution level in effect for active employees until (i) the end of the Benefits Continuation Period or (ii) you become eligible for coverage under medical and/or dental insurance benefit plans, as the case may be, of another company, whichever occurs first. You will be permitted to have the period of continuation of medical and/or dental insurance benefits under COBRA (which is generally a period of 18 months) commence upon expiration of the Benefits Continuation Period or such earlier date as is triggered under subsection (ii) in the preceding sentence. As a condition of your continued coverage of medical and/or dental insurance benefits under COBRA, you (or your eligible dependents) will be required to contribute on a timely basis at the applicable COBRA contribution rate, as in effect from time to time. Details regarding your required contributions will be provided by the Company's COBRA administrator at an appropriate time. You will immediately notify the Company's Chief Legal Officer when you become eligible for coverage under medical, dental and/or vision insurance benefit plans of another company.

d) CONTINUATION OF LIFE / AD&D INSURANCE. Your Basic Life Insurance coverage under the Revlon Life and Accident Insurance Program (the "Program") will be continued at no cost to you during the Benefits Continuation Period. In addition, you can continue any Supplemental Life, Accidental Death and Dismemberment, Dependent Life and/or Dependent Accidental Death and Dismemberment insurance coverage previously elected by you under the Program at your expense during the Severance Period. After the expiration of the Severance Period, you will be advised of any options you may have to convert the insurance coverages described above to an individual policy at your own expense, and information regarding such conversion options will be provided to you at that time.

e) OUTPLACEMENT. You will be eligible to receive outplacement and career transition services provided by the Ayers Group as determined by the Company, at the Company's expense.

f) PRO RATA 2006 BONUS. In the event that bonus plan objectives under the Revlon Executive Bonus Plan are met and a bonus is earned and paid in respect of 2006 under the Revlon Executive Bonus Plan (excluding any discretionary bonuses paid), notwithstanding that you would not be currently employed by the Company, you shall be eligible to receive such bonus, prorated for the period of your employment with the Company during 2006, less applicable withholdings and deductions. If any bonus is payable to you under this Section 2(f), such bonus will be paid to you in 2007 at the same time as other earned bonuses are paid under the Revlon Executive Bonus Plan.

g) REIMBURSEMENT FOR BUSINESS EXPENSES. You shall be reimbursed for all reasonable expenses incurred or paid by you prior to October 13, 2006 in connection with the performance of your services for the Company, subject to and in accordance with the Company's applicable expense reimbursement and related policies.

3. SECTION 409A. The Company's provision of compensation and benefits under this Agreement is being made in good faith compliance with Section 409A of the Internal Revenue

Code of 1986, as amended, and the regulations promulgated thereunder ("Section 409A"). Additionally, it is understood and agreed that the schedule for the provision of compensation and benefits provided for in the CONSIDERATION IN SETTLEMENT Section above reflects your initial deferral election pursuant to Section 409A, if any such election is required. It is expressly understood and agreed that the Company reserves the right to provide the compensation or benefits provided in the CONSIDERATION IN SETTLEMENT Section above at times and in a manner that minimizes taxes, interest or penalties as a result of Section 409A, including any required withholdings.

4. VACATION. You will receive a check for any accrued and unused 2006 vacation prorated for the period of your active employment in 2006 with the Company, less applicable withholdings and deductions, upon your separation from your employment with the Company.

5. GENERAL RELEASE.

a) In exchange for the consideration provided to you under this Agreement, you agree to release and hold harmless (on behalf of yourself and your family, heirs, executors, administrators, successors and assigns) now and forever, the Company from and waive any claim in any legal jurisdiction that you have presently, may have or have had in the past, known or unknown, against the Company upon or by reason of any matter, cause or thing whatsoever, from the beginning of the world to the date of this release, including, without limitation, all claims arising from your employment with, or termination of employment from, the Company, or otherwise. Notwithstanding the prior sentence, it is understood and agreed that the only rights or claims that you are not releasing and waiving are your rights to receive the compensation and benefits provided to you under this Agreement, any rights you may have: (i) under this Agreement, subject in all cases to the terms and conditions hereof, (ii) to the payment of vested benefits (if any) under the terms of the Company's qualified pension plans (the Revlon Employees' Retirement Plan and the Revlon Employees' Savings, Investment and Profit Sharing Plan), as amended from time to time, (iii) under the Stock Plan or (iv) to indemnification as provided in the INDEMNIFICATION Section below.

b) Revlon (defined for purposes of this subsection only as the corporate entities Revlon, Inc., Revlon Consumer Products Corporation and their successors and assigns) hereby waives, releases and gives up any and all claims and rights it has presently or has had in the past against you related to your past activities in connection with your employment with Revlon, which Revlon actually knew, or reasonably should have known, on or prior to the date of your execution of this Agreement, except that the release in this subsection shall not apply to any claim the Company may have which directly or indirectly results from any breach by you of this Agreement or any confidentiality, non-competition or fiduciary obligation owed to the Company, any act of misappropriation or conversion of trade secrets or proprietary or confidential information, any act of fraud or theft committed by you in connection with your employment with the Company, or any intentional tort.

