
Section 1: 10-Q (10-Q)

UNITED STATES OF AMERICA SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended June 30, 2018

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 1-4881

AVON PRODUCTS, INC.

(Exact name of registrant as specified in its charter)

New York

(State or other jurisdiction of
Incorporation or organization)

13-0544597

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

Building 6, Chiswick Park, London W4 5HR
United Kingdom

(Address of principal executive offices)

+44-1604-232425

(Registrant's telephone number, including area code)

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

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

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

Large accelerated filer Accelerated filer

Non-accelerated filer (do not check if a smaller reporting company) Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

The number of shares of Common Stock (par value \$0.25) outstanding at June 30, 2018 was 442,344,872.

TABLE OF CONTENTS

	<u>Page Numbers</u>
<u>Part I. Financial Information</u>	
Item 1. <u>Financial Statements (Unaudited)</u>	
<u>Consolidated Statements of Operations Three Months Ended June 30, 2018 and June 30, 2017</u>	<u>3</u>
<u>Consolidated Statements of Operations Six Months Ended June 30, 2018 and June 30, 2017</u>	<u>4</u>
<u>Consolidated Statements of Comprehensive Loss Three Months Ended June 30, 2018 and June 30, 2017</u>	<u>5</u>
<u>Consolidated Statements of Comprehensive Loss Six Months Ended June 30, 2018 and June 30, 2017</u>	<u>5</u>
<u>Consolidated Balance Sheets June 30, 2018 and December 31, 2017</u>	<u>7</u>
<u>Consolidated Statements of Cash Flows Six Months Ended June 30, 2018 and June 30, 2017</u>	<u>8</u>
<u>Notes to Consolidated Financial Statements</u>	<u>9 - 32</u>
Item 2. <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>33 - 52</u>
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>53</u>
Item 4. <u>Controls and Procedures</u>	<u>53</u>
<u>Part II. Other Information</u>	
Item 1. <u>Legal Proceedings</u>	<u>54</u>
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>54</u>
Item 6. <u>Exhibits</u>	<u>55</u>
<u>Signature</u>	<u>56</u>

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

**AVON PRODUCTS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)**

(In millions, except per share data)	Three Months Ended	
	June 30, 2018	June 30, 2017
Net sales	\$ 1,268.8	\$ 1,353.5
Other revenue	83.1	42.4
Total revenue	1,351.9	1,395.9
Costs, expenses and other:		
Cost of sales	539.7	525.0
Selling, general and administrative expenses	759.2	838.2
Operating profit	53.0	32.7
Interest expense	34.5	36.1
Loss on extinguishment of debt	2.9	—
Interest income	(3.5)	(3.1)
Other expense, net	19.4	11.9
Total other expenses	53.3	44.9
Loss before income taxes	(0.3)	(12.2)
Income taxes	(36.7)	(33.6)
Net loss	(37.0)	(45.8)
Net loss attributable to noncontrolling interests	0.9	0.3
Net loss attributable to Avon	\$ (36.1)	\$ (45.5)
Loss per share:		
Basic attributable to Avon	\$ (0.09)	\$ (0.12)
Diluted attributable to Avon	(0.09)	(0.12)

The accompanying notes are an integral part of these statements.

AVON PRODUCTS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

(In millions, except per share data)	Six Months Ended	
	June 30, 2018	June 30, 2017
Net sales	\$ 2,578.4	\$ 2,651.6
Other revenue	167.0	77.4
Total revenue	2,745.4	2,729.0
Costs, expenses and other:		
Cost of sales	1,119.4	1,042.1
Selling, general and administrative expenses	1,528.1	1,624.4
Operating profit	97.9	62.5
Interest expense	70.7	71.2
Loss on extinguishment of debt	2.9	—
Interest income	(7.7)	(7.8)
Other expense, net	21.9	18.0
Total other expenses	87.8	81.4
Income (loss), before income taxes	10.1	(18.9)
Income taxes	(68.2)	(63.4)
Net loss	(58.1)	(82.3)
Net loss attributable to noncontrolling interests	1.7	0.3
Net loss attributable to Avon	(56.4)	(82.0)
Loss per share:		
Basic attributable to Avon	(0.15)	(0.21)
Diluted attributable to Avon	(0.15)	(0.21)

The accompanying notes are an integral part of these statements.

