REVLON INC /DE/
Form 10-K
February 25, 2010

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

Form 10-K

(Mark One)

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

For the fiscal year ended December 31, 2009

OR

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

Registrant s telephone number, including area code: (212) 527-4000
Securities registered pursuant to Section 12(b) or 12(g) of the Act:

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

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

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Yes o No x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceeding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes o No o

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

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

Large accelerated filer o	Accelerated filer x	Non-accelerated filer o (Do not check if smaller reporting company)	Smaller reporting company o

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

Yes o No x

The aggregate market value of the registrant s Class A Common Stock held by non-affiliates (using the New York Stock Exchange closing price as of June 30, 2009, the last business day of the registrant s most recently completed second fiscal quarter) was approximately $109,852,999.

As of December 31, 2009, 48,493,958 shares of Class A Common Stock and 3,125,000 shares of Class B Common Stock and 9,336,905 shares of Preferred Stock were outstanding. At such date, 37,544,640 shares of Class A Common Stock were beneficially owned by MacAndrews & Forbes Holdings Inc. and certain of its affiliates and all of the shares of Class B Common Stock were owned by REV Holdings LLC, a Delaware limited liability company and an indirectly wholly-owned subsidiary of MacAndrews & Forbes Holdings Inc.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of Revlon, Inc. s definitive Proxy Statement to be delivered to shareholders in connection with its Annual Meeting of Stockholders to be held on or about June 3, 2010 are incorporated by reference into Part III of this Form 10-K.

Revlon, Inc. and Subsidiaries

Form 10-K

For the Year Ended December 31, 2009

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PART I

Item 1. Business

Background

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

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

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

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

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

The Company s Business Strategy

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

1. ***Building our strong brands.*** We continue to build our strong brands by focusing on innovative, high-quality, consumer-preferred brand offering; effective consumer brand communication; appropriate levels of advertising and promotion; and superb execution with our retail partners.

2. ***Developing our organizational capability.*** We continue to develop our organizational capability through attracting, retaining and rewarding highly capable people and through performance management, development planning, succession planning and training.

3. ***Driving our company to act globally.*** We continue to drive common global processes which are designed to provide the most efficient allocation of our resources.

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4. ***Increasing our operating profit and cash flow.*** We continue to focus on increasing our operating profit and cash flow.

5. ***Improving our capital structure.*** We continue to improve our capital structure by focusing on strengthening our balance sheet and reducing debt.

Recent Debt Reduction Transactions

We reduced our long-term indebtedness by $81.3 million during 2009 and extended the maturity on a significant portion of our long-term debt primarily as a result of the following transactions:

2006 Term Loan Facility: In January 2009, Products Corporation made a required quarterly amortization payment of $2.1 million under its 2006 Term Loan Facility (as hereinafter defined). In February 2009, Products Corporation repaid $16.6 million in principal amount under its 2006 Term Loan Facility pursuant to the requirement under the 2006 Term Loan Agreement to repay term loan indebtedness with 50% of its 2008 excess cash flow (as defined under such agreement), which repayment satisfied Products Corporation s required quarterly term loan amortization payments of $2.1 million per quarter that would otherwise have been due on April 15, 2009, July 15, 2009, October 15, 2009, January 15, 2010, April 15, 2010, July 15, 2010, October 15, 2010 and $1.9 million of the amortization payment otherwise due on January 15, 2011. At December 31, 2009, the principal amount outstanding under Products Corporation s 2006 Term Loan Facility was $815.0 million.

Extension of the maturity of the Senior Subordinated Term Loan: In October 2009, Revlon, Inc. consummated its voluntary exchange offer (as amended, the Exchange Offer) in which Revlon, Inc. issued to stockholders (other than MacAndrews & Forbes and its affiliates) 9,336,905 shares of Series A preferred stock, par value $0.01 per share (the Preferred Stock), in exchange for the same number of shares of Class A Common Stock tendered for exchange in the Exchange Offer.

Each share of the Preferred Stock issued in the Exchange Offer has a liquidation preference of $5.21 per share and is entitled to receive a 12.75% annual dividend payable quarterly in cash and is mandatorily redeemable for $5.21 in cash on October 8, 2013. Each share of Preferred Stock entitles its holder to receive cash payments of approximately $7.87 over the four-year term of the Preferred Stock, through the quarterly payment of cash dividends and the liquidation preference at maturity (assuming Revlon, Inc. does not engage in one of certain specified change of control transactions), in each case to the extent that Revlon, Inc. has lawfully available funds to effect such payments.

Upon consummation of the Exchange Offer, MacAndrews & Forbes contributed to Revlon, Inc. $48.6 million of the $107.0 million aggregate outstanding principal amount of the Senior Subordinated Term Loan (as hereinafter defined) made by MacAndrews & Forbes to Products Corporation (the Contributed Loan), and the terms of the Senior Subordinated Term Loan Agreement were amended:

- to extend the maturity date on the Contributed Loan which remains owing from Products Corporation to Revlon, Inc. from August 2010 to October 8, 2013;

- to change the annual interest rate on the Contributed Loan from 11% to 12.75%;

- to extend the maturity date on the $58.4 million principal amount of the Senior Subordinated Term Loan which remains owing from Products Corporation to MacAndrews & Forbes (the Non-Contributed Loan) from August 2010 to October 8, 2014; and to change the annual interest rate on the Non-Contributed Loan from 11% to 12%.

Refinancing of the 9½% Senior Notes: In November 2009, Products Corporation issued and sold $330.0 million in aggregate principal amount of 93/4% Senior Secured Notes due November 15, 2015 (the 93/4% Senior Secured Notes) in a private placement which was priced at 98.9% of par.

Products Corporation used the $319.8 million of net proceeds from the 93/4% Senior Secured Notes (net of original issue discount and underwriters fees), together with $42.6 million of other cash and borrowings under the 2006 Revolving Credit Facility (as hereinafter defined), to repay or redeem all of the

$340.5 million aggregate principal amount outstanding of Products Corporation s 91/2% Senior Notes due April 1, 2011 (the 91/2% Senior Notes), plus an aggregate of $21.9 million for accrued interest, applicable redemption and tender premiums and fees and expenses related to refinancing the 91/2% Senior Notes, as well as the amendments to the 2006 Credit Agreements required to permit such refinancing to be conducted on a secured basis.

Prior to their complete refinancing in November 2009, Products Corporation repurchased $49.5 million in aggregate principal amount of 91/2% Senior Notes at an aggregate purchase price of $41.0 million, which is net of the write-off of the ratable portion of unamortized debt discounts and deferred financing fees resulting from such repurchases.

(See further discussion in 2009 Refinancing Transactions within Financial Condition, Liquidity and Capital Resources 2009 Refinancing Transactions and in Note 9 Long-Term Debt and Redeemable Preferred Stock to the Consolidated Financial Statements).

Possible refinancing of the 2006 Credit Agreements: As part of the Company s strategy to continue to improve its capital structure, on February 25, 2010, the Company filed with the SEC a Current Report on Form 8-K disclosing that Products Corporation is exploring a possible refinancing of its existing 2006 Term Loan Facility and its 2006 Revolving Credit Facility, including disclosure of the possible principle terms and conditions of such refinancing. There can be no assurances that such refinancing will be finalized and closed. Products Corporation was in compliance with all applicable covenants under its 2006 Credit Agreements as of December 31, 2009 and the date of this filing.

Products

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

COSMETICS	HAIR	BEAUTY TOOLS	FRAGRANCE	ANTI-PERSPIRANTS/ DEODORANTS	SKINCARE
Revlon	Revlon ColorSilk	Revlon	Charlie	Mitchum	Gatineau
Almay			Jean Naté		Ultima II

Cosmetics Revlon: The Company sells a broad range of cosmetics under its flagship **Revlon** brand designed to fulfill consumer needs, principally priced in the upper range of the mass retail channel, including face, lip, eye and nail products. Certain of the Company s products incorporate patented, patent-pending or proprietary technology. (See New Product Development and Research and Development).

The Company sells face makeup, including foundation, powder, blush and concealers, under the **Revlon** brand name. **Revlon Age Defying**, which is targeted for women in the over-35 age bracket, incorporates the Company s patented **Botafirm** ingredients to help reduce the appearance of lines and wrinkles. The Company s new **Revlon Age Defying Spa** foundation and concealer were introduced for 2009 to instantly revitalize and brighten, while protecting against the appearance of fine lines. The Company also markets a complete range of **Revlon ColorStay** liquid and powder face makeup with patented long-wearing ingredients and **SoftFlex** technology for enhanced comfort. The **Revlon ColorStay** Mineral collection includes **Revlon ColorStay** Mineral Mousse makeup and **Revlon ColorStay** Mineral foundation, as well as **Revlon ColorStay** Mineral pressed blush and bronzer. The **Revlon Beyond Natural** collection, focusing on a naturally glamorous look, offers skin-tone matching liquid foundation. For 2010, the Company launched

Revlon PhotoReady makeup, powder and finisher, all designed with innovative photochromatic pigments that bend and reflect light to give a flawless, airbrushed appearance in any light. The Company has also launched **Revlon Age Defying Spa** face illuminator, which uses light reflection to enhance skin and boost luminosity, producing a radiant and glowing effect.

The Company markets several different lines of **Revlon** lip makeup, including lipstick, lip gloss and lip liner, under several **Revlon** brand names. **Revlon Super Lustrous** is the Company s flagship wax-based

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lipcolor, offered in a wide variety of shades of lipstick and lip gloss, and has **LiquiSilk** technology designed to boost moisturization using silk dispersed in emollients. **Revlon ColorStay Soft & Smooth** lip color, with patented ingredients, offers long-wearing benefits while enhancing comfort with **SoftFlex** technology, while **Revlon ColorStay Overtime** lipcolor and **Revlon ColorStay Overtime Sheer** lip color use patented transfer resistant technology. The Company s **Revlon ColorStay** Mineral lipglaze is the Company s first long-wearing lip gloss with up to eight hours of wear. For 2009, the Company introduced **Revlon** Cremé Gloss, a lip gloss that provides deeply pigmented color with extreme gloss shine and **Revlon ColorStay Ultimate** liquid lipstick, the first and only lipcolor that has patented **ColorStay** long-wearing technology with comfortable food-proof wear for up to 12 hours in one simple step. For 2010, the Company launched **Revlon ColorBurst** lipstick, a luxurious lipstick available in 20 shades with **Elasticolor** technology that provides an instant burst of rich, true color that feels virtually weightless on lips.

The Company s eye makeup products include mascaras, eyeliners, eye shadows and brow products, under several **Revlon** brand names. In mascaras, key franchises include **Fabulash**, which uses a lash perfecting brush for fuller lashes, and **Revlon Lash Fantasy Total Definition**, a two-step primer and mascara with lash separating brushes for enhanced definition. In 2009, the Company launched **Revlon DoubleTwist** mascara featuring a revolutionary two-in-one patent-pending brush for massive volume and remarkable definition. In eyeliners, **Revlon Luxurious Color** liner uses a smooth formula to provide rich, luxurious color. In addition, in 2009, the Company introduced **Revlon Luxurious Color** kohl eyeliner for intense matte color. In eye shadow, **Revlon ColorStay** 12-Hour patented long-wearing eyeshadow enables color to look fresh for up to 12 hours. In 2009, the Company also introduced new **Revlon** Matte eye shadows, which provide high impact color combined with a soft matte finish. For 2010, the Company extended its eye shadow offering and introduced **Revlon Luxurious Color** eyeshadow in satin and perle finishes, which offer rich, smooth and velvety application.

The Company s nail color and nail care lines include enamels, treatments and cuticle preparations. The Company s core **Revlon** nail enamel uses a patented formula that provides consumers with improved wear, application, shine and gloss in a toluene-free, formaldehyde-free and phthalate-free formula.

Hair Revlon: The Company sells both hair color and haircare products throughout the world. In women s hair color, the Company markets brands, including **Revlon ColorSilk**, with patented ingredients which offer radiant, rich color with conditioning.

Beauty Tools Revlon: The Company sells **Revlon** Beauty Tools, which include nail, eye and pedicure grooming tools, such as clippers, scissors, files, tweezers and eye lash curlers. **Revlon** Beauty Tools are sold individually and in sets. In 2009, the Company launched a full line of makeup brushes under the **Revlon** brand name.

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

Within the face category, **Almay Smart Shade** offers patented ingredients for foundation, blush, bronzer and concealer that are designed to match consumer skin tones. Introduced for 2010, **Almay Smart Shade Anti-Aging** makeup matches skin tone while also fighting signs of aging. **Almay TLC Truly Lasting Color** makeup and pressed powder have long-wearing formulas that nourish and protect the skin for up to 16 hours of coverage.

In eye makeup, the flagship brand, **Almay Intense i-Color**, enhances and intensifies eyes through color-coordinated shades of shadow, liner and mascara for each eye color. In 2010, the Company extended the franchise to include **Almay Intense i-Color** with **Light Interplay Technology**. **Almay Bright Eyes** collection is a three-product, innovative and coordinated collection made up of eye base and concealer in one, eye shadow and a liner/highlighter duo. The collection helps eyes look refreshed and radiant due to Almay s expert formulas that work with light reflectors to naturally brighten and de-puff the look of the entire eye area. The **Almay One Coat** mascara franchise includes products for lash thickening and visible lengthening, and the patented **Almay Triple Effect** mascara offers a more dramatic look. **Almay** eye makeup removers are offered in a range of pads and towlettes.

Anti-perspirants/deodorants: In the anti-perspirants/deodorants product category, the Company markets **Mitchum** anti-perspirant products, with patented ingredients, in many countries.

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

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

Marketing

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

The Company uses print, television and internet advertising, as well as point-of-sale merchandising, including displays and samples, coupons and other trial incentives. The Company s marketing emphasizes a uniform global image and product for its portfolio of core brands. The Company coordinates advertising campaigns with in-store promotional and other marketing activities. The Company develops jointly with retailers carefully tailored advertising, point-of-purchase and other focused marketing programs.

The Company also uses cooperative advertising programs, Company-paid or Company-subsidized demonstrators, and coordinated in-store promotions and displays. Other marketing materials designed to introduce the Company s newest products to consumers and encourage trial and purchase in-store include trial-size products and couponing. Additionally, the Company maintains separate websites, www.revlon.com, www.almay.com and www.mitchumman.com devoted to the **Revlon**, **Almay** and **Mitchum** brands, respectively. Each of these websites feature product and promotional information for the brands and are updated regularly to stay current with the Company s new product launches and other advertising and promotional campaigns.

New Product Development and Research and Development

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

The Company operates an extensive cosmetics research and development facility in Edison, New Jersey. The scientists at the Edison facility are responsible for all of the Company s new product research and development worldwide and performing research for new products, ideas, concepts and packaging. The research and development group at the Edison facility also performs extensive safety and quality testing on the Company s products, including toxicology, microbiology, efficacy and package testing. Additionally, quality control testing is performed at each of the Company s manufacturing facilities.

As of December 31, 2009, the Company employed approximately 140 people in its research and development activities, including specialists in pharmacology, toxicology, chemistry, microbiology, engineering, biology, dermatology and quality control. In 2009, 2008 and 2007, the Company spent $23.9 million, $24.3 million and $24.4 million, respectively, on research and development activities.

Manufacturing and Related Operations and Raw Materials

During 2009, the Company s cosmetics and/or personal care products were produced at the Company s facilities in North Carolina, Venezuela, France and South Africa and at third-party facilities around the world.

The Company continually reviews its manufacturing needs against its manufacturing capacities to identify opportunities to reduce costs and operate more efficiently. The Company purchases raw materials and components throughout the world, and continuously pursues reductions in cost of goods through the global sourcing of raw materials and components from qualified vendors, utilizing its purchasing capacity to maximize cost savings. The Company s global sourcing strategy for materials and components from accredited vendors is also designed to ensure the highest quality and the continuity of supply of the raw materials and components. The Company believes that alternate sources of raw materials and components exist and does not anticipate any significant shortages of, or difficulty in obtaining, such materials.

Distribution

The Company s products are sold in more than 100 countries across six continents. The Company s worldwide sales force had approximately 220 people as of December 31, 2009. In addition, the Company utilizes sales representatives and independent distributors to serve certain markets and related distribution channels.

United States. Net sales in the U.S. accounted for approximately 58% of the Company s 2009 net sales, a majority of which were made in the mass retail channel. The Company also sells a broad range of consumer products to U.S. Government military exchanges and commissaries. The Company licenses its trademarks to select manufacturers for complimentary beauty-related products and accessories that the Company believes have the potential to extend the Company s brand names and image. As of December 31, 2009, twelve (12) licenses were in effect relating to eighteen (18) product categories, which are marketed principally in the mass-market distribution channel. Pursuant to such licenses, the Company retains strict control over product design and development, product quality, advertising and the use of its trademarks. These licensing arrangements offer opportunities for the Company to generate revenues and cash flow through royalties and renewal fees, some of which have been prepaid from time to time.

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

International. Net sales outside the U.S. accounted for approximately 42% of the Company s 2009 net sales. The five largest countries in terms of these sales were South Africa, Australia, Canada, U.K. and Venezuela, which together accounted for approximately 25% of the Company s 2009 consolidated net sales. The Company distributes its products through drug stores and chemist shops, hypermarkets, mass volume retailers, general merchandise stores, department stores and specialty stores such as perfumeries. At December 31, 2009, the Company actively sold its products through wholly-owned subsidiaries established in 14 countries outside of the U.S. and through a large number of distributors and licensees elsewhere around the world.

Customers

The Company s principal customers include large mass volume retailers and chain drug stores, including such well-known retailers as Wal-Mart, Walgreens, CVS and Target in the U.S., Shoppers

DrugMart in Canada, A.S. Watson & Co. retail chains in Asia Pacific and Europe, and Boots in the United Kingdom. Wal-Mart and its affiliates worldwide accounted for approximately 23% of the Company s 2009 consolidated net sales. As is customary in the consumer products industry, none of the Company s customers is under an obligation to continue purchasing products from the Company in the future. The Company expects that Wal-Mart and a small number of other customers will, in the aggregate, continue to account for a large portion of the Company s net sales. (See Item 1A. Risk Factors The Company depends on a limited number of customers for a large portion of its net sales and the loss of one or more of these customers could reduce the Company s net sales and have a material adverse affect on the Company s business, financial condition and/or results of operations).

