

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended: June 30, 2004

OR

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

For the transition period from _____ to _____

Commission file number 1-11178

REVLON, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

13-3662955

(I.R.S. Employer
Identification No.)

237 Park Avenue, New York, New York

(Address of principal executive offices)

10017

(Zip Code)

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 No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Securities Exchange Act of 1934). Yes No

As of June 30, 2004, 338,867,944 shares of Class A Common Stock and 31,250,000 shares of Class B Common Stock were outstanding, 20,819,333 shares of Class A Common Stock and all of the shares of Class B Common Stock were owned beneficially by REV Holdings LLC, an indirect wholly-owned subsidiary of Mafco Holdings Inc., and 169,291,308 shares of Class A Common Stock were owned beneficially by Mafco Holdings Inc.

Total Pages – 43

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

	June 30, 2004	December 31, 2003
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 51.7	\$ 56.5
Trade receivables, less allowances of \$18.7 and \$19.4, respectively	170.4	182.5
Inventories	159.6	142.7
Prepaid expenses and other	43.6	33.9
Total current assets	<u>425.3</u>	<u>415.6</u>
Property, plant and equipment, net	125.2	132.1
Other assets	157.7	158.4
Goodwill, net	186.1	186.1
Total assets	<u>\$ 894.3</u>	<u>\$ 892.2</u>
LIABILITIES AND STOCKHOLDERS' DEFICIENCY		
Current liabilities:		
Short-term borrowings – third parties	\$ 33.7	\$ 28.0
Accounts payable	105.1	97.4
Accrued expenses and other	287.9	321.9
Total current liabilities	<u>426.7</u>	<u>447.3</u>
Long-term debt – third parties	1,166.4	1,723.3
Long-term debt – affiliates	4.0	146.2
Other long-term liabilities	290.7	301.0
Stockholders' deficiency:		
Preferred stock, par value \$.01 per share; 20,000,000 shares authorized, 0 as of June 30, 2004 and 546 shares as of December 31, 2003 of Series A Preferred Stock issued and outstanding, respectively	—	54.6
Preferred stock, par value \$.01 per share; 20,000,000 shares authorized, 0 as of June 30, 2004 and 4,333 shares as of December 31, 2003 Series B Preferred Stock issued and outstanding, respectively	—	—

Class B Common Stock, par value \$.01 per share; 200,000,000 shares authorized, 31,250,000 issued and outstanding	0.3	0.3
Class A Common Stock, par value \$.01 per share; 900,000,000 as of June 30, 2004 and 350,000,000 shares as of December 31, 2003 authorized, respectively, and 338,867,944 shares as of June 30, 2004 and 38,208,451 shares as of December 31, 2003 issued and outstanding, respectively	3.4	0.4
Additional paid-in-capital (capital deficiency)	753.9	(139.0)
Accumulated deficit	(1,612.8)	(1,515.7)
Deferred compensation	(15.7)	(4.2)
Accumulated other comprehensive loss	(122.6)	(122.0)
Total stockholders' deficiency	(993.5)	(1,725.6)
Total liabilities and stockholders' deficiency	<u>\$ 894.3</u>	<u>\$ 892.2</u>

See Accompanying Notes to Unaudited Consolidated Condensed Financial Statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Net sales	\$ 316.1	\$ 322.3	\$ 624.5	\$ 614.3
Cost of sales	118.4	125.2	235.5	236.7
Gross profit	197.7	197.1	389.0	377.6
Selling, general and administrative expenses	199.4	200.2	371.3	384.4
Restructuring costs (benefit)	0.1	—	(0.6)	0.5
Operating (loss) income	(1.8)	(3.1)	18.3	(7.3)
Other expenses (income):				
Interest expense	29.0	42.8	73.6	84.2
Interest income	(1.1)	(1.7)	(2.1)	(2.2)
Amortization of debt issuance costs	2.5	2.4	5.1	4.4
Foreign currency losses (gains), net	3.0	(2.7)	1.6	(2.4)
Loss on early extinguishment of debt	—	—	32.6	—
Miscellaneous, net	2.4	—	2.5	0.4
Other expenses, net	35.8	40.8	113.3	84.4
Loss before income taxes	(37.6)	(43.9)	(95.0)	(91.7)
Provision (benefit) for income taxes	1.3	(6.1)	2.1	(5.2)
Net loss	<u>\$ (38.9)</u>	<u>\$ (37.8)</u>	<u>\$ (97.1)</u>	<u>\$ (86.5)</u>
Basic and diluted loss per common share	<u>\$ (0.11)</u>	<u>\$ (0.68)</u>	<u>\$ (0.42)</u>	<u>\$ (1.60)</u>
Weighted average number of common shares outstanding:				
Basic and diluted	<u>369,526,515</u>	<u>55,225,957</u>	<u>231,229,771</u>	<u>53,947,077</u>

See Accompanying Notes to Unaudited Consolidated Condensed Financial Statements.

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

	Preferred Stock	Common Stock	Additional Paid-In- Capital (Capital Deficiency)	Accumulated Deficit	Deferred Compensation	Accumulated Other Comprehensive Loss (a)	Total Stockholders' Deficiency
Balance, January 1, 2003.	\$ 54.6	\$ 0.5	\$ (192.6)	\$ (1,361.9)	\$ (6.4)	\$ (132.7)	\$ (1,638.5)
Issuance of restricted stock, net					0.1		0.1
Amortization of deferred compensation					1.1		1.1
Net proceeds from the Rights Offering (See Note 5)		0.2	46.8				47.0
Reduction of liabilities assumed from indirect parent (c)			6.9				6.9
Comprehensive loss:							
Net loss				(86.5)			(86.5)
Currency translation adjustment						5.5	5.5
Net loss on foreign currency forward exchange contracts						(2.1)	(2.1)
Total comprehensive loss							(83.1)
Balance, June 30, 2003	<u>\$ 54.6</u>	<u>\$ 0.7</u>	<u>\$ (138.9)</u>	<u>\$ (1,448.4)</u>	<u>\$ (5.2)</u>	<u>\$ (129.3)</u>	<u>\$ (1,666.5)</u>
Balance, January 1, 2004	\$ 54.6	\$ 0.7	\$ (139.0)	\$ (1,515.7)	\$ (4.2)	\$ (122.0)	\$ (1,725.6)
Debt Reduction Transactions (See Note 9) (b)	(54.6)	3.0	879.3				827.7
Issuance of restricted stock, net			13.6		(13.6)		—
Amortization of deferred compensation					2.1		2.1
Comprehensive loss:							
Net loss (See Note 9) (b)				(97.1)			(97.1)
Currency translation adjustment						(2.5)	(2.5)
Net gain on foreign currency forward exchange contracts						1.9	1.9
Total comprehensive loss							(97.7)

- (a) Accumulated other comprehensive loss includes net unrealized gains (losses) on revaluations of foreign currency forward exchange contracts of \$0.2 and \$(1.8) as of June 30, 2004 and 2003, respectively, net realized gains (losses) of \$0.3 and \$(0.3) on foreign currency forward exchange contracts, as of June 30, 2004 and 2003, respectively, cumulative net translation losses of \$11.0 and \$13.6 as of June 30, 2004 and 2003, respectively, and adjustments for the minimum pension liability of \$112.1 and \$113.6 as of June 30, 2004 and 2003, respectively.
- (b) The changes in Preferred Stock, Common Stock, Additional Paid-in-Capital (Capital Deficiency) and a portion of Accumulated Deficit are a result of the consummation of the Debt Reduction Transactions. (See Note 9).
- (c) During the second quarter of 2003, the Company resolved various tax audits, which resulted in a tax benefit of \$13.9, of which \$6.9 was recorded directly to Additional Paid-in-Capital (Capital Deficiency) since it relates to liabilities assumed by Products Corporation in connection with the transfer agreements related to Products Corporation's formation in 1992.

See Accompanying Notes to Unaudited Consolidated Condensed Financial Statements.

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

	Six Months Ended June 30,	
	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (97.1)	\$ (86.5)
Adjustments to reconcile net loss to net cash (used for) provided by operating activities:		
Depreciation and amortization	55.0	55.7
Debt discount amortization	1.6	2.6
Loss on early extinguishment of debt	19.3	—
Change in assets and liabilities, net of acquisitions and dispositions:		
Decrease in trade receivables	11.0	11.0
Increase in inventories	(17.8)	(28.2)
Increase in prepaid expenses and other current assets	(10.6)	(0.2)
Increase in accounts payable	8.0	4.9
Decrease in accrued expenses and other current liabilities	(30.4)	(52.9)
Purchase of permanent displays	(33.0)	(40.9)
Other, net	(6.1)	(0.3)
Net cash used for operating activities	<u>(100.1)</u>	<u>(134.8)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(8.1)	(13.2)
Net cash used for investing activities	<u>(8.1)</u>	<u>(13.2)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase (decrease) in short-term borrowings – third parties	6.3	(0.4)
Proceeds from the issuance of long-term debt – third parties	325.0	102.8
Repayment of long-term debt – third parties	(252.7)	(100.5)
Proceeds from the issuance of long-term debt – affiliates	42.7	43.5
Repayment of long-term debt – affiliates	(15.5)	—
Net Proceeds from the Rights Offering	—	47.0
Issuance of Series C preferred stock	—	50.0
Redemption of Series C preferred stock	—	(50.0)
Payment of financing costs	(3.5)	(3.4)
Net cash provided by financing activities	<u>102.3</u>	<u>89.0</u>
Effect of exchange rate changes on cash and cash equivalents	<u>1.1</u>	<u>7.6</u>
Net decrease in cash and cash equivalents	(4.8)	(51.4)
Cash and cash equivalents at beginning of period	56.5	85.8
Cash and cash equivalents at end of period	<u>\$ 51.7</u>	<u>\$ 34.4</u>
<i>Supplemental schedule of cash flow information:</i>		
Cash paid during the period for:		
Interest	\$ 76.8	\$ 81.4
Income taxes, net of refunds	8.5	4.0
<i>Supplemental schedule of noncash investing and financing activities:</i>		
Conversion of long-term debt and accrued interest to Class A Common Stock	\$ 813.8	\$ —
Exchange and conversion of Series A and Series B Preferred Stock to Class A Common Stock	54.6	—

See Accompanying Notes to Unaudited Consolidated Condensed Financial Statements.

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REVLON, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED CONDENSED
FINANCIAL STATEMENTS
(dollars in millions, except per share data)

(1) Basis of Presentation

Revlon, Inc. (the "Company") is a holding company, formed in April 1992, that conducts its business exclusively through its direct subsidiary, Revlon Consumer Products Corporation ("Products Corporation"). The Company is a directly and indirectly majority-owned subsidiary of MacAndrews & Forbes Holdings Inc. ("MacAndrews Holdings"), a corporation wholly-owned indirectly through Mafco Holdings Inc. ("Mafco Holdings" and, together with MacAndrews Holdings and their affiliates (other than the Company or its subsidiaries), "MacAndrews & Forbes") by Ronald O. Perelman.

The accompanying Consolidated Condensed Financial Statements are unaudited. In management's opinion, all adjustments (consisting of only normal recurring adjustments) necessary for a fair presentation have been made.

The Unaudited Consolidated Condensed Financial Statements include the accounts of the Company after elimination of all intercompany balances and transactions. The Company has made a number of estimates and assumptions relating to the assets and liabilities, the disclosure of contingent assets and liabilities and the reporting of revenues and expenses to prepare these financial statements in conformity with accounting principles generally accepted in the United States. Actual results could differ from those estimates. The Unaudited Consolidated Condensed Financial Statements should be read in conjunction with the consolidated financial statements and related notes contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2003.

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

Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation," encourages, but does not require, companies to record compensation cost for stock-based employee compensation plans at fair value. The Company has chosen to account for stock-based compensation plans using the intrinsic value method prescribed in Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. Accordingly, compensation cost for stock options issued to employees is measured as the excess, if any, of the quoted market price of the Company's Class A Common Stock (as hereinafter defined) at the date of the grant over the amount an employee must pay to acquire such stock.

The following table illustrates the effect on net loss and net loss per basic and diluted common share as if the Company had applied the fair value method to its stock-based compensation (including 23.1 million stock option awards and 4.5 million restricted shares issued under the Amended and Restated Revlon, Inc. Stock Plan during the second quarter of 2004) under the disclosure provisions of SFAS No. 123:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Net loss as reported	\$ (38.9)	\$ (37.8)	\$ (97.1)	\$ (86.5)
Add: Stock-based employee compensation included in reported net loss	1.5	0.4	2.1	1.1
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards	(9.1)	(2.0)	(10.5)	(4.7)
Pro forma net loss	\$ (46.5)	\$ (39.4)	\$ (105.5)	\$ (90.1)
Basic and diluted loss per common share:				
As reported	\$ (0.11)	\$ (0.68)	\$ (0.42)	\$ (1.60)
Pro forma	\$ (0.13)	\$ (0.71)	\$ (0.46)	\$ (1.67)

The effects of applying SFAS No. 123 in this pro forma disclosure are not necessarily indicative of future amounts.

REVLON, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED CONDENSED
FINANCIAL STATEMENTS—Continued
(dollars in millions, except per share data)

(2) Post-retirement Benefits

Pension:

A substantial portion of the Company's employees in the U.S. are covered by defined benefit pension plans. The Company uses September 30 as its measurement date for plan obligations and assets.

Other Post-retirement Benefits:

The Company also has sponsored an unfunded retiree benefit plan, which provides death benefits payable to beneficiaries of a very limited number of employees and former employees. Participation in this plan is limited to participants enrolled as of December 31, 1993. The Company also administers a medical insurance plan on behalf of Revlon Holdings LLC ("Holdings"), the cost of which has been apportioned to Holdings under the reimbursement agreements among Revlon, Inc., Products Corporation and MacAndrews Holdings. The Company uses September 30 as its measurement date for plan obligations and assets.

In December of 2003, the Medicare Prescription Drug Improvement and Modernization Act of 2003 (the "Medicare Act") was enacted in the U.S. The Medicare Act introduced both a Medicare prescription-drug benefit and a federal subsidy to sponsors of retiree health-care plans that provide a benefit at least "actuarially equivalent" to the Medicare benefit. Certain of the Company's post-retirement benefit plans do provide for such prescription-drug benefits. The Company has made a one-time election to defer accounting for the economic effects of the Medicare Act, as permitted by the Financial Accounting Standards Board ("FASB") Staff Position 106-1, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug Improvement and Modernization Act of 2003".

In May 2004, the FASB issued Staff Position 106-2, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug Improvement and Modernization Act of 2003" which provides guidance on the accounting for the effects of the Medicare Act. FASB Staff Position 106-2, which requires measurement of the Accumulated Postretirement Benefit Obligation ("APBO") and net periodic postretirement benefit cost to reflect the effects of the Medicare Act, supercedes FASB Staff Position 106-1. FASB Staff Position 106-2 is effective for interim or annual periods beginning after June 15, 2004. The Company has not fully evaluated the impact of the Medicare Act's benefits and subsidies on the Company's accumulated benefit obligation for applicable post-retirement benefits. The Company has also not determined what changes would be required to the current benefits provided to allow the Company to qualify for the federal subsidy. Management believes that the provisions of the Medicare Act will not have a material effect on the Company's consolidated financial statements.

The components of net periodic benefit cost for the pension and the other post-retirement benefit plans for the three months ended June 30, 2004 and 2003 are as follows:

	Pension Plans		Other Post-retirement Benefit Plans	
	2004	2003	2004	2003
Service cost	\$ 2.5	\$ 5.2	\$ —	\$ 0.1
Interest cost	7.6	7.4	0.2	0.2
Expected return on plan assets	(6.4)	(5.4)	—	—
Amortization of prior service cost	(0.1)	(0.2)	—	—
Amortization of actuarial loss	2.1	2.3	—	—
	<u>5.7</u>	<u>9.3</u>	<u>0.2</u>	<u>0.3</u>
Portion allocated to Holdings	(0.1)	(0.1)	—	—
	<u>\$ 5.6</u>	<u>\$ 9.2</u>	<u>\$ 0.2</u>	<u>\$ 0.3</u>

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REVLON, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED CONDENSED
FINANCIAL STATEMENTS—Continued
(dollars in millions, except per share data)

The components of net periodic benefit cost for the pension and the other post-retirement benefit plans for the six months ended June 30, 2004 and 2003 are as follows:

	Pension Plans		Other Post-retirement Benefit Plans	
	2004	2003	2004	2003
Service cost	\$ 5.0	\$ 7.5	\$ (1.9)	\$ 0.2
Interest cost	15.2	14.8	(1.2)	0.4
Expected return on plan assets	(12.8)	(10.8)	—	—
Amortization of prior service cost	(0.2)	(0.4)	—	—
Amortization of actuarial loss	4.2	4.6	—	—
	<u>11.4</u>	<u>15.7</u>	<u>(3.1)</u>	<u>0.6</u>
Portion allocated to Holdings	(0.1)	(0.2)	—	—
	<u>\$ 11.3</u>	<u>\$ 15.5</u>	<u>\$ (3.1)</u>	<u>\$ 0.6</u>

The Company recognized \$3.3 of income in the first half of 2004 related to a reduction in the liability for an International post-retirement benefit arrangement whose terms were modified.

Employer Contributions:

The Company previously disclosed in the notes to its financial statements for the year ended December 31, 2003, that it expected to contribute \$40 in cash to its pension plans and \$1 to its post-retirement benefit plans in 2004. As of June 30, 2004, a total of \$13 of contributions had been made. The Company presently anticipates contributing an additional \$21 in 2004 for a total of approximately \$34 during all of 2004.

(3) Inventories

	June 30, 2004	December 31, 2003
Raw materials and supplies	\$ 51.1	\$ 48.3
Work-in-process	12.7	11.6
Finished goods	95.8	82.8
	<u>\$ 159.6</u>	<u>\$ 142.7</u>

(4) Other Assets

Included in other assets are trademarks, net, and patents, net. The amounts outstanding for these intangible assets at June 30, 2004 and December 31, 2003 were as follows: for trademarks, net, \$7.6 and \$7.5, respectively, and for patents, net, \$3.6 and \$3.9, respectively. Amortization expense for the second quarter and six months ended June 30, 2004 and 2003 was \$0.5 and \$0.9, respectively, and \$0.4 and \$0.8, respectively. The Company's intangible assets other than goodwill continue to be subject to amortization, which is anticipated to be approximately \$1.5 annually through December 31, 2009.

(5) Basic and Diluted Loss Per Common Share

The basic (loss) income per common share has been computed based upon the weighted average number of shares of common stock outstanding during each of the periods presented. Diluted (loss) income per common share has been computed based upon the weighted average number of shares of common stock outstanding during the period reported. The Company's outstanding stock options and restricted stock represent the only potential dilutive common stock outstanding. The number of shares

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REVLON, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED CONDENSED
FINANCIAL STATEMENTS—Continued
(dollars in millions, except per share data)

used in the calculation of basic and diluted loss per common share does not include any incremental shares that would have been outstanding assuming the exercise of stock options or the issuance of restricted stock because the effect of those incremental shares would have been antidilutive.

For each period presented, the amount of loss used in the calculation of diluted loss per common share was the same as the amount of loss used in the calculation of basic loss per common share.

On March 25, 2004, in connection with the Revlon Exchange Transactions (as hereinafter defined), the Company issued 299,969,493 shares of Class A Common Stock (as hereinafter defined) (See Note 9 to the Unaudited Consolidated Condensed Financial Statements). Revlon, Inc. currently has outstanding approximately 338,867,944 shares of its Class A Common Stock and 31.25 million shares of its Class B Common Stock (as hereinafter defined), with MacAndrews & Forbes beneficially owning approximately 221.4 million shares of the Common Stock (as hereinafter defined) (representing approximately 59.8% of the outstanding shares of the Common Stock and approximately 77.2% of the combined voting power of the Common Stock).

As a result of the consummation of the 2003 Rights Offering (as hereinafter defined) on June 20, 2003, the Company issued a total of 17,605,650 shares of its Class A common stock, with a par value of \$0.01 per share ("Class A Common Stock"), increasing the number of outstanding shares of the Company's Class A Common Stock at such time to 38,121,785 and the total number of shares of Class A Common Stock and Class B common stock outstanding, including the Company's existing 31,250,000 shares of Class B common stock, with a par value of \$0.01 per share ("Class B Common Stock," and together with the Class A Common Stock, the "Common Stock"), at such time to 69,371,785. Upon consummation of the 2003 Rights Offering, the fair value, based on the New York Stock Exchange ("NYSE") closing price of the Company's Class A Common Stock was more than the subscription price. Accordingly, basic and diluted loss per common share for all periods prior to the 2003 Rights Offering have been restated to reflect the stock dividend of 1,262,328 shares of the Company's Class A Common Stock.

The shares issued in the Revlon Exchange Transactions and the 2003 Rights Offering are included in the weighted average number of shares outstanding since the date of the respective transactions.

(6) Restructuring and Other Costs, Net

During the third quarter of 2000, the Company initiated a new restructuring program in line with the original restructuring plan developed in late 1998, designed to improve profitability by reducing personnel and consolidating manufacturing facilities. The 2000 restructuring program focused on the Company's plans to close its manufacturing operations in Phoenix, Arizona and Mississauga, Canada and to consolidate its cosmetics production into its plant in Oxford, North Carolina. The 2000 restructuring program also includes the remaining obligation for excess leased real estate in the Company's headquarters, consolidation costs associated with the Company closing its facility in New Zealand, and the elimination of several domestic and international executive and operational positions, each of which were effected to reduce and streamline corporate overhead costs.