AVON PRODUCTS, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

(In millions)	Three Months Ended	
	June 30, 2018	June 30, 2017
Net loss	\$ (37.0)	\$ (45.8)
Other comprehensive income:		
Foreign currency translation adjustments	(126.6)	9.5
Adjustments of and amortization of net actuarial loss and prior service cost, net of taxes of \$0.1 and \$0.0	2.8	3.1
Other comprehensive income related to New Avon investment, net of taxes of \$0.0	—	0.1
Total other comprehensive (loss) income, net of income taxes	(123.8)	12.7
Comprehensive loss	(160.8)	(33.1)
Less: comprehensive loss attributable to noncontrolling interests	(1.2)	(0.2)
Comprehensive loss attributable to Avon	\$ (159.6)	\$ (32.9)

The accompanying notes are an integral part of these statements.

AVON PRODUCTS, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

(In millions)	Six Months Ended	
	June 30, 2018	June 30, 2017
Net loss	\$ (58.1)	\$ (82.3)
Other comprehensive income:		
Foreign currency translation adjustments	(93.9)	71.5
Adjustments of and amortization of net actuarial loss and prior service cost, net of taxes of \$0.3 and \$0.0	5.7	6.2
Other comprehensive income related to New Avon investment, net of taxes of \$0.0	—	1.2
Total other comprehensive (loss) income, net of income taxes	(88.2)	78.9
Comprehensive loss	(146.3)	(3.4)
Less: comprehensive loss attributable to noncontrolling interests	(1.8)	(0.1)
Comprehensive loss attributable to Avon	\$ (144.5)	\$ (3.3)

The accompanying notes are an integral part of these statements.

AVON PRODUCTS, INC.
CONSOLIDATED BALANCE SHEETS
(Unaudited)

(In millions)	June 30, 2018	December 31, 2017
Assets		
Current Assets		
Cash and cash equivalents	\$ 443.9	\$ 881.5
Accounts receivable, net	386.4	457.2
Inventories	662.2	598.2
Prepaid expenses and other	290.9	296.4
Total current assets	1,783.4	2,233.3
Property, plant and equipment, at cost	1,402.9	1,481.9
Less accumulated depreciation	(768.7)	(779.2)
Property, plant and equipment, net	634.2	702.7
Goodwill	94.9	95.7
Other assets	573.9	666.2
Total assets	\$ 3,086.4	\$ 3,697.9
Liabilities, Series C Convertible Preferred Stock and Shareholders' Deficit		
Current Liabilities		
Debt maturing within one year	\$ 12.0	\$ 25.7
Accounts payable	729.5	832.2
Accrued compensation	109.2	130.3
Other accrued liabilities	400.9	405.6
Sales taxes and taxes other than income	123.4	153.0
Income taxes	8.6	12.8
Total current liabilities	1,383.6	1,559.6
Long-term debt	1,630.3	1,872.2
Employee benefit plans	134.2	150.6
Long-term income taxes	97.6	84.9
Long-term sales taxes and taxes other than income	191.1	193.1
Other liabilities	80.3	84.4
Total liabilities	3,517.1	3,944.8
Commitments and contingencies (Note 7)		
Series C convertible preferred stock	479.8	467.8
Shareholders' Deficit		
Common stock	190.3	189.7
Additional paid-in capital	2,297.5	2,291.2
Retained earnings	2,210.0	2,320.3
Accumulated other comprehensive loss	(1,014.4)	(926.2)
Treasury stock, at cost	(4,602.3)	(4,600.0)
Total Avon shareholders' deficit	(918.9)	(725.0)
Noncontrolling interests	8.4	10.3
Total shareholders' deficit	(910.5)	(714.7)
Total liabilities, series C convertible preferred stock and shareholders' deficit	\$ 3,086.4	\$ 3,697.9

The accompanying notes are an integral part of these statements.

AVON PRODUCTS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(In millions)	Six Months Ended	
	June 30, 2018	June 30, 2017
Cash Flows from Operating Activities		
Net loss	\$ (58.1)	\$ (82.3)
Adjustments to reconcile net loss to net cash (used) provided by operating activities:		
Depreciation	41.6	41.7
Amortization	13.8	15.0
Provision for doubtful accounts	86.2	113.0
Provision for obsolescence	13.3	16.5
Share-based compensation	7.5	16.2
Foreign exchange losses	13.5	8.5
Deferred income taxes	(0.2)	12.0
Other	3.2	16.1
Changes in assets and liabilities:		
Accounts receivable	(50.0)	(92.0)
Inventories	(99.7)	(36.1)
Prepaid expenses and other	1.7	14.2
Accounts payable and accrued liabilities	(76.6)	(53.2)
Income and other taxes	(0.3)	(5.0)
Noncurrent assets and liabilities	(2.6)	26.6
Net cash (used) provided by operating activities of continuing operations	(106.7)	11.2
Cash Flows from Investing Activities		
Capital expenditures	(48.0)	(43.0)
Disposal of assets	1.4	2.7
Other investing activities	(3.3)	(0.1)
Net cash used by investing activities of continuing operations	(49.9)	(40.4)
Cash Flows from Financing Activities		
Debt, net (maturities of three months or less)	(10.4)	(4.4)
Repayment of debt	(238.6)	(2.0)
Repurchase of common stock	(3.2)	(6.4)
Other financing activities	(0.1)	(0.2)
Net cash used by financing activities of continuing operations	(252.3)	(13.0)
Cash Flows from Discontinued Operations		
Net cash used by operating activities of discontinued operations	—	(6.4)
Net cash used by discontinued operations	—	(6.4)
Effect of exchange rate changes on cash and cash equivalents	(28.7)	28.0
Net decrease in cash and cash equivalents	(437.6)	(20.6)
Cash and cash equivalents at beginning of year	881.5	654.4
Cash and cash equivalents at end of period	\$ 443.9	\$ 633.8