Competition

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

- developing quality products with innovative performance features, shades, finishes, components and packaging;
- educating consumers on the Company s product benefits;
- anticipating and responding to changing consumer demands in a timely manner, including the timing of new product introductions and line extensions;
- offering attractively priced products relative to the product benefits provided;
- maintaining favorable brand recognition;
- generating competitive margins and inventory turns for its retail customers by providing relevant products and executing effective pricing, incentive and promotion programs;
- ensuring product availability through effective planning and replenishment collaboration with retailers;
- providing strong and effective advertising, marketing, promotion and merchandising support;
- maintaining an effective sales force; and
- obtaining and retaining sufficient retail floor space, optimal in-store positioning and effective presentation of its products at retail.

The Company competes in selected product categories against a number of multi-national manufacturers. In addition to products sold in the mass retail channel and demonstrator-assisted channels, the Company s products also compete with similar products sold in prestige and department stores, television shopping, door-to-door, specialty stores, the internet, perfumeries and other distribution outlets. The Company s competitors include, among others, L Oréal S.A., The Procter & Gamble Company, Avon Products, Inc. and The Estée Lauder Companies Inc. (See Item 1A. Risk Factors Competition in the consumer products business could materially adversely affect the Company s net sales and its share of the mass retail channel and could have an adverse affect on the Company s business, financial condition and/or results of operations).

Patents, Trademarks and Proprietary Technology

The Company s major trademarks are registered in the U.S. and in over 150 other countries, and the Company considers trademark protection to be very important to its business. Significant trademarks include **Revlon**, **ColorStay**, **Revlon Age Defying** makeup with **Botafirm**, **Revlon Super Lustrous**, **Almay**, **Almay Smart Shade**, **Mitchum**, **Charlie**, **Jean Naté**, **Revlon ColorSilk** and, outside the U.S., **Gatineau** and **Ultima II**. The Company regularly renews its trademark registrations in the ordinary course of business.

The Company utilizes certain proprietary, patent-pending or patented technologies in the formulation, packaging or manufacture of a number of the Company s products, including, among others, **Revlon ColorStay** cosmetics, including **Revlon ColorStay Soft & Smooth** and the **Revlon ColorStay** mineral collection; **Revlon Age Defying** cosmetics; the **Revlon Beyond Natural** collection; **Fabulash** mascara; classic **Revlon** nail enamel; **Almay Smart Shade** makeup; **Revlon ColorSilk** hair color; **Mitchum** anti-perspirant; and the **Revlon Pedi-Expert** pedicure tool. The Company also protects certain of its packaging and component concepts through patents. The Company considers its proprietary technology and patent protection to be important to its business.

The Company files patents in the ordinary course of business on certain of the Company s new technologies. Patents in the U.S. are effective for up to 20 years and international patents are generally effective for up to 20 years. The patents that the Company currently has in place expire at various times between 2010 and 2030 and the Company expects to continue to file patent applications on certain of its technologies in the ordinary course of business in the future.

Government Regulation

The Company is subject to regulation by the Federal Trade Commission (the FTC) and the Food and Drug Administration (the FDA) in the U.S., as well as various other federal, state, local and foreign regulatory authorities, including those in the European Union (the EU), Canada and other countries in which the Company operates. The Company s Oxford, North Carolina manufacturing facility is registered with the FDA as a drug manufacturing establishment, permitting the manufacture of cosmetics that contain over-the-counter drug ingredients, such as sunscreens and anti-perspirants. Compliance with federal, state, local and foreign laws and regulations pertaining to the discharge of materials into the environment, or otherwise relating to the protection of the environment, has not had, and is not anticipated to have, a material effect on the Company s capital expenditures, earnings or competitive position. Regulations in the U.S., the EU, Canada and in other countries in which the Company operates that are designed to protect consumers or the environment have an increasing influence on the Company s product claims, ingredients and packaging.

Industry Segments, Foreign and Domestic Operations

The Company operates in a single segment. Certain geographic, financial and other information of the Company is set forth in the Consolidated Statements of Operations and Note 20, Geographic, Financial and Other Information , to the Company s Consolidated Financial Statements.

Employees

As of December 31, 2009, the Company employed approximately 4,800 people. As of December 31, 2009, approximately 20 of such employees in the U.S. were covered by collective bargaining agreements. The Company believes that its employee relations are satisfactory.

Available Information

The public may read and copy any materials that the Company files with the SEC at the SEC s Public Reference Room at 100 F Street, NE, Washington, D.C. 20549. Information in the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains an internet site that contains reports, proxy and information statements, and other information regarding issuers that file with the SEC at http://www.sec.gov. The Company s Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, proxy statements and amendments to those reports, are also available free of charge on our internet website at http://www.revloninc.com as soon as reasonably practicable after such reports are electronically filed with or furnished to the SEC.

Item 1A. Risk Factors

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

Revlon, Inc. is a holding company with no business operations of its own and is dependent on its subsidiaries to pay certain expenses and dividends. In addition, shares of the capital stock of Products Corporation, Revlon, Inc. s wholly-owned operating subsidiary, are pledged by Revlon, Inc. to secure its obligations under the 2006 Credit Agreements and the 93/4% Senior Secured Notes.

Revlon, Inc. is a holding company with no business operations of its own. Revlon, Inc. s only material asset is all of the outstanding capital stock of Products Corporation, Revlon, Inc. s wholly-owned operating subsidiary, through which Revlon, Inc. conducts its business operations. As such, Revlon, Inc. s net income (loss) has historically consisted predominantly of its equity in the net income (loss) of Products Corporation, which for 2009, 2008 and 2007 was approximately $58.8 million, $65.8 million and $(9.0) million, respectively, which excluded approximately $9.5 million, $7.7 million and $7.0 million, respectively, in expenses primarily related to Revlon, Inc. being a public holding company. Revlon, Inc. is dependent on the earnings and cash flow of, and dividends and distributions from, Products Corporation to pay Revlon, Inc. s expenses incidental to being a public holding company and to pay any cash dividend or distribution on its Class A Common Stock and its Preferred Stock that may be authorized by Revlon, Inc. s Board of Directors. Products Corporation may not generate sufficient cash flow to pay dividends or distribute funds to Revlon, Inc. because, for example, Products Corporation may not generate sufficient cash or net income; state laws may restrict or prohibit Products Corporation from issuing dividends or making distributions unless Products Corporation has sufficient surplus or net profits, which Products Corporation may not have; or because contractual restrictions, including negative covenants contained in Products Corporation s various debt instruments, may prohibit or limit such dividends or distributions.

The terms of the 2006 Credit Agreements, the indenture governing Products Corporation s outstanding 93/4% Senior Secured Notes (the 93/4% Senior Secured Notes Indenture) and the Senior Subordinated Term Loan Agreement generally restrict Products Corporation from paying dividends or making distributions to Revlon, Inc. except in limited circumstances (including, without limitation, 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, accounting and insurance fees, regulatory fees, such as SEC filing fees, NYSE listing fees and other expenses related to being a public holding company and, subject to certain limitations, to pay dividends, if any, on Revlon, Inc. s outstanding securities or make distributions in certain circumstances to finance the purchase by Revlon, Inc. of its Class A Common Stock in connection with the delivery of such Class A Common Stock to grantees under the Third Amended and Restated Revlon, Inc. Stock Plan). This limitation therefore restricts Revlon, Inc. s ability to pay dividends on its Class A Common Stock. Revlon, Inc. expects that quarterly dividends on its Preferred Stock will be funded by cash interest payments to be received by Revlon, Inc. from Products Corporation on the Contributed Loan (the $48.6 million portion of the Senior Subordinated Term Loan that was contributed to Revlon, Inc. by MacAndrews & Forbes). Additionally, Revlon, Inc. expects to pay the liquidation preference of the Preferred Stock on October 8, 2013 with the cash payment to be received by Revlon, Inc. from Products Corporation in respect of the maturity of the Contributed Loan. The payment of such interest and principal under the Contributed Loan to Revlon, Inc. by Products Corporation is permissible under the 2006 Credit Agreements, the Senior Subordinated Term Loan Agreement and the 93/4% Senior Secured Notes Indenture. Under the Delaware General Corporation Law, Revlon, Inc. is permitted to pay dividends only from its surplus, which is the excess of its total assets over the sum of its liabilities plus the aggregate par value of its outstanding capital stock, or if Revlon, Inc. has no surplus, out of its net profits for the year in which a dividend is declared and for the immediately preceding fiscal year. Additionally, Revlon, Inc. is permitted to redeem the Preferred Stock only from its surplus. In the event that Revlon, Inc. fails to pay any required dividends on the Preferred Stock, the amount of such unpaid dividends will be added to the amount payable to holders of the Preferred Stock upon redemption. (See The Preferred Stock ranks senior to Revlon, Inc. s Common Stock and is subordinate to the Company s indebtedness. However, pursuant to the Senior Subordinated Term Loan Agreement, the Preferred Stock is senior in right of payment to the payment of principal under such loan prior to its respective maturity dates.)

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All of the shares of the capital stock of Products Corporation held by Revlon, Inc. are pledged to secure Revlon, Inc. s guarantee of Products Corporation s obligations under the 2006 Credit Agreements and the 93/4% Senior Secured Notes. A foreclosure upon the shares of Products Corporation s common stock would result in Revlon, Inc. no longer holding its only material asset and would have a material adverse effect on the holders of Revlon, Inc. s Common Stock and Preferred Stock and would be a change of control under Products Corporation s other debt instruments.

Products Corporation s substantial indebtedness could adversely affect the Company s operations and flexibility and Products Corporation s ability to service its debt.

Products Corporation has a substantial amount of outstanding indebtedness. As of December 31, 2009, the Company s total indebtedness was $1,248.1 million, primarily including $815.0 million aggregate principal amount outstanding under the 2006 Term Loan Facility, $330.0 million in aggregate principal face amount outstanding of Products Corporation s 93/4% Senior Secured Notes and $58.4 million under the Non-Contributed Loan. Also, Revlon, Inc. has $48.6 million in liquidation preference of Preferred Stock to be paid by Revlon, Inc. at maturity. While Revlon, Inc. achieved net income of $48.8 million (with $48.5 million of income from continuing operations) and $57.9 million (with $13.1 million of income from continuing operations) for the years ended December 31, 2009 and 2008, respectively, the Company has a history of net losses prior to 2008 and, in addition, if it is unable to achieve sustained profitability and free cash flow in future periods, it could adversely affect the Company s operations and Products Corporation s ability to service its debt.

The Company is subject to the risks normally associated with substantial indebtedness, including the risk that the Company s operating revenues will be insufficient to meet required payments of principal and interest, and the risk that Products Corporation will be unable to refinance existing indebtedness when it becomes due or that the terms of any such refinancing will be less favorable than the current terms of such indebtedness. Products Corporation s substantial indebtedness could also have the effect of:

- limiting the Company s ability to fund (including by obtaining additional financing) the costs and expenses of the execution of the Company s business strategy, future working capital, capital expenditures, advertising, promotional or marketing expenses, new product development costs, purchases and reconfigurations of wall displays, acquisitions, investments, restructuring programs and other general corporate requirements;

- requiring the Company to dedicate a substantial portion of its cash flow from operations to payments on Products Corporation s indebtedness, thereby reducing the availability of the Company s cash flow for the execution of the Company s business strategy and for other general corporate purposes;

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

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

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

Although agreements governing Products Corporation s indebtedness, including the 2006 Credit Agreements, the indenture governing Products Corporation s outstanding 93/4% Senior Secured Notes and the Senior Subordinated Term Loan Agreement, limit Products Corporation s ability to borrow additional money, under certain circumstances Products Corporation is allowed to borrow a significant amount of additional money, some of which, in certain circumstances and subject to certain limitations, could be secured indebtedness. To the extent that more debt is added to the Company s current debt levels, the risks described above may increase.

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

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The 2006 Bank Credit Agreements mature in January 2012, the Contributed Loan under the Senior Subordinated Term Loan matures in October 2013, the Non-Contributed Loan under the Senior Subordinated Term Loan matures in October 2014, and the 93/4% Senior Secured Notes mature in November 2015. Products Corporation currently anticipates that, in order to pay the principal amount of its outstanding indebtedness upon the occurrence of any event of default, to repurchase its 93/4% Senior Secured Notes if a change of control occurs or in the event that Products Corporation s cash flows from operations are insufficient to allow it to pay the principal amount of its indebtedness at maturity, the Company may be required to refinance Products Corporation s indebtedness, seek to sell assets or operations, seek to sell additional Revlon, Inc. equity, seek to sell Revlon, Inc. debt securities or Products Corporation debt securities or seek additional capital contributions or loans from MacAndrews & Forbes or from the Company s other affiliates and/or third parties. The Company may be unable to take any of these actions, because of a variety of commercial or market factors or constraints in Products Corporation s debt instruments, including, for example, market conditions being unfavorable for an equity or debt issuance, additional capital contributions or loans not being available from affiliates and/or third parties, or that the transactions may not be permitted under the terms of the various debt instruments then in effect, such as due to restrictions on the incurrence of debt, incurrence of liens, asset dispositions and/or related party transactions. Such actions, if ever taken, may not enable the Company to satisfy its cash requirements or enable the Company to comply with the financial covenants under the 2006 Credit Agreements if the actions do not result in sufficient savings or generate a sufficient amount of additional capital, as the case may be.

None of the Company s affiliates are required to make any capital contributions, loans or other payments to Products Corporation regarding its obligations on its indebtedness. Products Corporation may not be able to pay the principal amount of its indebtedness if the Company took any of the above actions because, under certain circumstances, the indenture governing Products Corporation s outstanding 93/4% Senior Secured Notes or any of its other debt instruments (including the 2006 Credit Agreements and the Senior Subordinated Term Loan Agreement) or the debt instruments of Products Corporation s subsidiaries then in effect may not permit the Company to take such actions. (See Restrictions and covenants in Products Corporation s debt agreements limit its ability to take certain actions and impose consequences in the event of failure to comply).

Additionally, the economic conditions during the latter part of 2008 and in 2009 and the volatility in the financial markets contributed to a substantial tightening of the credit markets and a reduction in credit availability, including lending by financial institutions. Although Products Corporation was able to successfully refinance its 91/2% Senior Notes with the issuance of its new 93/4% Senior Secured Notes in November 2009, the future state of the credit markets could adversely impact the Company s ability to refinance or replace Products Corporation s outstanding indebtedness at or prior to their respective maturity dates, which would have a material adverse effect on the Company s business, financial condition and/or results of operations.

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

Agreements governing Products Corporation s outstanding indebtedness, including the 2006 Credit Agreements, the indenture governing Products Corporation s 93/4% Senior Secured Notes and the Senior Subordinated Term Loan Agreement, contain a number of significant restrictions and covenants that limit Products Corporation s ability (subject in each case to limited exceptions) to, among other things:

- borrow money;
- use assets as security in other borrowings or transactions;
- pay dividends on stock or purchase stock;

sell assets and use the proceeds from such sales;

enter into certain transactions with affiliates;

make certain investments;

prepay, redeem or repurchase specified indebtedness; and

permit restrictions on the payment of dividends by Products Corporation s subsidiaries.

In addition, the 2006 Credit Agreements contain financial covenants limiting Products Corporation s senior secured debt-to-EBITDA ratio (in the case of the 2006 Term Loan Agreement) and, under certain circumstances, requiring Products Corporation to maintain a minimum consolidated fixed charge coverage ratio (in the case of the 2006 Revolving Credit Agreement). These covenants affect Products Corporation s operating flexibility by, among other things, restricting its ability to incur expenses and indebtedness that could be used to fund the costs of executing the Company s business strategy and to grow the Company s business, as well as to fund general corporate purposes.

The breach of the 2006 Credit Agreements would permit Products Corporation s lenders to accelerate amounts outstanding under the 2006 Credit Agreements, which would in turn constitute an event of default under the Senior Subordinated Term Loan Agreement and the indenture governing Products Corporation s outstanding 93/4% Senior Secured Notes, if the amount accelerated exceeds $25.0 million and such default remains uncured for 10 days following notice from MacAndrews & Forbes with respect to the Senior Subordinated Term Loan Agreement or the trustee or the holders of at least 30% of the outstanding principal amount of the notes under the 93/4% Senior Secured Notes indenture. In addition, holders of Products Corporation s outstanding 93/4% Senior Secured Notes may require Products Corporation to repurchase their respective notes in the event of a change of control under the 93/4% Senior Secured Notes indenture. (See Products Corporation s ability to pay the principal of its indebtedness depends on many factors). Products Corporation may not have sufficient funds at the time of any such breach of any such covenant or change of control to repay in full the borrowings under the 2006 Credit Agreements or the Senior Subordinated Term Loan Agreement or to repurchase or redeem its outstanding 93/4% Senior Secured Notes.

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

Under such circumstances, Products Corporation may be unable to comply with the provisions of Products Corporation s debt instruments, including the financial covenants in the 2006 Credit Agreements. If Products Corporation is unable to satisfy such covenants or other provisions at any future time, Products Corporation would need to seek an amendment or waiver of such financial covenants or other provisions. The respective lenders under the 2006 Credit Agreements may not consent to any amendment or waiver requests that Products Corporation may make in the future, and, if they do consent, they may not do so on terms which are favorable to it and/or Revlon, Inc.

In the event that Products Corporation was unable to obtain any such waiver or amendment, Products Corporation s inability to meet the financial covenants or other provisions of the 2006 Credit Agreements would constitute an event of default under the 2006 Credit Agreements, which would permit the bank lenders to accelerate the 2006 Credit

Agreements, which in turn would constitute an event of default under the Senior Subordinated Term Loan Agreement and the indenture governing Products Corporation s outstanding 93/4% Senior Secured Notes, if the amount accelerated exceeds $25.0 million and such default remains uncured for 10 days following notice from MacAndrews & Forbes with respect to the Senior Subordinated Term Loan Agreement or the trustee or the holders of at least 30% of the outstanding principal amount of the outstanding notes under the 93/4% Senior Secured Notes indenture.