6. EXTENT OF RELEASE. Without limiting the generality of the preceding "GENERAL RELEASE" Section, this Agreement is intended to and shall release the Company

from any and all claims or rights arising under any federal, state or local statute (including, without limitation, Title VII of the Civil Rights Act of 1964, the Age Discrimination in Employment Act of 1967, the Equal Pay Act, the Americans with Disabilities Act of 1990, the Employee Retirement Income Security Act of 1974, the Family and Medical Leave Act of 1993, the Fair Labor Standards Act, the Older Workers Benefit Protection Act of 1990, the Civil Rights act of 1866, the Civil Rights Act of 1991, the Workers Adjustment and Retraining Act, the New York State Human Rights Law, the New York City Administrative Code, and all other statutes regulating the terms and conditions of your employment, including, but not limited to those state laws set forth in Exhibit 1 to this Agreement, in each case, as amended), regulation or ordinance, under the common law or in equity (including any claims for wages, wrongful discharge, discrimination, retaliation, whistleblower claims, any tort claims, or otherwise), or under any policy, agreement, understanding or promise, written or oral, formal or informal, between the Company and you, including, without limitation, any claim you might have for severance, termination or severance pay in any legal jurisdiction, or pursuant to the Company's severance policies or practices as from time to time in effect, or otherwise.

7. **RIGHT TO COUNSEL.** The Company hereby advises you that you should consult with an attorney prior to execution of this Agreement. You acknowledge that you understand it is in your best interest to have this document reviewed by an attorney of your own choosing and at your own expense, and you hereby acknowledge that you have been afforded a period of at least twenty-one (21) days during which to consider this Agreement and to have it reviewed by your attorney, and you represent that you have done so.

8. **FREE WILL.** You are entering into this Agreement of your own free will and without coercion, intimidation or threat of retaliation. You acknowledge and agree that the Company has not exerted any undue pressure or influence on you in this regard. You acknowledge that you have had reasonable time to determine whether entering into this Agreement is in your best interest and you have read and fully understand the terms set forth in this Agreement. You understand that if you request additional time to review the provisions of this Agreement, a reasonable extension of time will be granted.

9. **ADEQUACY OF CONSIDERATION.** The consideration provided to you under this Agreement, which you agree is adequate consideration to support this Agreement, is not required under the Company's policies or otherwise and you acknowledge that you know of no circumstances other than you agreeing to the terms of this Agreement which would require the Company to provide such consideration. You acknowledge that no representations of any kind or character have been made by the Company to induce your execution of this Agreement and that the only representations made to you in order to obtain your consent to this Agreement are as stated herein.

10. **RESTRICTIONS.** You represent and warrant that neither you, nor any person, organization or entity acting on your behalf, has filed or initiated any complaint, charge, claim or proceeding against the Company before any local, state or federal agency, court or other body relating to your employment or the termination thereof (each individually a "Proceeding"). To

the fullest extent permitted by law, you waive any right you may have to benefit in any manner from any relief (whether through an award of money, equitable relief or otherwise) arising out of any past, present or future Proceeding, including, without limitation, any Proceeding conducted by the Equal Employment Opportunity Commission ("EEOC"). In addition to the release of all claims you have against the Company under the "GENERAL RELEASE" AND "EXTENT OF RELEASE" Sections above, you further agree, to the extent permitted by law, not to instigate, encourage, or voluntarily assist or participate in an action or proceeding commenced by anyone else against the Company.

11. PENALTIES. If you fail to abide by any of the terms of this Agreement, the Company may, except as otherwise prohibited by law, reclaim any amounts paid under this Agreement, without waiving the release granted herein, and terminate any benefit or payments that are due under the Agreement, in addition to any other remedies it may have.

12. COOPERATION. Upon request, you agree to give your assistance and cooperation willingly in any matter relating to your expertise or experience as the Company may reasonably request, including your attendance and truthful testimony where deemed appropriate by the Company, with respect to any investigation or the Company's defense or prosecution of any existing or future claims or litigations relating to matters in which you were involved or potentially have knowledge by virtue of your employment with the Company. Such assistance and cooperation shall be provided by you without fee or charge, other than reasonable travel expenses and disbursements. Assistance shall be given during regular business hours at locations and times mutually agreed upon by you and the Company, with due regard to your availability given your then applicable employment, except with respect to mandated court appearances for which you will make yourself available upon reasonable notice.

13. REVOCATION AND EFFECTIVE DATE. This Agreement may be revoked by you within the seven (7) days after the date on which you sign this Agreement and you understand that this Agreement and your eligibility to receive any compensation and/or benefits under the Agreement shall not become binding or enforceable until this seven (7) day period has expired without you having so revoked. This Agreement shall become effective on the eighth (8th) day following your signing of this Agreement (the "Effective Date") provided that you have not revoked the Agreement. Any such revocation must be made in a signed letter executed by you stating specifically that you are revoking your acceptance of this Agreement and received by the Company at the following address no later than 5:00 p.m. New York time on the seventh day after you have executed this Agreement: Robert K. Kretzman, Executive Vice President, General Counsel and Chief Legal Officer, Revlon Consumer Products Corporation, 237 Park Avenue, New York, New York 10017. You understand that if you revoke this Agreement, this Agreement and your eligibility to receive any compensation and/or benefits under the Agreement will not be effective or enforceable and you will not be entitled to any payments and benefits hereunder. You understand and agree that you would not receive the payments and benefits set forth in this Agreement, except for your execution of this Agreement and the fulfillment of your promises, obligations and covenants set forth herein. The terms of this Agreement are not final and authorized until this Agreement is executed by a Company officer with appropriate

authority. Until such execution by a Company officer, the Agreement shall be considered to be a draft for discussion purposes.