The accompanying notes are an integral part of these statements.

AVON PRODUCTS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(U.S. dollars in millions, except per share data)

1. ACCOUNTING POLICIES

Basis of Presentation

We prepare our unaudited interim Consolidated Financial Statements in conformity with accounting principles generally accepted in the United States ("GAAP"). We consistently applied the accounting policies described in our 2017 Annual Report on Form 10-K ("2017 Form 10-K") in preparing these unaudited interim Consolidated Financial Statements, other than those impacted by new accounting standards as described below. In our opinion, the unaudited interim Consolidated Financial Statements reflect all adjustments of a normal recurring nature that are necessary for a fair statement of the results for the interim periods presented. Results for interim periods are not necessarily indicative of results for a full year. You should read these unaudited interim Consolidated Financial Statements in conjunction with our Consolidated Financial Statements contained in our 2017 Form 10-K. When used in this report, the terms "Avon," "Company," "we" or "us" mean Avon Products, Inc.

For interim Consolidated Financial Statements purposes, we generally provide for accruals under our various employee benefit plans for each quarter based on one quarter of the estimated annual expense, and adjust these accruals as estimates are refined. In addition, our income tax provision is determined using an estimate of our consolidated annual effective tax rate, adjusted in the current period for discrete income tax items including:

- the effects of significant, unusual or extraordinary pretax and income tax items, if any;
- withholding taxes recognized associated with cash repatriations; and
- the impact of loss-making subsidiaries for which we cannot recognize an income tax benefit and subsidiaries for which an effective tax rate cannot be reliably estimated.

Revenue

Nature of goods and services

We are a global manufacturer and marketer of beauty and related products. Our product categories are Beauty and Fashion & Home. Beauty consists of skincare, fragrance and color (cosmetics). Fashion & Home consists of fashion jewelry, watches, apparel, footwear, accessories, gift and decorative products, housewares, entertainment and leisure products, children's products and nutritional products.

Our business is conducted primarily in one channel - direct selling. Our reportable segments are based on geographic operations in four regions: Europe, Middle East & Africa; South Latin America; North Latin America; and Asia Pacific. We primarily sell our products to the ultimate consumer through the direct selling channel principally through Representatives, who are independent contractors and not our employees.

Revenue recognition

Revenue is recognized when control of a product or service is transferred to a customer, which is generally the Representative. Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties, such as Value Added Taxes ("VAT") collected for taxing authorities.

Principal revenue streams and significant judgments

Our principal revenue streams can be distinguished into: i) the sale of Beauty and Fashion & Home products to Representatives (recorded in net sales); ii) Representative fees, primarily for the sale of brochures to Representatives and fulfillment activities related to the contract, which include fees for shipping and handling (recorded in other revenue); and iii) other, which includes the sale of products to New Avon and royalties from the licensing of our name and products (recorded in other revenue).

i) Sale of Beauty and Fashion & Home products to Representatives

We generate the majority of our revenue through the sale of Beauty and Fashion & Home products. A Representative contacts her customers directly, selling primarily through our brochure, which highlights new products and special promotions (or incentives) for each sales campaign. In this sense, the Representative, together with the brochure, are the "store" through which our products are sold. A brochure introducing a new sales campaign is typically generated every three to four weeks. A purchase order is processed and the products are picked at a distribution center and delivered to the Representative usually through a combination of local and national delivery companies. Generally, the Representative then delivers the merchandise and collects

AVON PRODUCTS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(U.S. dollars in millions, except per share data)

payment from the customer for her or his own account. A Representative generally receives a refund of the price the Representative paid for a product if the Representative chooses to return it.

