REVLON INC /DE/
Form 10-Q
October 29, 2014

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

____

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2014

OR

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

For the transition period from__________________ to _______________

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

Delaware	13-3662955
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1 New York Plaza, New York, New York	10004
(Address of principal executive offices)	(Zip Code)

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

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 ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ¨ No x

As of September 30, 2014, 52,356,798 shares of Class A Common Stock were outstanding. At such date, 40,669,640 shares of Class A Common Stock were beneficially owned by MacAndrews & Forbes Holdings Inc. and certain of its affiliates.

REVLON, INC. AND SUBSIDIARIES
INDEX

PART I - Financial Information		
Item 1.	Financial Statements	2
	Consolidated Balance Sheets as of September 30, 2014 (Unaudited) and December 31, 2013	2
	Unaudited Consolidated Statements of Income and Comprehensive Income for the Three and Nine Months Ended September 30, 2014 and 2013	3
	Unaudited Consolidated Statement of Stockholders' Deficiency for the Nine Months Ended September 30, 2014	4
	Unaudited Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2014 and 2013	5
	Notes to Unaudited Consolidated Financial Statements	6
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	28
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	44
Item 4.	Controls and Procedures	46
PART II - Other Information		
Item 1.	Legal Proceedings	52
Item 1A.	Risk Factors	52
Item 6.	Exhibits	53
	Signatures	54

PART I - FINANCIAL INFORMATION
Item 1. Financial Statements

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

	September 30, 2014 (Unaudited)	December 31, 2013[a]
ASSETS		
Current assets:		
Cash and cash equivalents	$178.4	$244.1
Trade receivables, less allowance for doubtful accounts of $6.1 and $4.2 as of September 30, 2014 and December 31, 2013, respectively	256.0	253.5
Inventories	187.2	175.0
Deferred income taxes – current	61.8	65.1
Prepaid expenses and other	61.5	61.4
Total current assets	744.9	799.1
Property, plant and equipment, net of accumulated depreciation of $244.5 and $243.1 as of September 30, 2014 and December 31, 2013, respectively	209.1	195.9
Deferred income taxes – noncurrent	38.6	65.7
Goodwill	466.8	472.3
Intangible assets, net of accumulated amortization of $34.6 and $19.0 as of September 30, 2014 and December 31, 2013, respectively	336.1	360.1
Other assets	117.1	123.8
Total assets	$1,912.6	$2,016.9
LIABILITIES AND STOCKHOLDERS' DEFICIENCY		
Current liabilities:		
Short-term borrowings	$7.9	$7.9
Current portion of long-term debt	7.0	65.4
Accounts payable	167.7	165.7
Accrued expenses and other	261.4	313.7
Total current liabilities	444.0	552.7
Long-term debt	1,858.3	1,862.3
Long-term pension and other post-retirement plan liabilities	96.4	118.3
Other long-term liabilities	84.5	80.1
Commitments and contingencies		
Stockholders' deficiency:		
Class A Common Stock, par value $0.01 per share; 900,000,000 shares authorized; 53,925,029 and 53,231,651 shares issued as of September 30, 2014 and December 31, 2013, respectively	0.5	0.5
Additional paid-in capital	1,019.0	1,015.3
Treasury stock, at cost: 754,853 shares of Class A Common Stock as of September 30, 2014 and December 31, 2013, respectively	(9.8)	(9.8)
Accumulated deficit	(1,414.5)	(1,452.7)
Accumulated other comprehensive loss	(165.8)	(149.8)
Total stockholders' deficiency	(570.6)	(596.5)
Total liabilities and stockholders' deficiency	$1,912.6	$2,016.9

(a) During the nine months ended September 30, 2014, the Company recorded Measurement Period Adjustments (as hereinafter defined) to certain net assets and intangible assets acquired in the Colomer Acquisition (as hereinafter defined) on October 9, 2013. Accordingly, the prior period has been retrospectively adjusted for such Measurement Period Adjustments. Refer to Note 2, "Business Combination" for additional details.