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REVLON, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED CONDENSED
FINANCIAL STATEMENTS—Continued
(dollars in millions, except per share data)

During the second quarter and first half of 2004, the Company revised its estimate of the cost to be incurred related to the previous restructuring program. Additionally, during the second quarter of 2004 the Company recorded \$0.3 for employee severance and other personnel benefits. In 2003, the Company recorded separate charges of \$5.9 (\$0.5 of which was recorded in the first half of 2003) for employee severance and other personnel benefits for 421 employees in certain International operations, as to which 333 employees had been terminated as of June 30, 2004.

Details of the activities described above during the six-month period ended June 30, 2004 are as follows:

	As of January 1, 2004	Expenses, Net	Utilized, Net		As of June 30, 2004
			Cash	Noncash	
Employee severance and other personnel benefits:					
2000 program	\$ 1.8	\$ —	\$ (0.9)	\$ —	\$ 0.9
2003 program	5.0	—	(0.4)	0.2	4.8
2004 program	—	0.3	—	—	0.3
	6.8	0.3	(1.3)	0.2	6.0
Leases and equipment write-offs	2.2	(0.9)	0.7	0.1	2.1
	<u>\$ 9.0</u>	<u>\$ (0.6)</u>	<u>\$ (0.6)</u>	<u>\$ 0.3</u>	<u>\$ 8.1</u>

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REVLON, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED CONDENSED
FINANCIAL STATEMENTS—Continued
(dollars in millions, except per share data)

(7) Geographic Information

The Company manages its business on the basis of one reportable operating segment. The Company's results of operations and the value of its foreign assets and liabilities may be adversely affected by, among other things, weak economic conditions, political uncertainties, military actions, terrorist activities, adverse currency fluctuations, competitive activities and changes in consumer purchasing habits.

Geographic areas:	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Net sales:				
United States..	\$ 192.1	\$ 210.9	\$ 382.7	\$ 405.7
Canada	14.7	13.9	30.0	24.0
United States and Canada	206.8	224.8	412.7	429.7
International	109.3	97.5	211.8	184.6
	<u>\$ 316.1</u>	<u>\$ 322.3</u>	<u>\$ 624.5</u>	<u>\$ 614.3</u>
Long-lived assets:				
United States	\$ 386.2	\$ 392.9		
Canada	4.5	3.9		
United States and Canada	<u>390.7</u>	<u>396.8</u>		

International

	78.3	79.8
	<u>\$ 469.0</u>	<u>\$ 476.6</u>

Classes of similar products:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Net sales				
Cosmetics, skin care and fragrances	\$ 210.3	\$ 208.4	\$ 417.2	\$ 406.2
Personal care	105.8	113.9	207.3	208.1
	<u>\$ 316.1</u>	<u>\$ 322.3</u>	<u>\$ 624.5</u>	<u>\$ 614.3</u>

(8) Derivative Financial Instruments

The Company uses derivative financial instruments, primarily foreign currency forward exchange contracts, to reduce the effects of fluctuations in foreign currency exchange rates. These contracts, which have been designated as cash flow hedges, were entered into primarily to hedge anticipated inventory purchases and certain intercompany payments denominated in foreign currencies, which have maturities of less than one year. Any unrecognized income (loss) related to these contracts are recorded in the Statement of Operations primarily in cost of goods sold when the underlying transactions hedged are realized (e.g., when inventory is sold or intercompany transactions are settled). The Company enters into these contracts with a counterparty that is a major financial institution, and accordingly the Company believes that the risk of counterparty nonperformance is remote. The notional amount of the foreign currency forward exchange contracts outstanding at June 30, 2004 and 2003 was \$54.1 and \$31.9, respectively. The fair value of the foreign currency forward exchange contracts outstanding at June 30, 2004 and 2003 was \$0.2 and \$(1.8), respectively.

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(9) Long-term Debt

On February 12, 2004, Revlon, Inc. announced that its Board of Directors had approved agreements with Fidelity Management & Research Co. ("Fidelity") and MacAndrews & Forbes intended to dramatically strengthen Products Corporation's balance sheet (the "Debt Reduction Transactions"). As a result, Products Corporation's debt was reduced by approximately \$804 on March 25, 2004. (See Note 11 to the Unaudited Consolidated Condensed Financial Statements).

Fidelity and MacAndrews & Forbes agreed to tender or to cause to be tendered for exchange in exchange offers (together with the other contemporaneously closed Debt Reduction Transactions described below, the "Revlon Exchange Transactions") an aggregate of approximately \$441 of Products Corporation's outstanding 8 1/8% Senior Notes, 9% Senior Notes and 8 5/8% Senior Subordinated Notes (each as hereinafter defined and collectively, the "Revlon Exchange Notes") for shares of Class A Common Stock, at a ratio of 400 shares of Class A Common Stock for each \$1,000 principal amount of 8 1/8% Senior Notes or 9% Senior Notes tendered for exchange and 300 shares of Class A Common Stock for each \$1,000 principal amount of 8 5/8% Senior Subordinated Notes tendered for exchange. The agreements gave Fidelity the right to elect to receive cash or additional shares of Class A Common Stock in respect of accrued interest payable on the notes it tendered. MacAndrews & Forbes received Class A Common Stock in respect of its accrued interest.

In the Revlon Exchange Transactions, which commenced on February 20, 2004, expired on March 19, 2004 and, as discussed in further detail below, closed on March 25, 2004, holders other than MacAndrews & Forbes and Fidelity were offered the opportunity to exchange their Revlon Exchange Notes for (i) shares of Class A Common Stock at the same exchange ratios or, under certain conditions, (ii) cash up to a maximum of \$150 aggregate principal amount of tendered Revlon Exchange Notes, subject to proration. Notes tendered for cash were to receive \$830 per \$1,000 principal amount for the 8 1/8% Senior Notes, \$800 per \$1,000 principal amount for the 9% Senior Notes and \$620 per \$1,000 principal amount for the 8 5/8% Senior Subordinated Notes. Accrued interest was also to be paid on tendered notes in cash or additional shares of Class A Common Stock, at the holder's option. As discussed in more detail below, at the close of the Revlon Exchange Transactions, no cash was paid for any principal amount of the Revlon Exchange Notes.

As part of the Revlon Exchange Transactions, MacAndrews & Forbes also received Class A Common Stock in respect of any and all outstanding amounts owing to it, as of the closing date of the Revlon Exchange Transactions, under the Mafco \$100 million term loan (which was approximately \$109.7 at March 25, 2004, including accrued interest), the 2004 Mafco \$125 million term loan (which was approximately \$38.9 at March 25, 2004, including accrued interest), the Mafco \$65 million line of credit (which was nil at March 25, 2004) (each as such loan and line of credit is hereinafter defined) and approximately \$24.1 of subordinated promissory notes (the "Loan Conversion Transactions"). Each \$1,000 principal amount of indebtedness outstanding under the Mafco \$100 million term loan and the 2004 Mafco \$125 million term loan was exchanged for 400 shares of Class A Common Stock, and each \$1,000 principal amount of indebtedness outstanding under the subordinated promissory notes was exchanged for 300 shares of Class A Common Stock. The portions of the 2004 Mafco \$125 million term loan and the Mafco \$65 million line of credit not exchanged in the Loan Conversion Transaction remained available to Products Corporation, subject to the "Borrowing Limitation" (as hereinafter defined), which Borrowing Limitation has subsequently been eliminated. (See Note 11 to the Unaudited Consolidated Condensed Financial Statements).

Revlon, Inc. agreed with Fidelity not to permit Products Corporation to have outstanding aggregate borrowings, at any time following the close of the Revlon Exchange Transactions and until the termination of the Stockholders Agreement (as described below), under the Mafco \$65 million line of credit and the 2004 Mafco \$125 million term loan in excess of approximately \$87 (the "Borrowing

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Limitation"). Such Borrowing Limitation was subsequently eliminated. (See Note 11 to the Unaudited Consolidated Condensed Financial Statements).

REV Holdings LLC, a Delaware limited liability company and a wholly owned indirect subsidiary of MacAndrews & Forbes ("REV Holdings"), owned all of Revlon, Inc.'s outstanding Series A preferred stock, which had a par value of \$0.01 per share with an aggregate liquidation preference of \$54.6 ("Series A Preferred Stock"), and all of Revlon, Inc.'s outstanding 4,333 shares of Series B convertible preferred stock, which had a par value of \$0.01 per share and which were convertible into 433,333 shares of Class A Common Stock ("Series B Preferred Stock"). As part of the Revlon Exchange Transactions, MacAndrews & Forbes agreed to cause REV Holdings to exchange each \$1,000 of liquidation preference on its shares of Series A Preferred Stock for 160 shares of Class A Common Stock and to convert its shares of Series B Preferred Stock into an aggregate of 433,333 shares of Class A Common Stock.

In another contemporaneous transaction to the Revlon Exchange Transactions, Revlon, Inc. and Fidelity entered into a stockholders agreement (the "Stockholders Agreement") pursuant to which, among other things, (i) Revlon, Inc. agreed to continue to maintain a majority of independent directors (as defined by New York Stock Exchange listing standards) on its Board of Directors, as it currently does; and (ii) Revlon, Inc. would establish and maintain a Nominating and Corporate Governance Committee of the Board of Directors, which it formed in March 2004. The Stockholders Agreement will terminate at such time as Fidelity ceases to be the beneficial holder of at least 5% of Revlon, Inc.'s outstanding voting stock. Also, in conjunction with the Revlon Exchange Transactions, in February 2004, Products Corporation entered into various amendments to its 2001 Credit Agreement, one of which added a new \$64.4 term loan facility to the 2001 Credit Agreement (the "Exchange Bank Amendments"), which agreement was subsequently refinanced. (See **Note 11 to the Unaudited Consolidated Condensed Financial Statements**).

As a result of the consummation of the Revlon Exchange Transactions, approximately \$133.8 principal amount of the 8 1/8% Senior Notes, approximately \$174.5 principal amount of the 9% Senior Notes and approximately \$322.9 principal amount of the 8 5/8% Senior Subordinated Notes were exchanged for an aggregate of approximately 224.1 million shares of Class A Common Stock, including such shares issued in exchange for accrued interest on the Revlon Exchange Notes. Such amount of Revlon Exchange Notes exchanged included approximately \$1.0 of the 9% Senior Notes and approximately \$286.7 of the 8 5/8% Senior Subordinated Notes tendered by MacAndrews & Forbes and other entities related to it; and approximately \$85.9 of the 9% Senior Notes, approximately \$77.8 of the 8 1/8% Senior Notes and approximately \$32.1 of the 8 5/8% Senior Subordinated Notes tendered by funds and accounts managed by Fidelity.

MacAndrews & Forbes also exchanged approximately \$109.7 of existing indebtedness (including principal and accrued interest) under the Mafco \$100 million term loan for approximately 43.9 million shares of Class A Common Stock, approximately \$38.9 of existing indebtedness (including principal and accrued interest) under the 2004 Mafco \$125 million term loan for approximately 15.6 million shares of Class A Common Stock and approximately \$24.1 of indebtedness under certain subordinated promissory notes payable to MacAndrews & Forbes for approximately 7.2 million shares of Class A Common Stock. REV Holdings exchanged all of Revlon, Inc.'s previously outstanding Series A Preferred Stock for an aggregate of approximately 8.7 million shares of Class A Common Stock and converted all of its shares of Revlon, Inc.'s previously outstanding Series B Preferred Stock into 433,333 shares of Class A Common Stock. In connection with closing the Revlon Exchange Transactions on March 25, 2004, Mafco Holdings executed a joinder agreement to the Revlon, Inc. registration rights agreement pursuant to which all Class A Common Stock beneficially owned by Mafco Holdings will be deemed to be registerable securities.

The consummation of the Revlon Exchange Transactions on March 25, 2004 resulted in (i) the reduction of indebtedness, preferred stock and accrued interest of \$803.9, \$54.6 and \$9.9, respectively,

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resulting from the issuance of 299,969,493 shares of Class A Common Stock in the Revlon Exchange Transactions and (ii) resulted in a decrease to capital deficiency of \$879.3, including \$79.9 as a result of the exchange or conversion of indebtedness and preferred stock by MacAndrews & Forbes, representing the difference between the market value at March 25, 2004 of the shares of Class A Common Stock issued and the principal amount of the indebtedness and preferred stock exchanged or converted, together with accrued interest thereon. Additionally, the Company recognized a loss on early extinguishment of debt of \$32.6 in connection with the write-off of unamortized debt issuance costs and debt discount, estimated fees and expenses and the difference between the market value at March 25, 2004 of the shares of Class A Common Stock issued and the principal amount of the indebtedness exchanged by third parties (other than by MacAndrews & Forbes), together with accrued interest thereon, of \$15.5.

As a result of consummating the Revlon Exchange Transactions, on March 25, 2004 Revlon, Inc. had outstanding approximately 338,177,944 shares of its Class A Common Stock and 31.25 million shares of its Class B Common Stock, with MacAndrews & Forbes beneficially owning approximately 221.2 million shares of the Common Stock (representing approximately 59.9% of the outstanding shares of the Common Stock and approximately 77.2% of the combined voting power of the Common Stock); funds and accounts managed by Fidelity beneficially owning approximately 78.4 million shares of Class A Common Stock (representing approximately 21.2% of the outstanding shares of Common Stock and approximately 12.1% of the combined voting power of the Common Stock); and other stockholders beneficially owning approximately 69.8 million shares of Class A Common Stock (representing approximately 18.9% of the outstanding shares of Common Stock and approximately 10.7% of the combined voting power of the Common Stock).

In connection with consummating the Revlon Exchange Transactions, Revlon, Inc. announced that its previously announced plan to launch a rights offering to reduce debt by a further \$50 by year-end 2004 was reduced to \$9.7, as a result of \$190.3 of Revlon Exchange Notes having been exchanged in excess of the Revlon Exchange Notes committed to be exchanged by MacAndrews & Forbes and Fidelity under their respective support agreements. This \$190.3 more than satisfied Revlon, Inc.'s plan to reduce debt through the Revlon Exchange Offers by \$150 in addition to the Revlon Exchange Notes that were committed to be exchanged in the support agreements with MacAndrews & Forbes and Fidelity. The \$40.3 difference satisfied all but \$9.7 of the Company's plan to reduce debt by a further \$50 by year-end 2004. Because the costs and expenses, as well as the use of organizational resources, associated with a \$9.7 rights offering would be unduly disproportionate, Revlon, Inc. indicated that its support and investment agreements with MacAndrews & Forbes and Fidelity relating to the Company's debt reduction plan were amended to enable Revlon, Inc. to satisfy the remaining \$9.7 of debt reduction as part of the final stage of the Company's debt reduction plan. Therefore, the Company now intends to reduce debt by approximately \$110 by the end of March 2006. Consistent with agreements between MacAndrews & Forbes and Revlon, Inc. entered into contemporaneously with the agreements relating to the Revlon Exchange Transactions, MacAndrews & Forbes agreed to back-stop the \$110 equity offering.

Prior to the Revlon Exchange Transactions, in December 2003, Revlon, Inc.'s Board approved two loans from MacAndrews Holdings, one to provide up to \$100 million, if needed, to enable the Company to continue to implement and refine its plan, and the other to provide an additional \$25 million to be used for general corporate purposes. In January 2004, such loans were consolidated into one term loan agreement (the "2004 Mafco \$125 million term loan"). In July 2004, in connection with the New Credit Agreement, the 2004 Mafco \$125 million

term loan and the Mafco \$65 million line of credit were consolidated into a single 2004 Senior Unsecured Supplemental Line of Credit (the "Consolidated Mafco line of credit") with availability of \$152, representing the balance of remaining principal available under the 2004 Mafco \$125 million term loan (after giving effect to the portion of such loan that was exchanged for equity) and the Mafco \$65 million line of credit following the Revlon Exchange Transactions. (See Note 11 to the Unaudited Consolidated Condensed Financial Statements). The 2004 Mafco \$125 million

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term loan was a senior unsecured multiple-draw term loan with interest at a rate of 12% per annum not payable in cash, but accrued and added to the principal amount each quarter, and was to have been paid in full at final maturity on December 1, 2005. Principal and accrued interest of \$38.9 under the 2004 Mafco \$125 million term loan was converted into shares of Class A Common Stock in connection with the Revlon Exchange Transactions. (See Note 11 to the Unaudited Consolidated Condensed Financial Statements).

EBITDA (as defined in the 2001 Credit Agreement) was \$144.4 for the four consecutive fiscal quarters ended December 31, 2003, which was less than the minimum of \$230 required under the EBITDA covenant of the 2001 Credit Agreement for that period and Products Corporation's leverage ratio was 1.66:1.00, which was in excess of the maximum ratio of 1.10:1.00 permitted under the leverage ratio covenant of the 2001 Credit Agreement for that period. Accordingly, Products Corporation sought and on January 28, 2004 secured waivers of compliance with these covenants for the four quarters ended December 31, 2003. In light of the Company's expectation that its plan would affect Products Corporation's ability to comply with these covenants during 2004, Products Corporation also secured an amendment to eliminate the EBITDA and leverage ratio covenants under the 2001 Credit Agreement for the first three quarters of 2004 and a waiver of compliance with such covenants for the four quarters ending December 31, 2004, expiring on January 31, 2005 (the "January 2004 Bank Amendment"). The January 2004 Bank Amendment to the 2001 Credit Agreement included certain other amendments to allow for the continued implementation of the Company's plan. (See Note 11 to the Unaudited Consolidated Condensed Financial Statements).

(10) Tax Deconsolidation

As a result of the closing of the Revlon Exchange Transactions, as of the end of the day on March 25, 2004, Revlon Inc., Products Corporation and its U.S. subsidiaries were no longer included in the Mafco Holdings consolidated group (the "Mafco Group") for federal income tax purposes. The Internal Revenue Code of 1986, as amended (the "Code") and the Treasury regulations issued thereunder govern both the calculation of the amount and allocation to the members of the Mafco Group of any consolidated federal net operating losses of the group (CNOLs) that will be available to offset the Company's taxable income and the taxable income of its U.S. subsidiaries for the taxable years beginning after March 25, 2004. It is impossible to estimate accurately the amount of CNOLs that will be allocated to the Company as of December 31, 2004 because various factors could increase or decrease or eliminate these amounts. These factors include, but are not limited to, the amount and nature of the income, gains or losses that the other members of the Mafco Group recognize in the 2004 taxable year because any CNOLs are, pursuant to Treasury regulations, used to offset the taxable income of the Mafco Group for the entire consolidated return year ending December 31, 2004. Only the amount of any CNOLs that the Mafco Group does not absorb by December 31, 2004 will be available to be allocated to the Company and its U.S. subsidiaries for taxable years beginning on March 26, 2004. Subject to the foregoing, it is currently estimated that the Company and its U.S. subsidiaries will have approximately \$330 in U.S. federal net operating losses and nil for alternative minimum tax losses available to the Company and its U.S. subsidiaries as of March 25, 2004. Any losses that the Company and its U.S. subsidiaries may generate after March 25, 2004 will be available to the Company for its use and its U.S. subsidiaries' use and will not be available for the use of the Mafco Group. Following the closing of the Revlon Exchange Transactions, Revlon, Inc. became the parent of a new consolidated group for federal income tax purposes and Products Corporation's federal taxable income and loss will be included in such group's consolidated tax returns. Accordingly, Revlon, Inc. and Products Corporation entered into a new tax sharing agreement pursuant to which Products Corporation will be required to pay to Revlon, Inc. amounts equal to the taxes that Products Corporation would otherwise have had to pay if Products Corporation were to file separate federal, state or local income tax returns, limited to the amount, and payable only at such times, as Revlon, Inc. will be required to make payments to the applicable taxing authorities.

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(11) Subsequent Events

Tender Offer

On June 22, 2004, Products Corporation commenced a cash tender offer (the "Tender Offer") to purchase any and all of the \$363.0 aggregate principal amount outstanding of its 12% Senior Secured Notes, as part of a planned comprehensive debt refinancing designed to extend the maturities of a significant amount of its debt which would otherwise be due in 2005.

On July 8, 2004, Products Corporation announced that the total consideration payable in the Tender Offer would be \$1,122.24 for each \$1,000 principal amount of 12% Senior Secured Notes purchased in the Tender Offer, plus accrued but unpaid interest up to, but not including, the settlement date. Such purchase price included a consent payment of \$20.00 per \$1,000 principal amount of 12% Senior Secured Notes payable to holders who validly tendered and did not withdraw their 12% Senior Secured Notes before 5:00 p.m. EDT on July 8, 2004. Such purchase price was determined by reference to a fixed spread of 75 basis points over the bid side yield (as quoted on Bloomberg screen PX4 at 2:00 p.m. EDT on July 8, 2004) of the 1.875% U.S. Treasury note due November 30, 2005.

On July 9, 2004, in connection with the initial settlement of the Tender Offer (the "Initial Settlement"), Products Corporation purchased approximately \$298 aggregate principal amount of the 12% Senior Secured Notes, representing approximately 82% of the total outstanding principal amount of the 12% Senior Secured Notes, and equal to the notes tendered through 5:00 p.m. EDT on July 8, 2004 for a purchase price of approximately \$338.3 (including the applicable premium and accrued interest). In connection with the Tender Offer, on July 6, 2004, Products Corporation announced that it obtained sufficient consents from holders of the 12% Senior Secured Notes for certain amendments which eliminated substantially all of the restrictive covenants

and released the guarantees of Products Corporation's obligations, and the collateral securing the obligations of Products Corporation and the guarantors, in each case under the indenture governing the 12% Senior Secured Notes (the "12% Notes Indenture"). A supplemental indenture incorporating such amendments became operative as part of the July 9, 2004 Initial Settlement of the Tender Offer.