Products Corporation s assets and/or cash flow and/or that of Products Corporation s subsidiaries may not be sufficient to fully repay borrowings under its outstanding debt instruments, either upon maturity or if accelerated upon an event of default, and if Products Corporation was required to repurchase its outstanding 93/4% Senior Secured Notes or repay the Senior Subordinated Term Loan or repay the 2006 Credit Agreements upon a change of control, Products Corporation may be unable to refinance or restructure the payments on such debt. Further, if Products Corporation was unable to repay, refinance or restructure its indebtedness under the 2006 Credit Agreements and/or the 93/4% Senior Secured Notes, the lenders and the noteholders, as applicable, subject to certain conditions and limitations as set forth in the second amended and restated intercreditor agreement, could proceed against the collateral securing that indebtedness.

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

While the 2006 Revolving Credit Facility currently provides for up to $160.0 million of commitments, Products Corporation s ability to borrow funds under this facility is limited by a borrowing base determined relative to the value, from time to time, of eligible accounts receivable and eligible inventory in the U.S. and the U.K. and eligible real property and equipment in the U.S.

If the value of these eligible assets is not sufficient to support the full $160.0 million borrowing base, Products Corporation will not have full access to the 2006 Revolving Credit Facility, but rather could have access to a lesser amount determined by the borrowing base. As Products Corporation continues to manage its working capital, this could reduce the borrowing base under the 2006 Revolving Credit Facility. Further, if Products Corporation borrows funds under this facility, subsequent changes in the value or eligibility of the assets within the borrowing base could cause Products Corporation to be required to pay down the amounts outstanding so that there is no amount outstanding in excess of the then-existing borrowing base.

Products Corporation s ability to make borrowings under the 2006 Revolving Credit Facility is also conditioned upon its compliance with other covenants in the 2006 Revolving Credit Agreement, including a fixed charge coverage ratio that applies when the excess borrowing base (representing the difference between (1) the borrowing base under the 2006 Revolving Credit Facility and (2) the amounts outstanding under such facility) is less than $20.0 million. Because of these limitations, Products Corporation may not always be able to meet its cash requirements with funds borrowed under the 2006 Revolving Credit Facility, which could have a material adverse effect on the Company s business, financial condition and/or results of operations.

At January 31, 2010, the 2006 Term Loan Facility was fully drawn, and the Company had a liquidity position of approximately $170.6 million, consisting of cash and cash equivalents (net of any outstanding checks) of approximately $54.5 million, as well as approximately $116.1 million in available borrowings under the 2006 Revolving Credit Facility, based upon the calculated borrowing base less $12.1 million outstanding letters of credit and nil then drawn under the 2006 Revolving Credit Facility at such date.

The 2006 Revolving Credit Facility is syndicated to a group of banks and financial institutions. Each bank is responsible to lend its portion of the $160.0 million commitment if and when Products Corporation seeks to draw under the 2006 Revolving Credit Facility. The lenders may assign their commitments to other banks and financial institutions in certain cases without prior notice to Products Corporation. If a lender is unable to meet its lending commitment, then the other lenders under the 2006 Revolving Credit Facility have the right, but not the obligation, to lend additional funds to make up for the defaulting lender s commitment, if any. While Products Corporation has never had any of its lenders under the 2006 Revolving Credit Facility fail to fulfill their lending commitment, economic conditions in late 2008 and 2009 and the volatility in the financial markets during this time period have impacted the liquidity and financial condition of certain banks and financial institutions. Based on information available to the Company, the Company has no reason to believe that any of the lenders under Products Corporation s 2006 Revolving Credit Facility would be unable to fulfill their commitments under the 2006 Revolving Credit Facility as of December 31, 2009. However, if one or more lenders under the 2006 Revolving Credit Facility were unable to fulfill their commitment to lend, such inability would impact the Company s liquidity and, depending upon the amount involved and the Company s liquidity requirements, could have an adverse affect on the Company s ability to fund its operations, which could have a material adverse effect on the Company s business, financial condition and/or results of operations.

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

A substantial portion of Products Corporation s indebtedness is subject to floating interest rates, which makes the Company more vulnerable in the event of adverse economic conditions, increases in prevailing interest rates or a downturn in the Company s business. As of December 31, 2009, $665.3 million of Products Corporation s total indebtedness, or approximately 50% of Products Corporation s total indebtedness, was subject to floating interest rates.

Under the 2006 Term Loan Facility, loans bear interest, at Products Corporation s option, at either the Eurodollar Rate plus 4.0% per annum, which is based upon LIBOR, or the Alternate Base Rate (as defined in the 2006 Term Loan Agreement) plus 3.0% per annum, which Alternate Base Rate is based on the greater of Citibank, N.A. s announced base rate and the U.S. federal funds rate plus 0.5%; provided that pursuant to the 2008 Interest Rate Swap transaction that Products Corporation entered into in April 2008 with Citibank, N.A. acting as the counterparty, the LIBOR portion of the interest rate on $150.0 million of outstanding indebtedness under the 2006 Term Loan Facility was effectively fixed at 2.66% through April 16, 2010 (which, based upon the 4.0% applicable margin, effectively fixed the interest rate on such notional amount at 6.66% for the 2-year term of the 2008 Interest Rate Swap). Under the terms of the 2008 Interest Rate Swap, Products Corporation is required to pay to the counterparty a quarterly fixed interest rate of 2.66% on the $150.0 million notional amount, while receiving variable interest rate payments from the counterparty equal to the three-month U.S. dollar LIBOR. Borrowings under the 2006 Revolving Credit Facility (other than loans in foreign currencies) bear interest at a rate equal to, at Products Corporation s option, either (i) the Eurodollar Rate plus 2.0% per annum or (ii) the Alternate Base Rate (as defined in the 2006 Revolving Credit Agreement) plus 1.0% per annum. Loans in foreign currencies bear interest in certain limited circumstances, or if mutually acceptable to Products Corporation and the relevant foreign lenders, at the Local Rate, and otherwise at the Eurocurrency Rate (as each such term is defined in the 2006 Revolving Credit Agreement), in each case plus 2.0%.

If any of LIBOR, the base rate, the U.S. federal funds rate or such equivalent local currency rate increases, the Company s debt service costs will increase to the extent that Products Corporation has elected such rates for its outstanding loans.

Based on the amounts outstanding under the 2006 Credit Agreements and other short-term borrowings (which, in the aggregate, are Products Corporation s only debt currently subject to floating interest rates) as of December 31, 2009, an increase in LIBOR of 1% would increase the Company s annual interest expense by approximately $6.8 million after giving effect to the 2008 Interest Rate Swap. If the Company allows the 2008 Interest Rate Swap to expire without a replacement, an increase in LIBOR of 1% would increase the Company s annual interest expense by approximately $7.8 million, beginning in May 2010. Increased debt service costs would adversely affect the Company s cash flow. While Products Corporation may enter into other interest hedging contracts, the 2006 Credit Agreements limit the notional amount that may be outstanding on such transactions at any time to $300 million, Products Corporation may not be able to do so on a cost-effective basis, any additional hedging transactions it might enter into may not achieve their intended purpose and shifts in interest rates may have a material adverse effect on the Company s business, financial condition and/or results of operations.

The Company depends on its Oxford, North Carolina facility for production of a substantial portion of its products. Disruptions to this facility, or at other third party facilities at which the Company s products are

manufactured, could affect the Company s business, financial condition and/or results of operations.

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

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

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

the acceptance of the new product launches by, and sales of such new products to, the Company s retail customers may not be as high as the Company anticipates;

the Company s advertising, promotional and marketing strategies for its new products may be less effective than planned and may fail to effectively reach the targeted consumer base or engender the desired consumption;

the rate of purchases by the Company s consumers may not be as high as the Company anticipates;

the Company s wall displays to showcase the new products may fail to achieve their intended effects;

the Company may experience out-of-stocks and/or product returns exceeding its expectations as a result of its new product launches or reductions in retail display space or due to retailer inventory management or changes in retailer pricing or promotional strategies;

the Company may incur costs exceeding its expectations as a result of the continued development and launch of new products, including, for example, advertising, promotional and marketing expenses, sales return expenses or other costs related to launching new products;

the Company may experience a decrease in sales of certain of the Company s existing products as a result of newly-launched products;

the Company s product pricing strategies for new product launches may not be accepted by its retail customers and/or its consumers, which may result in the Company s sales being less than it anticipates; and

any delays or difficulties impacting the Company s ability, or the ability of the Company s suppliers, to timely manufacture, distribute and ship products, displays or display walls in connection with launching new products, such as due to inclement weather conditions or those delays or difficulties discussed under The Company depends on its Oxford, North Carolina facility for production of a substantial portion of its products. Disruptions to this facility, or at other third party facilities at which the Company s products are manufactured, could affect the Company s business, financial condition and/or results of operations could affect the Company s ability to ship and deliver products to meet its retail customers reset deadlines.

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

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The Company s ability to service its debt and meet its cash requirements depends on many factors, including achieving anticipated levels of revenue and expenses. If such revenue or expense levels prove to be other than as anticipated, the Company may be unable to meet its cash requirements or Products Corporation may be unable to meet the requirements of the financial covenants under the 2006 Credit Agreements, which could have a material adverse effect on the Company s business, financial condition and/or results of operations.

The Company currently expects that operating revenues, cash on hand, and funds available for borrowing under the 2006 Revolving Credit Agreement and other permitted lines of credit will be sufficient to enable the Company to cover its operating expenses for 2010, including cash requirements in connection with the payment of expenses in connection with the continued execution of the Company s business strategy, purchases of permanent wall displays, capital expenditure requirements, payments in connection with the Company s restructuring programs, severance not otherwise included in the Company s restructuring programs, debt service payments, debt repurchases and costs and regularly scheduled pension and post-retirement plan contributions and benefit payments.

If the Company s anticipated level of revenue is not achieved, however, because of, for example, decreased consumer spending in response to weak economic conditions or weakness in the cosmetics category in the mass retail channel; adverse changes in currency exchange rates; decreased sales of the Company s products as a result of increased competitive activities by the Company s competitors; changes in consumer purchasing habits, including with respect to shopping channels; retailer inventory management; retailer space reconfigurations or reductions in retailer display space; changes in retailer pricing or promotional strategies; less than anticipated results from the Company s existing or new products or from its advertising, promotional and/or marketing plans; or if the Company s expenses, including, without limitation, for pension expense under its benefit plans, advertising, promotions or marketing activities or for sales returns related to any reduction of retail space, product discontinuances or otherwise, exceed the anticipated level of expenses, the Company s current sources of funds may be insufficient to meet its cash requirements. In addition, such developments, if significant, could reduce the Company s revenues and could adversely affect Products Corporation s ability to comply with certain financial covenants under the 2006 Credit Agreements.

If operating revenues, cash on hand and funds available for borrowing are insufficient to cover the Company s expenses or are insufficient to enable Products Corporation to comply with the financial covenants under the 2006 Credit Agreements, the Company could be required to adopt one or more of the alternatives listed below:

- delaying the implementation of or revising certain aspects of the Company s business strategy;
- reducing or delaying purchases of wall displays or advertising, promotional or marketing expenses;
- reducing or delaying capital spending;
- delaying, reducing or revising the Company s restructuring programs;
- refinancing Products Corporation s indebtedness;
- selling assets or operations;
- seeking additional capital contributions and/or loans from MacAndrews & Forbes, the Company s other affiliates and/or third parties;
- selling additional Revlon, Inc. equity or debt securities or Products Corporation debt securities; or

reducing other discretionary spending.

If the Company is required to take any of these actions, it could have a material adverse effect on its business, financial condition and/or results of operations. In addition, the Company may be unable to take any of these actions, because of a variety of commercial or market factors or constraints in Products Corporation s debt instruments, including, for example, market conditions being unfavorable for an equity or debt issuance, additional capital contributions or loans not being available from affiliates and/or third parties, or that the transactions may not be permitted under the terms of the various debt instruments then in effect, such as due to restrictions on the incurrence of debt, incurrence of liens, asset dispositions and/or related party transactions.

Such actions, if ever taken, may not enable the Company to satisfy its cash requirements or enable Products Corporation to comply with the financial covenants under the 2006 Credit Agreements if the actions do not result in sufficient savings or generate a sufficient amount of additional capital, as the case may be. See also, Restrictions and covenants in Products Corporation s debt agreements limit its ability to take certain actions and impose consequences in the event of failure to comply which discusses, among other things, the consequences of noncompliance with Products Corporation s credit agreement covenants.

Economic conditions and the state of the financial markets could have a material adverse effect on the Company s business, financial condition and/or results of operations or on the financial condition of its customers and suppliers.

The economic conditions in late 2008 and 2009 and the state of the financial markets in 2009, both in the U.S. and in many other countries where the Company operates, have contributed and may continue to contribute to higher unemployment levels, decreased consumer spending, reduced credit availability and/or declining business and consumer confidence. Such conditions could have an impact on consumer purchases and/or retail customer purchases of the Company s products, which could result in a reduction of net sales, operating income and/or cash flows. Additionally, disruptions in the credit and other financial markets and economic conditions could, among other things, impair the financial condition of one or more of the Company s customers or suppliers, thereby increasing the risk of customer bad debts or non-performance by suppliers. These conditions could have a material adverse effect on the Company s business, financial condition and/or results of operations.

The Company depends on a limited number of customers for a large portion of its net sales and the loss of one or more of these customers could reduce the Company s net sales and have a material adverse effect on the Company s business, financial condition and/or results of operations.

For 2009, 2008 and 2007, Wal-Mart, Inc. accounted for approximately 23%, 23% and 24%, respectively, of the Company s worldwide net sales. The Company expects that for future periods, Wal-Mart and a small number of other customers will, in the aggregate, continue to account for a large portion of the Company s net sales. These customers have demanded, and may continue to demand, increased service and other accommodations. The Company may be affected by changes in the policies and demands of its retail customers relating to service levels, inventory de-stocking, pricing and promotional strategies or limitations on access to wall display space. As is customary in the consumer products industry, none of the Company s customers is under an obligation to continue purchasing products from the Company in the future.

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

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

Declines in the U.S. and global financial markets in late 2008 resulted in significant declines on pension plan assets for 2008, which has resulted in increased pension expense for 2009 and increased cash contributions to the Company s pension plans for 2010 and beyond. Future volatility in the financial markets may further affect the Company s return on pension plan assets for 2010 and in subsequent years. Interest rate levels will affect the discount rate used to value the Company s year-end pension benefit obligations. One or more of these factors, individually or taken together, could further impact required cash contributions to the Company s pension plans and pension expense in 2010 and beyond. Any one or more of these conditions could have a material adverse effect on the Company s business, financial condition and/or results of operations.

The Company may be unable to increase its sales through the Company s primary distribution channels, which could have a material adverse effect on the Company s business, financial condition and/or results of operations.

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

Competition in the cosmetics and beauty care products business could materially adversely affect the Company s net sales and its share of the mass retail channel and could have an adverse effect on the Company s business, financial condition and/or results of operations.

The cosmetics and beauty care products business is highly competitive. The Company competes primarily on the basis of:

- developing quality products with innovative performance features, shades, finishes and packaging;
- educating consumers on the Company s product benefits;
- anticipating and responding to changing consumer demands in a timely manner, including the timing of new product introductions and line extensions;
- offering attractively priced products, relative to the product benefits provided;
- maintaining favorable brand recognition;
- generating competitive margins and inventory turns for the Company s retail customers by providing relevant products and executing effective pricing, incentive and promotion programs;
- ensuring product availability through effective planning and replenishment collaboration with retailers;
- providing strong and effective advertising, promotion, marketing and merchandising support;
- maintaining an effective sales force; and
- obtaining and retaining sufficient retail display space, optimal in-store positioning and effective presentation of the Company s products at retail.

An increase in or change in the current level of the amount of competition that the Company faces could have a material adverse effect on its share of the mass retail channel and revenues. The Company experienced significant declines in its share in color cosmetics in the U.S. mass retail channel from approximately 32% in the second quarter of 1998 to approximately 22% in the second quarter of 2002. In 2009, the Company achieved a combined U.S. color cosmetics share in the U.S. mass retail channel of 18.1% (with the **Revlon** brand registering a U.S. mass retail channel share of 12.7% for both 2009 and 2008, and the **Almay** brand registering a U.S. mass retail channel share of 5.4% for 2009, compared to 5.9% for 2008). It is possible that declines in the Company s share of the mass retail channel could also occur in the future.

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

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

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

As of December 31, 2009, the Company had operations based in 14 foreign countries and its products were sold throughout the world. The Company is exposed to the risk of changes in social, political and economic conditions, including inflation, inherent in operating in foreign countries, including those in Asia, Eastern Europe, Latin America (including Venezuela) and South Africa, which could adversely affect the Company s business, financial condition and/or results of operations. Such changes include changes in the laws and policies that govern foreign investment in countries where the Company has operations, hyperinflation, currency devaluation, changes in consumer purchasing habits including as to shopping channels, as well as, to a lesser extent, changes in U.S. laws and regulations relating to foreign trade and investment.

The Company s subsidiary in Venezuela accounted for approximately 4% and 7% of the Company s consolidated net sales and operating income, respectively, as of December 31, 2009. Effective January 1, 2010 Venezuela has been designated as a highly inflationary economy under U.S. GAAP and on January 8, 2010 the Venezuelan government announced the devaluation of its local currency. As a result of the hyperinflationary designation and devaluation of the local currency in Venezuela, it is expected that the Company s results of operations in 2010 will be adversely impacted. (See Financial Condition, Liquidity and Capital Resources Impact of Foreign Currency Translation - Venezuela for details regarding the designation of Venezuela as a highly inflationary economy in 2010 and the Venezuelan government s announcement of the devaluation of its local currency on January 8, 2010).

The Company s net sales outside of the U.S. for the years ended December 31, 2009, 2008 and 2007 were approximately 42%, 42% and 41% of the Company s total consolidated net sales, respectively. Fluctuations in foreign currency exchange rates have affected and may continue to affect the Company s results of operations and the value of its foreign assets in 2009, which in turn may adversely affect the Company s reported net sales and earnings and the comparability of period-to-period results of operations.