14. NOTICE. Any notice to be given under this Agreement shall be given in writing and delivered either personally or sent by certified mail to the Company c/o Robert K. Kretzman at the above address and to you at 660 River Chase Ridge, Atlanta, GA 30328, with a copy to Daniel D. Zegura, Esq., Rogers & Hardin LLP, 2700 International Tower, Peachtree Center, 229 Peachtree Street, N.E., Atlanta, GA 30303.

15. CONFIDENTIALITY / NON-COMPETITION.

a) In consideration of the payments and benefits provided in this Agreement, you agree to comply with and perform each and every covenant and undertaking set forth in any agreements related to non-competition or trade secrets, confidential information and/or work product previously executed by you, including, without limitation, the Non-Competition Agreement, to the same extent as if the same were fully set forth herein, with the understanding that Paragraph 9(f) of the Non-Competition Agreement does not apply and shall have no further application, but all other provisions of the Non-Competition Agreement shall continue in full force and effect without modification.

b) In addition to any agreement related to trade secrets, confidential information and/or work products previously executed by you, (including, without limitation, the Non-Competition Agreement executed by you), you agree that you will not at any time divulge to any other entity or person any confidential information acquired by you concerning the Company's or its affiliates' financial affairs or business processes or methods or their research, development or marketing programs or plans, any other of its or their trade secrets, any information regarding personal matters of any directors, officers, employees or agents of the Company or their respective family members, any information concerning this Agreement or the terms thereof, or any information concerning the circumstances of your employment with and the separation from your employment from the Company, or any information regarding discussions related to any of the foregoing or make, write, publish, produce or in any way participate in placing into the public domain any statement, opinion or information with respect to any of the foregoing or which reflects adversely upon or would reasonably impair the reputation or best interests of the Company or any of its directors, officers, employees or agents or their respective family members, except in each case (i) information which is required to be disclosed by court order, subpoena or other judicial process, (ii) information regarding your job responsibilities during your employment with the Company to prospective employers in connection with an application for employment, (iii) information regarding the financial terms of this Agreement to your spouse or your tax advisor for purposes of obtaining tax advice provided that such persons are made aware of and agrees to comply with the confidentiality obligation, or (iv) information which is necessary to be disclosed to your attorney to determine whether you should enter into this Agreement. The foregoing prohibitions shall include, without limitation, directly or indirectly publishing (or causing, participating in, assisting or providing any statement, opinion or information in connection with the publication of) any diary, memoir,



letter, story, photograph, interview, article, essay, account or description (whether fictionalized or not) concerning any of the foregoing, publication being deemed to include any presentation or reproduction of any written, verbal or visual material in any communication medium, including any book, magazine, newspaper, internet publication or discussion group, theatrical production or movie, or television or radio programming or commercial. In addition to any and all other remedies available to the Company for any violation of this Section, you agree to immediately remit and disgorge to the Company any and all payments paid or payable to you in connection with or as a result of engaging in any of the above acts. In the event that you are required to make disclosure under any court order, subpoena or other judicial process which in any way relates to your employment with the Company, you will promptly notify the Company, take all steps requested by the Company to defend against the compulsory disclosure and permit the Company to participate with counsel of its choice in any proceeding relating to the compulsory disclosure. You acknowledge that all information the disclosure of which is prohibited by this Section is of a confidential and proprietary character and of great value to the Company and that a breach of this Section will constitute a material breach of this Agreement, which will cause the Company to suffer immediate, substantial and irreparable injury. You confirm that, as of the date of your execution of this Agreement, you have not violated the terms of this "CONFIDENTIALITY / NON-COMPETITION" Section. The Company confirms that as of the date it executes this Agreement, it has no actual knowledge of facts constituting a violation of this "CONFIDENTIALITY / NON-COMPETITION" Section.

16. RETURN OF COMPANY PROPERTY. You understand and agree that you are obligated to return all Company property in your possession or control, as required under the Employee Agreement as to Confidentiality and Non-Competition, including, without limitation, computer disks or data (including, data retained on any computer), any home-office equipment, mobile phones, blackberrys or computers purchased or provided by the Company, any keys, identification and access cards, records, documents, files or other materials. By executing this Agreement, you represent and agree that you (i) have returned all Company property in your possession or control to the Company, (ii) have removed any and all computer data relating to Company confidential information and trade secrets from any personal computer(s) in your possession or control, and (iii) have not retained any such computer data (or copies thereof) in any form.

17. INDEMNIFICATION. Notwithstanding anything herein to the contrary, this Agreement shall not impact or release any rights that you may have, under the by-laws of the Company, applicable insurance policies of the Company and/or under applicable law, to indemnification with respect to liabilities, costs, losses and claims arising from or related to your service as an officer, director or employee of the Company or of any parent, subsidiary or affiliate of the Company.

18. NON-ADMISSION. Nothing contained in this Agreement shall be deemed or construed as an admission of wrongdoing or liability on the part of the Company.

19. SEVERABILITY CLAUSE. Should any provision or part of this Agreement be

found to be invalid or unenforceable, only that particular provision or part so found and not the entire agreement shall be inoperative.

20. **ASSIGNMENT.** This Agreement may be assigned by the Company to (i) any affiliate of the Company or (ii) any non-affiliate of the Company that shall acquire all or the greater part of the business and assets of the Company. In the event of any such assignment, the Company shall cause such affiliate or non-affiliate, as the case may be, to assume the obligations of the Company hereunder with the same effect as if such assignee were the "Company" hereunder, and, in the case of such assignment to a non-affiliate, the Company and its affiliates shall be released from all liability hereunder. This Agreement is personal to you and you may not assign any rights or delegate any responsibilities hereunder without the prior approval of the Company.