The Tender Offer expired at 5:00 p.m. EDT on July 21, 2004. On July 22, 2004, Products Corporation purchased approximately \$0.4 aggregate principal amount of the 12% Senior Secured Notes, which was the amount of such notes tendered following the Initial Settlement through the expiration of the Tender Offer, for a purchase price of approximately \$0.5 (including the applicable premium and accrued interest).

In connection with the expiration of the Tender Offer, Products Corporation also announced that on August 23, 2004 it will redeem all of the approximately \$64.5 aggregate principal amount of its 12% Senior Secured Notes that remained outstanding following the July 21, 2004 expiration of the Tender Offer at the redemption price calculated in accordance with the 12% Notes Indenture.

New Credit Agreement

On July 9, 2004, Products Corporation entered into a new credit agreement (the "New Credit Agreement") with certain of its subsidiaries as local borrowing subsidiaries, a syndicate of lenders, whose individual members change from time to time, and Citicorp USA, Inc., as multi-currency administrative agent, term loan administrative agent and collateral agent. The New Credit Agreement provides up to \$960.0 and consists of a \$800.0 term loan facility (the "Term Loan Facility") and a \$160.0 asset based multi-currency revolving credit facility (the "Multi-Currency Facility") (the Term Loan Facility and the Multi-Currency Facility are referred to as the "New Credit Facilities"). The Multi-Currency Facility is available to: (i) Products Corporation in revolving credit loans denominated in U.S. dollars, (ii) Products Corporation in standby and commercial letters of credit denominated in U.S. dollars up to \$50.0 and (iii)

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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 (the "Local Loans"), in each case subject to borrowing base availability that is determined based on the value of eligible accounts receivable, eligible inventory and eligible real property and equipment from time to time. The Multi-Currency Facility will terminate on July 9, 2009 and the loans under the Term Loan Facility will mature on July 9, 2010; provided that the New Credit Facilities will terminate on October 31, 2005 if Products Corporation's 8 1/8% Senior Notes are not redeemed, repurchased or defeased in full on or before such date, on July 31, 2006 if Products Corporation's 9% Senior Notes are not redeemed, repurchased or defeased in full on or before such date, and on October 30, 2007 if Products Corporation's 8 5/8% Senior Subordinated Notes are not redeemed, repurchased or defeased on or before such date such that not more than \$25.0 in aggregate principal amount of such 8 5/8% Senior Subordinated Notes remains outstanding. Products Corporation used the proceeds of borrowings under the New Credit Agreement to repay in full the \$290.5 of outstanding indebtedness (including accrued interest) under Products Corporation's 2001 Credit Agreement, to purchase the approximately \$298 aggregate principal amount of the 12% Senior Secured Notes tendered at the Initial Settlement of the Tender Offer for a purchase price of approximately \$338.3 (including the applicable premium and accrued interest), to purchase the additional \$0.4 aggregate principal amount of the 12% Senior Secured Notes tendered following the Initial Settlement through the expiration of the Tender Offer for a purchase price of approximately \$0.5 (including the applicable premium and accrued interest), to set aside funds in a collateral account to redeem the \$64.5 aggregate principal amount of the 12% Senior Secured Notes remaining outstanding after the expiration of the Tender Offer, and to pay fees and expenses incurred in connection with the New Credit Agreement, the Tender Offer and the Revlon Exchange Transactions, including the payment of expenses related to a refinancing that the Company launched in May 2004 but did not consummate. The balance of such proceeds is available to Products Corporation for general corporate purposes.

Borrowings under the Multi-Currency Facility (other than loans in foreign currencies) bear interest at a rate equal to, at Products Corporation's option, either (A) the Alternate Base Rate plus 1.50%; or (B) the Eurodollar Rate plus 2.50%. 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 2.50%. The loans under the Term Loan Facility bear interest at a rate equal to, at Products Corporation's option, either (A) the Alternate Base Rate plus 5.00%; or (B) the Eurodollar Rate plus 6.00%. Products Corporation pays to those lenders under the Multi-Currency Facility a commitment fee of 0.50% of the average daily unused portion of the Multi-Currency Facility, which fee is payable quarterly in arrears. Under the Multi-Currency Facility, Products Corporation pays (i) to foreign lenders a fronting fee of 0.25% per annum on the aggregate principal amount of specified Local Loans (which fee is retained by the foreign lenders out of the portion of the Applicable Margin payable to such foreign lender), (ii) to foreign lenders an administrative fee of 0.25% per annum on the aggregate principal amount of specified Local Loans, (iii) to the multi-currency lenders a letter of credit commission equal to (a) the Applicable Margin for revolving credit loans that are Eurodollar Rate loans (adjusted for the term that the letter of credit is outstanding) times (b) the aggregate undrawn face amount of letters of credit and (iv) to the issuing lender a letter of credit fronting fee of 0.25% per annum of the aggregate undrawn face amount of letters of credit (which fee is paid out of the letter of credit commission). Prior to the termination date of the Term Loan Facility, on October 15, January 15, April 15 and July 15 of each year (commencing October 15, 2005) Products Corporation shall repay \$2.0 in aggregate principal amount of the term loans outstanding under the Term Loan Facility on each respective date. In addition, the loans under the Term Loan Facility are required to be prepaid with: (i) the net proceeds in excess of \$10.0 each year (subject to limited carryover to subsequent years) received during such year from sales of Term Loan First Lien Collateral (as defined below) by Products Corporation or any of its subsidiaries (and in excess of an additional \$25.0 in the aggregate during the term of the New Credit Facilities with respect to certain specified dispositions), subject to certain limited

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exceptions, (ii) certain net proceeds from equity offerings by Revlon, Inc. that are not used to redeem, repurchase or defease the 8 1/8% Senior Notes, the 9% Senior Notes, the 8 5/8% Senior Subordinated Notes or certain other indebtedness, (iii) the net proceeds from the issuance by Products Corporation or any of its subsidiaries of certain

additional debt and (iv) 50% of Products Corporation's Excess Cash Flow (as defined in the New Credit Agreement) for any fiscal year.

The New Credit Facilities are supported by, among other things, guarantees from Revlon, Inc. and, subject to certain limited exceptions, the domestic subsidiaries of Products Corporation. The obligations of Products Corporation under the New Credit Facilities and the obligations under the guarantees are secured by, subject to certain limited exceptions, substantially all of the assets of Products Corporation and the subsidiary guarantors, including (i) mortgages on owned real property, including Products Corporation's facility in Oxford, North Carolina; (ii) the capital stock of Products Corporation and the subsidiary guarantors and 66% of the capital stock of Products Corporation's and the subsidiary guarantors' first-tier foreign subsidiaries; (iii) intellectual property and other intangible property of Products Corporation and the subsidiary guarantors; and (iv) inventory, accounts receivable, equipment, investment property and deposit accounts of Products Corporation and the subsidiary guarantors. The liens on inventory, accounts receivable, deposit accounts, investment property (other than the capital stock of Products Corporation and its subsidiaries), real property, equipment, fixtures and certain intangible property related thereto secure the Multi-Currency Facility on a first priority basis and the Term Loan Facility on a second priority basis, while the liens on the capital stock of Products Corporation and its subsidiaries and intellectual property and certain other intangible property (the "Term Loan First Lien Collateral") secure the Term Loan Facility on a first priority basis and the Multi-Currency Facility on a second priority basis, all as set forth in an Intercreditor and Collateral Agency Agreement by and among Products Corporation and the lenders, which also provides that the first priority liens referred to above may be shared from time to time, subject to certain limitations, with specified types of other obligations incurred or guaranteed by Products Corporation, such as foreign exchange and interest rate hedging obligations and foreign working capital lines, provided that to the extent such obligations and lines share in the collateral, the borrowing base is reduced by a reserve established from time to time by the bank agent in respect of such obligations and lines.

The New Credit Agreement contains various restrictive covenants prohibiting Products Corporation 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, exceptions permitting Products Corporation to pay dividends or make other payments to Revlon, Inc. to finance the actual payment by Revlon, Inc. of expenses and obligations incurred by Revlon, Inc. to enable Revlon, Inc. to, among other things, pay expenses incidental to being a public holding company, including, among other things, professional fees such as legal and accounting fees, regulatory fees such as the Securities and Exchange Commission (the "Commission") filing fees and other miscellaneous expenses related to being a public holding company and, 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 Amended and Restated Revlon, Inc. Stock Plan, and, 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, except in the ordinary course of business, all subject to certain 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 (including, without limitation, prepaying one or more of the 8 1/8% Notes, 9% Notes or 8 5/8% Senior Subordinated

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Notes with the \$110 equity offering to be back-stopped by MacAndrews & Forbes), (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 addition to the foregoing, the Credit Agreement contains financial covenants limiting the senior secured leverage ratio of Products Corporation (the ratio of Products Corporation's Senior Secured Debt to EBITDA, as each such term is defined in the New Credit Agreement) to 5.50 to 1.00 from December 31, 2004 to September 30, 2005; 5.00 to 1.00 from December 31, 2005 to December 31, 2006; and 4.50 to 1.00 from March 31, 2007 until the maturity date of the New Credit Agreement, and, under circumstances when the excess borrowing base under the Multi-Currency Facility is less than \$30.0 for a period of 30 consecutive days or more, requiring 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 New Credit Agreement) of 1.00 to 1.00.

The events of default under the New Credit Agreement include a Change of Control (as defined in the New Credit Agreement) of Products Corporation and other customary events of default for such types of agreements. Among such customary events of default under the New Credit Agreement is a cross default provision which provides that it is an event of default under the New Credit Agreement if Products Corporation or any of its subsidiaries (i) defaults in the payment of certain indebtedness when due (whether at maturity or by acceleration) in excess of \$5.0 in aggregate principal amount or (ii) defaults 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 in aggregate principal amount, or any other event occurs, the effect of such default or other event would cause or permit the holders of such debt to accelerate payment.

Consolidated Mafco Line of Credit

On July 9, 2004, Products Corporation and MacAndrews Holdings entered into an agreement, which effective as of August 10, 2004 amended, restated and consolidated the facilities for the Mafco \$65 million line of credit and the 2004 Mafco \$125 million term loan (as to which after the Revlon Exchange Transactions the total term loan availability was \$87) into the single Consolidated Mafco line of credit with availability of \$152, the commitment under which reduces to \$87 as of July 1, 2005 and terminates on December 1, 2005. Loans are available under the Consolidated Mafco line of credit if (i) the Multi-Currency Facility under the New Credit Agreement has been substantially drawn (after taking into account anticipated needs for Local Loans and letters of credit), (ii) such borrowing is necessary to cause the excess borrowing base under the Multi-Currency Facility to remain greater than \$30, (iii) additional revolving loans are not available under the Multi-Currency Facility or (iv) such borrowing is reasonably necessary to prevent or to cure a default or event of default under the New Credit Agreement. Loans under the Consolidated Mafco line of credit bear interest (which is not payable in cash but is capitalized quarterly in arrears) at a rate per annum equal to the lesser of (a) 12.0% and (b) 0.25% less than the rate payable from time to time on Eurodollar loans under the Term Loan Facility under the New Credit Agreement which on August 2, 2004 was 7.48%, provided, that at any time that the Eurodollar Base Rate under the New Credit Agreement is equal to or greater than 3.0%, the applicable rate to loans under the Consolidated Mafco line of credit will be equal to the lesser of (x) 12.0% and (y) 5.25% over the Eurodollar Base Rate then in effect. In connection with the Consolidated Mafco line of credit, on July 15, 2004, Revlon, Inc., Fidelity and MacAndrews & Forbes agreed to eliminate the Borrowing Limitation.

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REVLON, INC. AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
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(dollars in millions, except per share data)

Overview

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

The Company operates in a single segment and manufactures, markets and sells an extensive array of cosmetics and skin care, fragrances and personal care products. In addition, the Company has a licensing group.

The Company has accelerated the implementation of its three-part plan to rationalize costs and to grow the business. In 2002, the Company began the implementation of the stabilization and growth phase of its plan, which, following detailed evaluations and research, includes the following key actions and investments, among others: (i) increasing advertising and media spending and effectiveness; (ii) increasing the marketing effectiveness of the Company's wall displays, by among other things, reconfiguring wall displays at its existing retail customers, streamlining its product assortment and reconfiguring product placement on its wall displays and rolling out the new wall displays; (iii) enhancing the effectiveness of its merchandiser coverage to improve in-store stock levels and work with its retail customers to improve replenishment of the Company's products on the wall displays and to minimize out-of-stocks at its retail customers; (iv) selectively adjusting prices on certain SKUs (or stock keeping units); (v) further strengthening the Company's new product development process; and (vi) implementing a comprehensive program to develop and train the Company's employees.

The Company intends to capitalize on the actions taken during the stabilization and growth phase of its plan, with the objective of increasing revenues and achieving profitability over the long term. The Company currently anticipates that the continued growth momentum and accelerated growth stage of its plan will include various actions that represent refinements of and additions to the actions taken during the stabilization and growth phase of its plan, with the objective of improving the Company's operating margins. These ongoing initiatives include, among other things, actions to: (i) further improve the new product development and implementation process; (ii) continue to increase the effectiveness and reduce the cost of the Company's display walls; (iii) drive efficiencies across the Company's overall supply chain, including reducing manufacturing costs by streamlining components and sourcing strategically and rationalizing its supply chain in Europe, which could include moving certain production for the European markets to the Company's Oxford, North Carolina facility; and (iv) optimize the effectiveness of the Company's marketing and promotions. This stage will also include strengthening the Company's balance sheet and capital structure, much of which, as discussed in **Notes 9 and 11 to the Unaudited Consolidated Condensed Financial Statements**, has been accomplished during the first half of 2004.

The Company believes that it has strengthened its organizational capability and it intends to continue doing so in 2004. The Company also strengthened its relationships with its key retailers in the U.S., which has led to space gains and increased distribution for 2004 for certain of the Company's products.

In the second quarter of 2004, net sales decreased \$6.2, or 1.9%, to \$316.1, as compared to \$322.3 in the second quarter of 2003, driven principally by lower shipments in the U.S. (due in part to the mass color cosmetics category softness and less contribution from 2004 product introductions, as compared to 2003 product introductions), partially offset by sales growth in International, including the benefits of favorable foreign currency translation, and the prepayment of certain minimum royalties by a licensee. In the first half of 2004, net sales increased \$10.2, or 1.7%, to \$624.5, as compared to \$614.3 in the first half of 2003, with the increase in the first half of 2004 being driven by sales growth in International, including the benefits of favorable foreign currency translation, and the prepayment of certain minimum royalties and renewal fees by licensees, partially offset by lower shipments in the U.S.

In the United States and Canada, in the second quarter of 2004, net sales decreased to \$206.8 from \$224.8 in the second quarter of 2003, and in the first half of 2004, net sales decreased to \$412.7 from \$429.7

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in the first half of 2003. The decrease in the second quarter and first half of 2004 was due to lower shipments (due in part to the mass color cosmetics category softness and less contribution from 2004 product introductions, as compared to 2003 product introductions), higher returns and allowances (taken together), and the Company's increased brand support, partially offset by the prepayment of certain minimum royalties and renewal fees by licensees of \$5.3 and \$10.0 in the second quarter of 2004 and first half of 2004, respectively. In International, in the second quarter of 2004, net sales increased to \$109.3 from \$97.5 in the second quarter of 2003, and in the first half of 2004, net sales increased to \$211.8 from \$184.6 in the first half of 2003. The increase in the second quarter and first half of 2004 was driven largely by increased unit sales and the impact of foreign currency translation.

In terms of U.S. marketplace performance, according to ACNielsen, the U.S. color cosmetics category for the second quarter of 2004 declined approximately 3.4% versus the same period last year. Combined share for the Revlon and Almay brands totaled 21.7% for the second quarter of 2004, compared with 22.5% in the second quarter of 2003. For the first half of 2004, combined market share for the Revlon and Almay brands totaled 21.9%, compared with 22.7% for the first half of 2003. The share performance reflected less share contribution from new products this year, while the Company's market share on existing businesses advanced solidly. In other categories, the Company gained market share in the second quarter of 2004, compared with the second quarter of 2003, in hair color and beauty tools, while market share was essentially even for anti-perspirants/deodorants.

Net sales in the Company's domestic and international operations in the normal course are subject to the risk of being adversely affected by, among other things, one or more of the following: weak economic conditions, political uncertainties, military actions, terrorist activities, adverse currency fluctuations, competitive activities and changes in consumer purchasing habits.

Operating loss in the second quarter of 2004 was \$1.8, as compared to an operating loss of \$3.1 in the second quarter of 2003, and in the first half of 2004 operating income was \$18.3, as compared to an operating loss of \$7.3 in the first half of 2003. The improvement primarily reflected the absence in the second quarter of 2004 of approximately \$15 of growth plan charges taken in the second quarter of 2003, as well as the aforementioned higher licensing revenues and lower cost of goods sold, partially offset by higher returns and allowances (taken together) and lower shipments. The improvement in the first half of 2004 reflected the absence of growth plan charges, which increased the operating loss in the first half of 2003 by approximately \$26, the aforementioned higher licensing revenues, which included the prepayment of \$10.0 of minimum royalties and

renewal fees by licensees in the first half of 2004 and favorability relating to a \$3.4 reduction in the first half of 2004 of a liability associated with a modification to an International benefit arrangement.

On March 25, 2004 Revlon, Inc. consummated the Revlon Exchange Transactions and reduced Products Corporation's debt by approximately \$804. Revlon, Inc. issued an additional 299,969,493 shares of Class A Common Stock and currently has outstanding approximately 338,867,944 shares of Class A Common Stock and 31.25 million shares of Class B Common Stock. MacAndrews & Forbes beneficially owns approximately 221.4 million shares of the Common Stock (representing approximately 59.8% of the outstanding shares of the Common Stock and approximately 77.2% of the combined voting power of the Common Stock). The Company received an additional commitment from MacAndrews & Forbes to provide funds to support its business plan for 2004 in the form of the 2004 Mafco \$125 million term loan, which loan was consolidated with the Mafco \$65 million line of credit in July 2004 into the Consolidated Mafco line of credit. In the first quarter of 2004, the Company also secured the January 2004 Bank Amendment and the Exchange Bank Amendments. (See Note 9 to the Unaudited Consolidated Condensed Financial Statements).

In June 2004, Products Corporation commenced a cash tender offer for its 12% Senior Secured Notes and announced its intention to refinance its 2001 Credit Agreement. On July 9, 2004, Products

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Corporation entered into the New Credit Agreement with certain of its subsidiaries as local borrowing subsidiaries, a syndicate of lenders, whose individual members change from time to time, and Citicorp USA, Inc., as multi-currency administrative agent, term loan administrative agent and collateral agent. Products Corporation used the proceeds of borrowings under the New Credit Agreement to repay in full the \$290.5 of outstanding indebtedness (including accrued interest) under Products Corporation's 2001 Credit Agreement, to purchase approximately \$298 aggregate principal amount of the 12% Senior Secured Notes tendered at the Initial Settlement of the Tender Offer for a purchase price of approximately \$338.3 (including the applicable premium and accrued interest), to purchase the additional \$0.4 aggregate principal amount of the 12% Senior Secured Notes tendered following the Initial Settlement through the expiration of the Tender Offer for a purchase price of approximately \$0.5 (including the applicable premium and accrued interest), to set aside funds in a collateral account to redeem the \$64.5 aggregate principal amount of the 12% Senior Secured Notes remaining outstanding after the expiration of the Tender Offer, and to pay fees and expenses incurred in connection with the New Credit Agreement, the Tender Offer and the Revlon Exchange Transactions, including the payment of expenses related to a refinancing that the Company launched in May 2004 but did not consummate. The balance of such proceeds is available to Products Corporation for general corporate purposes. (See Note 11 to the Unaudited Consolidated Condensed Financial Statements).

Discussion of Critical Accounting Policies

For a discussion of the Company's critical accounting policies, see the Company's Annual Report on Form 10-K for the year ended December 31, 2003.

Results of Operations

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

Net Sales:

	Three Months Ended June 30,			
	2004	2003	Change	Change
United States and Canada	\$ 206.8	\$ 224.8	\$ (18.0)	- 8.0%
International	109.3	97.5	11.8	12.1%(1)
	<u>\$ 316.1</u>	<u>\$ 322.3</u>	<u>\$ (6.2)</u>	- 1.9%(2)

(1) Excluding the impact of currency fluctuations, International net sales increased 6.2%.

(2) Excluding the impact of currency fluctuations, consolidated net sales decreased 3.8%.

	Six Months Ended June 30,			
	2004	2003	Change	Change
United States and Canada	\$ 412.7	\$ 429.7	\$ (17.0)	- 4.0%
International	211.8	184.6	27.2	14.7%(1)
	<u>\$ 624.5</u>	<u>\$ 614.3</u>	<u>\$ 10.2</u>	1.7%(2)

(1) Excluding the impact of currency fluctuations, International net sales increased 5.3%.

(2) Excluding the impact of currency fluctuations, consolidated net sales decreased 1.5%.

United States and Canada.

The decrease in net sales in the U.S. and Canada in the second quarter of 2004, as compared with the second quarter of 2003, was driven by lower color cosmetics shipments of \$17.7 (due in part to the mass

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color cosmetics category softness and less contribution from 2004 product introductions, as compared to 2003 product introductions), higher returns and allowances (taken together) of \$5.1 (including the impact in the second quarter of 2003 of approximately \$9 related to the stabilization and growth phase of the Company's plan, which began in December 2002), partially offset by the favorable impact of Canadian dollar currency translation and increased licensing revenue of \$5.4, primarily from the prepayment of certain minimum royalties by a licensee. The decrease in net sales in the U.S. and Canada in the first half of 2004 was driven by lower color cosmetics shipments of \$21.6 (due in part to the mass color category softness and less contribution from 2004 product

introductions, as compared to 2003 product introductions), and higher returns and allowances (taken together) of \$3.7 (including the impact in the first half of 2003 of approximately \$14 related to the stabilization and growth phase of the Company's plan, which began in December 2002), partially offset by favorable impact of foreign currency translation and increased licensing revenue of \$9.8, primarily from the prepayment of \$10.0 of certain minimum royalties and renewal fees by licensees.