Products Corporation enters into foreign currency forward exchange contracts to hedge certain net cash flows denominated in foreign currencies. The foreign currency forward exchange contracts are entered into primarily for the purpose of hedging anticipated inventory purchases and certain intercompany payments denominated in foreign currencies and generally have maturities of less than one year. At December 31, 2009, the notional amount of Products Corporation s foreign currency forward exchange contracts was $54.3 million. The foreign currency forward exchange contracts that Products Corporation enters into may not adequately protect against foreign currency fluctuations.

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

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

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

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

Shares of Revlon, Inc. Class A Common Stock and Products Corporation s capital stock are pledged to secure various of Revlon, Inc. s and/or other of the Company s affiliates obligations and foreclosure upon these shares or dispositions of shares could result in the acceleration of debt under the 2006 Credit Agreements and the 93/4% Senior Secured Notes and could have other consequences.

All of Products Corporation s shares of common stock are pledged to secure Revlon, Inc. s guarantee under the 2006 Credit Agreements and the 93/4% Senior Secured Notes. MacAndrews & Forbes has advised the Company that it has pledged shares of Revlon, Inc. s Class A Common Stock to secure certain obligations of MacAndrews & Forbes. Additional shares of Revlon, Inc. and shares of common stock of intermediate holding companies between Revlon, Inc. and MacAndrews & Forbes may from time to time be pledged to secure obligations of MacAndrews & Forbes. A default under any of these obligations that are secured by the pledged shares could cause a foreclosure with respect to such shares of Revlon, Inc. s Class A Common Stock, Products Corporation s common stock or stock of intermediate holding companies between Revlon, Inc. and MacAndrews & Forbes.

A foreclosure upon any such shares of common stock or dispositions of shares of Revlon, Inc. s Class A Common Stock, Products Corporation s common stock or stock of intermediate holding companies between Revlon, Inc. and MacAndrews & Forbes which are beneficially owned by MacAndrews & Forbes could, in a sufficient amount, constitute a change of control under the 2006 Credit Agreements, the Senior Subordinated Term Loan Agreement and the indenture governing the 93/4% Senior Secured Notes. A change of control constitutes an event of default under the 2006 Credit Agreements, which would permit Products Corporation s lenders to accelerate amounts outstanding under the 2006 Credit Facilities. In addition, holders of the 93/4% Senior Secured Notes may require Products Corporation to repurchase their respective notes under those circumstances. Upon a change of control, Products Corporation would also be required, after fulfilling its repayment obligations under the 93/4% Senior Secured Notes indenture, to repay in full the Senior Subordinated Term Loan, provided that Revlon, Inc. at such time has redeemed or is then concurrently redeeming the Preferred Stock.

Products Corporation may not have sufficient funds at the time of any such change of control to repay in full the borrowings under the 2006 Credit Facilities or to repurchase or redeem the 93/4% Senior Secured Notes and/or to repay the Contributed Loan that Revlon, Inc. expects to use to redeem the Preferred Stock and/or repay the Senior Subordinated Term Loan. (See The Company s ability to service its debt and meet

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its cash requirements depends on many factors, including achieving anticipated levels of revenue and expenses. If such revenue or expense levels prove to be other than as anticipated, the Company may be unable to meet its cash requirements or Products Corporation may be unable to meet the requirements of the financial covenants under the 2006 Credit Agreements, which could have a material adverse effect on the Company s business, financial condition and/or results of operations).

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

MacAndrews & Forbes is wholly-owned by Ronald O. Perelman. Mr. Perelman, directly and through MacAndrews & Forbes, beneficially owned, at December 31, 2009, approximately 79% of Revlon, Inc. s outstanding Class A and Class B Common Stock (representing approximately 77% of the combined voting power of Revlon, Inc. s Class A Common Stock, Class B Common Stock and Preferred Stock). As a result, MacAndrews & Forbes is able to control the election of the entire Board of Directors of Revlon, Inc. and Products Corporation (as it is a wholly owned subsidiary of Revlon, Inc.) and controls the vote on all matters submitted to a vote of Revlon, Inc. s and Products Corporation s stockholders, including the approval of mergers, consolidations, sales of some, all or substantially all of the Company s assets, issuances of capital stock and similar transactions.

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

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

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

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

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

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

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

There can be no assurance that any trading market for Revlon, Inc. s Preferred Stock will develop or be maintained.

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

- changes in the overall market for preferred equity securities;
- changes in the Company s financial performance or prospects;
- the prospects for of other companies in the Company s industry generally;
- the number of holders of Preferred Stock;
- the interest of securities dealers in making a market for Preferred Stock; and
- prevailing interest rates.

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

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

Holders of Preferred Stock will only participate on a limited basis in any future earnings or growth of the Company s business or the proceeds from one of certain specified change of control transactions.

While holders of the Preferred Stock will be entitled to quarterly dividends at an annual rate of 12.75% over the four-year term of the Preferred Stock, such holders will not benefit from increases, if any, in the value of the

Company, including, without limitation, any increases due to a general economic recovery, unless there is a change of control of the Company prior to October 8, 2012. If such an event occurs during such period, participation by holders of Preferred Stock will be limited to the receipt of payments up to an aggregate of $12 per share (including the liquidation preference, dividends and payments upon certain specified change of control transactions).

The Preferred Stock ranks senior to Revlon, Inc. s Common Stock and is subordinate to the Company s indebtedness. However, pursuant to the Senior Subordinated Term Loan Agreement, the Preferred Stock is senior in right of payment to the payment of principal under such loan prior to its maturity dates.

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

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

holders of the Preferred Stock will be made next; and

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

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

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

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

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

The following table sets forth, as of December 31, 2009, the Company s major manufacturing, research and warehouse/distribution facilities, all of which are owned except where otherwise noted.

Location	Use	Approximate Floor Space Sq. Ft.
Oxford, North Carolina	Manufacturing, warehousing, distribution and office[a]	1,012,000
Mississauga, Canada	Warehousing, distribution and office (leased)	195,000

Caracas, Venezuela	Manufacturing, distribution and office	145,000
Canberra, Australia	Warehousing, distribution and office (leased)	125,000
Edison, New Jersey	Research and office (leased)	123,000
Rietfontein, South Africa	Warehousing, distribution and office (leased)	120,000
Isando, South Africa	Manufacturing, warehousing, distribution and office	94,000
Stone, United Kingdom	Warehousing and distribution (leased)	92,000

(a) Property subject to liens under the 2006 Credit Agreements.

In addition to the facilities described above, the Company owns and leases additional facilities in various areas throughout the world, including the lease for the Company s executive offices in New York, New York (approximately 76,500 square feet as of December 31, 2009). Management considers the Company s facilities to be well-maintained and satisfactory for the Company s operations, and believes that the Company s facilities and third party contractual supplier arrangements provide sufficient capacity for its current and expected production requirements.

Item 3. Legal Proceedings

The Company is involved in various routine legal proceedings incident to the ordinary course of its business. The Company believes that the outcome of all pending legal proceedings in the aggregate is unlikely to have a material adverse effect on the Company s business, financial condition and/or its results of operations.

As announced on October 8, 2009, the Company consummated the Exchange Offer. On April 24, 2009, May 1, 2009, May 5, 2009 and May 12, 2009, respectively, four purported class actions were filed by each of Vern Mercier, Arthur Jurkowitz, Suri Lefkowitz and T. Walter Heiser in the Court of Chancery of the State of Delaware (the Chancery Court). On May 4, 2009, a purported class action was filed by Stanley E. Sullivan in the Supreme Court of New York, New York County. Each such litigation was brought against Revlon, Inc., Revlon, Inc. s then directors and MacAndrews & Forbes, and challenged a merger proposal made by MacAndrews & Forbes on April 13, 2009, which would have resulted in MacAndrews & Forbes and certain of its affiliates owning 100% of Revlon, Inc. s outstanding Common Stock. Each action sought, among other things, to enjoin the proposed transaction. On June 24, 2009, the Chancery Court consolidated the four Delaware actions (the Initial Consolidated Action). As announced on August 10, 2009, an agreement in principle was reached to settle the Initial Consolidated Action, as set forth in a Memorandum of Understanding (as amended in September 2009, the Settlement Agreement).

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

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

On December 31, 2009, a purported class action was filed in the U.S. District Court for the District of Delaware by John Garofalo against Revlon, Inc., Revlon, Inc. s current directors, a former director and MacAndrews & Forbes alleging federal and state law claims stemming from the same alleged failure to disclose information that underlies the amended Sullivan and Consolidated Action complaints. Plaintiffs in each of these actions are seeking, among other things, an award of damages and the costs and disbursements of such actions, including a reasonable allowance for the fees and expenses of each such plaintiff s attorneys and experts. The Company believes the allegations contained in the amended Sullivan complaint, the complaints in the Consolidated Action and the Garofalo complaint, are without merit and intends to vigorously defend against them.

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

None.

PART II

Item 5. Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

MacAndrews & Forbes, which is wholly-owned by Ronald O. Perelman, at December 31, 2009 beneficially owned (i) 37,544,640 shares of Revlon, Inc. s Class A Common Stock, with a par value of $0.01 per share (the Class A Common Stock) (24,941,438 shares of which were beneficially owned by MacAndrews & Forbes, 7,718,092 shares of which were owned by a holding company, RCH Holdings One, Inc. (of which each of Mr. Perelman and The Ronald O. Perelman 2008 Trust owns 50% of the shares), 323,500 shares of which were owned directly by Mr. Perelman and 4,561,610 shares of which were beneficially owned by a family member of Mr. Perelman with respect to which shares MacAndrews & Forbes holds a voting proxy), and (ii) all of the outstanding 3,125,000 shares of Revlon, Inc. s Class B Common Stock, with a par value of $0.01 per share (the Class B Common Stock and together with the Class A Common Stock, the Common Stock).

Based on the shares referenced in clauses (i) and (ii) above, and including Mr. Perelman s vested stock options, Mr. Perelman, directly and indirectly, through MacAndrews & Forbes, at December 31, 2009, beneficially owned approximately 77% of Revlon, Inc. s Class A Common Stock, 100% of Revlon, Inc. s Class B Common Stock, together representing approximately 79% of the combined Revlon, Inc. Class A and Class B Common Stock (representing approximately 77% of the combined voting power of Revlon, Inc. s Class A and Class B Common Stock and Preferred Stock), and beneficially owned approximately 67% of the combined Revlon, Inc. Class A and Class B Common Stock and Preferred Stock. The remaining 10,949,318 shares of Class A Common Stock and 9,336,905 shares of Preferred Stock, in each case as outstanding at December 31, 2009, were owned by the public.

Revlon, Inc. s Class A Common Stock is listed and traded on the New York Stock Exchange (the NYSE). As of December 31, 2009, there were 556 holders of record of Class A Common Stock (which does not include the number of beneficial owners holding indirectly through a broker, bank or other nominee). No cash dividends were declared or paid during 2009 by Revlon, Inc. on its Common Stock. The terms of the 2006 Credit Agreements, the 93/4% Senior Secured Notes indenture and the Senior Subordinated Term Loan Agreement currently restrict Products Corporation s ability to pay dividends or make distributions to Revlon, Inc., except in limited circumstances.

The table below shows the high and low quarterly closing stock prices of Revlon, Inc. s Class A Common Stock on the NYSE consolidated tape for the years ended December 31, 2009 and 2008.

	Year Ended December 31, 2009			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
High	$ 7.23	$ 5.95	$ 6.27	$ 19.75
Low	2.30	2.48	4.34	4.65

	Year Ended December 31, 2008			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter

High	$ 11.80	$ 9.90	$ 14.85	$ 13.58
Low	9.10	8.00	6.90	6.02

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

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Item 6. Selected Financial Data

The Consolidated Statements of Operations Data for each of the years in the five-year period ended December 31, 2009 and the Balance Sheet Data as of December 31, 2009, 2008, 2007, 2006 and 2005 are derived from the Company s Consolidated Financial Statements, which have been audited by an independent registered public accounting firm. The Selected Consolidated Financial Data should be read in conjunction with the Company s Consolidated Financial Statements and the Notes to the Consolidated Financial Statements and Management s Discussion and Analysis of Financial Condition and Results of Operations .

	Year Ended December 31, (in millions, except per share amounts)				
	2009[a]	2008[b]	2007[c]	2006[d]	2005[e]
Statement of Operations Data:					
Net sales	$ 1,295.9	$ 1,346.8	$ 1,367.1	$ 1,298.7	$ 1,303.5
Gross profit	821.2	855.9	861.4	771.0	810.5
Selling, general and administrative expenses	629.1	709.3	735.7	795.6	746.3
Restructuring costs and other, net	21.3	(8.4)	7.3	27.4	1.5
Operating income (loss)	170.8	155.0	118.4	(52.0)	62.7
Interest expense	93.0	119.7	135.6	147.7	129.5
Amortization of debt issuance costs	5.8	5.6	3.3	7.5	6.9
Loss on early extinguishment of debt, net	5.8	0.7	0.1	23.5	9.0[f]
Foreign currency losses (gains), net	8.9	0.1	(6.8)	(1.5)	0.5
Income (loss) from continuing operations	48.5	13.1	(19.0)	(252.1)	(85.3)
Income from discontinued operations	0.3	44.8	2.9	0.8	1.6
Net income (loss)	48.8	57.9	(16.1)	(251.3)	(83.7)
Basic income (loss) per common share:					
Continuing operations	0.94	0.26	(0.38)	(6.04)	(2.21)
Discontinued operations	0.01	0.87	0.06	0.02	0.04
Net income (loss)	$ 0.95	$ 1.13	$ (0.32)	$ (6.03)	$ (2.17)
Diluted income (loss) per common share:					
Continuing operations	0.94	0.26	(0.38)	(6.04)	(2.21)
Discontinued operations	0.01	0.87	0.06	0.02	0.04
Net income (loss)	$ 0.94	$ 1.13	$ (0.32)	$ (6.03)	$ (2.17)
Weighted average number of common shares outstanding (in millions)[g]:					
Basic	51.6	51.2	50.4	41.7	38.6
Diluted	51.7	51.3	50.4	41.7	38.6

	Year Ended December 31, (in millions)				
	2009[(a)]	2008[(b)]	2007[(c)]	2006[(d)]	2005[(e)]
Balance Sheet Data:					
Total current assets	$ 403.6	$ 428.5	$ 476.0	$ 488.0	$ 592.0
Total non-current assets	390.6	384.9	413.3	443.9	451.7
Total assets	$ 794.2	$ 813.4	$ 889.3	$ 931.9	$ 1,043.7
Total current liabilities	$ 309.3	$ 323.4	$ 348.7	$ 377.2	$ 470.5
Redeemable preferred stock	48.0				
Total other non-current liabilities	1,470.5	1,602.8	1,622.6	1,784.5	1,669.1
Total liabilities	$ 1,827.8	$ 1,926.2	$ 1,971.3	$ 2,161.7	$ 2,139.6
Total indebtedness	$ 1,248.1	$ 1,329.6	$ 1,440.6	$ 1,506.9	$ 1,418.4
Total stockholders deficiency	(1,033.6)	(1,112.8)	(1,082.0)	(1,229.8)	(1,095.9)

(a) Results for 2009 include: (1) a $20.8 million charge related to the worldwide organizational restructuring announced in May 2009 (the May 2009 Program), which involved consolidating certain functions; reducing layers of management, where appropriate, to increase accountability and effectiveness; streamlining support functions to reflect the new organizational structure; and further consolidating the Company s office facilities in New Jersey; and (2) a $5.8 million net loss on early extinguishment of debt in 2009 primarily due to a $13.5 million loss resulting from applicable redemption and tender premiums and the net write-off of unamortized debt discounts and deferred financing fees in connection with the refinancing of the 9½% Senior Notes in November 2009, partially offset by a $7.7 million gain on repurchases of an aggregate principal amount of $49.5 million of the 9½% Senior Notes prior to their complete refinancing in November 2009 at an aggregate purchase price of $41.0 million, which is net of the write-off of the ratable portion of unamortized debt discounts and deferred financing fees resulting from such repurchases.

(b) Results for 2008 include a $5.9 million gain from the sale of a non-core trademark during the first quarter of 2008, and a net $4.3 million gain related to the sale of the Mexico facility (which is comprised of a $7.0 million gain on the sale, partially offset by related restructuring charges of $1.1 million, $1.2 million of SG&A and cost of sales and $0.4 million of taxes). In addition, results for 2008 also include various other restructuring charges of approximately $3.8 million. The results of discontinued operations for 2008 included a one-time gain from the Bozzano Sale Transaction (as hereinafter defined) of $45.2 million.

(c) Results for 2007 include restructuring charges of approximately $4.4 million and $2.9 million in connection with restructurings announced in 2006 (the 2006 Programs) and in 2007 (the 2007 Programs), respectively. The $4.4 million of restructuring charges associated with the 2006 Programs were primarily for employee severance and other employee-related termination costs principally relating to a broad organizational streamlining. The $2.9 million of restructuring charges associated with the 2007 Programs were primarily for employee severance and other employee-related termination costs relating principally to the closure of the Company s facility in Irvington, New Jersey and other employee-related termination costs relating to personnel reductions in the Company s information management function and its sales force in Canada.

(d) Results for 2006 include charges of $9.4 million in connection with the departure of Mr. Jack Stahl, the Company s former President and Chief Executive Officer, in September 2006 (including $6.2 million for severance and related costs and $3.2 million for the accelerated amortization of Mr. Stahl s unvested options and unvested restricted stock), $60.4 million in connection with the discontinuance of the **Vital Radiance** brand and restructuring charges of approximately $27.6 million in connection with the 2006 Programs.

(e) Results for 2005 include expenses of approximately $44 million in incremental returns and allowances and approximately $7 million in accelerated amortization cost of certain permanent displays related to the launch of **Vital Radiance** and the re-stage of the **Almay** brand.