See Accompanying Notes to Unaudited Consolidated Financial Statements

REVLON, INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE (LOSS) INCOME
(dollars in millions, except share and per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Net sales	$472.3	$333.1	$1,440.0	$1,003.7
Cost of sales	164.6	121.1	495.3	358.1
Gross profit	307.7	212.0	944.7	645.6
Selling, general and administrative expenses	251.8	164.1	761.6	482.0
Acquisition and integration costs	0.9	5.9	5.4	6.3
Restructuring charges and other, net	0.8	(1.5)	18.1	1.8
Operating income	54.2	43.5	159.6	155.5
Other expenses, net:				
Interest expense	20.6	16.2	63.9	50.8
Interest expense – preferred stock dividends	—	1.7	—	4.9
Amortization of debt issuance costs	1.3	1.3	4.1	3.8
Loss on early extinguishment of debt	—	0.2	2.0	28.1
Foreign currency losses, net	9.3	0.4	17.9	3.2
Miscellaneous, net	0.1	0.6	0.2	0.8
Other expenses, net	31.3	20.4	88.1	91.6
Income from continuing operations before income taxes	22.9	23.1	71.5	63.9
Provision for income taxes	8.7	12.1	34.2	30.3
Income from continuing operations, net of taxes	14.2	11.0	37.3	33.6
Income (loss) from discontinued operations, net of taxes	0.4	(1.5)	0.9	(6.3)
Net income	$14.6	$9.5	$38.2	$27.3
Other comprehensive (loss) income:				
Currency translation adjustment, net of tax [a]	(18.3)	1.1	(17.1)	(3.6)
Amortization of pension related costs, net of tax [b][d]	1.1	2.0	3.4	5.8
Revaluation of derivative financial instruments, net of tax [c]	0.6	—	(2.3)	—
Other comprehensive (loss) income	(16.6)	3.1	(16.0)	2.2
Total comprehensive (loss) income	$(2.0)	$12.6	$22.2	$29.5
Basic earnings (loss) per common share:				
Continuing operations	$0.27	$0.21	$0.71	$0.64
Discontinued operations	0.01	(0.03)	0.02	(0.12)
Net income	$0.28	$0.18	$0.73	$0.52
Diluted earnings (loss) per common share:				
Continuing operations	$0.27	$0.21	$0.71	$0.64
Discontinued operations	0.01	(0.03)	0.02	(0.12)
Net income	$0.28	$0.18	$0.73	$0.52
Weighted average number of common shares outstanding:				
Basic	52,356,798	52,356,798	52,356,798	52,356,798
Diluted	52,414,963	52,356,798	52,389,935	52,356,798

(a)

Net of tax expense (benefit) of $0.2 million and $0.9 million for the three months ended September 30, 2014 and 2013, respectively, and $(0.4) million and $3.2 million for the nine months ended September 30, 2014 and 2013, respectively.

(b) Net of tax benefit of nil and $(0.2) million for the three months ended September 30, 2014 and 2013, respectively, and nil and $(0.9) million for the nine months ended September 30, 2014 and 2013, respectively.

(c) Net of tax expense (benefit) of $0.4 million and $(1.4) million for the three and nine months ended September 30, 2014, respectively.

(d) This other comprehensive income component is included in the computation of net periodic benefit (income) costs. See Note 5, "Pension and Post-Retirement Benefits," for additional information regarding net periodic benefit (income) costs.

See Accompanying Notes to Unaudited Consolidated Financial Statements

REVLON, INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENT OF STOCKHOLDERS' DEFICIENCY
(dollars in millions)

	Common Stock	Additional Paid-In-Capital	Treasury Stock	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Deficiency
Balance, January 1, 2014	$0.5	$ 1,015.3	$(9.8)	$(1,452.7)	$ (149.8)	$(596.5)
Stock-based compensation amortization		3.7				3.7
Net income				38.2		38.2
Other comprehensive income, net [(a)]					(16.0)	(16.0)
Balance, September 30, 2014	$0.5	$ 1,019.0	$(9.8)	$(1,414.5)	$ (165.8)	$(570.6)

(a) See Note 12, "Accumulated Other Comprehensive Loss," regarding the changes in the accumulated balances for each component of other comprehensive income during the nine months ended September 30, 2014.