A Representative Agreement, which outlines the basic terms of the agreement between Avon and the Representative, combined with a purchase order, constitutes a contract for the purposes of Accounting Standards Codification Topic ("ASC 606"), *Revenue from Contracts with Customers*.

We account for individual products and services separately in the contract if they are distinct (i.e., if a product or service is separately identifiable from the other items in the contract and if a Representative can benefit from the product or service on its own or with other resources that are readily available). This revenue is recognized at a point in time, when control of a product is transferred to a Representative. In addition, we offer incentives to Representatives to support sales growth. Certain of these sales incentives are distinct promises to a Representative, and therefore are a separate performance obligation. As a result, revenue is allocated to the performance obligation for sales incentives and is deferred on the balance sheet until the associated performance obligations are satisfied.

Typically included within a contract is variable consideration, such as sales returns and late payment fees. Revenue is only recorded to the extent it is probable that it will not be reversed, and therefore revenue is adjusted for variable consideration. Variable consideration is generally estimated using the expected value method, which considers possible outcomes weighted by their probability. Specifically for sales returns, a refund liability will be recorded for the estimated cash to be refunded for the products expected to be returned, and a returns asset will be recorded for the products which we expect to be returned and re-sold, each of these based on historical experience. Sales returns are estimated and updated at the end of each month. The measurement of the returns asset and the refund liability is updated at the end of each month for changes in expectations regarding the amount of salvageable returns, reconditioning costs and any additional decreases in the value of the returned products. Late payment fees are recorded when the uncertainty associated with collecting such fees are resolved (i.e., when collected).

The Representative generally receives a credit period of one sales campaign if they meet certain criteria; however, the specific credit terms are outlined in the Representative Agreement. Generally, the Representative remits payment during each sales campaign, which relates to the prior campaign cycle. The Representative is generally precluded from submitting an order for the current sales campaign until the accounts receivable balance past due for prior campaigns is paid; however, there are circumstances where the Representative fails to make the required payment.

Our contracts with Representatives often include multiple promises to transfer products and/or services to the Representative, and determining which of these products and/or services are considered distinct performance obligations that should be accounted for separately may require significant judgment. In addition, in assessing the recognition of revenue for the following performance obligations, management has exercised significant judgment in the following areas: estimation of variable consideration and the stand-alone selling prices ("SSP") of promised goods or services in order to determine and allocate the transaction price.

Performance obligation - Avon products

The Representative purchases Avon products through a purchase order. We recognize revenue for Avon products in net sales in our Consolidated Statements of Operations when the Representative obtains control of the products, which occurs upon delivery of the product to the Representative. Transaction price is the amount we expect to receive in exchange for those products adjusted for variable consideration as discussed above and the estimated SSP of other performance obligations as discussed below.

Performance obligation - Sales incentives

Types of sales incentives include status programs, loyalty points, prospective discounts, and gift with purchase, among others. A Representative is eligible for certain status programs if specified sales levels are met. Status programs offer additional benefits such as free or discounted products and services. Loyalty points offer the option to redeem for additional Avon or other products or services. Prospective discounts are offered in some countries when certain sales levels are reached in a given time period. The revenue attributable to the prospective discount performance obligation is for the option to purchase additional product at a discounted amount.

Certain benefits within status programs, loyalty points, prospective discounts and certain other sales incentives constitute a material right and, therefore, a distinct performance obligation in the contract with the Representative. Transaction price is allocated to the material right (performance obligation) based on estimated SSP and is deferred on the balance sheet until the associated performance obligations are satisfied. The cost of sales incentives is presented in inventories in our Consolidated Balance Sheets. We recognize revenue allocated to the material right in net sales in our Consolidated

AVON PRODUCTS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(U.S. dollars in millions, except per share data)

Statements of Operations at the point in time that the Representative receives the benefits of the material right or obtains control of the products, which occurs upon delivery to the Representative or upon expiration of the material right. For sales incentives that are delivered with the associated products order (such as gift with purchase), no deferral is required.