21. **NON-ALIENATION.** You shall not have any right to pledge, anticipate or in any way create a lien upon any payment or benefit provided under this Agreement, and no such payment or benefit shall be assignable in anticipation of payment, either by voluntary or involuntary acts or by operation of law.

22. **OFFSET.** You hereby authorize the Company to offset any sums owed by you to the Company against the severance pay payable to you pursuant to this Agreement, to the fullest extent permitted under applicable law.

23. **GOVERNING LAW AND CHOICE OF FORUM.** This Agreement shall be governed by, and construed pursuant to, the laws of the State of New York applicable to transactions executed and to be wholly performed in New York between residents thereof, without regard to conflicts of laws, except as otherwise preempted by the laws of the United States. The parties consent and agree to the exclusive jurisdiction of the Federal and State courts sitting in the City and State of New York for all purposes pertaining to this Agreement.

24. **ENTIRE AGREEMENT.** This Agreement and any attachments or exhibits hereto expressly supersede any and all previous understandings and agreements between the Company and you and constitute the sole and exclusive understanding between the Company and you concerning the subjects set forth herein, other than any agreements related to non-competition or trade secrets, confidential information and/or work product previously executed by you (including your Non-Competition Agreement), the terms of which remain in full force and effect, with the sole exception that Paragraph 9(f) of the Non-Competition Agreement does not apply to you and shall have no further application. This Agreement and any attachments or exhibits hereto may not be altered, modified, changed or discharged except in a writing signed by you and agreed to by the Company. You understand and agree that other than as set forth in this Agreement and the attachments or exhibits hereto, you will not receive any compensation, payments or benefits of any kind from the Company and you expressly agree that you are not entitled and have no right to any additional compensation, payments or benefits other than the payment of vested benefits (if any) under the terms of the Company's qualified pension plans, as amended from time to time.

If the foregoing text of this document correctly reflects our mutual agreements, please execute and return to the undersigned the two originals of this Agreement.

Sincerely,

REVLON CONSUMER PRODUCTS CORPORATION

By: /s/ Robert K. Kretzman

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Robert K. Kretzman  
Executive Vice President,  
General Counsel and Chief Legal Officer

AGREEMENT AND  
ACKNOWLEDGMENT

I, **THOMAS E. MCGUIRE**, acknowledge receipt of the Letter Agreement and Release and I agree to all the terms and conditions set forth in the Letter Agreement and Release. I have read and fully understand the meaning and effect of the terms set forth in the Letter Agreement and Release and enter into such agreement of my own free will and without coercion, intimidation or threat of retaliation. I also acknowledge and understand that I have been afforded twenty-one (21) days to consider the Letter Agreement and Release and to have the agreement reviewed by my attorney if I so choose. I acknowledge that if I execute this Letter Agreement and Release prior to the expiration of the twenty-one (21) day period or if I choose to forego the advice of an attorney, I do so freely, knowingly and voluntarily and waive any and all future claims that such action or actions would affect the validity of this Letter Agreement and Release.

Date:           October 6, 2006

Name:           /s/ Thomas E. McGuire  
\_\_\_\_\_

## REVLON EXECUTIVE SEVERANCE PAY PLAN (Effective September 21, 2006)

### SUMMARY PLAN DESCRIPTION

#### **PURPOSE**

It is the intent of the Revlon Executive Severance Pay Plan (the "Plan") to provide non-binding guidelines for the granting of separation pay, and other benefits, to certain employees that have been terminated for reasons unrelated to performance or conduct. This Plan is intended to provide some financial support for an employee during a time period after separation to enable him/her to seek new employment, relative to his or her position and tenure.

*The information in this document is your Summary Plan Description provided in accordance with the Employee Retirement Income Security Act of 1974, as amended ("ERISA").*

*In addition, the benefits provided by this Plan do not create a contract of employment or confer any right of any person to be retained in the employ of the Company. Revlon Consumer Products Corporation reserves the right to change or discontinue the Plan (and/or these benefits), in whole or in part, at any time and for any reason, without advance notice to eligible employees and/or their dependents or beneficiaries.*

*This document supersedes all earlier descriptions of the Plan and Plan documents.*

#### **APPLICATION**

This Plan applies to all eligible terminations of employment, on or after the effective date of September 21, 2006, by Revlon Consumer Products Corporation and participating employers in the United States (the "Company"). This Plan document supersedes any and all prior Plan descriptions, including, without limitation, the Executive Severance Policy as amended effective July 1, 2002. The acceptance of any separation pay, or other benefits, under this Plan shall constitute a waiver of any severance or separation pay the employee would have been entitled to under any other severance or separation pay plans, programs, policies or practice of the Company.

#### **ELIGIBILITY**

An employee is eligible to participate in the Plan if:

- The employee is employed by the Company as defined above;
- The employee is classified in executive grades 13 or equivalent and above;

- The employee executes and complies with the terms of a release and confidentiality agreement satisfactory to the Company in its sole discretion;
- The employee executes and complies with the terms of the Company's Employee Agreement as to Confidentiality and Non-Competition then in effect during all periods of employment and during all periods for which separation pay is provided; and
- The employee is terminated due to circumstances other than those described in the "Exclusions" section of this Plan.