In terms of U.S. marketplace performance, according to ACNielsen, the color cosmetics category for the second quarter of 2004 declined approximately 3.4% versus the same period last year. Combined share for the Revlon and Almay brands totaled 21.7% for the second quarter of 2004, compared with 22.5% in the second quarter of 2003. For the first half of 2004, combined market share for the Revlon and Almay brands totaled 21.9%, compared with 22.7% for the first half of 2003. The share performance reflected less share contribution from new products this year, while the Company's market share on existing businesses advanced solidly. In other categories, the Company gained market share in the second quarter of 2004, compared to the second quarter of 2003, in hair color and beauty tools, while market share was essentially even for anti-perspirants/deodorants. All U.S. market share and market position data herein for the Company's brands are based upon retail dollar sales, which are derived from ACNielsen data. ACNielsen measures retail sales volume of products sold in the U.S. mass-market distribution channel. Such data represent ACNielsen's estimates based upon data gathered by ACNielsen from market samples and are therefore subject to some degree of variance. Additionally, as of August 4, 2001, ACNielsen's data do not reflect sales volume from Wal-Mart, Inc., which is the Company's largest customer, representing approximately 20.6% of the Company's 2003 worldwide net sales.

International.

Net sales in the Company's international operations were \$109.3 for the second quarter of 2004, compared with \$97.5 for the second quarter of 2003, an increase of \$11.8 or 12.1%, and were \$211.8 for the first half of 2004, compared with \$184.6 for the first half of 2003, an increase of \$27.2 or 14.7%. Excluding the impact of foreign currency fluctuations, international sales increased by 6.2% and 5.3% in the second quarter and first half of 2004, as compared to the second quarter and first half of 2003, respectively. Sales in the Company's international operations are divided by the Company into three geographic regions.

In Europe, which is comprised of Europe and the Middle East, net sales increased by \$1.6, or 5.6%, to \$30.4 for the second quarter of 2004, as compared with the second quarter of 2003. Excluding the impact of foreign currency fluctuations, sales declined by \$0.8 or 2.8% in the second quarter of 2004, as compared to the second quarter of 2003. The decline in net sales net of foreign currency fluctuations was due to lower sales to distributors in Russia and Germany (which factor the Company estimates contributed to an approximate 3.1% reduction in net sales for the region, as compared with the second quarter of 2003) and lower sales in the U.K., stemming in part from reduced customer inventory levels (which factor the Company estimates contributed to an approximate 1.9% reduction in net sales for the region, as compared with the second quarter of 2003), which was partially offset by increased sales in Israel (which factor the Company estimates contributed to an approximate 2.0% increase in net sales for the region in the second quarter of 2004, as compared with the second quarter of 2003).

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REVLON, INC. AND SUBSIDIARIES MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS —(Continued) (dollars in millions, except per share data)

In Latin America, which is comprised of Mexico, Central America and South America, net sales declined by \$0.3, or 1.2%, to \$25.0 for the second quarter of 2004, as compared with the second quarter of 2003. Excluding the impact of foreign currency fluctuations, sales increased by \$1.0 or 4.0% in the second quarter of 2004, as compared to the second quarter of 2003. The increase in net sales net of foreign currency fluctuations is primarily due to increased sales in Venezuela, Brazil and Argentina (which factor the Company estimates contributed to an approximate 11.1% increase in net sales for the region in the second quarter of 2004, as compared with the second quarter of 2003) which was partially offset by lower sales in Mexico (which factor the Company estimates contributed to an approximate 7.9% reduction in net sales for the region, as compared with the second quarter of 2003).

In the Far East and Africa, net sales increased by \$10.5, or 24.2%, to \$53.9 for the second quarter of 2004, as compared with the second quarter of 2003. Excluding the impact of foreign currency fluctuations, sales increased \$5.8 or 13.4% in the second quarter of 2004, as compared to the second quarter of 2003. This increase in net sales net of foreign currency fluctuations was driven by higher sales in South Africa, Australia, Hong Kong and Japan (which factor the Company estimates contributed to an approximate 10.0% increase in net sales for the region, as compared with the second quarter of 2003).

For the first half of 2004, as compared with the first half of 2003, net sales in Europe increased by \$2.3, or 3.9%, to \$60.7. Excluding the impact of foreign currency fluctuations, sales declined by \$4.0 or 6.8% in the first half of 2004, as compared to the first half of 2003. The decline in net sales net of foreign currency fluctuations was due to lower sales in the U.K., stemming in part from reduced customer inventory levels (which factor the Company estimates contributed to an approximate 4.8% reduction in net sales for the region, as compared with the first half of 2003) and lower sales to distributors in Russia and Germany (which factor the Company estimates contributed to an approximate 4.4% reduction in net sales for the region, as compared with the first half of 2003).

In Latin America, net sales increased by \$4.8, or 11.7%, to \$45.9 for the first half of 2004, as compared with the first half of 2003. Excluding the impact of foreign currency fluctuations, sales increased by \$5.1 or 12.4% in the first half of 2004, as compared to the first half of 2003. The increase in net sales net of foreign currency fluctuations is primarily due to increased sales in Brazil, Venezuela and Argentina (which factor the Company estimates contributed to an approximate 16.2% increase in net sales for the region in the first half of 2004, as compared with the first half of 2003) due to improved local economic and business conditions, which was partially offset by lower sales in Mexico (which factor the Company estimates contributed to an approximate 5.1% reduction in net sales for the region, as compared with the first half of 2003).

In the Far East and Africa, net sales increased by \$20.1, or 23.6%, to \$105.2 for the first half of 2004, as compared with the first half of 2003. Excluding the impact of foreign currency fluctuations, sales increased \$8.6 or 10.1% in the first half of 2004, as compared to the first half of 2003. This increase was driven by higher sales in South Africa, Japan and Australia related to favorable economic conditions (which factor the Company estimates contributed to an approximate 8.0% increase in net sales for the region, as compared with the first half of 2003).

Gross profit:

	Three Months Ended June 30,			Six Months Ended June 30,		
	2004	2003	Change	2004	2003	Change
Gross profit	\$ 197.7	\$ 197.1	\$ 0.6	\$ 389.0	\$ 377.6	\$ 11.4

The \$0.6 increase in gross profit for second quarter of 2004, as compared to the second quarter of 2003, is primarily due to higher licensing and other revenue of \$5.7 (primarily from the prepayment of \$5.3 for certain

minimum royalties by a licensee), lower cost of goods sold and favorable foreign currency exchange in 2004, partially offset by higher sales returns, allowances and discounts (taken together) of

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\$4.1 and lower sales volume. The second quarter of 2003 was adversely impacted by increased returns in connection with the stabilization and growth phase of the Company's plan. The \$11.4 increase in gross profit for the first half of 2004, as compared to the first half of 2003, is primarily due to the prepayment of certain minimum royalties and renewal fees by licensees and other revenue of \$10.6 in 2004, lower cost of goods sold and favorable foreign currency exchange, partially offset by increased returns, allowances and discounts (taken together) of \$3.5. The first half of 2003 was adversely impacted by increased returns in connection with the stabilization and growth phase of the Company's plan.

SG&A expenses:

	Three Months Ended June 30,			Six Months Ended June 30,		
	2004	2003	Change	2004	2003	Change
SG&A expenses	\$ 199.4	\$ 200.2	\$ 0.8	\$ 371.3	\$ 384.4	\$ 13.1

The decrease in selling, general and administrative expenses ("SG&A") for second quarter of 2004, as compared to second quarter of 2003, is due primarily to lower professional fees of \$4.4 (the second quarter of 2003 included professional fees and expenses related to the stabilization and growth phase of the Company's plan) and lower brand support of \$1.1, partially offset by higher compensation and benefit costs primarily related to restricted stock amortization, higher display amortization of \$0.7 and other selling and general expenses. The decrease in SG&A expenses for first half of 2004, as compared to first half of 2003, is due primarily to lower professional fees of \$8.3 (the first half of 2003 included professional fees and expenses related to the stabilization and growth phase of the Company's plan), lower brand support of \$6.1 and the reduction of \$1.4 due to a reduction in the liability for an International post-retirement benefit arrangement whose terms were modified, partially offset by higher compensation and benefit costs and distribution costs.

Restructuring costs (benefit):

	Three Months Ended June 30,			Six Months Ended June 30,		
	2004	2003	Change	2004	2003	Change
Restructuring costs (benefit)	\$ 0.1	\$ —	\$ (0.1)	\$ (0.6)	\$ 0.5	\$ 1.1

During the third quarter of 2000, the Company initiated a new restructuring program in line with the original restructuring plan developed in late 1998, designed to improve profitability by reducing personnel and consolidating manufacturing facilities. The 2000 restructuring program focused on closing the Company's manufacturing operations in Phoenix, Arizona and Mississauga, Canada and to consolidate its cosmetics production into its plant in Oxford, North Carolina. The 2000 restructuring program also includes the remaining obligation for excess leased real estate in the Company's headquarters, consolidation costs associated with the Company closing its facility in New Zealand, and the elimination of several domestic and international executive and operational positions, each of which were effected to reduce and streamline corporate overhead costs.

During the second quarter and first half of 2004, the Company revised its estimate of the cost to be incurred related to its 2000 restructuring program. Additionally, during the second quarter of 2004, the Company recorded \$0.3 for employee severance and other personnel benefits. In 2003, the Company recorded separate charges of \$5.9 (\$0.5 of which was recorded in the first half of 2003) for employee severance and other personnel benefits for employees in certain International operations.

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Other expenses (income):

	Three Months Ended June 30,			Six Months Ended June 30,		
	2004	2003	Change	2004	2003	Change
Interest expense	\$ 29.0	\$ 42.8	\$ 13.8	\$ 73.6	\$ 84.2	\$ 10.6

The decrease in interest expense for the second quarter and first half of 2004, as compared to the second quarter and first half of 2003, is primarily due to lower overall indebtedness during the second quarter and first half of 2004, resulting from the Revlon Exchange Transactions. (See Note 9 to the Unaudited Consolidated Condensed Financial Statements).

	Three Months Ended June 30,			Six Months Ended June 30,		
	2004	2003	Change	2004	2003	Change
Loss on early extinguishment on debt	\$ —	\$ —	\$ —	\$ 32.6	\$ —	\$ (32.6)

The loss on early extinguishment of debt in the first half of 2004 represents the loss on the exchange of equity for certain indebtedness in the Revlon Exchange Transactions (such loss was equal to the difference between the fair value of the equity securities issued and the book value of the related indebtedness exchanged by third parties other than MacAndrews & Forbes or related parties) and fees, expenses and the write-off of deferred financing costs related to the Revlon Exchange Transactions. (See Note 9 to the Unaudited Consolidated Condensed Financial Statements).

Miscellaneous, net

2004	2003	Change	2004	2003	Change
\$ 2.4	\$ —	\$ (2.4)	\$ 2.5	\$ 0.4	\$ (2.1)

The increase in miscellaneous, net for the second quarter and first half of 2004, as compared to the comparable 2003 periods, is primarily due to fees and expenses associated with the refinancing that the Company launched in May 2004 but did not consummate.

Provision (benefit) for income taxes:

	Three Months Ended June 30,			Six Months Ended June 30,		
	2004	2003	Change	2004	2003	Change
Provision (benefit) for income taxes	\$ 1.3	\$ (6.1)	\$ (7.4)	\$ 2.1	\$ (5.2)	\$ (7.3)

The increase in the provision for income taxes in the second quarter and first half of 2004, as compared with the benefit for income taxes in the second quarter and first half of 2003, was primarily attributable to higher taxable income in certain markets outside the U.S. The 2003 period was benefited by the resolution of various tax audits.

Financial Condition, Liquidity and Capital Resources

Net cash used for operating activities in the first half of 2004 decreased to \$100.1, as compared to \$134.8 for the first half of 2003. This improvement resulted primarily from higher operating income, lower inventories, lower purchases of permanent displays, lower accrued expenses and lower cash spending in connection with the stabilization and growth phase of the Company's plan, partially offset by higher prepaid expenses. Also, the Company received \$10.0 in the first half of 2004 related to the prepayment of certain minimum royalties and renewal fees by licensees.

Net cash used for investing activities was \$8.1 and \$13.2 for the first half of 2004 and 2003, respectively. Net cash used for investing activities for the first half of 2004 and 2003 consisted of capital expenditures.

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Net cash provided by financing activities was \$102.3 and \$89.0 for the first half of 2004 and 2003, respectively. Net cash provided by financing activities for the first half of 2004 included cash drawn under the 2001 Credit Agreement, including the additional \$64.4 term loan pursuant to the Exchange Bank Amendments, the 2004 \$125 million Mafco Loan and the \$65 million Mafco line of credit, partially offset by the repayment of borrowings under the 2001 Credit Agreement and the Mafco \$65 million line of credit and payment of financing costs in connection with the January 2004 Bank Amendment, the Exchange Bank Amendments and the Revlon Exchange Transactions. Net cash provided by financing activities for the first half of 2003 included cash drawn under the 2001 Credit Agreement and the MacAndrews & Forbes \$100 million term loan and net proceeds from the 2003 Rights Offering, partially offset by the repayment of borrowings under the 2001 Credit Agreement and payment of financing costs.

On November 30, 2001, Products Corporation entered into a credit agreement (as amended, the "2001 Credit Agreement") with a syndicate of lenders, which agreement amended and restated the credit agreement entered into by Products Corporation in May 1997 (as amended, the "1997 Credit Agreement"), and, until such agreement was fully refinanced on July 9, 2004 (See Note 11 to the Unaudited Consolidated Condensed Financial Statements), was scheduled to mature on May 30, 2005. As of June 30, 2004, the 2001 Credit Agreement provided up to \$311.9, which was comprised of a \$179.8 term loan facility (the "2001 Term Loan Facility") and a \$132.1 multi-currency revolving credit facility (the "2001 Multi-Currency Facility"). Products Corporation had utilized \$289.9 under the 2001 Credit Agreement and had approximately \$176 of available liquidity from available sources at June 30, 2004.

New Credit Agreement

On July 9, 2004, Products Corporation entered into the New Credit Agreement with certain of its subsidiaries as local borrowing subsidiaries, a syndicate of lenders, and Citicorp USA, Inc., as multi-currency administrative agent, term loan administrative agent and collateral agent. Products Corporation used the proceeds of borrowings under the Term Loan Facility of the New Credit Agreement to repay in full the \$290.5 of outstanding indebtedness (including accrued interest) under Products Corporation's 2001 Credit Agreement, to purchase approximately \$298 aggregate principal amount of the 12% Senior Secured Notes tendered at the Initial Settlement of the Tender Offer, for a purchase price of approximately \$338.3 (including the applicable premium and accrued interest), to purchase the additional \$0.4 aggregate principal amount of the 12% Senior Secured Notes tendered following the Initial Settlement through the expiration of the Tender Offer, for a purchase price of approximately \$0.5 (including the applicable premium and accrued interest), to set aside funds in a collateral account to redeem the \$64.5 aggregate principal amount of the 12% Senior Secured Notes remaining outstanding after the expiration of the Tender Offer, and to pay fees and expenses incurred in connection with the New Credit Agreement, the Tender Offer and the Revlon Exchange Transactions, including the payment of expenses related to a refinancing that the Company launched in May 2004 but did not consummate. The balance of such proceeds is available to Products Corporation for general corporate purposes. The Multi-Currency Facility was undrawn at the July 9, 2004 closing.

The New Credit Agreement provides up to \$960.0 and consists of a \$800.0 Term Loan Facility and a \$160.0 asset-based Multi-Currency Facility. The Multi-Currency Facility is available to: (i) Products Corporation in revolving credit loans denominated in U.S. dollars, (ii) Products Corporation in standby and commercial letters of credit denominated in U.S. dollars and other currencies up to \$50.0 and (iii) 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, in each case subject to borrowing base availability that is determined based on the value of eligible accounts receivable, eligible inventory and eligible real property and equipment in the U.S. and the U.K. from time to time. The Multi-Currency Facility will terminate on July 9, 2009 and the loans under the Term Loan Facility will mature on July 9, 2010; provided that the New Credit Facilities will terminate on October 31,

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2005 if the 8 1/8% Senior Notes are not redeemed, repurchased or defeased in full on or before such date, on July 31, 2006 if the 9% Senior Notes are not redeemed, repurchased or defeased in full on or before such date, and on October 30, 2007 if the 8 5/8% Senior Subordinated Notes are not redeemed, repurchased or defeased on or before such date such that not more than \$25.0 in aggregate principal amount of the 8 5/8% Senior Subordinated Notes remain outstanding. (See **Note 11 to the Unaudited Consolidated Condensed Financial Statements**).

The 2004 Debt Reduction Transactions

As a result of the Debt Reduction Transactions, Revlon, Inc. reduced Products Corporation's debt by approximately \$804 on March 25, 2004.

As part of the Revlon Exchange Transactions, MacAndrews & Forbes received Class A Common Stock in respect of any and all outstanding amounts owing to it, as of the closing date of the Revlon Exchange Transactions, under the Mafco \$100 million term loan (which was approximately \$109.7 at March 25, 2004, including accrued interest), the 2004 Mafco \$125 million term loan (which was approximately \$38.9 at March 25, 2004, including accrued interest), the Mafco \$65 million line of credit (which was nil at March 25, 2004) and approximately \$24.1 of subordinated promissory notes. The portions of the 2004 Mafco \$125 million term loan and the Mafco \$65 million line of credit not exchanged in the Loan Conversion Transactions remained available to Products Corporation (which loans were consolidated into the Consolidated Mafco line of credit in July 2004), subject to the Borrowing Limitation, which was subsequently eliminated. (See **Note 11 to the Unaudited Consolidated Condensed Financial Statements**).

Revlon, Inc. agreed to the Borrowing Limitation with Fidelity not to permit Products Corporation to have outstanding aggregate borrowings, at any time following the close of the Revlon Exchange Transactions and until the termination of the Stockholders Agreement, under the Mafco \$65 million line of credit and the 2004 Mafco \$125 million term loan in excess of approximately \$87, which Borrowing Limitation was subsequently eliminated in July 2004. (See **Note 11 to the Unaudited Consolidated Condensed Financial Statements**).

As a result of the consummation of the Revlon Exchange Transactions, approximately \$133.8 principal amount of the 8 1/8% Senior Notes, approximately \$174.5 principal amount of the 9% Senior Notes and approximately \$322.9 principal amount of the 8 5/8% Senior Subordinated Notes were exchanged for an aggregate of approximately 224.1 million shares of Class A Common Stock, including such shares issued in exchange for accrued interest on the Revlon Exchange Notes. Such amount of Revlon Exchange Notes exchanged included approximately \$1.0 of the 9% Senior Notes and approximately \$286.7 of the 8 5/8% Senior Subordinated Notes tendered by MacAndrews & Forbes and other entities related to it; and approximately \$85.9 of the 9% Senior Notes, approximately \$77.8 of the 8 1/8% Senior Notes and approximately \$32.1 of the 8 5/8% Senior Subordinated Notes tendered by funds and accounts managed by Fidelity.

MacAndrews & Forbes also exchanged approximately \$109.7 of existing indebtedness (including principal and accrued interest) under the Mafco \$100 million term loan for approximately 43.9 million shares of Class A Common Stock, approximately \$38.9 of existing indebtedness (including principal and accrued interest) under the 2004 Mafco \$125 million term loan for approximately 15.6 million shares of Class A Common Stock and approximately \$24.1 of indebtedness under certain subordinated promissory notes payable to MacAndrews & Forbes for approximately 7.2 million shares of Class A Common Stock. REV Holdings exchanged all of Revlon, Inc.'s previously outstanding Series A Preferred Stock for an aggregate of approximately 8.7 million shares of Class A Common Stock and converted all of its shares of Revlon, Inc.'s previously outstanding Series B Preferred Stock into 433,333 shares of Class A Common Stock.

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Revlon, Inc. currently has outstanding 338,867,944 shares of its Class A Common Stock and 31.25 million shares of its Class B Common Stock, with MacAndrews & Forbes beneficially owning approximately 221.4 million shares of the Common Stock (including approximately 32.6 million shares of the Class A Common Stock beneficially owned by a family member with respect to which Mafco Holdings holds a voting proxy). Such shares beneficially owned by MacAndrews & Forbes represent approximately 59.8% of the outstanding shares of the Common Stock and approximately 77.2% of the combined voting power of the Common Stock). Of the shares beneficially owned by MacAndrews & Forbes, REV Holdings currently owns approximately 20.8 million shares of Class A Common Stock and 31.25 million shares of Class B Common Stock.

In connection with consummating the Revlon Exchange Transactions, Revlon, Inc. announced that its previously announced plan to launch a rights offering to reduce debt by a further \$50 by year-end 2004 was reduced to \$9.7, as a result of \$190.3 of Revlon Exchange Notes having been exchanged in excess of the Revlon Exchange Notes committed to be exchanged by MacAndrews & Forbes and Fidelity under their respective support agreements. This \$190.3 more than satisfied Revlon, Inc.'s plan to reduce debt through the Revlon Exchange Offers by \$150 in addition to the Revlon Exchange Notes that were committed to be exchanged in the support agreements with MacAndrews & Forbes and Fidelity. The \$40.3 difference satisfied all but \$9.7 of the Company's plan to reduce debt by a further \$50 by year-end 2004. Because the costs and expenses, as well as the use of organizational resources, associated with a \$9.7 rights offering would be unduly disproportionate, Revlon, Inc. indicated that its support and investment agreements with MacAndrews & Forbes and Fidelity relating to the Company's debt reduction plan were amended to enable Revlon, Inc. to satisfy the remaining \$9.7 of debt reduction as part of the final stage of the Company's debt reduction plan. Therefore, the Company now intends to reduce debt by approximately \$110 by the end of March 2006. Consistent with agreements between MacAndrews & Forbes and Revlon, Inc. entered into contemporaneously with the agreements relating to the Revlon Exchange Transactions, MacAndrews & Forbes agreed to back-stop the \$110 equity offering.