See Accompanying Notes to Unaudited Consolidated Financial Statements

4

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

	Nine Months Ended September 30,	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$38.2	$27.3
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	76.4	51.4
Foreign currency loss from Venezuela re-measurement	6.0	0.6
Amortization of debt discount	1.0	1.2
Stock-based compensation amortization	3.7	—
Provision for deferred income taxes	28.0	19.6
Loss on early extinguishment of debt	2.0	28.1
Amortization of debt issuance costs	4.1	3.8
Insurance proceeds for property, plant and equipment	—	(13.1)
Gain on sale of certain assets	(0.4)	(3.1)
Pension and other post-retirement income	(3.9)	(0.2)
Change in assets and liabilities:		
(Increase) decrease in trade receivables	(16.4)	16.9
Increase in inventories	(17.9)	(31.3)
Increase in prepaid expenses and other current assets	(1.6)	(7.3)
Increase in accounts payable	10.3	4.2
Decrease in accrued expenses and other current liabilities	(32.8)	(42.4)
Pension and other post-retirement plan contributions	(16.4)	(16.0)
Purchases of permanent displays	(33.1)	(30.1)
Other, net	(0.5)	(3.8)
Net cash provided by operating activities	46.7	5.8
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(30.3)	(17.9)
Insurance proceeds for property, plant and equipment	—	13.1
Proceeds from the sale of certain assets	0.9	3.4
Net cash used in investing activities	(29.4)	(1.4)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net (decrease) increase in short-term borrowings and overdraft	(3.1)	0.2
Repayment under the Amended and Restated Senior Subordinated Term Loan	(58.4)	—
Repayments under the Acquisition Term Loan	(5.3)	—
Proceeds from the issuance of the 5¾% Senior Notes	—	500.0
Repayment of the 9¾% Senior Secured Notes	—	(330.0)
Repayments under the 2011 Term Loan	—	(113.0)
Payment of financing costs	(1.8)	(32.7)
Other financing activities	(2.1)	(1.8)
Net cash (used in) provided by financing activities	(70.7)	22.7
Effect of exchange rate changes on cash and cash equivalents	(12.3)	(4.1)
Net (decrease) increase in cash and cash equivalents	(65.7)	23.0
Cash and cash equivalents at beginning of period	244.1	116.3
Cash and cash equivalents at end of period	$178.4	$139.3
Supplemental schedule of cash flow information:		
Cash paid during the period for:		

Interest	$72.7	$56.2
Income taxes, net of refunds	16.8	10.7
Preferred stock dividends	—	4.6

See Accompanying Notes to Unaudited Consolidated Financial Statements

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

1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

Revlon, Inc. (and together with its subsidiaries, the "Company") conducts its business exclusively through its direct wholly-owned operating subsidiary, Revlon Consumer Products Corporation ("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 to establish Revlon as the quintessential and most innovative beauty company in the world by offering products that make consumers feel attractive and beautiful. We want to inspire our consumers to express themselves boldly and confidently. The Company operates in two segments, the consumer division (“Consumer”) and the professional division (“Professional”), and manufactures, markets and sells worldwide an extensive array of beauty and personal care products, including cosmetics, hair color, hair care and hair treatments, beauty tools, men's grooming products, anti-perspirant deodorants, fragrances, skincare and other beauty care products. The Company’s principal customers for its products in the Consumer segment include large mass volume retailers and chain drug and food stores (collectively, the “mass retail channel”) in the U.S. and internationally, as well as certain department stores and other specialty stores, such as perfumeries, outside the U.S. The Company's principal customers for its products in the Professional segment include hair and nail salons and distributors in the U.S. and internationally.

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

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (“U.S. GAAP”) requires management to make estimates and assumptions that affect amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the financial statements and reported amounts of revenues and expenses during the periods presented. Actual results could differ from these estimates. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the consolidated financial statements in the period they are determined to be necessary. Significant estimates made in the accompanying Unaudited Consolidated Financial Statements include, but are not limited to, allowances for doubtful accounts, inventory valuation reserves, expected sales returns and allowances, trade support costs, certain assumptions related to the valuation of acquired intangible and long-lived assets and the recoverability of intangible and long-lived assets, income taxes, including deferred tax valuation allowances and reserves for estimated tax liabilities, restructuring costs, certain estimates and assumptions used in the calculation of the net periodic benefit (income) costs and the projected benefit obligations for the Company’s pension and other post-retirement plans, including the expected long-term return on pension plan assets and the discount rate used to value the Company’s pension benefit obligations. The Unaudited Consolidated Financial Statements should be read in conjunction with the consolidated financial statements and related notes contained in Revlon, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2013, filed with the U.S. Securities and Exchange Commission (the "SEC") on March 5, 2014 (the "2013 Form 10-K").