***In all cases, separation pay is awarded at the Plan Administrator's discretion.***

A person will not be eligible to participate in the Plan if he or she has been classified by the Company as an independent contractor in accordance with the Company's standard personnel practices, regardless of whether such person may thereafter be held to be a common law employee of the Company by a court, the Internal Revenue Service or any other relevant federal, state or local governmental authority or agency.

## **EXCLUSIONS**

1. Separation pay will not be granted, under any circumstances, to an employee who leaves the Company voluntarily, including, without limitation, by:
  - a. Resignation; or
  - b. Retirement, including, but not limited to, retirement under the terms of the Revlon Employees' Retirement Plan or any other pension plan that might be provided by the Company.
2. Separation pay will not be granted to an employee who is discharged for good reason as determined by the Company in its sole discretion, including, without limitation, for:
  - a. Unsatisfactory work performance, conduct or attitude, including, but not limited to: poor quality of work; lack of dependability; poor communication; inability to develop satisfactory internal and/or external relationships; poor judgment; poor organizational abilities; inability to handle volume of work; lack of job knowledge or technical skills; inability to work independently; lack of motivation; ineffectual problem solving; or inability to make decisions;
  - b. Violation of Company policy, including, without limitation, the Code of Business Conduct;
  - c. Misappropriation or unauthorized disclosure of confidential information, trade secrets or corporate opportunities;
  - d. Violation of the Employee Agreement as to Confidentiality and Non-Competition;

- e. Negligent failure to safeguard Company property or negligently defacing or destroying Company property;
- f. Engaging in physical violence or threatening conduct in connection with employment;
- g. Insubordination;
- h. Commission of an act which constitutes a felony or misdemeanor under applicable Federal, State, foreign or local law;
- i. Unlawful manufacture, distribution, dispensation, possession or use of a controlled substance on Company premises or while conducting Company business off Company premises;
- j. Misappropriation, falsification and/or unauthorized alternation of Company records;
- k. Possession of firearms or lethal weapons of any kind on Company premises or while conducting Company business off Company premises, without Company authorization;
- l. Conflict of interest, not duly reported and approved in accordance with the Company's Conflict of Interest Policy;
- m. Sabotage, malicious adulteration of product, or industrial espionage; or
- n. Commission of any other act that is detrimental to the Company's business or reputation.

- 3. Separation pay will not be granted where the Company sells or otherwise disposes of the business or unit in which the employee was employed, and either:
  - a. the employee accepts employment with the buyer of those operations, or
  - b. the employee rejects an offer of employment by the buyer involving compensation and benefits substantially equivalent, taken as a whole, to the employee's compensation and benefits with the Company.
- 4. If subsequent to the commencement of separation pay the Company discovers that the employee committed acts while employed which would have constituted good reason under paragraph 2 above, or discovers that the employee at any time violated either of the release and confidentiality agreement described in the ELIGIBILITY Section above or the Employee Agreement as to Confidentiality and Non-Competition described above, the Company may

cease further separation payments and may require the employee to reimburse the Company for all separation payments previously made.

## **ADMINISTRATION**

1. **Separation Pay:** *There is no guarantee of any amount of separation pay or benefits to any employee.* However, separation benefits may be awarded at the discretion of the Plan Administrator based upon factors such as the employee's position and length of service with reference to the Separation Pay Guidelines below or otherwise, provided that the employee meets all of the eligibility requirements described in the "Eligibility" section hereof. In determining whether, and how much separation pay, to award in any individual case the Plan Administrator may, in its sole discretion, consider the circumstances of the employee's termination and the employee's tenure and performance history, among other factors.

### **Separation Pay Guidelines**

<b>Executive Grade Level</b>	<b>Basic Severance Period</b>	<b>Supplemental Severance Period One Month Per Full Year of Service to a Maximum of:</b>	<b>Total Maximum Combined Benefit ("Severance Period")</b>
<b>20 and above</b>	16 months	6 months	22 months
<b>16 - 19</b>	10 months	6 months	16 months
<b>13 -15</b>	4 months	12 months	16 months

2. **Method of Payment:** Generally, if separation benefits are awarded, an eligible employee's base salary will continue at the same rate, and in the same manner, as was in effect on the date of his or her termination, for the duration of the severance pay period. However, the Company, in its sole discretion, may elect to pay separation benefits in any form.

*Notwithstanding any provision herein, in all cases, separation benefits awarded under this Plan will be paid in good faith compliance, and in an amount, time and manner in compliance, with the terms and requirements of the Internal Revenue Code, including, without limitation, Section 409A and any successor provisions, without the Company or the employee incurring additional taxes, penalties or fees pursuant to Internal Revenue Code Section 409A. Among other things, the Internal Revenue Code currently provides that for certain "specified employees", separation payments that are covered by the provisions on deferred compensation of Internal Revenue Code Section 409A may not commence until the six-month anniversary of the employee's termination date.*

If severance pay or benefits under this Plan result from termination of employment due to a change of control of Revlon, Inc., the amounts scheduled may, if the Company elects in its sole discretion in the case of any particular employee, either (i) be cut back as necessary to prevent the employee from incurring the 20% excise tax imposed under federal law on executives who receive "golden parachute" awards or (ii) be supplemented so that the net



amount retained by the employee after deduction of such excise tax and any additional income tax payable on such supplemental payment, shall equal the amount scheduled.