Also, in conjunction with the Revlon Exchange Transactions, Products Corporation obtained the Exchange Bank Amendments to provide an additional \$64.4 term loan facility, the proceeds of which were used to repay outstanding revolving indebtedness under Products Corporation's 2001 Credit Agreement without a reduction in revolving credit commitments. These amendments also reduced the interest rates payable on such term loan facility by 0.5%, as compared to the interest rates payable on loans under the existing term loan facility of Products Corporation's 2001 Credit Agreement. The Exchange Bank Amendments also permitted various aspects of the transactions relating to the Revlon Exchange Transactions. (See **Note 11 to the Unaudited Consolidated Condensed Financial Statements**).

On June 22, 2004, Products Corporation commenced the Tender Offer. On the July 9, 2004 Initial Settlement, Products Corporation purchased approximately \$298 aggregate principal amount of the 12% Senior Secured Notes, representing approximately 82% of the total outstanding principal amount of the 12% Senior Secured Notes, for a purchase price of approximately \$338.3 (including the applicable premium and accrued interest). Products Corporation also obtained sufficient consents from holders of the 12% Senior Secured Notes that were tendered for certain amendments which eliminated substantially all of the restrictive covenants and released the guarantees of Products Corporation's obligations, and the collateral securing the obligations of Products Corporation and the guarantors, in each case under the 12% Notes Indenture. On July 22, 2004,

Products Corporation purchased approximately \$0.4 aggregate principal amount of the 12% Senior Secured Notes, the amount of such notes tendered following the Initial Settlement through the expiration of the Tender Offer, for a purchase price of approximately \$0.5 (including the applicable premium and accrued interest). In connection with the expiration of the Tender Offer, Products Corporation also announced that on August 23, 2004 it will redeem all of the approximately \$64.5 aggregate principal amount of its 12% Senior Secured Notes that remained

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outstanding following the July 21, 2004 expiration of the Tender Offer at a redemption price calculated in accordance with the 12% Notes Indenture. (See Note 11 to the Unaudited Consolidated Condensed Financial Statements).

EBITDA (as defined in the 2001 Credit Agreement) was \$144.4 for the four consecutive fiscal quarters ended December 31, 2003, which was less than the minimum of \$230 required under the EBITDA covenant of the 2001 Credit Agreement for that period and Products Corporation's leverage ratio was 1.66:1.00, which was in excess of the maximum ratio of 1.10:1.00 permitted under the leverage ratio covenant of the 2001 Credit Agreement for that period. Accordingly, Products Corporation sought and on January 28, 2004 secured the January 2004 Bank Amendment that included waivers of compliance with these covenants for the four quarters ended December 31, 2003 and, in light of the Company's expectation that its plan would affect Products Corporation's ability to comply with these covenants under the 2001 Credit Agreement during 2004, an amendment to eliminate the EBITDA and leverage ratio covenants of the 2001 Credit Agreement for the first three quarters of 2004 and a waiver of compliance with such covenants for the four quarters ending December 31, 2004 expiring on January 31, 2005. The January 2004 Bank Amendment to the 2001 Credit Agreement included certain other amendments to allow for the continued implementation of the Company's plan.

The 2004 Mafco \$125 million term loan, as discussed in Note 11, was consolidated with the Mafco \$65 million line of credit into the Consolidated Mafco line of credit in July 2004, with availability of \$152. Until such consolidation, the 2004 Mafco \$125 million term loan was a senior unsecured multiple-draw term loan at an interest rate of 12% per annum, and which was on substantially the same terms as the Mafco \$100 million term loan provided by MacAndrews & Forbes earlier in 2003 (the latter of which was fully converted into equity in connection with the Revlon Exchange Transactions), including that interest on such loans was not payable in cash, but accrued and was added to the principal amount each quarter and was to have been paid in full at final maturity on December 1, 2005. (See Notes 9 and 11 to the Unaudited Consolidated Condensed Financial Statements).

2003 Financing Transactions

In February 2003, the Company entered into an investment agreement with MacAndrews Holdings (the "2003 Investment Agreement") pursuant to which the Company undertook and, on June 20, 2003, completed, a \$50 equity rights offering (the "2003 Rights Offering"), pursuant to which Revlon, Inc. issued an additional 17,605,650 shares of its Class A Common Stock, including 3,015,303 shares subscribed for by the public and 14,590,347 shares issued to MacAndrews Holdings in a private placement (representing the number of shares of the Company's Class A Common Stock that MacAndrews Holdings would otherwise have been entitled to purchase pursuant to its basic subscription privilege, which was approximately 83% of the shares of the Company's Class A Common Stock offered in the 2003 Rights Offering).

In addition, in connection with the 2003 Investment Agreement, MacAndrews Holdings also made available a \$100 term loan to Products Corporation (the "Mafco \$100 million term loan"). Until it was exchanged for equity in connection with the Revlon Exchange Transactions, the Mafco \$100 million term loan had a final maturity date of December 1, 2005 and interest on such loan of 12.0% was not payable in cash, but accrued and was added to the principal amount each quarter and was to have been paid in full at final maturity. (See Note 9 to the Unaudited Consolidated Condensed Financial Statements).

Additionally, MacAndrews Holdings also provided Products Corporation with an additional \$40 line of credit during 2003, which amount was originally to increase to \$65 on January 1, 2004 (the "Mafco \$65 million line of credit") (the Mafco \$100 million term loan and the Mafco \$65 million line of credit, each as amended, are referred to as the "2003 Mafco Loans") and which was originally to be available to Products Corporation through December 31, 2004 (which, as discussed in Note 11, was consolidated with

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the 2004 Mafco \$125 million term loan into the Consolidated Mafco line of credit in July 2004). Until such consolidation, the Mafco \$65 million line of credit bore interest payable in cash at a rate of the lesser of (i) 12.0% and (ii) 0.25% less than the rate payable from time to time on Eurodollar loans under Products Corporation's Credit Agreement (which rate was 8.50% as of June 30, 2004). However, in connection with the January 2004 Bank Amendment of Products Corporation's Credit Agreement, Products Corporation and MacAndrews Holdings agreed to extend the maturity of the Mafco \$65 million line of credit to June 30, 2005 and to subject the availability of funds under such line of credit to the condition that an aggregate principal amount of \$100 have been drawn under the 2004 Mafco \$125 million term loan. (See Notes 9 and 11 to the Unaudited Consolidated Condensed Financial Statements).

Sources and Uses

The Company's principal sources of funds are expected to be operating revenues, cash on hand, funds available for borrowing under the New Credit Agreement, the Consolidated Mafco line of credit and other permitted lines of credit. (See Notes 9 and 11 to the Unaudited Consolidated Condensed Financial Statements). The New Credit Agreement, the Consolidated Mafco line of credit, Products Corporation's 8 5/8% Senior Subordinated Notes due 2008 (the "8 5/8% Senior Subordinated Notes"), Products Corporation's 8 1/8% Senior Notes due 2006 (the "8 1/8% Senior Notes") and Products Corporation's 9% Senior Notes due 2006 (the "9% Senior Notes") contain certain provisions that by their terms limit Products Corporation's and its subsidiaries' ability to, among other things, incur additional debt.

The Company's principal uses of funds are expected to be the payment of operating expenses, including expenses in connection with the continued implementation of, and refinement to, the Company's plan, purchases of permanent wall displays, capital expenditure requirements, payments in connection with the Company's

restructuring programs referred to herein and debt service payments and costs. Cash contributions to the Company's pension plans were \$21 in 2003 and the Company expects them to be approximately \$34 in 2004.

The Company has undertaken a number of programs to efficiently manage its cash and working capital including, among other things, programs to carefully manage inventory levels, centralized purchasing to secure discounts and efficiencies in procurement, and providing additional discounts to U.S. customers for more timely payment of receivables and careful management of accounts payable.

The Company previously estimated that charges related to the implementation of its plan for 2002, 2003 and 2004 would not exceed \$160. The Company recorded charges of approximately \$104 in 2002 and approximately \$31 in 2003 related to the implementation of the stabilization and growth phase of its plan. The Company currently does not expect to record any additional charges during 2004 in connection with its plan. The Company expects that cash payments related to the foregoing charges that it has previously recorded with respect to its plan will be approximately \$100 during 2003 and 2004, of which the Company paid approximately \$80 in 2003 and approximately \$11 in the first half of 2004.

The Company developed a new design for its wall displays (which the Company is continuing to refine as part of the implementation of its plan) and began installing them at certain customers' retail stores during 2002. While most of the new wall displays were installed during 2002 and 2003, the Company is continuing to install the remainder of the new wall displays during 2004. The Company is also reconfiguring existing wall displays at its retail customers. Accordingly, the Company has accelerated the amortization of its old wall displays. The Company estimates that purchases of wall displays for 2004 will be approximately \$50 to \$60.

The Company estimates that capital expenditures for 2004 will be approximately \$20 to \$25. The Company estimates that cash payments related to the restructuring programs referred to in Note 6 to the Unaudited Consolidated Condensed Financial Statements and executive separation costs will be approximately \$10 to \$15 in 2004.

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The Company expects that operating revenues, cash on hand, funds available for borrowing under the New Credit Agreement, the Consolidated Mafco line of credit and other permitted lines of credit will be sufficient to enable the Company to cover its operating expenses, including cash requirements in connection with the Company's operations, the continued implementation of, and refinement to, the Company's plan, cash requirements in connection with the Company's restructuring programs referred to above and the Company's debt service requirements for 2004. (See Notes 9 and 11 to the Unaudited Consolidated Condensed Financial Statements). However, there can be no assurance that such funds will be sufficient to meet the Company's cash requirements on a consolidated basis. If the Company's anticipated level of revenue growth is not achieved because, for example, of decreased consumer spending in response to weak economic conditions or weakness in the cosmetics category, increased competition from the Company's competitors or the Company's marketing plans are not as successful as anticipated, or if the Company's expenses associated with the continued implementation of, and refinement to, the Company's plan exceed the anticipated level of expenses, the Company's current sources of funds may be insufficient to meet the Company's cash requirements. The U.S. mass-market color cosmetics category during 2003 and the first half of 2004 was softer than the Company expected. Despite this softness in the U.S. mass-market color cosmetics category, based upon the Company's belief that its continued implementation of its plan is proving effective, the Company intends to continue to support its plan. Additionally, in the event of a decrease in demand for Products Corporation's products or reduced sales or lack of increases in demand and sales as a result of the continued implementation of, and refinement to, the Company's plan, any such development, if significant, could reduce Products Corporation's operating revenues and could adversely affect Products Corporation's ability to achieve certain financial covenants under the New Credit Agreement and in such event the Company could be required to take measures, including reducing discretionary spending. If the Company is unable to satisfy its cash requirements from the sources identified above, the Company could be required to adopt one or more alternatives, such as delaying the implementation of or revising aspects of its plan, reducing or delaying purchases of wall displays or advertising or promotional expenses, reducing or delaying capital spending, delaying, reducing or revising restructuring programs, restructuring indebtedness, selling assets or operations, seeking additional capital contributions or loans from MacAndrews & Forbes, the Company's other affiliates and/or third parties, selling additional equity or debt securities of Revlon, Inc. 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 the Company's debt instruments, including, for example, market conditions being unfavorable for an equity or debt offering, or that the transactions may not be permitted under the terms of the Company's various debt instruments then in effect, because of restrictions on the incurrence of debt, incurrence of liens, asset dispositions and related party transactions. In addition, such actions, if taken, may not enable the Company to satisfy its cash requirements if the actions do not generate a sufficient amount of additional capital. The Company may have debt maturing in 2005 if and to the extent it draws under the Consolidated Mafco line of credit. The Company intends to refinance Products Corporation's 8 1/8% Senior Notes and 9% Senior Notes, with \$116.1 and \$75.5 aggregate principal amount outstanding, respectively, prior to their respective maturities in 2006, and to likewise refinance Products Corporation's 8 5/8% Senior Subordinated Notes, with an aggregate principal amount outstanding of \$327.0, prior to their maturity in 2008. As of July 30, 2004, Products Corporation had drawn \$800.0 under the Term Loan Facility of the New Credit Agreement and none of the Multi-Currency Facility and the Consolidated Mafco line of credit. (See Notes 9 and 11 to the Unaudited Consolidated Condensed Financial Statements).

Revlon, Inc., as a holding company, will be dependent on the earnings and cash flow of, and dividends and distributions from, Products Corporation to pay its expenses and to pay any cash dividend or distribution on Revlon, Inc.'s Class A Common Stock that may be authorized by the Board of Directors of Revlon, Inc. The terms of the New Credit Agreement, the Consolidated Mafco line of credit, the 8 5/8% Senior Subordinated Notes, the 8 1/8% Senior Notes and the 9% Senior Notes generally restrict Products

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Corporation from paying dividends or making distributions, except that Products Corporation is permitted to pay dividends and make distributions to Revlon, Inc. to enable Revlon, Inc., among other things, to pay expenses incidental to being a public holding company, including, among other things, professional fees such as legal and

accounting fees, regulatory fees such as Commission filing fees and other miscellaneous expenses related to being a public holding company and, subject to certain limitations, to pay dividends or make distributions in certain circumstances to finance the purchase by Revlon, Inc. of its Class A Common Stock in connection with the delivery of such Class A Common Stock to grantees under the Amended and Restated Revlon, Inc. Stock Plan.

As a result of the closing of the Revlon Exchange Transactions, as of the end of the day on March 25, 2004, Revlon Inc., Products Corporation and its U.S. subsidiaries were no longer included in the Mafco Group for federal income tax purposes. The Code and the Treasury regulations issued thereunder govern both the calculation of the amount and allocation to the members of the Mafco Group of any CNOLs that will be available to offset the Company's taxable income and the taxable income of its U.S. subsidiaries for the taxable years beginning after March 25, 2004. It is impossible to estimate accurately the amount of CNOLs that will be allocated to the Company as of December 31, 2004 because various factors could increase or decrease or eliminate these amounts. These factors include, but are not limited to, the amount and nature of the income, gains or losses that the other members of the Mafco Group recognize in the 2004 taxable year because any CNOLs are, pursuant to Treasury regulations, used to offset the taxable income of the Mafco Group for the entire consolidated return year ending December 31, 2004. Only the amount of any CNOLs that the Mafco Group does not absorb by December 31, 2004 will be available to be allocated to the Company and its U.S. subsidiaries for taxable years beginning on March 26, 2004. Subject to the foregoing, it is currently estimated that the Company and its U.S. subsidiaries would have approximately \$330 in U.S. federal net operating losses and nil for alternative minimum tax losses available to the Company and its U.S. subsidiaries as of March 25, 2004. Any losses that the Company and its U.S. subsidiaries may generate after March 25, 2004 will be available to the Company for its use and its U.S. subsidiaries' use and will not be available for the use of the Mafco Group. Following the closing of the Revlon Exchange Transactions, Revlon, Inc. became the parent of a new consolidated group for federal income tax purposes and Products Corporation's federal taxable income and loss will be included in such group's consolidated tax returns. Accordingly, Revlon, Inc. and Products Corporation entered into a new tax sharing agreement pursuant to which Products Corporation will be required to pay to Revlon, Inc. amounts equal to the taxes that Products Corporation would otherwise have had to pay if Products Corporation were to file separate federal, state or local income tax returns, limited to the amount, and payable only at such times, as Revlon, Inc. will be required to make payments to the applicable taxing authorities.

As a result of dealing with suppliers and vendors in a number of foreign countries, Products Corporation enters into foreign currency forward exchange contracts and option contracts from time to time to hedge certain cash flows denominated in foreign currencies. There were foreign currency forward exchange contracts with a notional amount of \$54.1 outstanding at June 30, 2004. The fair value of foreign currency forward exchange contracts outstanding at June 30, 2004 was \$0.2.

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Disclosures about Contractual Obligations and Commercial Commitments

As of June 30, 2004, there had been no material changes (with the exception of the elimination of approximately \$804 in debt in conjunction with the Revlon Exchange Transactions) outside the ordinary course of the Company's business to the Company's total contractual cash obligations which are set forth in the table included in the Company's Annual Report on Form 10-K for the year ended December 31, 2003. (See **Notes 9 and 11 to the Unaudited Consolidated Condensed Financial Statements**). The following table reflects the materially reduced long-term debt obligations after the Revlon Exchange Transactions as of June 30, 2004:

Contractual Obligations As of June 30, 2004	Payments Due by Period (dollars in millions)				
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Long-term Debt	\$ 1,170.4	Nil	\$ 843.4	\$ 327.0	Nil

The table below sets forth the Company's long-term debt as of June 30, 2004, as adjusted to give effect to: (i) the repayment of borrowings under the 2001 Credit Agreement of \$289.9; (ii) borrowings under the Term Loan Facility of the New Credit Agreement of \$800.0; and (iii) the repayment of \$363.0 aggregate principal amount of the 12% Senior Secured Notes (\$64.5 of which will be completed on August 23, 2004) (See **Notes 9 and 11 to the Unaudited Consolidated Condensed Financial Statements**):

Contractual Obligations As of June 30, 2004 (Adjusted On the Basis Set Forth Above)	Payments Due by Period (dollars in millions)				
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Long-term Debt	\$ 1,318.6	Nil	\$ 191.6	\$ 327.0	\$ 800.0

Off-Balance Sheet Transactions

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

Effect of Proposed Accounting Standard

In April 2003, the FASB announced it will require all companies to expense the fair value of employee equity-based awards. The FASB issued an exposure draft in the first quarter of 2004 that could become effective in 2005. Until a new statement is issued, the provisions of APB Opinion No. 25 and SFAS No. 123 will remain in effect. The Company will evaluate the impact of any new statement regarding employee equity-based awards when a new statement is issued.

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Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company has exposure to market risk both as a result of changing interest rates and movements in foreign currency exchange rates. The Company's policy is to manage market risk through a combination of fixed and floating rate debt, the use of derivative financial instruments and foreign exchange forward and option contracts. The Company does not hold or issue financial instruments for trading purposes. The qualitative and quantitative information presented in Item 7A of the Company's Annual Report on Form 10-K for the year ended December 31, 2003 ("Item 7A") describes significant aspects of the Company's financial instrument programs that have material market risk as of December 31, 2003. The following table presents the information required by Item 7A as of June 30, 2004 (See Notes 9 and 11 to the Unaudited Consolidated Condensed Financial Statements):

	Expected maturity date for the year ended December 31,						Total	Fair Value June 30, 2004
	2004	2005	2006	2007	2008	Thereafter		
	(dollars in millions)							
Debt								
Short-term variable rate (various currencies)	\$33.7						\$ 33.7	
Average interest rate (a)	4.6%							
Long-term fixed rate – third party (\$US)		\$357.9(a)	\$191.6		\$327.0		876.5	
Average interest rate		12.0%	8.5%		8.6%			
Long-term variable rate – third party (\$US)		288.7(b)					288.7	
Average interest rate (a)		8.4%						
Long-term variable rate – third party (various currencies)		1.2(b)					1.2	
Average interest rate (a)		8.5%						
Long-term fixed rate – affiliates (\$US)		4.0					4.0	
Average interest rate		12.0%						
Total debt	<u>\$33.7</u>	<u>\$651.8</u>	<u>\$191.6</u>	<u>\$ —</u>	<u>\$327.0</u>	<u>\$ —</u>	<u>\$1,204.1</u>	

	Average Contractual Rate \$/FC	Original US Dollar Notional Amount	Contract Value June 30, 2004	Fair Value June 30, 2004
Forward Contracts				
Sell Hong Kong Dollars/Buy USD	0.1283	\$ 0.2	\$ 0.2	\$ —
Buy Euros/Sell USD	1.2003	4.6	4.7	0.1
Sell British Pounds/Buy USD	1.7884	6.9	6.9	—
Sell Australian Dollars/Buy USD	0.7283	13.1	13.9	0.8
Sell Canadian Dollars/Buy USD	0.7506	14.6	14.7	0.1
Sell South African Rand/Buy USD	0.1423	6.9	6.2	(0.7)
Buy Australian Dollars/Sell New Zealand Dollars	1.1220	3.7	3.6	(0.1)
Buy British Pounds/Sell Euros	0.6758	4.1	4.1	—
Total forward contracts		<u>\$ 54.1</u>	<u>\$ 54.3</u>	<u>\$ 0.2</u>

(a) Weighted average variable rates are based upon implied forward rates from the yield curves at June 30, 2004.

(b) Represents Products Corporation's 2001 Credit Agreement which, until such agreement was refinanced as of July 9, 2004, was to have matured in May 2005. (See Note 11 to the Unaudited Consolidated Condensed Financial Statements).