The Company's results of operations and financial position for interim periods are not necessarily indicative of those to be expected for a full year.

Certain prior year amounts in the Unaudited Consolidated Financial Statements have been reclassified to conform to the current period's presentation.

Immaterial Correction - Presentation of Consolidated Balance Sheet as of December 31, 2013

The previously recorded deferred income taxes - noncurrent, which represent the Company's noncurrent deferred tax assets, and other long-term liabilities, which include the Company's noncurrent deferred tax liabilities, as of December 31, 2013 were retrospectively corrected to reflect the Consumer and Professional U.S. entities as one tax-paying component, as well as to appropriately reflect offsetting noncurrent deferred tax assets and noncurrent deferred tax liabilities within other Professional entities. The Company has deemed the correction to be immaterial as there is no impact to the Company's results of operations, cash flows and stockholders' deficiency for any period, and there are no qualitative factors which would indicate that the change is material. This immaterial correction decreased deferred income taxes - noncurrent and other long-term liabilities, as of December 31, 2013, to $65.7 million and $80.1 million, respectively, as reported in the accompanying Consolidated Balance Sheet, from the previously reported amounts of $179.6 million and $194.0 million, respectively.

Discontinued Operations Presentation

As a result of the Company's decision on December 30, 2013 to exit its business operations in China, the Company is reporting the results of its China operations within income (loss) from discontinued operations, net of taxes in the Company's Unaudited Consolidated Statements of Income and Comprehensive Income. Accordingly, prior year amounts have been reclassified to conform to the current period's presentation. See Note 4, "Discontinued Operations," for further discussion.

Impact of Foreign Currency Translation - Venezuela Currency

In January 2014, the Venezuela government announced that the Comisión de Administracion de Divisas ("CADIVI") would be replaced by the government-operated National Center of Foreign Commerce (the "CENCOEX"), and indicated that the Sistema Complementario de Administración de Divisas ("SICAD") market would continue to be offered as an alternative foreign currency exchange. Additionally, a parallel foreign currency exchange system has been developed, SICAD II, which started functioning in March 2014, and for the second quarter of 2014 the SICAD II exchange market had an average transaction rate to the Company of approximately 53 Bolivars per U.S. Dollar (the "SICAD II Rate"). The SICAD II market allows companies to apply for the purchase of foreign currency and foreign currency denominated securities for any legal use or purpose.

During the first nine months of 2014, the Company continued to exchange Bolivars for U.S. Dollars to the extent permitted through the CENCOEX, SICAD and SICAD II markets based on its ability to participate in those markets. As a result, the Company considered its specific facts and circumstances in order to determine the appropriate rate of exchange to translate Revlon Venezuela's financial statements. Based on the Company's assessment of factors, including of its legal ability and intent to continue to participate in the SICAD II exchange market to import finished goods into Venezuela, the Company determined that it was appropriate to utilize the SICAD II Rate of 53 Bolivars per U.S. Dollar to translate Revlon Venezuela's financial statements beginning on June 30, 2014.

As a result of the change from the official rate of 6.3 Bolivars per U.S. Dollar to the SICAD II Rate on June 30, 2014, the Company was required to re-measure all of Revlon Venezuela's monetary assets and liabilities at the rate of 53 Bolivars per U.S. Dollar as of June 30, 2014. Non-monetary assets and liabilities continue to be measured at their historical rates. The Company recorded a foreign currency loss of $6.0 million in the second quarter of 2014 as a result of the required re-measurement of Revlon Venezuela's balance sheet. As Venezuela was designated as a highly inflationary economy effective January 1, 2010, the Company reflected this foreign currency loss in earnings. For both the three and nine months ended September 30, 2014, the change to the SICAD II Rate, as compared to the 6.3 Bolivars per U.S. Dollar official rate, had the impact of reducing net sales by $6.7 million and reducing operating income by $4.1 million.