(f) The loss on early extinguishment of debt for 2005 includes: (i) a $5.0 million prepayment fee related to the prepayment in March 2005 of $100.0 million of indebtedness outstanding under the 2004 term loan facility of the 2004 credit agreement with a portion of the proceeds from the issuance of Products Corporation s 9½% Senior Notes (which notes were fully refinanced in November 2009); and (ii) the aggregate $1.5 million loss on the redemption of all of Products Corporation s 8 % Senior Notes and 9% Senior Notes in April 2005, as well as the write-off of the portion of deferred financing costs related to such prepaid amount.

(g) Represents the weighted average number of common shares outstanding for each of the respective periods.

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

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

- Overview;
- Results of Operations;
- Financial Condition, Liquidity and Capital Resources;
- Disclosures about Contractual Obligations and Commercial Commitments;
- Off-Balance Sheet Transactions (there are none);
- Discussion of Critical Accounting Policies;
- Recent Accounting Pronouncements; and
- Inflation.

The Company is providing this overview in accordance with the SEC s December 2003 interpretive guidance regarding MD&A.

Overview

Overview of the Business

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

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

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

Overview of Net Sales and Earnings Results

Consolidated net sales in 2009 were $1,295.9 million, a decrease of $50.9 million, or 3.8%, compared to $1,346.8 million in 2008. Excluding the unfavorable impact of foreign currency fluctuations of $26.0 million, consolidated net sales decreased by 1.8% in 2009. In the United States, net sales in 2009 were $747.9 million, a decrease of $34.7 million, or 4.4%, compared to $782.6 million in 2008. In the Company s international operations, net sales in 2009 were $548.0 million, a decrease of $16.2 million, or 2.9%, compared to $564.2 million in 2008.

Consolidated net income in 2009 was $48.8 million, as compared to $57.9 million in 2008. Consolidated net income in 2008 included a $45.2 million one-time gain from the Company s disposition of the non-core Bozzano business and certain other non-core brands, including Juvena and Aquamarine, which were sold in the Brazilian market (the Bozzano Sale Transaction).

Income from continuing operations in 2009 was $48.5 million, compared to $13.1 million in 2008. The improvement in net income from continuing operations in 2009, compared to 2008, was primarily due to:

$80.2 million of lower SG&A;

$26.7 million of lower interest expense; and

a $7.8 million decrease in the provision for income taxes;

with the foregoing partially offset by:

$34.7 million of lower gross profit due to $50.9 million of lower consolidated net sales, offset by a $16.2 million improvement in cost of sales;

$29.7 million of higher restructuring costs and other, net;

$8.8 million of higher foreign currency losses; and

$5.1 million of higher aggregate losses on early extinguishment of debt.

Overview of AC Nielsen-measured U.S. Mass Retail Dollar Share

According to ACNielsen, the U.S. mass retail color cosmetics category grew by 1.5% in 2009. U.S. mass retail dollar share results, according to ACNielsen, for **Revlon** and **Almay** color cosmetics, for **Revlon ColorSilk** hair color, **Mitchum** anti-perspirants/deodorants and **Revlon** beauty tools for the year ended December 31, 2009, as compared to the year-ago period, are summarized in the table below:

	Share % based on Dollar Volume		
	2009	**2008**	**Point Change**
Revlon Color Cosmetics	12.7%	12.7%	0.0
Almay	5.4	5.9	(0.5)
Revlon ColorSilk Hair Color	9.7	8.3	1.4
Mitchum Anti-perspirants/Deodorants	4.6	5.0	(0.4)
Revlon Beauty Tools	21.0	18.8	2.2

All share and dollar volume data herein for the Company s brands is based upon U.S. mass-retail dollar volume, which is derived from ACNielsen data (an independent research entity). ACNielsen data is an aggregate of the drug channel, Kmart, Target and Food and Combo stores. ACNielsen s data does not reflect sales volume from Wal-Mart, Inc., which is the Company s largest customer, representing approximately 23% of the Company s full year 2009 worldwide net sales, or sales volume from regional mass volume retailers, as well as prestige stores, department stores, door-to-door, Internet, television shopping, specialty stores, perfumeries or other distribution outlets, all of which are channels for cosmetics sales. Such data represents ACNielsen s estimates based upon mass retail sample data gathered by ACNielsen and is therefore subject to some degree of variance and may contain slight rounding differences. From time to time, ACNielsen adjusts its methodology for data collection and reporting, which may result in adjustments to the categories and share data tracked by ACNielsen for both current and prior periods.

Overview of Financing Activities

In November 2009, Products Corporation issued and sold $330.0 million in aggregate principal amount of 93/4% Senior Secured Notes due November 15, 2015 in a private placement, which was priced at 98.9% of par.

Products Corporation used the $319.8 million of net proceeds from the 93/4% Senior Secured Notes (net of original issue discount and underwriters fees), together with $42.6 million of other cash and borrowings under the 2006 Revolving Credit Facility, to repay or redeem all of the $340.5 million aggregate principal amount outstanding of Products Corporation s 91/2% Senior Notes due April 1, 2011, plus an aggregate of $21.9 million for accrued interest, applicable redemption and tender premiums and fees and expenses related to refinancing the 91/2% Senior Notes, as well as the amendments to the 2006 Credit Agreements required to permit such refinancing to be conducted on a secured basis.

In October 2009, Revlon, Inc. consummated its Exchange Offer in which Revlon, Inc. issued to stockholders (other than MacAndrews & Forbes and its affiliates) 9,336,905 shares of Preferred Stock, in exchange for the same number of shares of Class A Common Stock tendered for exchange in the Exchange Offer. Upon consummation of the Exchange Offer, MacAndrews & Forbes contributed to Revlon, Inc. the $48.6 million Contributed Loan and the terms of the Senior Subordinated Term Loan Agreement were amended:

to extend the maturity date on the Contributed Loan which remains owing from Products Corporation to Revlon, Inc. from August 2010 to October 8, 2013;

to change the annual interest rate on the Contributed Loan from 11% to 12.75%;

to extend the maturity date on the $58.4 million Non-Contributed Loan, which remains owing from Products Corporation to MacAndrews & Forbes, from August 2010 to October 8, 2014; and

to change the annual interest rate on the Non-Contributed Loan from 11% to 12%.

(See further discussion in 2009 Refinancing Transactions within Financial Condition, Liquidity and Capital Resources 2009 Refinancing Transactions and in Note 9 Long-Term Debt and Redeemable Preferred Stock to the Consolidated Financial Statements).

Results of Operations

Year ended December 31, 2009 compared with the year ended December 31, 2008

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

Net sales:

Consolidated net sales in 2009 were $1,295.9 million, a decrease of $50.9 million, or 3.8%, compared to $1,346.8 million in 2008. Excluding the unfavorable impact of foreign currency fluctuations of $26.0 million, consolidated net sales decreased by 1.8% in 2009. The decline in consolidated net sales was driven by lower net sales of **Revlon** and **Almay** color cosmetics and certain beauty care products, partially offset by higher net sales of **Revlon ColorSilk** hair color.

	Year Ended December 31,		Change		XFX Change[(a)]	
	2009	2008	$	%	$	%
United States	$ 747.9	$ 782.6	$ (34.7)	(4.4)%	$ (34.7)	(4.4)%
Asia Pacific	266.7	265.0	1.7	0.6	5.6	2.1
Europe	172.4	200.8	(28.4)	(14.1)	(11.5)	(5.7)
Latin America	108.9	98.4	10.5	10.7	15.7	16.0
Total International	$ 548.0	$ 564.2	$ (16.2)	(2.9)%	$ 9.8	1.7%

Total Company	$ 1,295.9	$ 1,346.8	$ (50.9)	(3.8)%	$ (24.9)	(1.8)%

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

United States

In the United States, net sales in 2009 were $747.9 million, a decrease of $34.7 million, or 4.4%, compared to $782.6 million in 2008, primarily driven by lower net sales of **Revlon** and **Almay** color cosmetics and **Mitchum** anti-perspirant deodorant, partially offset by higher net sales of **Revlon ColorSilk** hair color.

International

In the Company s international operations, net sales in 2009 decreased by $16.2 million, or 2.9%, to $548.0 million, compared to $564.2 million in 2008 (while net sales increased 1.7% excluding the unfavorable impact of foreign currency fluctuations of $26.0 million). The growth in net sales, excluding the unfavorable impact of foreign currency fluctuations, was primarily due to higher net sales of **Revlon ColorSilk** hair color, **Mitchum** anti-perspirant deodorant and **Revlon** color cosmetics, partially offset by lower net sales of certain beauty care products and **Almay** color cosmetics. Excluding the impact of foreign currency fluctuations, higher net sales in the Company s Latin America and Asia Pacific regions in 2009, compared to 2008, were partially offset by lower net sales in the Company s Europe region.

In Asia Pacific, which was comprised of Asia Pacific and Africa, net sales in 2009 increased 0.6%, or 2.1% excluding the unfavorable impact of foreign currency fluctuations, to $266.7 million, compared to $265.0 million in 2008. The growth in net sales, excluding the unfavorable impact of foreign currency fluctuations, was due primarily to higher shipments of **Revlon** color cosmetics in Australia and China, and higher shipments of certain beauty care products in South Africa (which together contributed approximately 3.5 percentage points to the increase in the region s net sales in 2009, compared with 2008), partially offset by lower shipments of **Revlon** color cosmetics in Japan (which offset by approximately 1.5 percentage points the region s net sales in 2009, compared to 2008).

In Europe, which was comprised of Europe, Canada and the Middle East, net sales in 2009 decreased 14.1%, or 5.7% excluding the unfavorable impact of foreign currency fluctuations, to $172.4 million, compared to $200.8 million in 2008. This decline in net sales, excluding the unfavorable impact of foreign currency fluctuations, was due to lower shipments of **Revlon** and **Almay** color cosmetics in Canada and higher allowances for **Revlon** color cosmetics in the U.K., as well as lower shipments of certain beauty care products in France (which together contributed approximately 5.8 percentage points to the decrease in the region s net sales in 2009, compared with 2008), partially offset by higher shipments of **Revlon** skincare in certain distributor markets (which offset by approximately 1.8 percentage points the decrease in the region s net sales in 2009, compared to 2008).

In Latin America, which was comprised of Mexico, Central America and South America, net sales in 2009 increased 10.7%, or 16.0% excluding the unfavorable impact of foreign currency fluctuations, to $108.9 million, compared to $98.4 million in 2008. The growth in net sales, excluding the unfavorable impact of foreign currency fluctuations, was driven primarily by the impact of inflation on selling prices in Venezuela, as well as higher shipments of **Revlon ColorSilk** hair color in Venezuela, Argentina and certain distributor markets (which contributed approximately 19.4 percentage points to the increase in the region s net sales in 2009, compared to 2008), partially offset by lower shipments of fragrances and beauty care products in Mexico (which offset by approximately 2.0 percentage points the region s net sales in 2009, compared to 2008). (See Financial Condition, Liquidity and Capital Resources Impact of Foreign Currency Translation - Venezuela for details regarding the designation of Venezuela as a highly inflationary economy effective January 1, 2010 and the Venezuelan government s announcement of the devaluaton of its local currency on January 8, 2010).

Gross profit:

	Year Ended December 31, 2009	2008	Change
Gross profit	$ 821.2	$ 855.9	$ (34.7)
Percentage of net sales	*63.4%*	*63.5%*	*(0.1)%*

The 0.1 percentage point decrease in gross profit as a percentage of net sales for 2009, compared to 2008, was primarily due to:

unfavorable foreign currency fluctuations (primarily due to the strengthening of the U.S. dollar against currencies in certain markets in which the Company operates) which resulted in higher cost

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of goods in most international markets on goods purchased from the Company s facility in Oxford, North Carolina, which reduced gross profit as a percentage of net sales by 0.6 percentage points;

higher pension expenses within cost of goods of $8.1 million, which reduced gross profit as a percentage of net sales by 0.6 percentage points; and

higher returns and allowances, which reduced gross profit as a percentage of net sales by 0.3 percentage points;

with the foregoing partially offset by:

favorable manufacturing efficiencies and lower material and freight costs, which increased gross profit as a percentage of net sales by 0.8 percentage points;

favorable changes in sales mix, which increased gross profit as a percentage of net sales by 0.4 percentage points; and

decreased inventory obsolescence charges on lower disposal of discontinued products, which increased gross profit as a percentage of net sales by 0.1 percentage points.

SG&A expenses:

	Year Ended December 31,		
	2009	2008	Change
SG&A expenses	$ 629.1	$ 709.3	$ 80.2

The $80.2 million decrease in SG&A expenses for 2009, as compared to 2008, was driven primarily by:

$24.8 million of lower advertising expenses as a result of achieving lower advertising rates, while increasing the level of media support;

$22.9 million of lower permanent display amortization expenses;

$22.7 million of lower general and administrative expenses primarily due to lower compensation expenses as a result of the May 2009 Program and a decrease in the accrual for incentive compensation; and

$13.2 million of favorable impact of foreign currency fluctuations;

with the foregoing partially offset by:

$9.3 million of higher pension expenses.

Restructuring costs and other, net:

	Year Ended December 31,		
	2009	2008	Change

Restructuring costs and other, net	$ 21.3	$ (8.4)	$ (29.7)

During 2009, the Company recorded charges of $21.3 million in restructuring costs and other, net, which were comprised of:

a $20.8 million charge related to the May 2009 Program, which involved consolidating certain functions; reducing layers of management, where appropriate, to increase accountability and effectiveness; streamlining support functions to reflect the new organizational structure; and further consolidating the Company s office facilities in New Jersey;

$1.3 million of charges related to employee severance and other employee-related termination costs related to restructuring actions in the U.K., Mexico and Argentina announced in the first quarter of 2009; and

a $0.8 million charge related to restructuring programs initiated in 2008 (the 2008 Programs);

with the foregoing partially offset by:

income of $1.6 million related to the sale of a facility in Argentina in the first quarter of 2009.

The $20.8 million of charges related to the May 2009 Program have been or will be paid out as follows: $11.0 million paid in 2009, $7.1 million expected to be paid in 2010 and the balance of $2.7 million expected to be paid thereafter. In addition, the May 2009 Program delivered savings of approximately $15 million in 2009 and the Company expects annualized savings of approximately $30 million in 2010 and thereafter (inclusive of the approximately $15 million in 2009).

During 2008, the Company recorded income of $8.4 million included in restructuring costs and other, net, primarily due to a gain of $7.0 million related to the sale of its facility in Mexico and a net gain of $5.9 million related to the sale of a non-core trademark. In addition, during 2008 a $0.4 million favorable adjustment was recorded to restructuring costs associated with restructuring programs initiated in 2006 (the 2006 Programs), primarily due to the charges for severance and other employee-related termination costs being slightly lower than originally estimated. These were partially offset by a restructuring charge of $4.9 million for the 2008 Programs, of which $0.8 million related to a restructuring in Canada, $1.1 million related to the Company s decision to close and sell its facility in Mexico, $2.9 million related to the Company s realignment of certain functions within customer business development, information management and administrative services in the U.S. and $0.1 million related to other various restructurings.

In addition to the $3.0 million of remaining net charges related to the 2008 Programs as of December 31, 2008, the Company incurred an additional $0.8 million in expenses related to the 2008 Programs during 2009 for a total of $3.8 million. $3.5 million of such $3.8 million of remaining charges were paid out in 2009 and the remaining $0.3 million is expected to be paid out in 2010.

(See Note 3, Restructuring Costs and Other, Net , to the Consolidated Financial Statements).

Interest Expense:

	Year Ended December 31,		
	2009	**2008**	**Change**
Interest expense	$ 93.0	$ 119.7	$ 26.7

The decrease in interest expense was due to lower debt levels and lower weighted average borrowing rates during 2009, compared to 2008. (See Note 9, Long-Term Debt and Redeemable Preferred Stock , to the Consolidated Financial Statements).

As of December 31, 2009, the Company accrued $1.4 million in interest expense related to the first quarterly Regular Dividend (as hereinafter defined) on the Preferred Stock, which was paid in January 2010. (See Financial Condition, Liquidity and Capital Resources Sources and Uses for Revlon, Inc. s announcement that its Board of Directors declared a regular dividend on the Preferred Stock on December 15, 2009).

Loss on Extinguishment of Debt, net

	Year Ended December 31, 2009	2008	Change
Loss on extinguishment of debt, net	$ 5.8	$ 0.7	$ (5.1)

In 2009, the Company recognized a loss on the early extinguishment of debt of $13.5 million resulting from the applicable redemption and tender premiums and the net write-off of unamortized debt discounts and deferred financing fees in connection with the refinancing of the 91/2% Senior Notes, which was partially offset by a $7.7 million gain on the repurchases of an aggregate principal amount of $49.5 million of the 91/2% Senior Notes prior to their complete refinancing in November 2009 at an aggregate purchase price of $41.0 million, which is net of the write-off of the ratable portion of unamortized debt discounts and deferred financing fees resulting from such repurchases. (See Note 9, Long-Term Debt and Redeemable Preferred Stock , to the Consolidated Financial Statements).

Foreign currency losses:

	Year Ended December 31, 2009	Year Ended December 31, 2008	Change
Foreign currency losses	$ 8.9	$ 0.1	$ (8.8)

The increase in foreign currency losses for 2009, as compared to 2008, was primarily driven by higher foreign currency losses related to the Company s outstanding FX Contracts (as hereinafter defined) and the revaluation of certain U.S. dollar-denominated intercompany payables from the Company s foreign subsidiaries during 2009. In addition, during 2009 the Company recognized an exchange loss of $2.8 million related to the Company s operations in Venezuela. Due to currency restrictions in Venezuela, the Company s Venezuelan entity exchanged local currency for U.S. dollars through a parallel market exchange transaction in order to pay for certain U.S. dollar-denominated liabilities, which resulted in the $2.8 million exchange loss.

Provision for income taxes:

	Year Ended December 31, 2009	Year Ended December 31, 2008	Change
Provision for income taxes	$ 8.3	$ 16.1	$ 7.8

The decrease in the tax provision in 2009, as compared to 2008, was primarily attributable to the favorable resolution of tax contingencies and matters in the U.S. and certain foreign jurisdictions during 2009, as well as lower pre-tax income for taxable subsidiaries in certain foreign jurisdictions.