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The following table presents the information required by Item 7A as of June 30, 2004, as adjusted to give effect to: (i) the repayment of borrowings under the 2001 Credit Agreement of \$289.9; (ii) borrowings under the Term Loan Facility of the New Credit Agreement of \$800.0; and (iii) the repayment of \$363.0 aggregate principal amount of the 12% Senior Secured Notes (\$64.5 of which will be completed on August 23, 2004) (See Notes 9 and 11 to the Unaudited Consolidated Condensed Financial Statements):

	As adjusted expected maturity date for the year ended December 31,						Total	As Adjusted Fair Value June 30, 2004
	2004	2005	2006	2007	2008	Thereafter		
	(dollars in millions)							
Debt								
Short-term variable rate (various currencies)	\$ 33.7						\$ 33.7	
Average interest rate (a)	4.6%							
Long-term fixed rate – third party (\$US)			\$ 191.6		\$ 327.0		518.6	
Average interest rate			8.5%		8.6%			
Long-term variable rate – third party (\$US)					\$ 800.0(b)		800.0	
Average interest rate (a)					10.7%			
Total debt	<u>\$ 33.7</u>	<u>\$ —</u>	<u>\$ 191.6</u>	<u>\$ —</u>	<u>\$ 327.0</u>	<u>\$ 800.0</u>	<u>\$ 1,352.3</u>	

	Average Contractual Rate \$/FC	Original US Dollar Notional Amount	Contract Value June 30, 2004	Fair Value June 30, 2004
Forward Contracts				
Sell Hong Kong Dollars/Buy USD	0.1283	\$ 0.2	\$ 0.2	\$ —
Buy Euros/Sell USD	1.2003	4.6	4.7	0.1
Sell British Pounds/Buy USD	1.7884	6.9	6.9	—
Sell Australian Dollars/Buy USD	0.7283	13.1	13.9	0.8
Sell Canadian Dollars/Buy USD	0.7506	14.6	14.7	0.1
Sell South African Rand/Buy USD	0.1423	6.9	6.2	(0.7)
Buy Australian Dollars/Sell New Zealand Dollars	1.1220	3.7	3.6	(0.1)
Buy British Pounds/Sell Euros	0.6758	4.1	4.1	—
Total forward contracts		<u>\$ 54.1</u>	<u>\$ 54.3</u>	<u>\$ 0.2</u>

(a) Weighted average variable rates are based upon implied forward rates from the yield curves at June 30, 2004.

(b) Represents borrowings under the Term Loan Facility under the New Credit Agreement that was entered into on July 9, 2004. (See Note 11 to the Unaudited Consolidated Condensed Financial Statements).

Item 4. Controls and Procedures

(a) Disclosure Controls and Procedures. The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the fiscal period covered by this Quarterly Report on Form 10-Q. Based upon such evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, the Company's disclosure controls and procedures are effective in recording, processing, summarizing and reporting information required to be disclosed by the Company in the reports it files or submits under the Exchange Act within the time periods specified in the Commission's rules and forms.

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REVLON, INC. AND SUBSIDIARIES
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(b) Internal Control Over Financial Reporting. There have not been any changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal period covered by this Quarterly Report on Form 10-Q that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Forward-Looking Statements

This Quarterly Report on Form 10-Q for the quarter ended June 30, 2004, as well as other public documents and statements of the Company, contain forward-looking statements that involve risks and uncertainties. The Company's actual results may differ materially from those discussed in such forward-looking statements. Such statements include, without limitation, the Company's expectations and estimates (whether qualitative or quantitative) as to:

- (i) the Company's plans to update its retail presence and improve the marketing effectiveness of its retail wall displays by installing newly-reconfigured wall displays and reconfiguring existing wall displays at its retail customers (and its estimates of the costs of such wall displays, the effects of such plans on the accelerated amortization of existing wall displays and the estimated amount of such amortization);
- (ii) the Company's plans to increase its advertising and media spending and improve the effectiveness of its advertising;
- (iii) the Company's plans to introduce new products and further strengthen its new product development and implementation process;
- (iv) the Company's plans to streamline its product assortment and reconfigure product placement on its wall displays and selectively adjust prices on certain of its products;
- (v) the Company's plans to implement comprehensive programs to develop and train its employees and to continue to strengthen its organizational capabilities;
- (vi) the Company's future financial performance, including the Company's belief that its plan is proving effective and that it has strengthened its organizational capability (and its expectation to do so in 2004) and that it has strengthened its relationships with its key retailers in the U.S.;
- (vii) the effect on sales of political and/or economic conditions, political uncertainties, military actions, terrorist activities, adverse currency fluctuations, competitive activities, category weakness and changes in consumer purchasing habits;
- (viii) the charges and the cash costs resulting from implementing and refining the Company's plan and the timing of such costs, as well as the Company's expectations as to improved revenues and achieving profitability over the long term as a result of such phase of its plan and the Company's plans to continue to fund brand support;
- (ix) the Company's plans regarding the continued growth momentum and accelerated growth phase of its plan, with the objective of improving its operating profit margins;
- (x) the Company's plans to continue to increase the effectiveness and reduce the cost of its display walls;
- (xi) the Company's plans to drive efficiencies across its overall supply chain, including reducing manufactory costs by streamlining components and sourcing strategically;
- (xii) the Company's plans to optimize the effectiveness of its marketing and promotions and merchandiser coverage;

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REVLON, INC. AND SUBSIDIARIES
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- (xiii) restructuring activities, restructuring costs, the timing of restructuring payments and annual savings and other benefits from such activities;
- (xiv) operating revenues, cash on hand and availability of borrowings under the Consolidated Mafco line of credit, Products Corporation's New Credit Agreement and other permitted lines of credit being sufficient to satisfy the Company's cash requirements in 2004;
- (xv) the availability of funds from Products Corporation's New Credit Agreement, the Consolidated Mafco line of credit and other permitted lines of credit, restructuring indebtedness, selling assets or operations, capital contributions and/or loans from MacAndrews & Forbes, the Company's other affiliates and/or third parties and/or the sale of additional equity or debt securities of Revlon, Inc.;

- (xvi) the Company's uses of funds, including amounts required for the payment of operating expenses, including expenses in connection with the continued implementation of, and refinement to, the Company's plan, payments in connection with the Company's purchases of permanent wall displays, capital expenditures, restructuring programs and debt service payments, and its estimates of operating expenses, working capital expenses, wall display costs, capital expenditures, restructuring costs, cash contributions to the Company's pension plans, debt service payments (including payments required under Products Corporation's debt instruments) and charges in connection with the Company's growth plan;
- (xvii) matters concerning the Company's market-risk sensitive instruments;
- (xviii) the effects of the Company's adoption of certain accounting principles;
- (xix) the Company's estimates of the amount of U.S. federal net operating losses and the alternative minimum tax losses available to the Company;
- (xx) the Company's plan to refinance certain of Products Corporation's debt, including its plans to refinance Products Corporation's 8 1/8% Senior Notes, 9% Senior Notes and 8 5/8% Senior Subordinated Notes prior to their respective maturities, and the amounts and timing of such transactions and the estimated impact of such transactions on the Company's financial performance, as well as the Company's plans to redeem the balance of the remaining \$64.5 of 12% Senior Secured Notes on August 23, 2004 and its plans to consummate the remaining Debt Reduction Transactions; and
- (xxi) the Company's plan to efficiently manage its cash and working capital, including, among other things, by carefully managing and reducing inventory levels, centralizing purchasing to secure discounts and efficiencies in procurement, and providing additional discounts to U.S. customers for more timely payment of receivables and carefully managing accounts payable.

Statements that are not historical facts, including statements about the Company's beliefs and expectations, are forward-looking statements. Forward-looking statements can be identified by, among other things, the use of forward-looking language, such as "believes," "expects," "estimates," "projects," "forecast," "may," "will," "should," "seeks," "plans," "scheduled to," "anticipates" or "intends" or the negative of those terms, or other variations of those terms or comparable language, or by discussions of strategy or intentions. Forward-looking statements speak only as of the date they are made, and except for the Company's ongoing obligations under the U.S. federal securities laws, the Company undertakes no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise. Investors are advised, however, to consult any additional disclosures the Company makes in its Quarterly Reports on Form 10-Q filed in 2004 and Current Reports on Form 8-K filed with the Commission in 2004 (which, among other places, can be found on the Commission's website at <http://www.sec.gov>, as well as on the Company's website at www.revloninc.com). The information

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available from time to time on such websites shall not be deemed incorporated by reference into this Quarterly Report on Form 10-Q. A number of important factors could cause actual results to differ materially from those contained in any forward-looking statement. In addition to factors that may be described in the Company's filings with the Commission, including this filing, the following factors, among others, could cause the Company's actual results to differ materially from those expressed in any forward-looking statements made by the Company:

- (i) difficulties or delays or unanticipated costs associated with improving the marketing effectiveness of the Company's wall displays;
- (ii) difficulties or delays in, or unanticipated costs associated with, developing and/or presenting the Company's increased advertising programs and/or improving the effectiveness of its advertising;
- (iii) difficulties or delays in, or unanticipated costs associated with, developing and introducing new products or failure of the Company's customers to accept new product offerings and/or in further strengthening the Company's new product development and implementation process;
- (iv) difficulties or delays in, or unanticipated costs associated with, implementing the Company's plans to streamline its product assortment and reconfigure product placement on its wall displays and selectively adjust prices on certain of its products;
- (v) difficulties or delays in, or unanticipated costs associated with, implementing comprehensive programs to train the Company's employees and strengthen the Company's organizational capabilities;
- (vi) unanticipated circumstances or results affecting the Company's financial performance, including decreased consumer spending in response to weak economic conditions or weakness in the category, changes in consumer preferences, such as reduced consumer demand for the Company's color cosmetics and other current products, and actions by the Company's competitors, including business combinations, technological breakthroughs, new products offerings, promotional spending and marketing and promotional successes, including increases in market share;
- (vii) the effects of and changes in political and/or economic conditions, including inflation, monetary conditions, military actions, terrorist activities, consumer purchasing habits and in trade, monetary, fiscal and tax policies in international markets;
- (viii) unanticipated costs or difficulties or delays in completing projects associated with the continued implementation of, and refinement to, the Company's plan or lower than expected revenues or inability to achieve profitability over the long term as a result of such plan;
- (ix) difficulties, delays or unanticipated costs in implementing the Company's plans regarding the accelerated growth phase of its plan, with the objective of improving its operating profit margins;
- (x) difficulties, delays or unanticipated costs in implementing the Company's plans to continue to increase the effectiveness and reduce the cost of its display walls;

- (xi) difficulties, delays or unanticipated costs in implementing the Company's plans to drive efficiencies across its overall supply chain, including reducing manufactory costs by streamlining components and sourcing strategically;
- (xii) difficulties, delays or unanticipated costs in implementing the Company's plans to optimize the effectiveness of its marketing and promotions or merchandiser coverage;

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- (xiii) difficulties, delays or unanticipated costs or less than expected savings and other benefits resulting from the Company's restructuring activities;
- (xiv) lower than expected operating revenues, the inability to secure capital contributions or loans from MacAndrews & Forbes, the Company's other affiliates and/or third parties;
- (xv) the unavailability of funds under Products Corporation's New Credit Agreement, the Consolidated Mafco line of credit or other permitted lines of credit;
- (xvi) higher than expected operating expenses, sales returns, working capital expenses, wall display costs, capital expenditures, restructuring costs, cash pension plan contributions, growth plan charges, or debt service payments;
- (xvii) interest rate or foreign exchange rate changes affecting the Company and its market sensitive financial instruments;
- (xviii) unanticipated effects of the Company's adoption of certain new accounting standards;
- (xix) lower than expected U.S. federal net operating losses or alternative minimum tax losses available to the Company;
- (xx) difficulties, delays or the inability of the Company to refinance certain of Products Corporation's debt, including its plans to refinance Products Corporation's 8 1/8% Senior Notes, 9% Senior Notes and 8 5/8% Senior Subordinated Notes prior to their respective maturities or to complete the redemption of the remaining \$64.5 of the 12% Senior Secured Notes and the inability to issue equity or debt securities, including Revlon, Inc. Class A Common Stock, for cash or in exchange for indebtedness of Products Corporation and difficulties, delays or the inability of the Company to consummate the remaining Debt Reduction Transactions; and
- (xxi) difficulties, delays or the inability of the Company to efficiently manage its cash and working capital.

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

Website Availability of Reports and Other Corporate Governance Information

In January 2004, the Company adopted a comprehensive corporate governance program, including Corporate Governance Guidelines for the Board, Board Guidelines for Assessing Director Independence and new charters for the Company's Audit and Compensation and Stock Plan Committees. The Company maintains a corporate investor relations website, www.revloninc.com, where stockholders and other interested persons may review, among other things, the Company's corporate governance materials and certain SEC filings (such as the Company's annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements, annual reports, Section 16 reports reflecting certain changes in the stock ownership of Revlon, Inc.'s directors and Section 16 executive officers, and certain other documents filed with the Commission), each of which are generally available on such site on the same business day as the filing date with the Commission. In addition, under the section of the website entitled, "Corporate Governance," the Company posts the latest versions of its Corporate Governance Guidelines, Board Guidelines for Assessing Director Independence, charters for the Company's Audit Committee, Nominating and Corporate Governance Committee and Compensation and Stock Plan Committee, as well as the Company's Code of Business Conduct, which includes the Company's Code of Ethics for Senior Financial Officers, each of which the Company will provide in print, without charge, upon written request to Robert K. Kretzman, Executive Vice President and Chief Legal Officer, Revlon, Inc., 237 Park Avenue, New York NY, 10017.

REVLON, INC. AND SUBSIDIARIES

PART II — OTHER INFORMATION

Item 2. Changes in Securities, Use of Proceeds and Issuer Purchases of Equity Securities –

In connection with the Tender Offer, on July 6, 2004 Products Corporation announced that it obtained sufficient consents from the holders of the 12% Senior Secured Notes for certain amendments which eliminated substantially all of the restrictive covenants and released the guarantees of Products Corporation's obligations, and the collateral securing the obligations of Products Corporation and the guarantors, in each case under the 12% Notes Indenture. A supplemental indenture incorporating such amendments became operative as part of the July 9, 2004 Initial Settlement of the Tender Offer. The practical effect of the supplemental indenture is temporary as approximately \$298.5 of the 12% Senior Secured Notes have been purchased pursuant to the Tender Offer and the remaining approximately \$64.5 of 12% Senior Secured Notes have been called for redemption on August 23, 2004. (See Note 11 to the Unaudited Consolidated Condensed Financial Statements).

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

2004 Annual Meeting:

The Company's 2004 Annual Meeting of Stockholders was held on June 4, 2004. Stockholders approved the election of Ronald O. Perelman, Alan S. Bernikow, Paul J. Bohan, Donald G. Drapkin, Meyer Feldberg, Howard Gittis, Edward J. Landau, Linda Gosden Robinson, Jack L. Stahl and Kenneth L. Wolfe as directors, consisting of all of the directors standing for election, all of whom were elected. In addition, stockholders approved the Amended and Restated Revlon, Inc. Stock Plan.

The following is a tabulation of the votes cast in connection with the election of directors:

	<u>Votes For</u>	<u>Votes Against</u>
Ronald O. Perelman	642,408,389	807,151
Alan S. Bernikow	642,443,105	772,435
Paul J. Bohan	642,387,588	827,952
Donald G. Drapkin	641,616,659	1,598,881
Meyer Feldberg	642,402,413	813,127
Howard Gittis	634,242,181	8,973,359
Edward J. Landau	641,504,856	1,710,684
Linda Gosden Robinson	642,428,263	787,277
Jack L. Stahl	642,403,155	812,385
Kenneth L. Wolfe	641,616,618	1,598,922

The following is a tabulation of the votes cast in connection with the Amended and Restated Revlon, Inc. Stock Plan:

<u>Votes For</u>	<u>Votes Against</u>	<u>Votes Abstained</u>	<u>Unvoted</u>
592,656,633	2,349,655	2,155,211	53,516,445

Tender Offer:

On June 22, 2004, Products Corporation issued an Offer to Purchase and Consent Solicitation Statement to the holders of its outstanding 12% Senior Secured Notes. The consideration offered included a consent payment of \$20.00 per \$1,000 principal amount of 12% Senior Secured Notes payable to holders who validly tendered and did not withdraw their 12% Senior Secured Notes before 5:00 p.m. EDT on July 8, 2004. The purpose of the consent solicitation was to authorize a supplemental indenture which eliminated substantially all of the restrictive covenants and released the guarantees of Products Corporation's obligations, and the collateral securing the obligations of Products Corporation and the guarantors, in each case under the 12% Notes Indenture. **(See Note 11 to the Unaudited Consolidated Condensed Financial Statements).**

REVLON, INC. AND SUBSIDIARIES

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits

- 10.34 2004 Senior Unsecured Line of Credit Agreement, dated as of July 9, 2004, between Products Corporation and MacAndrews Holdings.
- 31.1 Section 302 CEO certification. Filed herewith.
- 31.2 Section 302 CFO certification. Filed herewith.
- 32.1 Section 906 CEO certification. Furnished herewith.
- 32.2 Section 906 CFO certification. Furnished herewith.

(b) Reports on Form 8-K

On April 19, 2004, the Company filed with the Commission a current report on Form 8-K disclosing under Item 9, "Regulation FD Disclosure" the Company's press release announcing the commencement by Products Corporation of cash tender offers to purchase any and all of Products Corporation's outstanding 12% Senior Secured Notes, 8 1/8% Senior Notes and 9% Senior Notes, which tender offers were withdrawn by Products Corporation on May 13, 2004, which tender offers were withdrawn by Products Corporation on May 13, 2004.

On April 29, 2004, the Company filed with the Commission a current report on Form 8-K disclosing under Item 5, "Other Events and Regulation FD Disclosure" a press release announcing Products Corporation's intent to conduct a private placement of \$400 in aggregate principal amount of senior unsecured notes due 2011. The press release also announced that Products Corporation expected to enter into a new amended and restated credit agreement, to replace its 2001 Credit Agreement. Such proposed transactions were withdrawn by Products Corporation on May 13, 2004.

On April 29, 2004, the Company filed with the Commission a current report on Form 8-K disclosing under Item 12, "Results of Operation and Financial Condition" the Company's press release announcing its earnings for the fiscal quarter ended March 31, 2004.

On April 30, 2004, the Company filed with the Commission a current report on Form 8-K disclosing under Item 5, "Other Events and Regulation FD Disclosure" a press release announcing that approximately 97% of the total issued and outstanding principal amount of Products Corporation's 12% Senior Secured Notes had been tendered in connection with Products Corporation's tender offer and consent solicitation commenced on April 16, 2004 and announcing the termination of withdrawal rights and the extension of the period to receive the consent payment through May 14, 2004 at 5:00 p.m. EDT. Such proposed tender offer was withdrawn by Products Corporation on May 13, 2004.

On May 3, 2004, the Company filed with the Commission a current report on Form 8-K disclosing under Item 9, "Regulation FD Disclosure" certain financial and other information that Products Corporation provided to certain institutions.

On May 3, 2004, the Company filed with the Commission a current report on Form 8-K disclosing under Item 9, "Regulation FD Disclosure" certain financial and other information provided by Products Corporation in connection with presentations being made to certain institutions by Products Corporation.

On June 21, 2004, the Company filed with the Commission a current report on Form 8-K disclosing under Item 9, "Regulation FD Disclosure" the Company's press release announcing that Products Corporation had signed a commitment letter with Citicorp USA, Inc. and Citigroup Global Markets Inc. pursuant to which

Products Corporation expected to enter into a new credit facility; that in connection with entering into the commitment letter Products Corporation intended to commence a cash tender offer and consent solicitation for Products Corporation's 12% Senior Secured Notes due 2005; and that the Company had announced that it had revised its outlook for growth for 2004.

REVLON, INC. AND SUBSIDIARIES

On June 22, 2004, the Company filed with the Commission a current report on Form 8-K/A under Item 9, "Regulation FD Disclosure" amending the Current Report on Form 8-K of the Company filed on June 21, 2004, to include the Unaudited Adjusted EBITDA Reconciliation of the Company and its subsidiaries, which was included in the press release issued by the Company on June 21, 2004 (and which was inadvertently omitted from the Form 8-K filed on June 21, 2004).

On June 23, 2004, the Company filed with the Commission a current report on Form 8-K disclosing under Item 9, "Regulation FD Disclosure" the Company's press release announcing the commencement by Products Corporation of a cash tender offer to purchase any and all of Products Corporation's outstanding 12% Senior Secured Notes.

On July 13, 2004, the Company filed with the Commission a current report on Form 8-K disclosing under Item 5, "Other Events and Regulation FD Disclosure" a joint press release with Products Corporation announcing Products Corporation's new \$960 million credit facility from Citicorp USA, Inc. and Citigroup Global Markets Inc. and a syndicate of lenders and the successful tender of approximately 82% of the total outstanding principal amount of Products Corporation's 12% Senior Secured Notes validly tendered through 5:00 p.m. on July 8, 2004.

On July 23, 2004, the Company filed with the Commission a current report on Form 8-K disclosing under Item 9, "Regulation FD Disclosure" a joint press release with Products Corporation announcing the consummation of Products Corporation's cash tender offer to purchase its 12% Senior Secured Notes and Products Corporation's redemption of all of the \$64.5 remaining outstanding 12% Senior Secured Notes on August 23, 2004.

On August 3, 2004, the Company filed with the Commission a current report on Form 8-K disclosing under Item 12, "Results of Operation and Financial Condition" the Company's press release announcing its earnings for the fiscal quarter ended June 30, 2004.

On August 9, 2004, the Company filed with the Commission a current report on Form 8-K disclosing under Item 9, "Regulation FD Disclosure" certain financial information that Revlon, Inc. posted to its investor relations website, www.revloninc.com.

SIGNATURES

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

Dated: August 16, 2004

REVLON, INC.