SSP represents the estimated market value, or the estimated amount that could be charged for that material right when the entity sells it separately in similar circumstances to similar customers. Judgment is required to determine the SSP for each distinct performance obligation. In instances where SSP is not directly observable, such as when we do not sell the product or service separately, including for certain sales incentives, we determine the SSP using information that may include market prices and other observable inputs.

ii) Representative fees, primarily for the sale of brochures to Representatives and fulfillment activities related to the contract ("Representative fees")

The purchase order in the contract with the Representative explicitly identifies activities that we will perform. This includes fees that we charge Representatives, primarily for the sale of brochures to Representatives and fulfillment activities, and also includes late payment fees (discussed above). Brochures represent promotional materials that are given directly by the Representatives to their customers as a marketing activity. Under ASC 606, brochures that are sold by Avon to Representatives through purchase orders represent separate performance obligations in the contract as these are promises made between Avon and the Representative. Although the brochures are used similar to marketing materials, the Representative generally orders and pays for the brochures, and we allocate consideration for purposes of revenue recognition. The revenue associated with brochures that are sold to Representatives is recognized in other revenue and the related cost is recognized in cost of sales in our Consolidated Statements of Operations. We recognize revenue when the Representative obtains control of the brochures, which occurs upon delivery to the Representative. When brochures are given away for free to Representatives as promotional items, the cost is recognized in selling, general and administrative expenses in our Consolidated Statements of Operations.

We often charge the Representative for shipping and handling (including order processing) and payment processing activities on the invoice, and such activities are considered to be fulfillment costs. The consideration received represents part of the transaction price in the contract that is allocated to the performance obligations in the contract. We recognize revenue for fulfillment activities in other revenue in our Consolidated Statements of Operations when the Representative obtains control of the associated products, which occurs upon delivery of the products to the Representative. The cost of these activities is recognized in selling, general and administrative expenses in our Consolidated Statements of Operations.

iii) Other revenue

We also recognize revenue from the sale of products to New Avon LLC ("New Avon"), as part of a manufacturing and supply agreement, since the separation of the Company's North America business into New Avon on March 1, 2016, and royalties from the licensing of our name and products, in other revenue in our Consolidated Statements of Operations.

AVON PRODUCTS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(U.S. dollars in millions, except per share data)

Disaggregation of revenue

In the following table, revenue is disaggregated by product or service type. All revenue is recognized at a point in time, when control of a product is transferred to a customer:

	Three Months Ended June 30, 2018						
	Reportable segments				Total reportable segments	Other operating segments and business activities	Total
	Europe, Middle East & Africa	South Latin America	North Latin America	Asia Pacific			
Beauty:							
Skincare	\$ 154.4	\$ 143.9	\$ 43.8	\$ 30.3	\$ 372.4	\$ 2.3	\$ 374.7
Fragrance	143.8	131.5	52.4	20.1	347.8	0.7	348.5
Color	98.1	80.6	20.8	12.9	212.4	1.4	213.8
Total Beauty	396.3	356.0	117.0	63.3	932.6	4.4	937.0
Fashion & Home:							
Fashion	72.9	49.9	22.5	40.7	185.8	1.3	187.1
Home	7.6	72.5	56.6	7.5	144.3	.4	144.7
Total Fashion & Home	80.5	122.4	79.1	48.2	330.1	1.7	331.8
Net sales	476.8	478.4	196.1	111.5	1,262.7	6.1	1,268.8
Representative fees	23.7	35.2	11.2	1.5	71.6	0.5	72.1
Other	0.2	2.6	—	0.1	2.9	8.1	11.0
Other revenue	23.9	37.8	11.2	1.6	74.5	8.6	83.1
Total revenue	\$ 500.7	\$ 516.1	\$ 207.3	\$ 113.1	\$ 1,337.2	\$ 14.7	\$ 1,351.9

	Six Months Ended June 30, 2018						
	Reportable segments				Total reportable segments	Other operating segments and business activities	Total
	Europe, Middle East & Africa	South Latin America	North Latin America	Asia Pacific			
Beauty:							
Skincare	\$ 323.8	\$ 285.7	\$ 90.5	\$ 61.6	\$ 761.5	\$ 7.0	\$ 768.5
Fragrance	307.0	250.0	106.0	38.7	701.8	2.9	704.7
Color	218.8	161.5	41.6	26.1	448.1	4.7	452.8
Total Beauty	849.6	697.2	238.1	126.4	1,911.4	14.6	1,926.0
Fashion & Home:							
Fashion	152.6	96.4	45.1	80.4	374.5	3.0	377.5
Home	16.9	144.4	97.9	14.5	273.6	1.3	274.9
Total Fashion & Home	169.5	240.8	143.0	94.9	648.1	4.3	652.4
Net sales	1,019.1	938.0	381.1	221.3	2,559.5	18.9	2,578.4
Representative fees	49.7	71.5	21.8	3.1	146.1	1.9	148.0
Other	0.3	3.7	—	0.1	4.1	14.9	19.0
Other revenue	50.0	75.2	21.8	3.2	150.2	16.8	167.0
Total revenue	\$ 1,069.1	\$ 1,013.2	\$ 402.9	\$ 224.5	\$ 2,709.7	\$ 35.7	\$ 2,745.4

AVON PRODUCTS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(U.S. dollars in millions, except per share data)

Contract balances

The timing of revenue recognition generally is different from the timing of a promise made to a Representative. As a result, we have contract liabilities, which primarily relate to the advance consideration received from Representatives prior to transfer of the related good or service for material rights, such as loyalty points and status programs, and are primarily classified within other accrued liabilities (with the long-term portion in other liabilities) in our Consolidated Balance Sheets.