3. Tax Withholding: Required Federal, State and local taxes will be withheld from all payments made under this Plan in accordance with applicable law.
4. Reduction for Pension Enhancement: If an employee is involuntarily terminated in connection with a reduction in force or layoff implemented by the Company, for which the Company in its sole discretion has elected to provide for enhanced pension benefits under any pension plan maintained by the Company, the amount payable to the employee pursuant to this Plan shall be reduced by the Actuarial Value of such enhanced pension benefits if the employee is eligible (with or without such enhanced pension benefits) to receive an immediate pension under such plan as of his or her date of termination. For purposes of this Section, the Actuarial Value of any enhanced pension benefits made available to the employee shall be determined based on the actuarial assumptions and methodologies used with respect to the plan to determine liabilities in accordance with the Statement of Financial Accounting Standards No. 87 (Employers' Accounting for Pensions) or any amendments thereto or any successor standards.
5. Coordination of Separation Pay Benefits: Separation pay benefits awarded to the employee shall be reduced by compensation payable to the employee as a result of (a) other severance or termination payments (other than unpaid vacation) due from sources other than this Plan; and (b) any payments required by federal, state or local law in any jurisdiction and/or foreign laws, rules, regulations or practices, because of the termination of the employee's employment or any related notice requirement, including, without limitation, under the W.A.R.N. Act or any local equivalent, including termination, indemnity, redundancy pay or pay in lieu of notice.
6. Other Benefits:
  - a. Continuation of Medical/Dental Benefits: If an eligible employee (and his or her dependents) participates in The Revlon Health Care Program (including, but not limited to the Revlon Medical, Dental and/or Vision Care Plan) at the time of employment termination, the employee and his/her dependents will be permitted to continue participation in the Company's group medical and/or dental benefit plans under COBRA at the contribution level in effect for active employees until the earliest to occur of (1) the end of any Severance Period, (2) the expiration of the maximum required period for continuation coverage under applicable federal law for which the employee would be eligible, or (3) when the employee becomes covered by medical or dental plans of another employer or becomes eligible for Medicare. Continued participation in the Company's other group welfare benefit plans will be governed by the terms and conditions of the plans as in effect when employment terminates, provided that if such plans are amended as to the group of employees in which the employee was included at the time of termination, the newer provisions

shall apply.

In order to remain eligible for continued medical or dental benefits during the Severance Period, the employee must make timely premium payments in the same amount paid by then current employees, which amounts will be deducted from the employee's severance pay, and must submit such evidence of non-coverage as the Company may reasonably require. If the employee is entitled and elects under applicable federal law to further continue such benefits under COBRA after the Severance Period, the employee must make timely premium payments at the applicable rate for COBRA continuation contributions, as required and in such manner as is acceptable to the Company.

- b. The Revlon Health Care Flexible Spending Program: If an eligible employee participates in The Revlon Health Care Flexible Spending Program at the time of termination, he or she may be eligible to continue participation under the provision of COBRA, as amended, on an after-tax basis.
- c. Outplacement Services: The Company, in its sole discretion, may provide outplacement services to employees upon termination.
- d. Other Plans, Policies and Programs: This Plan is not intended to describe the provisions or administrative practices of any other plan, policy or program. Any benefits that may be available under any other such plan, policy or program must be determined solely in accordance with the terms and administrative provisions of such plan, policy or program, as in effect at the time of termination.

- 7. Non-Competition: The non-competition provision of the Employee Agreement as to Confidentiality and Non-Competition shall remain in effect for the full duration of the period that severance benefits are awarded under this Plan without regard to the schedule, form or manner of payment.
- 8. Employment Contracts or Other Written Agreements In Effect: If, on the date of termination, an employment contract or other written agreement between an eligible employee and the Company is in effect, which sets forth the separation pay and other benefits payable to such eligible employee upon termination, then, unless otherwise provided by the terms of such written agreement, the eligible employee will be entitled to the greater of the separation pay and other benefits provided for in such employment contract or agreement, or the separation pay and other benefits payable in accordance with this Plan.
- 9. Non-Uniform Determinations: The Plan Administrator's determinations under this Plan need not be uniform and may be made selectively among the persons who receive, or are eligible to receive, awards hereunder (whether or not such persons are similarly situated).

10. **Plan Construction:** Revlon Consumer Products Corporation has the final authority with respect to the construction, interpretation and application of the terms of the Plan and the eligibility for separation pay or other benefits under this Plan. Revlon Consumer Products Corporation's decisions in all such matters are final and binding. Employees who have questions with respect to this Plan may contact Revlon Consumer Products Corporation's senior-most Human Resources executive or his/her designee.

## **AMENDMENT OR TERMINATION OF PLAN**

Revlon Consumer Products Corporation reserves the right to amend, modify or terminate this Plan or any portion of it at any time, and for any reason, in each case without advance notice to eligible employees and/or their dependents and/or beneficiaries. Any such action may be effected by actions of the Board of Directors of Revlon Consumer Products Corporation or officers expressly authorized by the Board. Any such action shall be in writing.

## **LEGALLY REQUIRED INFORMATION ABOUT THE PLAN**

### **Plan Administrator and Plan Administration**

The Plan Administrator is Revlon Consumer Products Corporation. Revlon Consumer Products Corporation may allocate and assign any of its responsibilities and duties for the operation and administration of the Plan to such other person or persons as it determines is appropriate.