Year ended December 31, 2008 compared with the year ended December 31, 2007

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

Net sales:

Consolidated net sales in 2008 were $1,346.8 million, a decrease of $20.3 million, or 1.5%, compared to $1,367.1 million in 2007. Foreign currency fluctuations negatively impacted net sales by $8.4 million, or 0.9% excluding the impact of foreign currency fluctuations. Excluding foreign currency fluctuations, net sales of **Revlon** color cosmetics increased 9% driven by increased new product introductions (with higher shipments and lower product returns, partially offset by higher promotional allowances). Increased net sales of **Revlon** brand color cosmetics were offset by declines in net sales of **Almay** color cosmetics (with higher shipments of **Almay** color cosmetics offset by higher product returns and higher promotional allowances for **Almay** color cosmetics), and lower net sales of certain fragrance and beauty care brands.

	Year Ended December 31,	Change	XFX Change[(a)]

	2008	2007	$	%	$	%
United States	$ 782.6	$ 804.2	$ (21.6)	(2.7)%	$ (21.6)	(2.7)%
Asia Pacific	265.0	255.6	9.4	3.7	17.2	6.7
Europe	200.8	211.1	(10.3)	(4.9)	(9.9)	(4.7)
Latin America	98.4	96.2	2.2	2.3	2.3	2.4
Total International	$ 564.2	$ 562.9	$ 1.3	0.2%	$ 9.6	1.7%
Total Company	$ 1,346.8	$ 1,367.1	$ (20.3)	(1.5)%	$ (12.0)	(0.9)%

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

United States

In the United States, net sales in 2008 were $782.6 million, a decrease of $21.6 million, or 2.7%, compared to $804.2 million in 2007. Higher net sales of **Revlon** color cosmetics were offset by lower net sales of **Almay** color cosmetics, fragrance and beauty care products. In the fragrance and beauty care categories, higher net sales of **Revlon ColorSilk** hair color and **Revlon** beauty tools in 2008 were offset by lower net sales of **Revlon Colorist** hair color, **Revlon Flair** fragrance and **Mitchum Smart Solid** anti-perspirant deodorant, which were launched in 2007.

International

In the Company s international operations, net sales in 2008 were $564.2 million, an increase of $1.3 million, or 0.2%, compared to $562.9 million in 2007. Excluding the unfavorable impact of foreign currency fluctuations of $8.4 million, net sales in 2008 increased by 1.7% as a result of higher net sales of **Revlon** and **Almay** color cosmetics, **Revlon** beauty tools and **Mitchum** anti-perspirant deodorant, partially offset by lower net sales of fragrance and hair care products, compared to 2007. Higher net sales in the Company s Asia Pacific and Latin America regions in 2008, compared to 2007, were partially offset by lower net sales in the Europe region.

In Asia Pacific, which is comprised of Asia Pacific and Africa, net sales increased 3.7%, or 6.7% excluding the impact of foreign currency fluctuations, to $265.0 million compared to $255.6 million in 2007. This growth in net sales was due primarily to higher shipments of **Revlon** color cosmetics throughout the region and higher shipments of beauty care products and fragrances in South Africa (which together contributed approximately 5.3 percentage points to the increase in the region s net sales for 2008, as compared with 2007).

In Europe, which is comprised of Europe, Canada and the Middle East, net sales decreased 4.9%, or 4.7% excluding the impact of foreign currency fluctuations, to $200.8 million compared to $211.1 million in 2007. Lower shipments of fragrances and color cosmetics in the U.K., Italy and certain distributor markets (which together contributed approximately 6.3 percentage points to the decrease in the region s net sales in 2008, as compared with 2007) were partially offset by higher shipments of **Revlon** and **Almay** color cosmetics in Canada (which offset by approximately 2.1 percentage points the decrease in the region s net sales in 2008, as compared with 2007).

In Latin America, which is comprised of Mexico, Central America and South America, net sales increased 2.3%, or 2.4% excluding the impact of foreign currency fluctuations, to $98.4 million compared to $96.2 million in 2007. The increase in net sales was primarily driven by higher net sales in Venezuela and Argentina (which together contributed approximately 10.7 percentage points to the increase in the region s net sales in 2008, as compared with 2007), partially offset by lower shipments of beauty care products in Mexico and lower shipments of fragrances and color cosmetics in certain distributor markets (which offset by approximately 7.1 percentage points the Latin America region s increase in net sales in 2008, as compared with 2007).

Gross profit:

	Year Ended December 31, 2008	2007	Change
Gross profit	$ 855.9	$ 861.4	$ (5.5)
Percentage of net sales	*63.5%*	*63.0%*	*0.5%*

The 0.5 percentage point increase in gross profit as a percentage of net sales for 2008, compared to 2007, was primarily due to:

- favorable changes in sales mix, which increased gross profit as a percentage of net sales by 0.4 percentage points; and favorable manufacturing efficiencies, which increased gross profit as a percentage of net sales by 0.3 percentage points.

SG&A expenses:

	Year Ended December 31, 2008	Year Ended December 31, 2007	Change
SG&A expenses	$ 709.3	$ 735.7	$ 26.4

The decrease in SG&A expenses for 2008, as compared to 2007, was driven primarily by:

$39.1 million of lower advertising costs in the 2008 period since the 2007 period included advertising costs associated with the launches of **Revlon Colorist** hair color, **Revlon Flair** fragrance and **Mitchum Smart Solid** anti-perspirant deodorant, partially offset by $11.5 million of higher advertising costs in 2008 in support of **Revlon** and **Almay** color cosmetics; and

$9.5 million of lower permanent display amortization expenses;

with the foregoing partially offset by:

a $4.4 million benefit in 2007 related to the reversal of a deferred rental liability upon exiting a portion of the Company s New York City headquarters leased space in 2007.

Restructuring costs and other, net:

	Year Ended December 31, 2008	Year Ended December 31, 2007	Change
Restructuring costs and other, net	$ (8.4)	$ 7.3	$ 15.7

During 2008, the Company recorded income of $8.4 million included in restructuring costs and other, net, primarily due to a gain of $7.0 million related to the sale of its facility in Mexico and a net gain of $5.9 million related to the sale of a non-core trademark. In addition, a $0.4 million favorable adjustment was recorded to restructuring costs associated with the 2006 Programs, primarily due to the charges for severance and other employee-related termination costs being slightly lower than originally estimated. These were partially offset by a restructuring charge of $4.9 million for the 2008 Programs, of which $0.8 million related to a restructuring in Canada, $1.1 million related to the Company s decision to close and sell its facility in Mexico, $2.9 million related to the Company s realignment of certain functions within customer business development, information management and administrative services in the U.S. and $0.1 million related to various other restructurings. Of the net $4.9 million of charges related to the 2008 Programs in 2008, $4.7 million were cash charges, of which $1.7 million was paid out in 2008.

During 2007, the Company implemented the 2007 Programs, which consisted of the closure of the Company s Irvington facility and personnel reductions within the Company s Information Management (IM) function and the sales force in Canada, which actions were designed, for the IM function resources, to better align the Company s information management plan, and in Canada, to improve the allocation of resources. Both actions resulted in reduced costs and an improvement in the Company s operating profit margins. In connection with the 2007 Programs, the Company incurred a total of approximately $2.9 million of restructuring charges and other costs to implement these programs, consisting of approximately $2.5 million of charges related to employee severance and other employee-related termination costs for the 2007 Programs and approximately $0.4 million of various other charges related to the closure of the Irvington facility. The Company recorded all $2.9 million of the restructuring charges for the 2007 Programs in 2007, all of which were cash charges. Of such charges, $2.3 million was paid out in 2007, $0.5 million was paid out in 2008 and approximately $0.1 million was paid out during 2009. In addition, in 2007, the Company recorded $4.4 million in restructuring expenses associated with the 2006 Programs for vacating leased space, employee severance and other employee-related termination costs.

(See Note 3, Restructuring Costs and Other, Net , to the Consolidated Financial Statements).

Interest Expense:

	Year Ended December 31, 2008	2007	Change
Interest expense	$ 119.7	$ 135.6	$ 15.9

The decrease in interest expense during 2008, as compared to 2007, was due to lower weighted average borrowing rates and lower average debt levels. (See Note 9, Long-Term Debt and Redeemable Preferred Stock , to the Consolidated Financial Statements).

Foreign currency losses (gains):

	Year Ended December 31, 2008	2007	Change
Foreign currency losses (gains)	$ 0.1	$ (6.8)	$ (6.9)

The increase in foreign currency losses for 2008, as compared to 2007, was primarily driven by higher foreign currency losses related to the revaluation of certain U.S. dollar-denominated intercompany payables from the Company s foreign subsidiaries, partially offset by foreign currency gains related to the Company s outstanding FX Contracts during 2008.

Provision for income taxes:

	Year Ended December 31, 2008	2007	Change
Provision for income taxes	$ 16.1	$ 7.5	$ (8.6)

The increase in the tax provision for 2008, as compared to 2007, was attributable to favorable tax adjustments in 2007, which did not reoccur in 2008, as well as higher taxable income in certain jurisdictions outside the U.S. in 2008 versus 2007. The 2007 tax provision benefited from a $5.9 million reduction in tax liabilities due to the resolution of various international tax matters as a result of regulatory developments and the reduction of a valuation allowance by $4.2 million.

Financial Condition, Liquidity and Capital Resources

At January 31, 2010, the 2006 Term Loan Facility, with $815 million principal amount outstanding, was fully drawn. The Company had a liquidity position at such date of approximately $170.6 million, consisting of cash and cash equivalents (net of any outstanding checks) of approximately $54.5 million, as well as approximately $116.1 million in available borrowings under the 2006 Revolving Credit Facility, based upon the calculated borrowing base less

$12.1 million outstanding letters of credit and nil then drawn under the 2006 Revolving Credit Facility at such date.

Cash Flows

At December 31, 2009, the Company had cash and cash equivalents of $54.5 million, compared with $52.8 million at December 31, 2008. The following table summarizes the Company s cash flows from operating, investing and financing activities for 2009, 2008 and 2007, respectively (all amounts are in millions):

	Year Ended December 31,		
	2009	**2008**	**2007**
Net cash provided by operating activities	$ 109.5	$ 33.1	$ 0.3
Net cash (used in) provided by investing activities	(12.7)	100.5	(17.4)
Net cash (used in) provided by financing activities	(97.6)	(111.9)	29.1

Net cash provided by operating activities was $109.5 million, $33.1 million and $0.3 million for 2009, 2008 and 2007, respectively. This improvement in cash provided by operating activities in 2009, compared to 2008, was primarily driven by lower interest payments, improved operating income, working capital efficiency and lower permanent display purchases. The improvement in 2008 compared to 2007 was primarily due to net income of $57.9 million in 2008, as compared to a net loss in 2007 of $16.1 million, and the positive cash impact of changes in working capital.

Net cash (used in) provided by investing activities was $(12.7) million, $100.5 million and $(17.4) million for 2009, 2008 and 2007, respectively. Net cash used in investing activities in 2009 was driven by $15.2 million of capital expenditures, partially offset by $2.5 million from the net proceeds from the sale of certain assets. Net cash provided by investing activities in 2008 included $107.6 million in gross proceeds from the Bozzano Sale Transaction (see Note 2, Discontinued Operations , to the Consolidated Financial Statements) and $13.6 million in proceeds from the sale of a non-core trademark and certain other assets (which included net proceeds from the sale of the Mexico facility), partially offset by $20.7 million of capital expenditures. Net cash used in investing activities in 2007 was driven by $19.8 million of capital expenditures, partially offset by $2.4 million from the net proceeds from the sale of certain assets.

Net cash (used in) provided by financing activities was $(97.6) million, $(111.9) million and $29.1 million for 2009, 2008 and 2007, respectively. Net cash used in financing activities for 2009 includes a net debt reduction of $74.0 million, primarily comprised of:

- the repayment or redemption of all of the $340.5 million aggregate principal amount outstanding of Products Corporation s 91/2% Senior Notes in connection with Products Corporation s complete refinancing of the 91/2% Senior Notes in November 2009;
- the repurchases of $49.5 million in aggregate principal amount of Products Corporation s 91/2% Senior Notes prior to their complete refinancing in November 2009 at an aggregate purchase price of $41.0 million; and
- the repayment of $18.7 million in principal amount of Products Corporation s 2006 Term Loan Facility;

with the foregoing partially offset by:

- Products Corporation s issuance of the $330.0 million aggregate principal amount of the 93/4% Senior Secured Notes, or $326.4 million net of discounts.

Net cash used in financing activities for 2009 also includes payment of financing costs of $29.6 million, which is comprised of (i) the payment of $23.4 million of the $24.9 million of fees incurred in connection with the refinancing of the 91/2% Senior Notes and (ii) the payment of $6.2 million of the $6.7 million of fees incurred in connection with the consummation of the Exchange Offer.

Net cash used in financing activities for 2008 included the full repayment on February 1, 2008 of the $167.4 million remaining aggregate principal amount of Products Corporation s 85/8% Senior Subordinated Notes, which matured on February 1, 2008, and $43.5 million of repayments under the 2006 Revolving Credit Facility, offset by proceeds of $170.0 million from the Senior Subordinated Term Loan Agreement, which Products Corporation used to repay in full such 85/8% Senior Subordinated Notes on their February 1, 2008 maturity date, and to pay $2.55 million of related fees and expenses. In addition, in September 2008, the Company used $63.0 million of the net proceeds from the Bozzano Sale Transaction to repay $63.0 million in aggregate principal amount of the Senior Subordinated Term Loan.

Net cash provided by financing activities for 2007 included net proceeds of $98.9 million from Revlon, Inc. s issuance of Class A Common Stock as a result of the closing of the $100 Million Rights Offering in January 2007. Such proceeds were promptly transferred to Products Corporation, which it used in February 2007 to redeem $50.0 million aggregate principal amount of its 85/8% Senior Subordinated Notes at an aggregate redemption price of $50.3 million, including $0.3 million of accrued and unpaid interest, with the balance used to repay approximately $43.3 million of indebtedness outstanding under Products Corporation s 2006 Revolving Credit Facility, without any permanent reduction of that commitment, after incurring fees and expenses of approximately $1.1 million in connection with the $100 Million Rights Offering, with approximately $5 million of the remaining proceeds then being available for general corporate purposes.

2006 Credit Agreements

In December 2006, Products Corporation entered into a 5-year, $840.0 million term loan facility (the 2006 Term Loan Facility) pursuant to the term loan agreement, dated as of December 20, 2006, among Products Corporation, as borrower, the lenders party thereto, Citicorp USA, Inc., as administrative agent and collateral agent, Citigroup Global Markets Inc., as sole lead arranger and sole bookrunner, and JPMorgan Chase Bank, N.A., as syndication agent (with the agreement governing the 2006 Term Loan Facility being the 2006 Term Loan Agreement).

In December 2006, Products Corporation also entered into a $160.0 million 2006 revolving credit agreement (the 2006 Revolving Credit Agreement , and together with the 2006 Term Loan Agreement, the 2006 Credit Agreements) that amended and restated the 2004 credit agreement (with such revolving credit facility being the 2006 Revolving Credit Facility and, together with the 2006 Term Loan Facility, the 2006 Credit Facilities). The 2006 Credit Facilities mature on January 15, 2012.

Availability under the 2006 Revolving Credit Facility varies based on a borrowing base that is determined by the value of eligible accounts receivable and eligible inventory in the U.S. and the U.K. and eligible real property and equipment in the U.S. from time to time.

In each case subject to borrowing base availability, the 2006 Revolving Credit Facility is available to:

(i) Products Corporation in revolving credit loans denominated in U.S. dollars;

(ii) Products Corporation in swing line loans denominated in U.S. dollars up to $30.0 million;

(iii) Products Corporation in standby and commercial letters of credit denominated in U.S. dollars and other currencies up to $60.0 million; and

(iv) Products Corporation and certain of its international subsidiaries designated from time to time in revolving credit loans and bankers acceptances denominated in U.S. dollars and other currencies.

If the value of the eligible assets is not sufficient to support a $160.0 million borrowing base under the 2006 Revolving Credit Facility, Products Corporation will not have full access to the 2006 Revolving Credit Facility. Products Corporation s ability to make borrowings under the 2006 Revolving Credit Facility is also conditioned upon the satisfaction of certain conditions precedent and Products Corporation s compliance with other covenants in the 2006 Revolving Credit Facility, including a fixed charge coverage ratio that applies if and when the excess borrowing base (representing the difference between (1) the borrowing base under the 2006 Revolving Credit Facility and (2) the amounts outstanding under such facility) is less than $20.0 million. During 2008 and 2009 the fixed charge coverage ratio was not applicable, as the excess borrowing base was not less than $20.0 million during such periods.

Borrowings under the 2006 Revolving Credit Facility (other than loans in foreign currencies) bear interest at a rate equal to, at Products Corporation s option, either (i) the Eurodollar Rate plus 2.00% per annum or (ii) the Alternate Base Rate plus 1.00% per annum. Loans in foreign currencies bear interest in certain limited circumstances, or if mutually acceptable to Products Corporation and the relevant foreign lenders, at the Local Rate, and otherwise at the Eurocurrency Rate, in each case plus 2.00%. At December 31, 2009, there were no borrowings under the 2006 Revolving Credit Facility.

Under the 2006 Term Loan Facility, Eurodollar Loans bear interest at the Eurodollar Rate plus 4.00% per annum and Alternate Base Rate loans bear interest at the Alternate Base Rate plus 3.00% per annum. At December 31, 2009, the effective weighted average interest rate for borrowings under the 2006 Term Loan Facility was 4.26%. (See Financial Condition, Liquidity and Capital Resources Interest Rate Swap Transactions).