Generally, we record accounts receivable when we invoice a Representative. In addition, we record an estimate of an allowance for doubtful accounts on receivable balances based on an analysis of historical data and current circumstances, including seasonality and changing trends. The allowance for doubtful accounts is reviewed for adequacy, at a minimum, on a quarterly basis. We generally have no detailed information concerning, or any communication with, any ultimate consumer of our products beyond the Representative. We have no legal recourse against the ultimate consumer for the collection of any accounts receivable balances due from the Representative to us. If the financial condition of the Representatives were to deteriorate, resulting in their inability to make payments, additional allowances may be required.

The following table provides information about receivables and contract liabilities from contracts with customers at June 30, 2018:

	June 30, 2018	
Accounts receivable, net of allowances of \$108.5	\$	386.4
Contract liabilities	\$	70.3

At January 1, 2018 and June 30, 2018 we had a contract liability of \$91.8 and \$70.3, respectively, relating to certain material rights (loyalty points, status program and prospective discounts). During the six months ended June 30, 2018, we recognized \$80.8 of revenue related to the contract liability balance at January 1, 2018, as the result of performance obligations satisfied. In addition, we deferred an additional \$59.7 related to certain material rights granted during the period, for which the performance obligations are not yet satisfied. Of the amount deferred during the period, substantially all will be recognized within a year, with the significant majority to be captured within a quarter; therefore, the contract liability at June 30, 2018 will primarily be recognized in the remainder of 2018. The remaining movement in the contract liability balance is attributable to foreign exchange differences arising on the translation of the balance as at June 30, 2018 as compared with December 31, 2017.

Contract costs

Incremental costs to obtain contracts, such as bonuses or commissions, are recognized as an asset if the entity expects to recover them. However, ASC 340-40, *Other Assets and Deferred Costs*, offers a practical expedient to recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the entity otherwise would have recognized is one year or less. We elected the practical expedient and expense costs to obtain contracts when incurred because our amortization period is one year or less.

Costs to fulfill contracts with Representatives are comprised of shipping and handling (including order processing) and payment processing services, which are expensed as incurred. The fees for these services are included in the transaction price.

Changes in accounting policies

Except for the changes below, we have consistently applied the accounting policies to all periods presented in these consolidated financial statements.

We adopted ASC 606 with a date of the initial application of January 1, 2018, as a cumulative-effect adjustment to retained earnings. Therefore, the comparative information for prior periods has not been adjusted and continues to be reported under ASC 605, *Revenue Recognition*. We applied ASC 606 to all outstanding contracts at January 1, 2018.

We recorded a cumulative-effect adjustment upon adoption of the new revenue recognition standard as of January 1, 2018 comprised of the following:

- a reduction to retained earnings of \$52.7 before taxes (\$41.1 after tax), with a corresponding impact to deferred income taxes of \$11.6;
- a reduction to prepaid expenses and other of \$54.9;
- an increase to inventories of \$39.3; and

AVON PRODUCTS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(U.S. dollars in millions, except per share data)

- an increase to other accrued liabilities of \$37.1 due to the net impact of the establishment of a contract liability of \$91.8 for deferred revenue where our performance obligations are not yet satisfied, which is partially offset by a reduction in the sales incentive accrual of \$54.7.

This cumulative-effect adjustment impacting our Consolidated Balance Sheets is primarily driven by sales incentives and brochures. The other changes resulting from the new revenue recognition standard were not material.

The details of the significant changes to our accounting policy for revenue recognition and the quantitative impact of the changes on our Consolidated Financial Statements are set out below.

Performance obligations - Avon products

We recognize revenue for Avon products in net sales in our Consolidated Statements of Operations when the Representative obtains control of the products, which occurs upon delivery of the product to the Representative. Transaction price is the amount we expect to receive in exchange for those products adjusted for variable consideration, such as sales returns and past due fees, and the estimated SSP of other performance obligations, such as sales incentives. Revenue allocated to the material right (performance obligation) for sales incentives is deferred on the balance sheet until the associated performance obligations are satisfied.