Recently Adopted Accounting Pronouncements

In March 2013, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2013-04, "Accounting for Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation is Fixed at the Reporting Date," requiring an entity to record an obligation resulting from joint and several liability arrangements at the greater of the amount that the entity has agreed to pay or the amount the entity expects to pay. Additional disclosures about joint and several liability arrangements will also be required. This guidance is effective for fiscal periods beginning after December 15, 2013, and is applied retrospectively for obligations that existed at the beginning of the fiscal year for which the entity adopted such guidance, with early adoption permitted. The Company adopted ASU No. 2013-04 beginning January 1, 2014, and such adoption did not have an impact on the Company's results of operations, financial condition or disclosures.

Recently Issued Accounting Pronouncements

In April 2014, the FASB issued ASU No. 2014-08, "Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity," which changes the requirements for reporting discontinued operations under Accounting Standards Codification Topic 205. Under ASU No. 2014-08, a disposal of a component of an entity or a group of components of an entity is required to be reported in discontinued operations if the disposal represents a strategic shift that has, or will have, a major effect on an entity's operations and financial results. The standard states that a strategic shift could include a disposal of (i) a major geographical area of operations, (ii) a major line of business, (iii) a major equity method investment or (iv) other major parts of an entity. ASU No. 2014-08 no longer precludes presentation as a discontinued operation if (i) there are operations and cash flows of the component that have not been eliminated from the reporting entity's ongoing operations or (ii) there is significant continuing involvement with a component after its disposal. Additional disclosures about discontinued operations will also be required. The guidance is effective for annual periods beginning on or after December 15, 2014, and is to be applied prospectively to new disposals and new classifications of disposal groups as held for sale after the effective date. The Company expects to adopt ASU No. 2014-08 on a prospective basis beginning January 1, 2015.

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

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers," which supersedes the revenue recognition requirements in the Accounting Standards Codification ("Codification") Topic 605, Revenue Recognition, and most industry-specific guidance throughout the Industry Topics of the Codification. The core principle of the new ASU No. 2014-09 is for companies to recognize revenue from the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. The new standard also will result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements. The guidance is effective for annual and interim periods beginning after December 15, 2016, with early adoption prohibited. The Company expects to adopt ASU No. 2014-09 beginning January 1, 2017 and is in the process of assessing the impact that the new guidance will have on the Company's results of operations, financial condition and disclosures.

In August 2014, the FASB issued ASU No. 2014-15, "Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern" that will explicitly require management to assess an entity's ability to continue as a going concern and to provide related footnote disclosures if conditions give rise to substantial doubt. According to the new standard, substantial doubt exists if it is probable that the entity will be unable to meet its obligations within one year after the issuance date. The likelihood threshold of "probable", similar to its current use in U.S. GAAP for loss contingencies, is used to define substantial doubt. Disclosures will be required if conditions give rise to substantial doubt including whether and how management's plans will alleviate the substantial doubt. The guidance is effective for annual periods beginning after December 15, 2015, with early adoption prohibited. The Company expects to adopt ASU No. 2014-15 beginning January 1, 2016 and is in the process of assessing the impact that the new guidance will have on the Company's disclosures.

2. BUSINESS COMBINATION

The Colomer Acquisition

On October 9, 2013 (the "Acquisition Date"), Products Corporation completed its acquisition of The Colomer Group Participations, S.L. ("Colomer" and the "Colomer Acquisition"), a Spanish company which primarily manufactures, markets and sells professional products to hair and nail salons and other professional channels under brands such as Revlon Professional, CND, including CND Shellac, and American Crew, as well as retail and multi-cultural product lines. The cash purchase price for the Colomer Acquisition was $664.5 million, which Products Corporation financed with proceeds from the Acquisition Term Loan under the Amended Term Loan Facility (both as hereinafter defined). The Colomer Acquisition provides the Company with broad brand, geographic and channel diversification and substantially expands the Company's business, providing both distribution into new channels and cost synergy opportunities.

The results of operations of the Colomer business are included in the Company’s Consolidated Financial Statements commencing on the Acquisition Date.

For the three and nine months ended September 30, 2014 and 2013, respectively, the Company incurred acquisition and integration costs related to the Colomer Acquisition, which consist of the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Acquisition costs	$0.1	$5.9	$0.5	$6.3
Integration costs	0.8	—	4.9	—
Total acquisition and integration costs	$0.9	$5.9	$5.4	$6.3

The acquisition costs primarily include legal and consulting fees related to the Colomer Acquisition. The integration costs consist of non-restructuring costs related to the Company's plans to integrate Colomer's operations into the Company's business, and, for 2014, primarily include employee-related costs related to management changes and audit-related fees.