The Plan Administrator has complete discretionary authority to interpret the Plan and determine any and all questions or disputes relating to the Plan, including but not limited to eligibility for benefits under the Plan. The Plan Administrator's decisions regarding the Plan and Plan benefits are final, conclusive and binding.

The Plan Administrator may be contacted at:

Revlon Consumer Products Corporation  
Attention: Human Resources  
237 Park Avenue  
New York, New York 10017  
212-527-4000

### **Agent for Service of Legal Process**

Service of legal process may be made to the General Counsel, Revlon Consumer Products Corporation at the address given below for the Plan Sponsor.

## Plan Information

### Lead Employer and Plan Sponsor:

Revlon Consumer Products Corporation  
237 Park Avenue  
New York, New York 10017  
212-527-4000

A list of the other participating employers may be obtained upon written request to the Plan Administrator or may be examined, without charge, at the Plan Administrator's office.

**Employer Identification Number (EIN):** 13-3662953

**Plan Name:** Revlon Executive Severance Pay Plan

**Plan Number:** 507

### Plan Year

The Plan's plan year for purposes of maintaining the records of the Plan is the calendar year.

### Type of Plan and Funding

The Plan is a severance pay plan which is intended to constitute an employee welfare benefit plan under ERISA and is not a qualified plan under the Internal Revenue Code. The Plan is unfunded. As an unfunded plan all benefits are paid from the general assets of the Company. No funds are set aside or held in trust to secure any benefits that may be offered to eligible employees under the Plan.

## Governing Law

The Plan and all rights thereunder shall be governed by the laws of the State of New York, except to the extent preempted by ERISA.

## Benefit Claims Procedure

An awarded benefit under the Plan will be paid to you as a matter of course; accordingly, there is no need to file a claim for Plan benefits with the Plan Administrator other than completing any administrative forms which may be required by the Plan Administrator, as well as the release and confidentiality agreement and the Employee Agreement as to Confidentiality and Non-Competition prescribed by the Company.

If you feel you are entitled to a benefit under the Plan and did not receive it, you must file a written claim for benefits with the Plan Administrator within six months of your separation from your employment with the Company. If you dispute the amount of your benefit under the Plan, you may file a claim with the Plan Administrator. Benefit claim determinations will be made in accordance with the terms of the Plan and any administrative procedures adopted under the Plan.

A request for Plan benefits will be considered a claim for Plan benefits, and it will be subject to a full and fair review. If your claim is wholly or partially denied, the Plan Administrator will furnish you with a written notice of this denial. This written notice must be provided to you within 90-days after the receipt of your claim by the Plan Administrator. In certain circumstances the Plan Administrator may take an additional 90-days to make its decision if it notifies you prior to the expiration of the initial 90-day period that it needs this time, the reasons for this extension and the date by which it expects to render its benefit determination. You may, but are not obligated to, agree to any other extension of time for a decision on your claim. The period of time within which a benefit determination is required to be made will begin at the time a claim is filed, without regard to whether all the information necessary to make a benefit determination accompanies the filing.

A written notice of denial of your benefit claim will contain the following information:

- the specific reason or reasons for the adverse determination;
- specific reference to those Plan provisions on which the denial is based;
- a description of any additional information or material necessary to correct your claim and an explanation of why such material or information is necessary; and
- a description of the Plan's review procedures and the time limits applicable to such procedures, including a statement of your or your beneficiary's right to file a suit under section 502(a) of ERISA following an adverse benefit determination on review.

If your claim has been denied, and you wish to submit your claim for review, you must follow the "Claims Appeal Procedure" described below.

## Claims Appeal Procedure

If your claim for benefits is denied, you or your duly authorized representative may file an appeal of the adverse determination with the Plan Administrator which will review your claim and the initial adverse determination. You or your duly authorized representative must file your appeal of the denial within 60 days after you receive notification that your benefit claim is denied. You will have the opportunity to submit written comments, documents, records, and other information relating to the claim for benefits. In addition, you will be provided, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim for benefits. A document, record, or other information will be considered "relevant" to a claim if such document, record, or other information (i) was relied upon in making the benefit determination; (ii) was submitted, considered, or generated in the course of making the benefit determination, without regard to whether such document, record, or other information was relied upon in making the benefit determination; or (iii) demonstrates compliance with administrative processes and safeguards, to the extent required by regulations and other guidance of general applicability issued by the Department of Labor.

In its review the Plan Administrator will take into account all comments, documents, records, and other information submitted relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination.

The Plan Administrator will review your claim within 60 days after the Plan Administrator's receipt of your written request for review of your claim. There may be special circumstances when this 60-day period may be extended by the Plan Administrator to up to 120 days after receipt by the Plan Administrator of your request for review of your claim. You will receive advance written notice of an extension of the 60-day review period prior to the expiration of the initial 60-day period which will state the reasons for this extension and the date by which the Plan Administrator expects to render its benefit determination. You may, but are not obligated to, agree to any other extension of time for a decision on your appealed claim. The period of time within which a benefit determination on review is required to be made will begin at the time an appeal is filed, without regard to whether all the information necessary to make a benefit determination on review accompanies the filing. In the event that the review period is extended due to your failure to submit information necessary to decide a claim, the period for making the benefit determination on review will be suspended from the date on which the notification of the extension is sent to you until the earlier of 45 days from the date of such notification or the date on which you respond to the request for additional information. If you do not provide the requested information, your claim may be denied on appeal. The Plan Administrator will provide you with written or electronic notice of its decision on your appealed claim.