Under our historical accounting, we recognized revenue for Avon products in net sales in our Consolidated Statements of Operations upon delivery of the product to the Representative. Revenue was adjusted for expected sales returns.

Performance obligations/ material rights - sales incentives

Certain benefits within status programs, loyalty points, prospective discounts and certain other sales incentives constitute a material right and, therefore, a distinct performance obligation in the contract with the Representative. Transaction price is allocated to the material right based on estimated SSP and is deferred on the balance sheet until the associated performance obligations are satisfied. The cost of sales incentives is presented in inventories in our Consolidated Balance Sheets. We recognize revenue allocated to the material right in net sales and the associated cost of sales incentives is recognized in cost of sales in our Consolidated Statements of Operations, at the point in time that the Representative receives the benefits of the material right or obtains control of the products, which occurs upon delivery to the Representative or upon expiration of the material right. For sales incentives that are delivered with the associated products order (such as gift with purchase), no deferral is required.

Under our historical accounting, the cost of sales incentives was generally presented in other accrued liabilities and prepaid expenses and other in our Consolidated Balance Sheets and recognized in selling, general and administrative expenses in our Consolidated Statements of Operations over the period that the sales incentive was earned.

Representative fees, primarily for the sale of brochures to Representatives and fulfillment activities related to the contract

This includes fees that we charge Representatives, primarily for the sale of brochures to Representatives and fulfillment activities, and also includes late payment fees.

Brochures - Brochures represent promotional materials that are given directly by the Representatives to their customers as a marketing activity. Under ASC 606, brochures that are sold by Avon to Representatives through purchase orders represent separate performance obligations in the contract as these are promises made between Avon and the Representative. Although the brochures are used similar to marketing materials, the Representative generally orders and pays for the brochures, and Avon allocates consideration for purposes of revenue recognition. The revenue associated with brochures that are sold to Representatives is recognized in other revenue and the related cost is recognized in cost of sales in our Consolidated Statements of Operations. We recognize revenue when the Representative obtains control of the brochures, which occurs upon delivery to the Representative. When brochures are given away for free to Representatives as promotional items, the cost is recognized in selling, general and administrative expenses in our Consolidated Statements of Operations.

Under our historical accounting, all brochure costs were initially deferred to prepaid expenses and other in our Consolidated Balance Sheets and were charged to selling, general, and administrative expenses in our Consolidated Statements of Operations over the campaign length. In addition, fees charged to Representatives for brochures were initially deferred and presented as a reduction of prepaid expenses and other in our Consolidated Balance Sheets, and were recorded as a reduction of selling, general, and administrative expenses in our Consolidated Statements of Operations over the campaign length.

Fulfillment activities and late payment fees - We often charge the Representative for shipping and handling (including order processing) and payment processing activities on the invoice, and such activities are considered to be fulfillment

AVON PRODUCTS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(U.S. dollars in millions, except per share data)

costs. The consideration received represents part of the transaction price in the contract that is allocated to the performance obligations in the contract. We recognize revenue for fulfillment activities in other revenue in our Consolidated Statements of Operations when the Representative obtains control of the associated products, which occurs upon delivery of the products to the Representative. The cost of these activities is recognized in selling, general and administrative expenses in our Consolidated Statements of Operations. Late payment fees are recorded in other revenue in our Consolidated Statements of Operations when collected.

Under our historical accounting, revenue for shipping and handling (including order processing) activities was recorded in other revenue in our Consolidated Statements of Operations. However, the revenue for payment processing activities and late payment fees were recognized as a reduction of selling, general, and administrative expenses in our Consolidated Statements of Operations. The cost of these activities was recognized in selling, general and administrative expenses in our Consolidated Statements of Operations.

Impacts on consolidated financial statements

The following tables summarize the impacts of adopting ASC 606 on the Company's consolidated financial statements for the three months ended June 30, 2018:

Line items impacted within the Consolidated Statements of Operations	Impact of change in revenue recognition standard		
	Per consolidated financial statements	Adjustments	Balances excluding the impact of adopting ASC 606
<u>Revenue</u>			
Net sales	\$ 1,268.8	\$ (7.6) ⁽¹⁾	\$ 1,261.2
Other revenue	83.1	(50.5) ⁽²⁾	32.6
Total revenue	1,351.9	(58.1)	1,293.8
<u>Costs and expenses</u>			
Cost of sales	539.7	(65.6) ⁽³⁾	474.1
Selling, general and administrative expenses	759.2	9.5 ⁽⁴⁾	768.7
Operating profit	53.0	(2.0)	51.0
Loss before income taxes	(0.3)	(2.0)	(2.3)
Income taxes	(36.7)	(0.1)	(36.8)
Net loss	(37.0)	(2.1)	(39.1)
Net loss attributable to Avon	(36.1)	(2.1)	(38.2)

(1) Primarily relates to net impact of the timing of recognition of sales incentives.