Purchase Price Allocation

The Company accounted for the Colomer Acquisition as a business combination during the fourth quarter of 2013. The table below summarizes the amounts recognized for assets acquired and liabilities assumed as of the Acquisition Date, as well as adjustments made in the period after the Acquisition Date to the amounts initially recorded in 2013 (the "Measurement Period Adjustments"). Accordingly, the Company retrospectively adjusted its consolidated balance sheet as of December 31, 2013 to reflect these Measurement Period Adjustments. The Measurement Period Adjustments did not have a material impact on the Company's Consolidated Statements of Income and Comprehensive Income for the year ended December 31, 2013.

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

The total consideration of $664.5 million was recorded based on the respective estimated fair values of the net assets acquired on the Acquisition Date with resulting goodwill, as follows:

	Amounts Previously Recognized as of October 9, 2013 (Provisional) [(a)]	Measurement Period Adjustments	Amounts Recognized as of Acquisition Date (Adjusted)
Cash and cash equivalents	$36.9	$—	$36.9
Trade receivables	83.9	—	83.9
Inventories	75.1	—	75.1
Prepaid expenses and other	31.3	—	31.3
Property, plant and equipment	96.7	—	96.7
Intangible assets[(b)]	292.7	5.4	298.1
Goodwill[(b)(c)]	255.7	(2.4)	253.3
Deferred tax asset - noncurrent	53.1	—	53.1
Other assets[(c)]	1.9	3.9	5.8
Total assets acquired	927.3	6.9	934.2
Accounts payable	48.0	—	48.0
Accrued expenses and other	65.6	—	65.6
Long-term debt	0.9	—	0.9
Long-term pension and other benefit plan liabilities	4.5	—	4.5
Deferred tax liability[(b)]	123.3	2.1	125.4
Other long-term liabilities[(c)]	20.5	4.8	25.3
Total liabilities assumed	262.8	6.9	269.7
Total consideration	$664.5	$—	$664.5

[(a)] As previously reported in Revlon, Inc.'s 2013 Form 10-K.
[(b)] The Measurement Period Adjustments to intangible assets, deferred tax liability and goodwill in the first quarter of 2014 related to a change in assumptions used to calculate the fair value of an acquired customer relationship intangible asset, which increased the intangible asset by $5.4 million and extended the life of the asset from 10 to 20 years, increased deferred tax liabilities by $2.1 million, and resulted in a net decrease to goodwill of $3.3 million.
[(c)] The Company recorded a $3.9 million income tax adjustment to the beginning tax balance within other assets and a $4.8 million adjustment to other long-term liabilities, resulting in a net increase to goodwill of $0.9 million.
In determining the fair values of net assets acquired and resulting goodwill, the Company considered, among other factors, an analysis of Colomer's historical financial performance and an estimate of the future performance of the acquired business, as well as market participants' intended use of the acquired assets.
The acquired intangible assets, based on the fair values of the identifiable intangible assets, are as follows:

	Fair Values at October 9, 2013	Weighted Average Useful Life (in years)
Trade names, indefinite-lived	$108.6	Indefinite
Trade names, finite-lived	109.4	5 - 20
Customer relationships	62.4	15 - 20
License agreement	4.1	10
Internally-developed IP	13.6	10
Total acquired intangible assets	$298.1	

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

Unaudited Pro Forma Results

The following table presents the Company's pro forma consolidated net sales and income from continuing operations, before income taxes for the three and nine months ended September 30, 2013. The unaudited pro forma results include the historical consolidated statements of operations of the Company and Colomer, giving effect to the Colomer Acquisition and related financing transactions as if they had occurred on January 1, 2012.