Prior to the termination date of the 2006 Term Loan Facility, on April 15, July 15, October 15 and January 15 of each year (which commenced April 15, 2008), Products Corporation is required to repay $2.1 million of the principal amount of the term loans outstanding under the 2006 Term Loan Facility on each respective date. In January 2009, Products Corporation made a required quarterly amortization payment of $2.1 million under the 2006 Term Loan Facility and in February 2009, Products Corporation repaid $16.6 million in principal amount under the 2006 Term Loan Facility, pursuant to the requirement under the 2006 Term Loan Agreement to repay term loan indebtedness with 50% of its 2008 excess cash flow (as defined under such agreement), which repayment satisfied Products Corporation s required quarterly term loan amortization payments of $2.1 million per quarter that would otherwise have been due on April 15, 2009, July 15, 2009, October 15, 2009, January 15, 2010, April 15, 2010, July 15, 2010, October 15, 2010 and $1.9 million of the amortization payment otherwise due on January 15, 2011. Prior to April 9, 2010, Products Corporation will be required to repay approximately $13.6 million of term loan indebtedness, representing 50% of its 2009 excess cash flow (as defined under the 2006 Term Loan Agreement), which repayment would satisfy Products Corporation s required term loan amortization payment of $0.2 million due on January 15, 2011, and quarterly amortization payments of $2.1 million that otherwise would have been due on April 15, 2011, July 15, 2011 and October 15, 2011 and $7.1 million of the amount remaining due under the 2006 Term Loan Facility upon maturity. In addition, the term loans under the 2006 Term Loan Facility are required to be prepaid with:

(i) the net proceeds in excess of $10.0 million for each twelve-month period ending on July 9 received during such period from sales of the capital stock of Products Corporation and its subsidiaries and intellectual property and certain other intangible property (the Term Loan First Lien Collateral) by Products Corporation or any of its subsidiary guarantors (subject to carryover of unused annual basket amounts up to a maximum of $25.0 million and subject to certain specified dispositions up to an additional $25.0 million in the aggregate); and

(ii) the net proceeds from the issuance by Products Corporation or any of its subsidiaries of certain additional debt.

The 2006 Credit Facilities are supported by, among other things, guarantees from Revlon, Inc. and, subject to certain limited exceptions, Products Corporation s domestic subsidiaries. The obligations of Products Corporation under the 2006 Credit Facilities and the obligations under such guarantees are secured by, subject to certain limited exceptions, substantially all of the assets of Products Corporation and the guarantors. (See Note 9, Long-Term Debt and Redeemable Preferred Stock , to the Consolidated Financial Statements).

Each of the 2006 Credit Facilities contains various restrictive covenants prohibiting Products Corporation and its subsidiaries from:

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

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

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

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

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

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

(iv) with certain exceptions, engaging in merger or acquisition transactions;

(v) prepaying indebtedness and modifying the terms of certain indebtedness and specified material contractual obligations, subject to certain exceptions;

(vi) making investments, subject to certain exceptions; and

(vii) entering into transactions with affiliates of Products Corporation other than upon terms no less favorable to Products Corporation or its subsidiaries than it would obtain in an arms length transaction.

In November 2009, the 2006 Credit Agreements were amended to permit Products Corporation to refinance its 91/2% Senior Notes on a secured basis, which refinancing Products Corporation completed in November 2009 by the issuance of the 93/4% Senior Secured Notes.

In addition to the foregoing, the 2006 Term Loan Facility contains a financial covenant limiting Products Corporation s senior secured leverage ratio (the ratio of Products Corporation s Senior Secured Debt (excluding debt outstanding under the 2006 Revolving Credit Facility) to EBITDA, as each such term is defined in the 2006 Term Loan Facility) to 5.0 to 1.0 for each period of four consecutive fiscal quarters ending during the period from December 31, 2008 to the January 2012 maturity date of the 2006 Term Loan Facility.

Under certain circumstances if and when the difference between (i) the borrowing base under the 2006 Revolving Credit Facility and (ii) the amounts outstanding under the 2006 Revolving Credit Facility is less than $20.0 million for a period of 30 consecutive days or more, the 2006 Revolving Credit Facility requires Products Corporation to maintain a consolidated fixed charge coverage ratio (the ratio of EBITDA minus Capital Expenditures to Cash Interest Expense for such period, as each such term is defined in the 2006 Revolving Credit Facility) of 1.0 to 1.0.

The events of default under each 2006 Credit Facility include customary events of default for such types of agreements, including, among others:

(i) nonpayment of any principal, interest or other fees when due, subject in the case of interest and fees to a grace period;

(ii) non-compliance with the covenants in such 2006 Credit Facility or the ancillary security documents, subject in certain instances to grace periods;

(iii) the institution of any bankruptcy, insolvency or similar proceedings by or against Products Corporation, any of Products Corporation s subsidiaries or Revlon, Inc., subject in certain instances to grace periods;

(iv) default by Revlon, Inc. or any of its subsidiaries (A) in the payment of certain indebtedness when due (whether at maturity or by acceleration) in excess of $5.0 million in aggregate principal amount or (B) in the observance or performance of any other agreement or condition relating to such debt, provided that the amount of debt involved is in excess of $5.0 million in aggregate principal amount, or the occurrence of any other event, the effect of which default referred to in this subclause (iv) is to cause or permit the holders of such debt to cause the acceleration of payment of such debt;

(v) in the case of the 2006 Term Loan Facility, a cross default under the 2006 Revolving Credit Facility, and in the case of the 2006 Revolving Credit Facility, a cross default under the 2006 Term Loan Facility;

(vi) the failure by Products Corporation, certain of Products Corporation s subsidiaries or Revlon, Inc. to pay certain material judgments;

(vii) a change of control such that (A) Revlon, Inc. shall cease to be the beneficial and record owner of 100% of Products Corporation s capital stock, (B) Ronald O. Perelman (or his estate, heirs, executors, administrator or other personal representative) and his or their controlled affiliates shall cease to control Products Corporation, and any other person or group of persons owns, directly or indirectly, more than 35% of the total voting power of Products Corporation, (C) any person or group of persons other than Ronald O. Perelman (or his estate, heirs, executors, administrator or other personal representative) and his or their controlled affiliates shall control Products Corporation or (D) during any period of two consecutive years, the directors serving on Products Corporation s Board of Directors at the beginning of such period (or other directors nominated by at least 662/3% of such continuing directors) shall cease to be a majority of the directors;

(viii) the failure by Revlon, Inc. to contribute to Products Corporation all of the net proceeds it receives from any sale of its equity securities or Products Corporation s capital stock, subject to certain limited exceptions;

(ix) the conduct by Revlon, Inc. of any meaningful business activities other than those that are customary for a publicly traded holding company which is not itself an operating company, including the ownership of meaningful assets (other than Products Corporation s capital stock) or the incurrence of debt, in each case subject to limited exceptions; and

(x) the failure of certain of Products Corporation s affiliates which hold Products Corporation s or its subsidiaries indebtedness to be party to a valid and enforceable agreement prohibiting such affiliate from demanding or retaining payments in respect of such indebtedness.

If Products Corporation is in default under the senior secured leverage ratio under the 2006 Term Loan Facility or the consolidated fixed charge coverage ratio under the 2006 Revolving Credit Facility, Products Corporation may cure such default by issuing certain equity securities to, or receiving capital contributions from, Revlon, Inc. and applying such cash which is deemed to increase EBITDA for the purpose of calculating the applicable ratio. This cure right may be exercised by Products Corporation two times in any four quarter period. Products Corporation was in compliance with all applicable covenants under the 2006 Credit Agreements as of December 31, 2009.

2009 Refinancing of the 91/2% Senior Notes

In November 2009, Products Corporation issued and sold $330.0 million in aggregate principal amount of 93/4% Senior Secured Notes due November 15, 2015 (the 93/4% Senior Secured Notes) in a private placement, which was priced at 98.9% of par, receiving net proceeds (net of original issue discount and underwriters fees) of $319.8 million. Including the amortization of the original issue discount, the effective interest rate on the 93/4% Senior Secured Notes is 10%. In connection with and prior to the issuance of the 93/4% Senior Secured Notes, Products Corporation entered into amendments to the 2006 Credit Agreements to permit the issuance of the 93/4% Senior Secured Notes on a secured basis and incurred $4.7 million of related fees and expenses. The Company capitalized $4.5 million of such fees and expenses which will be amortized over the remaining life of the 2006 Credit Agreements. In addition, the Company incurred $10.5 million of fees and expenses related to the issuance of the 93/4% Senior Secured Notes, all of which the Company capitalized and which will be amortized over the remaining life of the 93/4% Senior Secured Notes. This issuance and the related transactions refinanced Products Corporation s 91/2% Senior Notes that would otherwise have become due on April 1, 2011.

The $319.8 million of net proceeds, together with $42.6 million of other cash and borrowings under the 2006 Revolving Credit Facility, were used to repay or redeem all of the $340.5 million aggregate principal amount outstanding of Products Corporation s 91/2% Senior Notes due April 1, 2011, plus an aggregate of $21.9 million for accrued interest, applicable redemption and tender premiums and fees and expenses related to refinancing the 91/2% Senior Notes, as well as the amendments to the 2006 Credit Agreements required to permit such refinancing to be conducted on a secured basis. On or before May 12, 2010, as required by the terms of the 93/4% Senior Secured Notes indenture, the Company expects to (i) file a registration statement with the SEC with respect to a registered offer to exchange the 93/4% Senior Secured Notes for new exchange notes having terms substantially identical in all material respects to the notes (with the exception of certain transfer restrictions, registration rights and penalty interest rate provisions) or (ii) file a shelf registration statement with respect to resales of the 93/4% Senior Secured Notes. (See Note 9, Long-Term Debt and Redeemable Preferred Stock , to the Consolidated Financial Statements).

Pursuant to the terms of the 93/4% Senior Secured Notes indenture, the 93/4% Senior Secured Notes are senior secured obligations of Products Corporation ranking equally in right of payment with any present and future senior indebtedness of Products Corporation. The 93/4% Senior Secured Notes bear interest at an annual rate of 93/4%, which is payable on May 15 and November 15 of each year, commencing on May 15, 2010, requiring bi-annual interest payments of approximately $15.4 million on May 15, 2010, and thereafter approximately $16.1 million on each interest payment date, based on the $330.0 million aggregate principal face amount of the 93/4% Senior Secured Notes outstanding as of December 31, 2009.

The 93/4% Senior Secured Notes are supported by, among other things, guarantees from Revlon, Inc. and, subject to certain limited exceptions, Products Corporation s domestic subsidiaries. The obligations of Products Corporation under the 93/4% Senior Secured Notes and the obligations under the guarantees are secured by, subject to certain limited exceptions, substantially all of the assets of Products Corporation and the guarantors, including second-priority liens on the collateral securing the 2006 Term Loan Facility and third-priority liens on the collateral securing the 2006 Revolving Credit Facility, subject to certain exceptions. (See Note 9, Long-Term Debt and Redeemable Preferred Stock to the Consolidated Financial Statements).

The 93/4% Senior Secured Notes indenture contains covenants that, among other things, limit (i) the issuance of additional debt and redeemable stock by Products Corporation; (ii) the incurrence of liens; (iii) the issuance of debt and preferred stock by Products Corporation s subsidiaries; (iv) the payment of dividends on capital stock of Products Corporation and its subsidiaries and the redemption of capital stock of Products Corporation and certain subordinated obligations; (v) the sale of assets and subsidiary stock by Products Corporation; (vi) transactions with affiliates of Products Corporation; (vii) consolidations, mergers and transfers of all or substantially all Products Corporation s assets; and (viii) certain restrictions on transfers of assets by or distributions from subsidiaries of Products Corporation. All of these limitations and prohibitions, however, are subject to a number of qualifications and exceptions, which are specified in the 93/4% Senior Secured Notes indenture. Products Corporation was in compliance with all applicable covenants under its 93/4% Senior Secured Notes as of December 31, 2009.

2009 Extension of the maturity of the Senior Subordinated Term Loan

In October 2009, Revlon, Inc. consummated its Exchange Offer in which each issued and outstanding share of Revlon, Inc. s Class A Common Stock was exchangeable on a one-for-one basis for a newly-issued series of Revlon, Inc. Preferred Stock. Revlon, Inc. issued to stockholders (other than MacAndrews & Forbes and its affiliates) 9,336,905 shares of Preferred Stock in exchange for the same number of shares of Class A Common Stock tendered for exchange in the Exchange Offer. The Class A Common Stock tendered in the Exchange Offer represented approximately 46% of the shares of Class A Common Stock held by stockholders other than MacAndrews & Forbes and its affiliates.

Each share of Preferred Stock issued in the Exchange Offer has a liquidation preference of $5.21 per share, is entitled to receive a 12.75% annual dividend payable quarterly in cash and is mandatorily redeemable for $5.21 in cash on October 8, 2013. Each share of Preferred Stock entitles its holder to receive cash payments of approximately $7.87 over the four-year term of the Preferred Stock, through the quarterly payment of 12.75% annual cash dividends and a $5.21 per share liquidation preference at maturity (assuming Revlon, Inc. does not engage in one of certain specified change of control transactions), in each case to the extent that Revlon, Inc. has lawfully available funds to effect such payments. Each share of Preferred Stock has the same voting rights as a share of Class A Common Stock, except with respect to certain mergers.

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

Interest under the Senior Subordinated Term Loan is payable in arrears in cash on January 8, April 8, July 8 and October 8 of each year. Products Corporation may, at its option, prepay such loan, in whole or in part (together with accrued and unpaid interest), at any time prior to its respective maturity dates without premium or penalty, provided that prior to such loan s respective maturity dates all shares of Revlon, Inc. s Preferred Stock have been or are being concurrently redeemed and all payments due thereon are paid in full or are concurrently being paid in full.

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

In addition, in connection with Revlon, Inc. s Exchange Offer, as of December 31, 2009, Revlon, Inc. had incurred capitalized fees of approximately $6.7 million related to the consummation of such offer, of which $6.2 million was paid as of December 31, 2009. As a result of the consummation of the Exchange Offer, these fees will be amortized by Revlon, Inc. over the four-year term of the Preferred Stock.

Interest Rate Swap Transactions

In September 2007 and April 2008, Products Corporation executed two floating-to-fixed Interest Rate Swaps each with a notional amount of $150.0 million over a period of two years relating to indebtedness under Products Corporation s 2006 Term Loan Facility. In September 2009, one of the Company s two floating-to-fixed interest rate swaps, with a notional amount of $150.0 million, expired. Therefore, as of December 31, 2009, the Company had one floating-to-fixed interest rate swap with a notional amount of $150.0 million relating to indebtedness under Products Corporation s 2006 Term Loan Facility, which expires in April 2010 (the 2008 Interest Rate Swap). The 2008 Interest Rate Swap is designated as a cash flow hedge of the variable interest rate payments on Products Corporation s 2006 Term Loan Facility. Under the terms of the 2008 Interest Rate Swap, Products Corporation is required to pay to the counterparty a quarterly fixed interest rate of 2.66% on the $150.0 million notional amount (which, based upon the 4.0% applicable margin, effectively fixed the interest rate on such notional amounts at 6.66%, for the 2-year term of the swap), which commenced in July 2008, while receiving a variable interest rate payment from the counterparty equal to three-month U.S. dollar LIBOR. While the Company is exposed to credit loss in the event of the counterparty s non-performance, if any, the Company s exposure is limited to the net amount that Products Corporation would have received over the remaining balance of the 2008 Interest Rate Swap s two-year term. The Company does not anticipate any non-performance and, furthermore, even in the case of any non-performance by the counterparty, the Company expects that any such loss would not be material. The fair value of Products Corporation s 2008 Interest Rate Swap was $(1.8) million, at December 31, 2009.

Impact of Foreign Currency Translation Venezuela

Highly-Inflationary Economy: Effective January 1, 2010, Venezuela has been designated as a highly inflationary economy under U.S. GAAP. As a result, beginning January 1, 2010, the U.S. dollar will be the functional currency for the Company s subsidiary in Venezuela (Revlon Venezuela). Through December 31, 2009, prior to being designated as highly inflationary, currency translation adjustments of Revlon Venezuela s balance sheet were reflected in shareholders equity as part of Other Comprehensive Income; however subsequent to January 1, 2010, such adjustments for will be reflected in earnings.

Currency Devaluation: On January 8, 2010, the Venezuelan government announced the devaluation of its local currency (Bolivars) relative to the U.S. dollar. The official exchange rate for non-essential goods has changed from 2.15 to 4.30. The Company uses Venezuela s official rate to translate the financial statements of Revlon Venezuela. As the devaluation of Bolivars relative to the U.S. dollar occurred in 2010, it did not have an impact on the Company s 2009 results of operations or financial position; however the Company expects the following impacts to its financial statements in 2010:

- the Company s consolidated financial results in 2010 are expected to be adversely impacted as a result of the currency devaluation. Revlon Venezuela accounted for approximately 4% and 7% of the Company s 2009 consolidated net sales and operating income, respectively; and

- a foreign currency loss in the first quarter of 2010 of approximately $3 million related to the required re-measurement of Revlon Venezuela s balance sheet during the first quarter of 2010 to reflect the impact of the currency devaluation. As Venezuela has been designated as a highly inflationary economy effective January 1, 2010, this foreign currency loss will be reflected in earnings.

Separately, during the fourth quarter of 2009, due to currency restrictions in Venezuela, Revlon Venezuela exchanged Bolivars for U.S. dollars through a parallel market exchange transaction in order to pay for certain U.S. dollar-denominated liabilities, which resulted in a $2.8 million foreign exchange loss. (See Results of Operations Year ended December 31, 2009 compared with the year ended December 31, 2008 Foreign Currency Losses).

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 2006 Revolving Credit Facility and other permitted lines of credit. The 2006 Credit Agreements, the indenture governing Products Corporation s 93/4% Senior Notes and the Senior Subordinated Term Loan Agreement contain certain provisions that by their terms limit Products Corporation and its subsidiaries ability to, among other things, incur additional debt.

The Company s principal uses of funds are expected to be the payment of operating expenses, including expenses in connection with the continued execution of the Company s business strategy, purchases of permanent wall displays, capital expenditure requirements, payments in connection with the Company s restructuring programs, severance not otherwise included in the Company s restructuring programs, debt service payments and costs, debt repurchases and regularly scheduled pension and post-retirement benefit plan contributions and benefit payments. The Company s cash contributions to its pension and post-retirement benefit plans in 2009 were $24.3 million. In accordance with the minimum pension contributions required under the Employee Retirement Income Security Act of 1974, as amended by the Pension Protection Act of 2006 and as amended by the Worker, Retiree and Employer Recovery Act of 2008, the Company expects cash contributions to its pension and post-retirement benefit plans to be approximately $25 million in the aggregate for 2010. The Company s purchases of permanent wall displays and capital expenditures in 2009 were approximately $32.9 million and approximately $15.2 million, respectively. The Company expects purchases of permanent wall displays and capital expenditures in the aggregate for 2010 to be approximately $40 million and $20 million, respectively. (See Restructuring Costs and Other, Net above in this Form 10-K for discussion of the Company s expected uses of funds in connection with its various restructuring programs).