Registrant

By: /s/ Thomas E. McGuire
Thomas E. McGuire
Executive Vice President
and Chief Financial Officer

By: /s/ John F. Matsen, Jr.
John F. Matsen, Jr.
Senior Vice President and
Corporate Controller

REVLON CONSUMER PRODUCTS CORPORATION,
AS BORROWER

2004 SENIOR UNSECURED LINE OF CREDIT AGREEMENT

Dated as of July 9 , 2004

MACANDREWS & FORBES HOLDINGS INC.,

AS LENDER

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2004 SENIOR UNSECURED LINE OF CREDIT AGREEMENT

2004 SENIOR UNSECURED LINE OF CREDIT AGREEMENT, dated as of July 9, 2004, between REVLON CONSUMER PRODUCTS CORPORATION, a Delaware corporation (the "Borrower"), and MACANDREWS & FORBES HOLDINGS INC., a Delaware corporation (the "Lender").

W I T N E S S E T H :
- - - - -

WHEREAS, (i) the Borrower and the Lender entered into a Senior Unsecured Supplemental Line of Credit Agreement, dated as of February 5, 2003 (as amended, supplemented or otherwise modified through the date hereof, the "2003 Supplemental Line Agreement"), pursuant to which the Lender made revolving loans available to the Borrower from time to time and (ii) the Borrower and the Lender entered into a 2004 Senior Unsecured Multiple-Draw Term Loan Agreement, dated as of January 29, 2004 (as amended, supplemented or otherwise modified through the date hereof, the "2004 Term Loan Agreement"), pursuant to which the Lender made loans available to the Borrower from time to time;

WHEREAS, the Borrower has requested the Lender amend, restate and consolidate the credit facilities provided under the 2003 Supplemental Line Agreement and the 2004 Term Loan Agreement into one facility pursuant to which the Lender will extend credit to the Borrower on a senior unsecured basis in order to enable the Borrower, subject to the terms and conditions of this Agreement, to borrow, on a revolving basis, at any time and from time to time prior to the Termination Date in an aggregate principal amount at any time outstanding not to exceed \$152,000,000 through June 30, 2005, and not to exceed \$87,000,000 from July 1, 2005 through the Termination Date.

WHEREAS, the Lender is willing to make such loans to the Borrower only on the terms and subject to the conditions set forth herein;

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained herein, the parties hereto hereby agree that the 2003 Supplemental Line Agreement and the 2004 Term Loan Agreement shall be amended, restated and consolidated on the Effective Date as follows:

SECTION 1. DEFINITIONS

1.1 Defined Terms. As used in this Agreement, the following terms shall have the following respective meanings (such definitions to be equally applicable to the singular and plural forms thereof):

"Adjusted Multi-Currency Commitment" means the Aggregate Multi-Currency Commitment (excluding any undrawn portions of the Currency Sublimits in an aggregate amount not to exceed the amount reasonably determined by the Borrower

to be advisable to be maintained in order to provide the flexibility the Local Borrowers require from time to time to borrow in non-Dollar currencies).

"Affiliate" of any Person means any Person that directly or indirectly controls, or is under common control with, or is controlled by, such Person. As used in this definition, "control" (including with its correlative meanings, "controlled by" and "under common control with") shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person (whether through ownership of securities or partnership or other ownership interests, by contract or otherwise).

"Aggregate Multi-Currency Commitment" has the meaning set forth in the Bank Credit Agreement.

"Agreement" shall mean this 2004 Senior Unsecured Line of Credit Agreement, as the same may be amended, supplemented or otherwise modified from time to time.

"Available Commitment" means, at any time, an amount equal to the excess, if any, of (a) the Commitment over (b) the aggregate principal amount of all Loans then outstanding.

"Bank Credit Agreement" means the Credit Agreement, dated as of July 9, 2004, by and among the Borrower, certain Local Borrowing Subsidiaries from time to time parties thereto, certain financial institutions from time to time parties thereto, and Citicorp USA, Inc., as Multi-Currency Administrative Agent, Term Loan Administrative Agent and Collateral Agent, as amended, supplemented and otherwise modified from time to time.

"Bank Credit Agreement Default" means a "Default" as defined in the Bank Credit Agreement.

"Bank Credit Agreement Event of Default" means an "Event of Default" as defined in the Bank Credit Agreement.

"Bank Letter of Credit" means a letter of credit issued under the Bank Credit Agreement.

"Bank Revolving Loan" means a Revolving Credit Loan, a Swing Line Loan, a Local Loan or an Acceptance made under (and as such terms are defined in) the Bank Credit Agreement.

"Bankruptcy Law" means Title 11 of the United States Code or any similar Federal or state law for the relief of debtors.

"Borrower" is defined in the introductory paragraph of this Agreement.

"Borrower's Bank Account" is defined in Section 2.2(a) hereof.

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"Borrowing Amount", "Borrowing Date" and "Borrowing Notice" are each defined in Section 2.2(a) hereof.

"Business Day" means a day other than a Saturday, Sunday or other day on which commercial banks in New York, New York are authorized or required by law to close.

"Capitalized Interest Amount" has the meaning set forth in Section 3.3(c).

"Change of Control" has the meaning set forth in the 9% Note Indenture.

"Commitment" means the obligation of the Lender to make Loans to the Borrower hereunder in an aggregate principal amount at any one time outstanding of up to \$152,000,000 for the period from the Effective Date through and including June 30, 2005, decreasing to \$87,000,000 for the period from and including July 1, 2005 through and including December 1, 2005, as such obligation is reduced from time to time in accordance with Section 2.3 hereof.

"Commitment Period" means the period from and including the Effective Date to but not including the Termination Date.

"Contractual Obligation" means, with respect to any Person, any provision of any material debt security or of any material preferred stock or other equity interest issued by such Person or of any material indenture, mortgage, agreement, guarantee, instrument or undertaking to which such Person is a party or by which it or any of its material property is bound.

"Currency Sublimit" has the meaning set forth in the Bank Credit Agreement.

"Custodian" means any receiver, trustee, assignee, liquidator, custodian or similar official under any Bankruptcy Law.

"Debt" has the meaning set forth in the 9% Note Indenture.

"Default" means any of the events specified in Section 7.1 hereof, whether or not any requirement for the giving of notice, the lapse of time, or both, or any other condition specifically set forth therein, has been satisfied.

"Dollars" and "\$" mean dollars in lawful currency of the United States of America.

"Effective Date" is defined in Section 5.1 hereof.

"Eurodollar Loans" has the meaning set forth in the Bank Credit Agreement.

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"Event of Default" means any of the events specified in Section 7.1 hereof, provided, that any requirement for the giving of notice, the lapse of time, or both, or any other condition specifically set forth therein, has been satisfied.

"Fidelity Support Letter" means the letter agreement dated as of February 11, 2004, between Fidelity Management & Research Co. and Revlon, Inc., as amended, supplement or otherwise modified from time to time.

"Governmental Authority" means any nation or government, any state or other political subdivision thereof and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or

pertaining to government (including, without limitation, any governmental department, commission, board, bureau, agency or instrumentality, or other court or arbitrator, in each case whether of the United States of America or foreign).

"Interest Capitalization Date" means, as to any Loan, March 31, June 30, September 30 and December 31 of each year.

"Lender" is defined in the introductory paragraph of this Agreement.

"Liquidity Event Period" has the meaning set forth in the Bank Credit Agreement.

"Loans" is defined in Section 2.1(a) hereof.

"Local Borrower" has the meaning set forth in the Bank Credit Agreement.

"Maximum Rate" is defined in Section 3.4(a) hereof.

"9% Note Indenture" means the Indenture, dated as of November 6, 1998, between the Borrower and U.S. Bank Trust National Association, as trustee, relating to the 9% Notes as amended through, and in effect on, the date hereof.

"9% Notes" means the 9% Senior Notes due 2006 of the Borrower and the 9% Senior Exchange Notes due 2006 of the Borrower.

"Obligations" means the unpaid principal of and interest on (including interest accruing after the maturity of the Loans and interest accruing after the filing of any petition under any Bankruptcy Law, or the commencement of any insolvency, reorganization or like proceeding under any Bankruptcy Law, relating to the Borrower, whether or not a claim for post-filing or post-petition interest is allowed in such proceeding) the Loans and all other obligations and liabilities of the Borrower to the Lender, whether direct or indirect, absolute or contingent, due or to become due, or now existing or hereafter incurred, which may arise under, out of, or in connection with, this Agreement, or any other document made, delivered or given in connection herewith, whether on account of principal, interest, fees, indemnities, costs, expenses (including all

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fees, charges and disbursements of counsel to the Lender that are required to be paid by the Borrower pursuant hereto) or otherwise.

"Offer Amount" is defined in Section 6.1(c)(ii)(A) hereof.

"Original Principal" means, with respect to any Loan, the original principal of the Loan without giving effect to any increase in the principal amount of such Loan attributable to the capitalization of interest with respect thereto in accordance with Section 3.3(c) hereof.

"Person" means an individual, a partnership, a corporation, a business trust, a joint stock company, a limited liability company, a trust, an unincorporated association, a joint venture, a Governmental Authority or any other entity of any nature whatsoever.

"Purchase Date" is defined in Section 6.1(c)(ii)(A) hereof.

"Requirement of Law" means, for any Person, the certificate of incorporation and by-laws or other organizational or governing documents of such Person, and any law, treaty, rule or regulation, or determination of an arbitrator or a court or other Governmental Authority, in each case applicable to or binding upon such Person or any of its material property or to which such Person or any of its material property is subject.

"Revlon" means Revlon, Inc., a Delaware corporation.

"Subsidiary" of any Person means a corporation or other entity of which shares of capital stock or other ownership interests having ordinary voting power (other than stock or other ownership interests having such power only by reason of the happening of a contingency) to elect a majority of the directors of such corporation, or other Persons performing similar functions for such entity, are owned, directly or indirectly, by such Person; provided, that (a) unless otherwise qualified, all references to a "Subsidiary" or to "Subsidiaries" in this Agreement shall refer to a Subsidiary or Subsidiaries of the Borrower and (b) unless otherwise qualified, all references to a "wholly-owned Subsidiary" in this Agreement shall refer to a Subsidiary or Subsidiaries of the Borrower of which the Borrower directly or indirectly owns all of the capital stock or other ownership interests (other than directors' qualifying shares).

"Termination Date" means December 1, 2005 or, if earlier, the date upon which the Commitment shall terminate in accordance with the terms hereof.

1.2 Other Definition Provisions.

(a) All terms defined in this Agreement shall have such defined meanings when used in any certificate or other document made or delivered pursuant hereto or thereto unless otherwise defined therein.

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(b) The words "hereof", "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement; and

Section, subsection, Schedule and Exhibit references contained in this Agreement are references to Sections, subsections, Schedules and Exhibits in or to this Agreement, unless otherwise specified.

SECTION 2. AMOUNT AND TERMS OF COMMITMENT

2.1 The Commitment.

(a) Subject to the terms and conditions hereof, the Lender agrees to make revolving loans ("Loans") in Dollars to the Borrower from time to time during the Commitment Period with an aggregate amount of principal outstanding at any one time not to exceed the amount of the Commitment then in effect; provided, that no Loan shall be made unless, as of the applicable Borrowing Date, in each case after giving effect to any Bank Revolving Loans to be made, and any Bank Letters of Credit to be issued, under the Bank Credit Agreement substantially concurrently with such Loan, either (i) the Adjusted Multi-Currency Commitment has been substantially drawn; (ii) the Borrower determines in its reasonable judgment that the borrowing of such Loan and the application of the proceeds thereof is reasonably necessary to prevent a Liquidity Event Period from commencing; (iii) the Borrower is unable under the terms of the Bank Credit Agreement to borrow an additional Bank Revolving Loan for any reason; or (iv) the Borrower determines in its reasonable judgment that the borrowing of such Loan and the application of the proceeds thereof is reasonably necessary to prevent the occurrence of, or to cure, any Bank Credit Agreement Default or Bank Credit Agreement Event of Default.

(b) During the Commitment Period, the Borrower may use the Commitment by borrowing, prepaying the Loans in whole or in part, and reborrowing, all in accordance with the terms and conditions hereof.

2.2 Procedure for Borrowing.

(a) The Borrower may borrow under the Commitment during the Commitment Period on any Business Day; provided, that the Borrower shall deliver to the Lender a written notice (a "Borrowing Notice") which must (i) specify the date on which such borrowing is to be made (the "Borrowing Date"), the amount to be borrowed from the Lender on such Borrowing Date (the "Borrowing Amount"), and the bank account and other pertinent wire transfer instructions of the Borrower to which such borrowing is to be deposited by the Lender (the "Borrower's Bank Account"), (ii) certify that all applicable conditions to such borrowing hereunder have been satisfied and (iii) be received by the Lender prior to 1:00 p.m., New York City time, three (3) Business Days prior to such Borrowing Date.

(b) On each Borrowing Date set forth in a Borrowing Notice, the Lender will make a Loan to the Borrower in an amount equal to the lesser of (i) the Borrowing Amount set forth in such Borrowing Notice, and (ii) the undrawn portion of

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the Commitment as then in effect by making the proceeds thereof available to the Borrower in immediately available funds in Dollars not later than 4:00 p.m., New York City time, on such Borrowing Date to the Borrower's Bank Account.

2.3 Voluntary Termination or Reduction of the Commitment. The Borrower shall have the right, in its sole discretion, to terminate the Commitment or, from time to time, to permanently reduce the Commitment during the Commitment Period by delivering to the Lender a written notice specifying such termination or the amount of such reduction. Any termination of or permanent reduction in the Commitment pursuant to this Section 2.3 shall take effect on the date specified in such written notice.

2.4 Repayment of Loans; Evidence of Debt.

(a) Subject to Section 3.3, the Borrower hereby unconditionally promises to pay to the Lender the then unpaid principal amount of each Loan (which includes any unpaid Original Principal and Capitalized Interest Amount with respect thereto) on the Termination Date. The Borrower hereby further agrees to pay to the Lender interest on the unpaid principal amount of each Loan (which includes any unpaid Original Principal and Capitalized Interest Amount with respect thereto) from time to time outstanding from the date hereof until payment in full thereof at the rates per annum and in the manner set forth in Section 3.4 hereof.

(b) The Lender shall maintain an account evidencing the indebtedness of the Borrower to the Lender resulting from the Loans, including the outstanding Original Principal of each Loan, any Capitalized Interest Amount with respect thereto, accrued and unpaid interest outstanding in respect thereof and the amount of any sum received by the Lender hereunder from the Borrower in respect of the Loans and the manner in which it was applied. The entries made in such account of the Lender shall, to the extent permitted by applicable law, be prima facie evidence of the existence and amounts of the obligations of the Borrower therein recorded; provided, however, that the failure of the Lender to maintain any such account, or any error therein, shall not in any manner affect the obligation of the Borrower to repay (with applicable interest) the Loans in accordance with the terms of this Agreement.

2.5 Use of Proceeds. The Borrower shall use the proceeds of the Loans hereunder to provide working capital for the Borrower and its Subsidiaries and for other general corporate purposes. Such use may include repaying Bank Revolving Loans.

SECTION 3. PROVISIONS RELATING TO THE LOANS

3.1 Optional Prepayments. Subject to Section 3.3, the Borrower may prepay the Loans, in whole or in part, at any time without premium or penalty. Each such optional prepayment shall be applied, first, to the Original Principal outstanding under the Loans, second, to any Capitalized Interest Amount outstanding, and, third, to any accrued and unpaid interest on the Loans.

3.2 Mandatory Prepayments. Subject to Section 3.3:

(a) if, at any time, the aggregate outstanding principal amount of the Loans exceeds the Commitment then in effect, the Borrower shall immediately repay the principal amount of the Loans in an amount equal to such excess.

(b) upon the effective date of any reduction in the Commitment pursuant to Section 2.3 hereof, the Borrower shall prepay on such date the principal amount of the Loans then outstanding in excess of the Commitment after giving effect to such reduction.

(c) the Borrower shall make mandatory prepayments of the Loans upon a Change of Control in accordance with Section 6.2 hereof.

(d) on the Termination Date, the Commitment shall terminate and the Borrower shall cause all outstanding Loans, together with any interest accrued but unpaid thereon, to be paid in full.

3.3 Interest Rate and Payment Dates.

(a) Each Loan shall bear interest on the unpaid principal amount thereof (which principal amount includes the Original Principal and any Capitalized Interest Amount with respect thereto) at a rate per annum from time to time equal to the lesser of (i) 12.0% and (ii) the rate that is twenty-five one-hundredths of one percent (0.25%) less than the rate payable from time to time under the Bank Credit Agreement on Eurodollar Loans (as defined in the Bank Credit Agreement) that are Term Loans (as defined in the Bank Credit Agreement) including any default rate applicable thereto pursuant to Section 7.5(e) of the Bank Credit Agreement, provided, however, that at any time the Eurodollar Base Rate (as defined in the Bank Credit Agreement) equals or exceeds 3%, the rate described in this clause (ii) shall not exceed 5.25% over the Eurodollar Base Rate then in effect (plus an additional 2.0%, if the default rate is then applicable to Term Loans pursuant to Section 7.5(e) of the Bank Credit Agreement) (the rate described in this clause (ii), the "Maximum Rate").

(b) If all or a portion of any Loan, any interest payable thereon or any other amount payable hereunder shall not be paid when due (whether at the stated maturity, by acceleration, as a result of an event requiring a mandatory prepayment or otherwise), then, for so long as such amount remains unpaid, such overdue amount shall bear interest at a rate per annum equal to the lesser of (i) 14.0% and (ii) the Maximum Rate.

(c) Interest accrued from time to time in respect of each Loan shall be payable in arrears on each Interest Capitalization Date by adding the amount of accrued interest (a "Capitalized Interest Amount") on such date to the principal amount of such Loan (and any Capitalized Interest Amount shall bear interest from and after such Interest Capitalization Date as provided hereunder as if it had been part of the Original Principal of such Loan); provided, that any accrued and unpaid interest outstanding on

the Effective Date under the 2004 Term Loan Agreement shall be treated as a Capitalized Interest Amount for all purposes of this Agreement. Any accrued and unpaid interest on the Loans shall be payable in full in cash on the Termination Date.

(d) Interest shall be calculated on the basis of a 365 (or 366, as the case may be) day year for the actual days elapsed.

3.4 Method of Payments.

(a) All payments (including prepayments) to be made by the Borrower on account of principal, interest, costs and expenses shall be made without set-off, counterclaim, deduction or withholding and shall be made to the Lender at such location or to such account as the Lender may specify to the Borrower, on or prior to 1:00 p.m., New York City time, on the due date thereof, in Dollars and in immediately available funds.

(b) If any payment hereunder becomes due and payable on a day other than a Business Day, such payment shall be extended to the next succeeding Business Day and interest thereon shall be payable at the then applicable rate during such extension.

SECTION 4. REPRESENTATIONS AND WARRANTIES

In order to induce the Lender to enter into this Agreement and to make the Loans hereunder, the Borrower hereby represents and warrants to the Lender that:

4.1 Corporate Existence. The Borrower is duly incorporated, validly existing and in good standing under the laws of the State of Delaware.

4.2 Corporate Power.

(a) The Borrower has the corporate power, authority and legal right to execute, deliver and perform this Agreement and to borrow hereunder, and it has taken as of the Effective Date all necessary corporate action to authorize its borrowings on the terms and conditions of this Agreement and to authorize the execution, delivery and performance of this Agreement.

(b) No consent of any other Person (including, without limitation, stockholders or creditors of the Borrower or of any parent entity of the Borrower), and no consent, license, permit, approval or authorization of, exemption by, or registration, filing or declaration with, any Governmental Authority is required in connection with the execution, delivery, performance, validity or enforceability of this Agreement by or against the Borrower, except for any consents, licenses, permits, approvals or authorizations, exemptions, registrations, filings or declarations that have already been obtained and remain in full force and effect.

(c) This Agreement has been executed and delivered by a duly authorized officer of the Borrower and constitutes the legal, valid and binding obligation

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of the Borrower, enforceable against it in accordance with its terms except as enforceability may be limited by Bankruptcy Laws or other similar laws affecting creditors' rights generally and except as enforceability may be limited by general principles of equity.

4.3 No Legal Bar to Loans. The execution, delivery and performance of this Agreement, and the consummation of the transactions contemplated hereby, will not violate any Contractual Obligation or material Requirement of Law to which the Borrower or any of its Subsidiaries is a party, or by which the Borrower or any of its Subsidiaries or any of their respective material properties or assets may be bound, and will not result in the creation or imposition of any lien on any of their respective material properties or assets pursuant to the provisions of any such Contractual Obligation.

SECTION 5. CONDITIONS PRECEDENT

5.1 Conditions to Initial Loan. The obligation of the Lender to make the initial Loan requested to be made by it shall be subject to the satisfaction or waiver by the Lender of the following conditions precedent (the date on which said conditions are satisfied or waived being herein called the "Effective Date"):

(a) Agreement. The Lender shall have received this Agreement, executed and delivered by a duly authorized officer of the Borrower.

(b) Certificates. The Lender shall have received (i) a certificate of the Secretary or Assistant Secretary of the Borrower, dated the Effective Date, certifying the resolutions of the Borrower's board of directors approving and authorizing the execution, delivery and performance of this Agreement and the borrowings hereunder and (ii) a certificate of the Secretary or Assistant Secretary of Revlon dated the Effective Date, certifying the resolutions of Revlon's board of directors approving and authorizing the Borrower to execute, deliver and perform this Agreement and to borrow hereunder.

(c) Additional Matters. All corporate and other proceedings, and all documents, instruments and other legal matters in connection with the transactions contemplated by this Agreement shall be reasonably satisfactory in form and substance to the Lender, and the conditions set forth in Section 5.2 hereof shall have been satisfied or waived by the Lender.