	Unaudited Pro Forma Results	
	Three Months Ended September 30, 2013	Nine Months Ended September 30, 2013
Net sales	$473.9	$1,408.1
Income from continuing operations, before income taxes	43.9	92.8

The pro forma results, prepared in accordance with U.S. GAAP, include the following pro forma adjustments related to the Colomer Acquisition:

(i) the pro forma increase in depreciation and amortization expense based on the fair value adjustments to property, plant and equipment and acquired finite-lived intangible assets recorded in connection with the Colomer Acquisition of $4.6 million and $13.8 million in the three and nine months ended September 30, 2013, respectively;

(ii) the elimination of goodwill impairment charges recognized by Colomer of $9.0 million, in both the three and nine months ended September 30, 2013;

(iii) the elimination of acquisition and integration costs recognized by the Company and Colomer aggregating to $5.9 million and $6.7 million in the three and nine months ended September 30, 2013, respectively;

(iv) the elimination of Colomer's debt facility fees of $3.6 million, in both the three and nine months ended September 30, 2013, respectively, as the debt facility was terminated on the Acquisition Date; and

(v) the pro forma increase in interest expense and amortization of debt issuance costs, resulting from the issuance of the Acquisition Term Loan used by Products Corporation to finance the Colomer Acquisition, for a total combined increase of $6.2 million and $18.5 million for the three and nine months ended September 30, 2013, respectively.

The unaudited pro forma results do not include: (1) any revenue or cost reductions that may be achieved through the business combination; or (2) the impact of non-recurring items directly related to the business combination.

The unaudited pro forma results are not necessarily indicative of the operating results that would have occurred if the Colomer Acquisition had been completed as of the date for which the pro forma financial information is presented. In addition, the unaudited pro forma results do not purport to project the future consolidated operating results of the combined company.

3. RESTRUCTURING CHARGES

Integration Program

In January 2014, the Company announced that it was implementing actions to integrate Colomer’s operations into the Company’s business, as well as additional restructuring actions identified to reduce costs across the Company’s businesses (all such actions, together, the “Integration Program”).

The Company expects to recognize total restructuring charges, capital expenditures and related non-restructuring costs under the Integration Program of approximately $50 million in the aggregate over the periods described below.

The Integration Program is designed to deliver cost reductions throughout the combined organization by generating synergies and operating efficiencies within the Company’s global supply chain and consolidating offices and back office support, and other actions designed to reduce selling, general and administrative ("SG&A") expenses. Certain actions that are part of the Integration Program are subject to consultations with employees, works councils or unions and governmental authorities. The Company expects to substantially complete the Integration Program by the end of 2015.

The approximately $50 million of total expected non-restructuring costs, capital expenditures and restructuring charges under the Integration Program referred to above consist of the following:

1. $12.5 million and $4.9 million of non-restructuring integration costs recognized in 2013 and for the nine months ended September 30, 2014, respectively. Such costs have been reflected within acquisition and integration costs in the Company's Consolidated Statements of Income and Comprehensive Income and are related to combining Colomer's operations into the Company's business;

10

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

2. Expected integration-related capital expenditures of approximately $7 million, $3.3 million of which has been paid in the nine months ended September 30, 2014, approximately $1.9 million is expected to be paid during the remainder of 2014 and the remaining balance in 2015; and
3. The Company expects total restructuring and related charges of approximately $26 million, $17.1 million of which was recognized for the nine months ended September 30, 2014. Approximately $4 million of charges are expected to be recognized during the remainder of 2014 and any remaining charges to be recognized in 2015. A summary of the restructuring and related charges incurred through September 30, 2014 and expected to be incurred for the Integration Program, are as follows:

	Restructuring Charges and Other, Net					
	Employee Severance and Other Personnel Benefits	Other	Total Restructuring Charges	Inventory Write-offs and Other Manufacturing-Related Costs (a)	Other Charges (b)	Total Restructuring and Related Charges
Charges incurred through the nine months ended September 30, 2014	$15.2	$1.2	$ 16.4	$ 0.2	$0.5	$ 17.1
Total expected charges	$17.5	$3.0	$ 20.5	$ 2.0	$3.5	$ 26.0

(a) Inventory write-offs and other manufacturing-related costs are recorded within cost of sales within the Company's Consolidated Statements of Income and Comprehensive Income.

(b) Other charges are recorded within SG&A expenses within the Company's Consolidated Statements of Income and Comprehensive Income.

Of the $17.1 million of restructuring and related charges recognized through the third quarter 2014, $7.3 million relate to the Consumer segment and $9.8 million relate to the Professional segment.

The Company expects that cash payments related to the restructuring and related charges in connection with the Integration Program will total approximately $25 million, of which $6.4 million was paid during the nine months ended September 30, 2014, approximately $7 million is expected to be paid during the remainder of 2014 and the majority of the remaining balance is expected to be paid in 2015.