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 intended to reduce inventory levels over time; centralized purchasing to secure discounts and efficiencies in procurement; providing discounts to U.S. customers for more timely payment of receivables; prudent management of accounts payable; and targeted controls on general and administrative spending.

Continuing to execute the Company s business strategy could include taking advantage of additional opportunities to reposition, repackage or reformulate one or more brands or product lines, launching additional new products, acquiring businesses or brands, further refining the Company s approach to retail merchandising and/or taking further actions to optimize its manufacturing, sourcing and organizational size and structure. Any of these actions, 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 may also, from time to time, seek to retire or purchase its outstanding debt obligations in open market purchases, in privately negotiated transactions or otherwise and may seek to refinance some or all of its indebtedness based upon market conditions. Any retirement or purchase of debt may be funded with operating cash flows of the business or other sources and will depend upon prevailing market conditions, liquidity requirements, contractual restrictions and other factors, and the amounts involved may be material.

The Company expects that operating revenues, cash on hand and funds available for borrowing under the 2006 Revolving Credit Facility and other permitted lines of credit will be sufficient to enable the Company to cover its operating expenses for 2010, including cash requirements in connection with the payment of operating expenses, including expenses in connection with the execution of the Company s business strategy, purchases of permanent wall displays, capital expenditure requirements, payments in connection with the Company s restructuring programs (including, without limitation, the 2006 Programs, the 2007 Programs, the 2008 Programs and the 2009 Programs), severance not otherwise included in the Company s restructuring programs, debt service payments and costs, debt repurchases and regularly scheduled pension and post-retirement plan contributions and benefit payments.

There can be no assurance that available funds will be sufficient to meet the Company s cash requirements on a consolidated basis. If the Company s anticipated level of revenues is not achieved because of, among other things, decreased consumer spending in response to weak economic conditions or weakness in the cosmetics category in the mass retail channel; adverse changes in currency exchange rates; decreased sales of the Company s products as a result of increased competitive activities by the Company s competitors; changes in consumer purchasing habits, including with respect to shopping channels; retailer inventory management, retailer space reconfigurations or reductions in retailer display space; changes in retailer pricing or promotional strategies; or less than anticipated results from the Company s existing or new products or from its advertising, promotional and/or marketing plans; or if the Company s expenses, including, without limitation, for pension expense under its benefit plans, advertising, promotional and marketing activities or for sales returns related to any reduction of retail space, product discontinuances or otherwise, exceed the anticipated level of expenses, the Company s current sources of funds may be insufficient to meet the Company s cash requirements.

Any such developments, if significant, could reduce the Company s revenues and could adversely affect Products Corporation s ability to comply with certain financial covenants under the 2006 Credit Agreements and in such event the Company could be required to take measures, including, among other things, reducing discretionary spending. (See also Item 1A. Risk Factors for further discussion of certain risks associated with the Company s business and indebtedness).

If the Company is unable to satisfy its cash requirements from the sources identified above or comply with its debt covenants, the Company could be required to adopt one or more of the following alternatives:

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

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

reducing or delaying capital spending;

delaying, reducing or revising the Company s restructuring programs;

refinancing Products Corporation s indebtedness;

selling assets or operations;

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

selling additional Revlon, Inc. equity securities or debt securities of Revlon, Inc. or 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, without limitation, market conditions being unfavorable for an equity or debt issuance, additional capital contributions and/or loans not being available from affiliates and/or third parties, or that the transactions may not be permitted under the terms of Products Corporation s various debt instruments then in effect, such as due to restrictions on the incurrence of debt, incurrence of liens, asset dispositions and related party transactions. In addition, such actions, if taken, may not enable the Company to satisfy its cash requirements or enable Products Corporation to comply with its debt covenants if the actions do not generate a sufficient amount of additional capital. (See also Item 1A. Risk Factors for further discussion of certain risks associated with the Company s business and indebtedness).

Revlon, Inc. expects that the payment of the quarterly dividends on its Preferred Stock will be funded by cash interest payments to be received by Revlon, Inc. from Products Corporation on the Contributed Loan (the $48.6 million portion of the Senior Subordinated Term Loan that was contributed to Revlon, Inc. by MacAndrews & Forbes), subject to Revlon, Inc. having sufficient surplus or net profits in accordance with Delaware law. Additionally, Revlon, Inc. expects to pay the liquidation preference of the Preferred Stock on October 8, 2013 with the cash payment to be received by Revlon, Inc. from Products Corporation in respect of the maturity of the principal amount outstanding under the Contributed Loan, subject to Revlon, Inc. having sufficient surplus in accordance with Delaware law. The payment of such interest and principal under the Contributed Loan to Revlon, Inc. by Products Corporation is permissible under the 2006 Credit Agreements, the Senior Subordinated Term Loan Agreement and the 93/4% Senior Secured Notes Indenture.

On December 15, 2009, in accordance with the terms of the certificate of designation of the Preferred Stock, Revlon, Inc. announced that its Board of Directors declared the regular dividend on the Preferred Stock at an annual rate of 12.75% of the $5.21 per share liquidation preference (the Regular Dividend) in the amount of $0.167434 per share for the period from October 8, 2009 through and including January 8, 2010, which dividend was paid on January 8, 2010 to holders of record of the Preferred Stock at the close of business on December 28, 2009. As of December 31, 2009, the Company accrued $1.4 million in interest expense related to the first quarterly Regular Dividend on the Preferred Stock which was paid in January 2010.

Products Corporation enters into foreign currency forward exchange contracts and option contracts from time to time to hedge certain net cash flows denominated in currencies other than the local currencies of the Company s foreign and domestic operations. The foreign currency forward exchange contracts are entered into primarily for the purpose of hedging anticipated inventory purchases and certain intercompany payments denominated in currencies other than the local currencies of the Company s foreign and domestic operations and generally have maturities of less than one year. There were foreign currency forward exchange contracts with a notional amount of $54.3 million outstanding at December 31, 2009. The fair value of foreign currency forward exchange contracts outstanding at December 31, 2009 was $(1.6) million.

Disclosures about Contractual Obligations and Commercial Commitments

The following table aggregates all contractual commitments and commercial obligations that affect the Company s financial condition and liquidity position as of December 31, 2009:

	Payments Due by Period (dollars in millions)				
Contractual Obligations	**Total**	**Less than 1 year**	**1-3 years**	**3-5 years**	**After 5 years**
Long-term Debt, including Current Portion	$ 1,145.0	$ 13.6	$ 801.4	$	$ 330.0
Long-term Debt affiliates[a]	58.4			58.4	
Redeemable Preferred Stock[b]	48.6			48.6	
Interest on Long-term Debt[c]	263.9	67.1	100.3	64.3	32.2
Interest on Long-term Debt affiliates[d]	35.0	7.0	14.0	14.0	
Preferred Stock Dividends[e]	24.8	6.2	12.4	6.2	
Capital Lease Obligations	2.9	1.2	1.6	0.1	
Operating Leases	70.0	15.8	27.0	18.8	8.4
Purchase Obligations[f]	57.5	57.2	0.3		
Other Long-term Obligations[g]	25.8	18.1	7.7		
Total Contractual Cash Obligations	$ 1,731.9	$ 186.2	$ 964.7	$ 210.4	$ 370.6

(a) Amount refers to the aggregate principal amount outstanding under the Non-Contributed Loan, after giving effect to the consumation of the Exchange Offer in October 2009 in which MacAndrews & Forbes contributed to Revlon, Inc. $48.6 million of the $107.0 million aggregate outstanding principal amount of the Senior Subordinated Term Loan made by MacAndrews & Forbes to Products Corporation. Pursuant to the terms of the Exchange Offer, the maturity date on the Non-Contributed Loan which remains owing from Products Corporation to MacAndrews & Forbes was extended from August 2010 to October 8, 2014.

(b) Reflects the Preferred Stock issued in the Exchange Offer, which has a liquidation preference of $5.21 per share. Each share of Preferred Stock entitles its holder to receive cash payments of approximately $7.87 over the four-year term of the Preferred Stock, through the quarterly payment of 12.75% annual cash dividends and a $5.21 per share liquidation preference payable at maturity on October 8, 2013 (assuming Revlon, Inc. does not engage in one of certain specified change of control transactions), in each case to the extent that Revlon, Inc. has lawfully available funds to effect such payments. If Revlon, Inc. engages in one of certain specified change of control transactions (not including any transaction with MacAndrews & Forbes) within three years of consummation of the Exchange Offer, the holders of the Preferred Stock will have the right to receive a special dividend if the per share equity value of the Company in the change of control transaction is higher than the liquidation preference plus paid and accrued and unpaid dividends on the Preferred Stock, capped at an amount that would provide aggregate cash payments of up to $12.00 per share.

(c) Consists of interest primarily on the $330.0 million in aggregate principal amount of the 93/4% Senior Secured Notes and on the 2006 Term Loan Facility through the respective maturity dates based upon assumptions regarding the amount of debt outstanding under the 2006 Credit Facilities and assumed interest rates. In addition, this amount reflects the impact of the Interest Rate Swap, covering $150.0 million notional amount under the 2006 Term Loan Facility through April 2010, which resulted in an effective weighted average interest rate of 4.7% on the 2006 Term Loan Facility as of December 31, 2009. (See Financial Condition, Liquidity and Capital Resources Interest Rate Swap Transactions).

(d) Includes 12% interest on the aggregate principal amount outstanding under the Non-Contributed Loan, which has a maturity date on October 8, 2014.

(e) Reflects the 12.75% annual cash dividend, payable quarterly over the four-year term of the Preferred Stock, subject to Revlon, Inc. having lawfully available funds to effect such payments.

(f) Consists of purchase commitments for finished goods, raw materials, components and services pursuant to enforceable and legally binding obligations which include all significant terms, including fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transactions.

(g) Consists primarily of obligations related to advertising contracts. Such amounts exclude employment agreements, severance and other contractual commitments, which severance and other contractual commitments related to restructuring are discussed under Restructuring Costs .

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

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future effect on the Company s financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Discussion of Critical Accounting Policies

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

Sales Returns:

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

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

Trade Support Costs:

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

Inventories:

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

Pension Benefits:

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

The Company selected a weighted-average discount rate of 5.68% in 2009, representing a decrease from the 6.35% weighted-average discount rate selected in 2008 for the Company s U.S. defined benefit pension plans. The Company selected an average discount rate for the Company s international defined benefit pension plans of 5.63% in 2009, representing a decrease from the 6.4% average discount rate selected in 2008. The discount rates are used to measure the benefit obligations at the measurement date and the net periodic benefit cost for the subsequent calendar year and are reset annually using data available at the measurement date. The changes in the discount rates used for 2009 were primarily due to decreasing long-term interest yields on high-quality corporate bonds during 2009. At December 31, 2009, the decrease in the discount rates from December 31, 2008 had the effect of increasing the Company s projected pension benefit obligation by approximately $45.3 million. For fiscal 2010, the Company expects that the aforementioned decrease in the discount rate will have the effect of increasing the net periodic benefit cost for its U.S. and international defined benefit pension plans by approximately $6.9 million, as compared to the net periodic benefit cost for fiscal 2009. However, for fiscal 2010, the Company expects an overall decline in net periodic benefit cost primarily due to the increase in the fair value of pension plan assets at December 31, 2009 and the impact of the May 2009 amendment of the Company s U.S. qualified defined benefit pension plan (as amended, the Revlon Employees Retirement Plan) and its non-qualified pension plan (as amended, the Revlon Pension Equalization Plan) to cease future benefit accruals under such plans after December 31, 2009 (the May 2009 Plan Amendments), partially offset by the impact of the aforementioned decrease in the discount rate.

Each year during the first quarter, the Company selects an expected long-term rate of return on its pension plan assets. For the Company s U.S. defined benefit pension plans, the expected long-term rate of return on the pension plan assets used in 2009 and in 2008 was 8.25%. The average expected long-term rate of return used for the Company s international plans in 2009 was 6.5%, representing a decrease from the 6.9% average rate used in 2008.

The table below reflects the Company s estimates of the possible effects of changes in the discount rates and expected long-term rates of return on its 2009 net periodic benefit costs and its projected benefit obligation at December 31, 2009 for the Company s principal defined benefit pension plans, with all other assumptions remaining constant:

	Effect of 25 basis points increase		Effect of 25 basis points decrease	
	Net periodic benefit costs	Projected pension benefit obligation	Net periodic benefit costs	Projected pension benefit obligation
Discount rate	$ (0.4)	$ (16.8)	$ 1.7	$ 16.0
Expected long-term rate of return	(0.3)		1.5	

The rate of future compensation increases is another assumption used by the Company s third party actuarial consultants for pension accounting. The rate of future compensation increases used in 2008 was 4.0% for the U.S. defined benefit pension plans, including the Revlon Employees Retirement Plan and the Revlon Pension

Equalization Plan, which were amended in May 2009 to cease future benefit accruals under such plans after December 31, 2009. The rate of future compensation increases used in 2009 was 3.5% for the U.S. defined benefit pension plans excluding the Revlon Employees Retirement Plan and the Revlon Pension Equalization Plan, as the rate of future compensation increases is no longer relevant to such plans due to the May 2009 Plan Amendments.

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

Goodwill:

The Company reviews its goodwill for impairment at least annually, or whenever events or changes in circumstances would indicate possible impairment. The Company performs its annual impairment test of goodwill as of September 30th. The Company compared its estimated fair value of the enterprise to its net assets and the fair value of the enterprise was substantially greater than the enterprise s net assets. Based on annual tests performed by the Company as of September 30, 2009 and 2008, the Company concluded that no impairment of goodwill existed at either date. The Company operates in one reportable segment, which is also the only reporting unit for purposes of accounting for goodwill. Since the Company currently only has one reporting unit, all of the goodwill has been assigned to the enterprise as a whole. The amount outstanding for goodwill, net, was $182.6 million at both December 31, 2009 and 2008.

Income Taxes:

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

The Company recognizes deferred tax assets and liabilities for the future impact of differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases, as well as for operating loss and tax credit carryforwards. The Company measures deferred tax assets and liabilities using enacted tax rates expected to apply to taxable income in the years in which management expects that the Company will recover or settle those differences. The Company has established valuation allowances for deferred tax assets when management has determined that it is not more likely than not that the Company will realize a tax benefit.

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

Recent Accounting Pronouncements

In May 2009, the FASB issued the Subsequent Events Topic of the FASB Accounting Standards Codification (the Subsequent Events Topic) to establish general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. In particular, the Subsequent Events Topic sets forth: (a) the period after the balance sheet date during which management of a reporting entity shall evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements; (b) the circumstances under which an entity shall recognize events or transactions occurring after the balance sheet date in its financial statements; and (c) the disclosures that an entity shall make about events or transactions that occurred after the balance sheet date. The provisions of the Subsequent Events Topic are effective for interim or annual financial periods ending after June 15, 2009. The Company adopted the provisions of the Subsequent Events Topic effective as of June 30, 2009 and its adoption did not have a material impact on its results of operations, financial condition or its disclosures.

Inflation

The Company s costs are affected by inflation and the effects of inflation may be experienced by the Company in future periods. Management believes, however, that such effects have not been material to the

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Company during the past three years in the U.S. and in foreign non-hyperinflationary countries. The Company operates in certain countries around the world, such as Argentina and Venezuela, which have in the past experienced hyperinflation. In hyperinflationary foreign countries, the Company attempts to mitigate the effects of inflation by increasing prices in line with inflation, where possible, and efficiently managing its costs and working capital levels.

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

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Sensitivity

The Company has exposure to changing interest rates primarily under the 2006 Term Loan Facility and 2006 Revolving Credit Facility. The Company manages interest rate risk through the use of a combination of fixed and floating rate debt. The Company from time to time makes use of derivative financial instruments to adjust its fixed and floating rate ratio. In September 2007 and April 2008, Products Corporation executed the two floating-to-fixed Interest Rate Swaps, each with a notional amount of $150.0 million over a period of two years relating to indebtedness under Products Corporation s 2006 Term Loan Facility. In September 2009, one of the Company s two floating-to-fixed interest rate swaps, with a notional amount of $150.0 million, expired. Therefore, as of December 31, 2009, the Company had one floating-to-fixed interest rate swap, the 2008 Interest Rate Swap, with a notional amount of $150.0 million relating to indebtedness under Products Corporation s 2006 Term Loan Facility, which 2008 Interest Rate Swap expires in April 2010. The 2008 Interest Rate Swap is designated as a cash flow hedge of the variable interest rate payments on Products Corporation s 2006 Term Loan Facility. (See Financial Condition, Liquidity and Capital Resources Interest Rate Swap Transactions).

The table below provides information about the Company s indebtedness that is sensitive to changes in interest rates. The table presents cash flows with respect to principal on indebtedness and related weighted average interest rates by expected maturity dates. Weighted average variable rates are based on implied forward rates in the U.S. Dollar LIBOR yield curve at December 31, 2009. The information is presented in U.S. dollar equivalents, which is the Company s reporting currency.

Exchange Rate Sensitivity

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

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Expected maturity date for the year ended December 31,
(dollars in millions, except for rate information)

Debt	2010	2011	2012	2013	2014	Thereafter	Total	Fair Value December 31, 2009
Short-term variable rate (various currencies)	$ 0.3						$ 0.3	$ 0.3
Average interest rate[a]	7.3%							
Long-term fixed rate third party ($US)				$ 48.6[b]		$ 330.0	378.6	386.7
Average interest rate[a]				12.75%		9.75%		
Long-term fixed rate affiliates ($US)					$ 58.4[c]		58.4	56.0
Average interest rate[a]					12.0%			
Long-term variable rate third party ($US)	$ 13.6		$ 801.4				815.0	798.7
Average interest rate[a][d]								