If your claim is denied on appeal, the Plan Administrator's decision on your claim on appeal will be communicated to you in writing and will contain (i) the specific reason or

reasons for the adverse determination; (ii) reference to the specific Plan provisions on which the benefit determination is based; (iii) a statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim for benefits; and (iv) a statement describing your right to file a law suit under section 502(a) of ERISA.

If you do not timely utilize the Plan's benefit claims procedures provided above, including the claims appeal process, it is possible that any further legal action you pursue may be dismissed due to your failure to "exhaust" the Plan's administrative claims review process.

## **ERISA Rights Statement**

As a participant in the Revlon Separation Pay Plan you are entitled to certain rights and protections under the Employee Retirement Income Security Act of 1974 (ERISA). ERISA provides that employee benefit plan participants shall be entitled to:

### **Receive Information About Your Plan and Benefits**

Examine, without charge, at the Plan Administrator's office, all documents governing the plan, including a copy of the latest annual report (Form 5500 Series) filed with the U.S. Department of Labor and available at the Public Disclosure Room of the Employee Benefits Security Administration, if applicable.

Obtain, upon written request to the Plan Administrator, copies of documents governing the operation of the plan, including copies of the latest annual report (Form 5500 Series), if applicable, and any updated summary plan description. The Administrator may require a reasonable charge for the copies.

### **Prudent Actions by Plan Fiduciaries**

In addition to creating rights for plan participants, ERISA imposes duties upon the people who are responsible for the operation of the employee benefit plan. The people who operate your plan, called "fiduciaries" of the plan, have a duty to do so prudently and in the interest of you and other plan participants. No one, including your employer, or any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a benefit or exercising your rights under ERISA.

### **Enforce Your Rights**

If your claim for a benefit is denied or ignored, in whole or in part, you have a right to know why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time schedules.

Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request a copy of plan documents or the latest annual report and do not receive them within 30 days, you may file suit in a Federal court. In such a case, the court

may require the Plan Administrator to provide the materials and pay you up to \$110 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the Plan Administrator. If you have a claim for benefits which is denied or ignored, in whole or in part, you may file suit in a state or Federal court, after following the claims and appeals process described above in the section entitled "Benefit Claims Procedure" above. If you fail to fully and timely utilize the Plan's administrative claims and appeals process, it is possible that any suit you file may be dismissed due to your failure to "exhaust" the Plan's claims and appeals process. If it should happen that you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in a Federal court. The court will decide who should pay court costs and legal fees. If you are successful, the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees, for example, if it finds your claim is frivolous.

## **Assistance with Your Questions**

If you have any questions about this Plan, you should contact the Plan Administrator. If you have any questions about this Statement or about your rights under ERISA, or if you need assistance in obtaining documents from the Plan Administrator, you should contact the nearest office of the Employee Benefits Security Administration, U.S. Department of Labor, listed in your telephone directory or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue N.W., Washington, D.C. 20210. You may also obtain certain publications about your rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration.

*The above statement of your ERISA rights was created by the U.S. Department of Labor and is required by law. By including the statement of your ERISA rights, the Plan Administrator, the Company, the plan fiduciaries and their agents make no representation about the legal accuracy of its content. The statement of your ERISA rights should in no way be construed as legal advice.*

*The information in this document is your Summary Plan Description provided in accordance with the Employee Retirement Income Security Act of 1974, as amended ("ERISA").*

*In addition, the benefits provided by this Plan do not create a contract of employment or confer any right of any person to be retained in the employ of the Company. Revlon Consumer Products Corporation reserves the right to change or discontinue the Plan (and/or these benefits), in whole or in part, at any time and for any reason, without advance notice to eligible employees and/or their dependents or beneficiaries.*

*This document supersedes all earlier descriptions of the Plan and Plan documents.*



CERTIFICATIONS

I, David L. Kennedy, certify that:

1. I have reviewed this quarterly report on Form 10-Q (the "Report") of Revlon, Inc. (the "Registrant");
2. Based on my knowledge, this Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Report;
3. Based on my knowledge, the financial statements, and other financial information included in this Report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this Report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Report is being prepared;
  - (b) Designed such internal control over financial reporting or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Report based on such evaluation; and
  - (d) Disclosed in this Report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: November 7, 2006

/s/ David L. Kennedy  
David L. Kennedy  
President and Chief Executive Officer

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CERTIFICATIONS

I, Alan T. Ennis, certify that:

1. I have reviewed this quarterly report on Form 10-Q (the "Report") of Revlon, Inc. (the "Registrant");
2. Based on my knowledge, this Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Report;
3. Based on my knowledge, the financial statements, and other financial information included in this Report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this Report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Report is being prepared;
  - (b) Designed such internal control over financial reporting or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Report based on such evaluation; and
  - (d) Disclosed in this Report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: November 7, 2006

/s/ Alan T. Ennis  
Alan T. Ennis  
Senior Vice President,  
Corporate Controller and  
Chief Accounting Officer (principal financial officer)

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**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Revlon, Inc. (the "Company") for the period ended September 30, 2006 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David L. Kennedy, Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ David L. Kennedy  
David L. Kennedy  
Chief Executive Officer  
November 7, 2006

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**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Revlon, Inc. (the "Company") for the period ended September 30, 2006 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Alan T. Ennis, Chief Accounting Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Alan T. Ennis  
Alan T. Ennis  
Chief Accounting Officer (principal financial officer)  
November 7, 2006

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