December 2013 Program

In December 2013, the Company announced restructuring actions that include exiting its business operations in China, as well as implementing other immaterial restructuring actions outside the U.S. that are expected to generate other operating efficiencies (the "December 2013 Program"). Certain of these restructuring actions are subject to consultations with employees, works councils or unions and governmental authorities and has resulted in the Company eliminating approximately 1,100 positions in 2014, primarily in China, which included eliminating in the first quarter of 2014 approximately 940 beauty advisors retained indirectly through a third-party agency. The charges incurred for the December 2013 Program relate entirely to the Consumer segment.

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

A summary of the restructuring and related charges incurred through September 30, 2014 and expected to be incurred for the December 2013 Program, are as follows:

	Restructuring Charges and Other, Net						
	Employee Severance and Other Personnel Benefits	Other	Total Restructuring Charges	Allowances and Returns	Inventory Write-offs	Other Charges	Total Restructuring and Related Charges
Charges incurred through December 31, 2013	$9.1	$0.5	$ 9.6	$ 7.4	$ 4.0	$0.4	$ 21.4
Adjustments recorded for the nine months ended September 30, 2014 [(a)]	(0.5)	(0.2)	(0.7)	(0.9)	(0.9)	—	(2.5)
Cumulative charges incurred through September 30, 2014	$8.6	$0.3	$ 8.9	$ 6.5	$ 3.1	$0.4	$ 18.9
Total expected charges	$8.6	$0.3	$ 8.9	$ 6.5	$ 3.1	$0.4	$ 18.9

[(a)] Of the $2.5 million adjustments for the nine months ended September 30, 2014 related to the December 2013 Program, $2.3 million relates to the Company's exit of its business operations in China and is recorded within income (loss) from discontinued operations, net of taxes. See Note 4, "Discontinued Operations," for further discussion. The remaining $0.2 million is recorded in restructuring charges and other, net within income from continuing operations, net of taxes.

The Company expects cash payments related to the December 2013 Program to total approximately $17 million, of which $0.1 million was paid in 2013, $15.1 million was paid during the nine months ended September 30, 2014, and the majority of the remaining balance is expected to be paid during the remainder of 2014.

September 2012 Program

In September 2012, the Company announced a restructuring (the “September 2012 Program”), which primarily involved the Company exiting its owned manufacturing facility in France and its leased manufacturing facility in Maryland; rightsizing its organizations in France and Italy; and realigning its operations in Latin America and Canada. The charges incurred related to the September 2012 Program relate entirely to the Consumer segment.

During the first nine months of 2013, the Company recorded charges related to the September 2012 Program of $2.2 million. Of the $2.2 million charge, $1.8 million was recorded in restructuring charges, $0.2 million was recorded in cost of sales and $0.2 million was recorded in SG&A expenses. The Company recognized cumulative charges of $27.2 million through December 31, 2013 related to the September 2012 Program, all of which relate to the Company's Consumer segment. There were no charges related to such program for the nine months ended September 30, 2014.

The Company expects net cash payments to total approximately $25 million related to the September 2012 Program, of which $21.1 million was paid cumulatively through December 31, 2013, $3.2 million was paid during the nine months ended September 30, 2014 and the balance is expected to be paid during the remainder of 2014.

Other Immaterial Actions

During the first nine months of 2014, the Company recorded net charges totaling $1.9 million within restructuring charges and other, net, for other immaterial restructuring actions within the Consumer segment, primarily due to $2.2 million of charges related to employee-related costs, partially offset by a $0.3 million gain related to the sale of equipment.

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

Restructuring Reserve
The related liability balance and activity for the restructuring costs are presented below:

	Balance Beginning of Year	(Income) Expense, Net	Foreign Currency Translation	Utilized, Net		Balance End of Year
				Cash	Non-cash	
Integration Program:						
Employee severance and other personnel benefits	$—	$15.2	$ —	$(5.1)	$—	$10.1
Other	—	1.2	—	(1.0)	—	0.2
December 2013 Program:						
Employee severance and other personnel benefits	9.0	(0.5)	(0.2)	(7.3)	0.2	1.2
Other	0.5	(0.2)	—	(0.3)	—	—
September 2012 Program:						
Employee severance and other personnel benefits	2.7	—	(0.1)			