5.2 Conditions to Each Loan. The obligation of the Lender to make any Loan requested to be made on any Borrowing Date (including, without limitation, the initial Loan) shall be subject to the satisfaction or waiver by the Lender of the following conditions precedent:

(a) General Conditions. As of the Borrowing Date, after giving effect to any Bank Revolving Loans to be made, and any Bank Letters of Credit to be issued, under the Bank Credit Agreement substantially concurrently with such Loan (i) the Adjusted Multi-Currency Commitment shall have been substantially drawn;

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(ii) the Borrower determines in its reasonable judgment that the borrowing of such Loan and the application of the proceeds thereof is reasonably necessary to prevent a Liquidity Event Period from commencing; (iii) the Borrower is unable under the terms of the Bank Credit Agreement to borrow an additional Bank Revolving Loan for any reason; or (iv) the Borrower determines in its reasonable judgment that the borrowing of such Loan and the application of the proceeds thereof is reasonably necessary to prevent the occurrence of, or to cure, any Bank Credit Agreement Default or Bank Credit Agreement Event of Default.

(b) Credit Availability. The amount of the Loan requested to be made on such Borrowing Date shall not exceed the amount that the Lender is obligated to make in accordance with Section 2.1(a) hereof.

(c) Fidelity Support Letter. The borrowing of such Loan shall not violate the borrowing limitation set forth in the Fidelity Support Letter, if any.

(d) Representations and Warranties. Each of the representations and warranties made by the Borrower in or pursuant to this Agreement shall be true and correct in all material respects on and as of such Borrowing Date as if made on and as of such date, both before and after giving effect to such Loan and the use of the proceeds thereof.

(e) No Event of Default. No Event of Default shall have occurred and be continuing on such Borrowing Date, both before and after giving effect to the Loan requested to be made on such date.

Each borrowing by the Borrower hereunder shall constitute a representation and warranty by the Borrower as of the Borrowing Date thereof that the conditions

contained in this Section 5.2 have been satisfied.

SECTION 6. AFFIRMATIVE AND NEGATIVE COVENANTS

The Borrower hereby agrees that, so long as the Commitment remains in effect or any amount is owing to the Lender hereunder:

6.1 Certain Covenants of the 9% Note Indenture.

(a) The Borrower will observe and perform all of the covenants applicable to it and its Subsidiaries under the following Sections of the 9% Note Indenture, which covenants (together with the definitions of such terms as may be used therein and as such covenants and such definitions are in effect as of the date hereof) are hereby incorporated herein by reference, mutatis mutandis:

- (i) Section 4.03 (Limitation on Debt);
- (ii) Section 4.04 (Limitation on Liens);
- (iii) Section 4.05 (Limitation on Restricted Payments);

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(iv) Section 4.06 (Limitation on Restrictions on Distributions from Subsidiaries);

(v) Section 4.07 (Limitation on Sales of Assets and Subsidiary Stock) (excluding paragraph (c) thereof and subject to subsection (c) of this Section 6.1); and

(vi) Section 4.08 (Limitations on Transactions with Affiliates).

(b) Any amendments, supplements or other modifications to Section 4.03, 4.04, 4.05, 4.06, 4.07 or 4.08 of the 9% Note Indenture after the date hereof shall not be incorporated herein by reference without the prior written consent of the Lender. In the event that the 9% Note Indenture shall expire, terminate or be canceled, the provisions of Sections 4.03, 4.04, 4.05, 4.06, 4.07 (excluding paragraph (c) thereof and subject to subsection (c) of this Section 6.1) and 4.08 thereof shall be deemed to be thereafter incorporated herein by reference, mutatis mutandis, as such provisions were in effect immediately prior to such expiration, termination or cancellation (without giving effect to any amendments, supplements or modifications after the date hereof, and prior to such expiration, termination or cancellation, which the Lender has not agreed to incorporate) and as such provisions may be amended, supplemented or otherwise modified from time to time in accordance with the terms of this Agreement.

(c) With respect to Section 4.07 of the 9% Note Indenture as incorporated by reference into this Agreement, the following additional terms shall apply:

(i) If the applicable Asset Disposition (as defined in the 9% Note Indenture) requires that an Offer (as defined in the 9% Note Indenture) be made pursuant to Section 4.07(a)(iii)(C) of the 9% Note Indenture, the Borrower shall designate under Section 4.07(b) of the 9% Note Indenture the Loans as Pari Passu Debt (as defined in the 9% Note Indenture) to be purchased at a price equal to 100% of the aggregate outstanding principal amount of the Loans, without premium, plus accrued interest as of the Purchase Date (as defined in the 9% Note Indenture) to be subject to an Offer unless otherwise prohibited from doing so under the terms of any agreement governing Debt permitted under clause (i) of Section 6.1(a) hereof.

(ii) If an Offer to purchase the Loans is required to be made, such Offer shall be made in accordance with the following procedure:

(A) Promptly, and in any event within five days after the last date by which the Borrower must have applied Net Available Cash (as defined in the 9% Note Indenture) pursuant to Section 4.07(a)(iii)(B) of the 9% Note Indenture as incorporated herein pursuant to clause (v) of Section 6.1(a) hereof, the Borrower shall be obligated to deliver to the Lender a written notice stating that the Lender may elect to have the Loans purchased by the Company either in whole or in part (subject to prorationing as hereinafter described in the event the Offer is oversubscribed) at the purchase price specified in

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Section 6.1(c)(i) hereof. The notice shall specify a purchase date not less than 30 days nor more than 60 days after the date of such notice and corresponding to the purchase date established under the 9% Note Indenture (the "Purchase Date") and shall contain information describing the Asset Dispositions, refer to procedures described in this Section 6.1(c)(ii), the amount of the Offer (the "Offer Amount"), the allocation of the Net Available Cash from the Asset Dispositions pursuant to which such Offer is being made and the compliance of such allocation with the provisions of Section 4.07(a) of the 9% Note Indenture as incorporated herein pursuant to clause (v) of Section 6.1(a) hereof. If the Lender elects to have all or any part of the Loans purchased in accordance with paragraph (B) below (subject to prorationing as hereinafter described in the event the Offer is oversubscribed), the Borrower shall cause the trustee under the 9% Note Indenture to deliver payment to the Lender in the amount of the applicable purchase price on the Purchase Date.

(B) The Lender, if electing to have all or any part of the Loans purchased, will be required to send written notice thereof to the Borrower at the address specified in the notice of the Offer at least ten Business Days prior to the Purchase Date, specifying the principal amount of the Loans to be purchased. The Lender will be entitled to withdraw its election if

the Borrower receives not later than three Business Days prior to the Purchase Date, a facsimile transmission or letter setting forth a statement that the Lender is withdrawing his election to have the Loans purchased. If the amount of Loans the Lender elects to have purchased, together with the amount of the 9% Notes and other Pari Passu Debt surrendered for tender, exceeds the Offer Amount, the Borrower will cause the Loans elected by the Lender to be purchased to be so purchased on a pro rata basis with the 9% Notes and other Pari Passu Debt selected by the Borrower to be purchased in accordance with Section 4.07(c)(3) of the 9% Note Indenture.

6.2 Change of Control. Subject to Section 3.3 hereof, upon the occurrence of a Change of Control, the Borrower shall provide prompt written notice thereof to the Lender, the Commitment shall immediately and automatically be reduced to an amount equal to the Original Principal of the Loans then outstanding, and the Borrower shall prepay the Loans in full, together with all accrued interest thereon, on the purchase date for the 9% Notes determined in accordance with Section 4.09 of the 9% Note Indenture.

6.3 Successor Company.

(a) The Borrower shall not consolidate or merge with or into, or convey, transfer or lease all or substantially all its assets to, any Person, unless:

(i) the resulting, surviving or transferee Person (if not the Borrower) shall be a Person organized and existing under the laws of the United States of America, any State thereof or the District of Columbia and such Person shall expressly assume, by a written assumption agreement executed and delivered to the

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Lender, in form satisfactory to the Lender, all the obligations of the Borrower under this Agreement;

(ii) immediately after giving effect to such transaction (and treating any Debt which becomes an obligation of the resulting, surviving or transferee Person or any of its Subsidiaries as a result of such transaction as having been Issued by such Person or such Subsidiary at the time of such transaction), no Default shall have occurred and be continuing;

(iii) immediately after giving effect to such transaction, the resulting, surviving or transferee Person would be able to incur at least \$1.00 of Debt pursuant to clause (i) of Section 6.1(a) hereof;

(iv) immediately after giving effect to such transaction, the resulting, surviving or transferee Person shall have a Consolidated Net Worth (as defined in the 9% Note Indenture) in an amount which is not less than the Consolidated Net Worth of the Borrower immediately prior to such transaction; and

(v) the Borrower shall have delivered to the Lender an officers' certificate and an opinion of counsel to the Borrower, each in form and substance satisfactory to the Lender, stating that such consolidation, merger or transfer and such assumption agreement (if any) comply with this Agreement;

provided, that this Section 6.3(a) shall not prohibit a Wholly Owned Recourse Subsidiary (as defined in the 9% Note Indenture) from consolidating with or merging with or into, or conveying, transferring or leasing all or substantially all its assets to, the Borrower.

(b) The resulting, surviving or transferee Person shall be the successor Borrower and shall succeed to, and be substituted for, and may exercise every right and power of, the predecessor Borrower under this Agreement and thereafter, except in the case of a lease, the predecessor Borrower shall be discharged from all obligations and covenants under this Agreement.

6.4 Further Assurances. Upon the request of the Lender, the Borrower will execute and deliver such further instruments, provide such further information and do such further acts as may be reasonably necessary or proper to carry out more effectively the purpose of this Agreement.

SECTION 7. EVENTS OF DEFAULT

7.1 Events of Default. An "Event of Default" occurs if:

(a) the Borrower defaults in any payment of interest on any Loan when the same becomes due and payable and such default continues for a period of 30 days;

(b) the Borrower defaults in the payment of the principal of any Loan when the same becomes due and payable;

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(c) the Borrower fails to comply with Section 6.3 hereof;

(d) the Borrower fails to comply with the covenants incorporated by reference in clauses (i), (ii), (iii), (iv), (v) and (vi) of Section 6.1(a) hereof and such failure continues for 30 days after receipt of written notice thereof from the Lender;

(e) the Borrower fails to comply with any of the other material covenants or agreements applicable to it in this Agreement (other than those referred to in (a), (b), (c) or (d) above) and such failure continues for 60 days after receipt of written notice thereof from the Lender;

(f) Any representation or warranty made or deemed made by the Borrower in this Agreement shall prove to have been incorrect, false or misleading in any material respect on or as of the date when made or deemed to have been made;

(g) Debt (as defined in the 9% Note Indenture) of the Borrower or any Significant Subsidiary (as defined in the 9% Note Indenture) is not paid within any applicable grace period after final maturity or is accelerated by the holders thereof because of a default, the total principal amount of the portion of such Debt that is unpaid or accelerated exceeds \$25 million or its foreign currency equivalent and such default continues for 10 days after receipt of written notice thereof from the Lender;

(h) the Borrower or any Significant Subsidiary pursuant to or within the meaning of any Bankruptcy Law:

(i) commences a voluntary case;

(ii) consents to the entry of an order for relief against it in an involuntary case;

(iii) consents to the appointment of a Custodian of it or for any substantial part of its property; or

(iv) makes a general assignment for the benefit of its creditors; or takes any comparable action under any foreign Bankruptcy Laws;

(i) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that:

(i) is for relief against the Borrower or any Significant Subsidiary in an involuntary case;

(ii) appoints a Custodian of the Borrower or any Significant Subsidiary for any substantial part of the Borrower's property; or

(iii) orders the winding up or liquidation of the Borrower or any Significant Subsidiary;

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or any similar relief is granted under any foreign Bankruptcy Laws and the order or decree remains unstayed and in effect for 60 days; or

(j) any judgment or decree for the payment of money in excess of \$25 million or its foreign currency equivalent is entered against the Borrower or any Significant Subsidiary and is not discharged and either (A) an enforcement proceeding has been commenced by any creditor upon such judgment or decree or (B) there is a period of 60 days following the entry of such judgment or decree during which such judgment or decree is not discharged, waived or the execution thereof stayed and, in the case of (B), such default continues for 10 days after receipt of written notice thereof from the Lender.

The foregoing will constitute Events of Default whatever the reason for any such Event of Default and whether it is voluntary or involuntary or is effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body.

If an Event of Default shall have occurred, (A) if such event is an Event of Default specified in paragraph (h) or (i) of this Section 7.1 with respect to the Borrower, automatically the Commitment shall immediately terminate and the Loans hereunder (with accrued interest thereon) and all other amounts owing under this Agreement shall immediately become due and payable, and (B) if such event is any other Event of Default, either or both of the following actions may be taken: (i) the Lender may by notice to the Borrower declare the Commitment to be terminated forthwith, whereupon such Commitment shall immediately terminate; and (ii) the Lender may by notice to the Borrower declare the Loans hereunder (with accrued interest thereon) and all other amounts owing by the Borrower under this Agreement to be due and payable forthwith, whereupon the same shall immediately become due and payable. Except as expressly provided above in this Section 7.1, presentment, demand, protest and all other notices of any kind are hereby expressly waived.

SECTION 8. MISCELLANEOUS

8.1 Amendments and Waivers. This Agreement shall not be amended, supplemented or otherwise modified, except by written instrument which has been duly executed and delivered by each party hereto. In the case of any waiver of the terms hereof, the parties to this Agreement shall be restored to their former positions and rights hereunder, and any Default or any Event of Default waived shall, to the extent provided in such waiver, be deemed to be cured and not continuing; but, no such waiver shall extend to any subsequent or other Default or Event of Default, or impair any right consequent thereon.

8.2 Notices. All notices, consents, requests and demands to or upon the respective parties hereto to be effective shall be in writing and, unless otherwise expressly provided herein, shall be deemed to have been duly given or made when delivered by hand, or three Business Days after being deposited in the mail, certified mail, return receipt requested, postage prepaid, or, in the case of telecopy or electronic

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mail notice, when sent and receipt has been confirmed, addressed as follows (or to such other address as may be hereafter notified by any of the respective parties hereto):

Borrower: Revlon Consumer Products Corporation
237 Park Avenue
New York, New York 10013
Attention: Steven F. Schiffman

Telecopy: (212) 527-5530
E-mail: steven.schiffman@revlon.com

With a copy to: Revlon Consumer Products Corporation
237 Park Avenue
New York, New York 10013
Attention: Robert Kretzman
Telecopy: (212) 527-5693
E-mail: robert.kretzman@revlon.com

Lender: MacAndrews & Forbes Holdings Inc.
35 East 62nd Street
New York, New York 10021
Attention: General Counsel
Telecopy: (212) 527-5056
Email: barry.schwartz@mafgrp.com

provided, that any notice, request or demand to or upon the Lender pursuant to Sections 2 and 3 shall not be effective until received.

8.3 No Waiver; Cumulative Remedies. No failure to exercise and no delay in exercising, on the part of the Lender, any right, remedy, power or privilege hereunder, shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law.

8.4 Survival of Representations and Warranties. All representations and warranties made hereunder and in any document, certificate or statement delivered pursuant hereto or in connection herewith shall survive the execution and delivery of this Agreement and the making of the Loans hereunder.

8.5 Payment of Expenses; General Indemnity. The Borrower agrees (a) to pay or reimburse the Lender for all of its reasonable out-of-pocket attorneys' fees and expenses incurred in connection with the preparation, execution and delivery of, and any amendment, supplement or modification to, this Agreement and any other documents prepared in connection herewith, and the consummation of the transactions contemplated hereby and thereby, (b) to pay or reimburse the Lender for all its reasonable out-of-pocket costs and expenses (including, without limitation, reasonable attorneys'

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fees and expenses) incurred in connection with the enforcement or preservation of any rights under this Agreement and any such other documents, (c) to pay, indemnify, and to hold the Lender harmless from, any and all recording and filing fees and any and all liabilities with respect to, or resulting from any delay caused by the Borrower in paying, stamp, excise and other similar taxes, if any, if legal, which may be payable or determined to be payable in connection with the execution and delivery of, or consummation of any of the transactions contemplated by, or any amendment, supplement or modification of, or any waiver or consent under or in respect of, this Agreement and any such other documents, and (d) to pay, indemnify, and hold harmless the Lender from and against any and all other liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever (including, without limitation, reasonable attorneys' fees and expenses) with respect to the execution, delivery, consummation, enforcement, performance and administration of this Agreement and any such other documents (all of the foregoing, collectively, the "indemnified liabilities"); provided, that the Borrower shall have no obligation hereunder with respect to indemnified liabilities arising from (i) the gross negligence or willful misconduct of the Lender, (ii) legal proceedings commenced against the Lender by any security holder or creditor thereof arising out of and based upon rights afforded any such security holder or creditor solely in its capacity as such or (iii) amounts of the types referred to in clauses (a) through (c) above except as provided therein. The agreements in this Section 8.5 shall survive the termination of the Commitment and the repayment of the Loans and all other amounts payable hereunder.

8.6 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the Borrower, the Lender and their respective successors and permitted assigns and, except as set forth below, neither the Borrower nor the Lender may assign or transfer any of its rights or obligations under this Agreement without the prior written consent of the other party. This Agreement, or the Lender's obligations hereunder, may be assigned, delegated or transferred, in whole or in part, by the Lender to any Affiliate of the Lender (other than REV Holdings LLC) over which the Lender or any of its Affiliates exercises investment authority, including, without limitation, with respect to voting and dispositive rights provided any such assignee assumes the obligations of the Lender hereunder and agrees in writing to be bound by the terms of this Agreement in the same manner as the Lender. Notwithstanding the foregoing, no such assignment shall relieve the Lender of its obligations hereunder if such assignee fails to perform such obligations. Without complying with the provisions of this Section 8.6, the Lender may satisfy its obligations under Sections 2.1 or 2.2 hereof by causing an Affiliate of the Lender (other than REV Holdings LLC) to satisfy its obligations under such Sections.

8.7 Counterparts. This Agreement may be executed by one or more of the parties to this Agreement on any number of separate counterparts (including by facsimile transmission), and all of said counterparts taken together shall be deemed to constitute one and the same instrument.

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8.8 Severability. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or

unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

8.9 Integration. This Agreement represents the agreement of the Borrower and the Lender with respect to the subject matter hereof, and there are no promises, undertakings, representations or warranties by the Lender for the benefit of the Borrower relative to the subject matter hereof not expressly set forth or referred to herein.

8.10 GOVERNING LAW. THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

8.11 Submission To Jurisdiction; Waivers. The Borrower hereby irrevocably and unconditionally:

(a) submits for itself and its property in any legal action or proceeding relating to this Agreement, or for recognition and enforcement of any judgment in respect thereof, to the non-exclusive general jurisdiction of the Courts of the State of New York, the courts of the United States of America for the Southern District of New York, and appellate courts from any thereof;

(b) consents that any such action or proceeding may be brought in such courts and waives any objection that it may now or hereafter have to the venue of any such action or proceeding in any such court or that such action or proceeding was brought in an inconvenient court and agrees not to plead or claim the same;

(c) agrees that service of process in any such action or proceeding may be effected by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, to the Borrower at its address set forth in Section 8.2 or at such other address of which the Lender shall have been notified pursuant thereto;

(d) agrees that nothing herein shall affect the right to effect service of process in any other manner permitted by law or shall limit the right to sue in any other jurisdiction; and

(e) waives, to the maximum extent not prohibited by law, any right it may have to claim or recover in any legal action or proceeding referred to in this subsection any special, exemplary, punitive or consequential damages.

8.12 WAIVERS OF JURY TRIAL. THE BORROWER AND THE LENDER HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVE

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TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT AND FOR ANY COUNTERCLAIM THEREIN.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their proper and duly authorized officers as of the day and year first above written.

REVLON CONSUMER PRODUCTS CORPORATION

By: /s/ Robert K. Kretzman

Name: Robert K. Kretzman
Title: Executive Vice President,
Chief Legal Officer and Secretary

MACANDREWS & FORBES HOLDINGS INC.

By: /s/ Todd J. Slotkin

Name: Todd J. Slotkin
Title: Executive Vice President and
Chief Financial Officer

[2004 Senior Unsecured Line of Credit Agreement]

CERTIFICATIONS

I, Jack L. Stahl, certify that:

1. I have reviewed this quarterly report on Form 10-Q (the "Report") of Revlon, Inc. (the "Registrant");
2. Based on my knowledge, this Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Report;
3. Based on my knowledge, the financial statements, and other financial information included in this Report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this Report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the Registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Report is being prepared;
 - (b) [Intentionally omitted per SEC's transition rules in SEC Release Nos. 33-8238 and 34-47986];
 - (c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Report based on such evaluation; and
 - (d) Disclosed in this Report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: August 16, 2004

/s/ Jack L. Stahl

Jack L. Stahl
President and Chief Executive Officer

CERTIFICATIONS

I, Thomas E. McGuire, certify that:

1. I have reviewed this quarterly report on Form 10-Q (the "Report") of Revlon, Inc. (the "Registrant");
2. Based on my knowledge, this Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Report;
3. Based on my knowledge, the financial statements, and other financial information included in this Report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this Report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the Registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Report is being prepared;
 - (b) [Intentionally omitted per SEC's transition rules in SEC Release Nos. 33-8238 and 34-47986];
 - (c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Report based on such evaluation; and
 - (d) Disclosed in this Report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: August 16, 2004

/s/ Thomas E. McGuire
Thomas E. McGuire
Executive Vice President and
Chief Financial Officer

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

In connection with the Quarterly Report on Form 10-Q of Revlon, Inc. (the "Company") for the period ended June 30, 2004, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jack L. Stahl, Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

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

/s/ Jack L. Stahl
Jack L. Stahl
Chief Executive Officer
August 16, 2004

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

In connection with the Quarterly Report on Form 10-Q of Revlon, Inc. (the "Company") for the period ended June 30, 2004, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Thomas E. McGuire, Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

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

/s/ Thomas E. McGuire
Thomas E. McGuire
Chief Financial Officer
August 16, 2004