(2) Relates to Representative fees (primarily brochure fees, late payment fees and certain other fees), which were reclassified from SG&A. Brochure fees were also impacted by the timing of recognition.

(3) Primarily relates to the cost of sales incentives and the cost of brochures paid for by Representatives, both of which were reclassified from SG&A and were also impacted by the timing of recognition.

(4) Relates to the cost of sales incentives, which were reclassified to cost of sales and were also impacted by the timing of recognition. This was partially offset by Representative fees, which were reclassified to other revenue.

AVON PRODUCTS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(U.S. dollars in millions, except per share data)

Line items impacted within the Consolidated Statements of Other Comprehensive Income	Impact of change in revenue recognition standard		
	Per consolidated financial statements	Adjustments	Balances excluding the impact of adopting ASC 606
Net loss	(37.0)	\$ (2.1)	\$ (39.1)
Other comprehensive income:			
Total other comprehensive income, net of income taxes	(123.8)	(2.0)	(125.8)
Comprehensive loss	(160.8)	(4.1)	(164.9)
Comprehensive loss attributable to Avon	(159.6)	(4.1)	(163.7)

The following tables summarize the impacts of adopting ASC 606 on the Company's consolidated financial statements for the six months ended June 30, 2018:

Line items impacted within the Consolidated Statements of Operations	Impact of change in revenue recognition standard		
	Per consolidated financial statements	Adjustments	Balances excluding the impact of adopting ASC 606
<u>Revenue</u>			
Net sales	\$ 2,578.4	\$ (33.1) ⁽¹⁾	\$ 2,545.3
Other revenue	167.0	(105.3) ⁽²⁾	61.7
Total revenue	2,745.4	(138.4)	2,607.0
<u>Costs and expenses</u>			
Cost of sales	1,119.4	(138.6) ⁽³⁾	980.8
Selling, general and administrative expenses	1,528.1	21.3 ⁽⁴⁾	1,549.4
Operating profit	97.9	(21.1)	76.8
Income (loss) before income taxes	10.1	(21.1)	(11.0)
Income taxes	(68.2)	3.7	(64.5)
Net loss	(58.1)	(17.4)	(75.5)
Net loss attributable to Avon	(56.4)	(17.4)	(73.8)

(1) Primarily relates to net impact of the timing of recognition of sales incentives.

(2) Relates to Representative fees (primarily brochure fees, late payment fees and certain other fees), which were reclassified from SG&A. Brochure fees were also impacted by the timing of recognition.

(3) Primarily relates to the cost of sales incentives and the cost of brochures paid for by Representatives, both of which were reclassified from SG&A and were also impacted by the timing of recognition.

(4) Relates to the cost of sales incentives, which were reclassified to cost of sales and were also impacted by the timing of recognition. This was partially offset by Representative fees, which were reclassified to other revenue.

AVON PRODUCTS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(U.S. dollars in millions, except per share data)

Line items impacted within the Consolidated Statements of Other Comprehensive Income	Impact of change in revenue recognition standard		
	Per consolidated financial statements	Adjustments	Balances excluding the impact of adopting ASC 606
Net loss	\$ (58.1)	\$ (17.4)	\$ (75.5)
Other comprehensive income:			
Total other comprehensive income, net of income taxes	(88.2)	(1.3)	(89.5)
Comprehensive loss	(146.3)	(18.7)	(165.0)
Comprehensive loss attributable to Avon	(144.5)	(18.7)	(163.2)

Line items impacted within the Consolidated Balance Sheets	Impact of change in revenue recognition standard		
	Per consolidated financial statements	Adjustments	Balances excluding the impact of adopting ASC 606
Assets			
Accounts receivable, net	\$ 386.4	\$ (6.2) ⁽¹⁾	\$ 380.2
Inventories	662.2	(40.9) ⁽²⁾	621.3
Prepaid expenses and other	290.9	47.1 ⁽²⁾	338.0
Other assets	573.9	(10.9) ⁽³⁾	563.0
Total assets	3,086.4	(10.9)	3,075.5
Liabilities, Series C Convertible Preferred Stock and Shareholders' Deficit			
Other accrued liabilities	400.9	(28.2) ⁽⁴⁾	372.7
Income taxes	8.6	(3.7)	4.9
Total current liabilities	1,383.6	(31.9)	1,351.7
Other liabilities	80.3	(1.4)	78.9
Total liabilities	3,517.1	(33.3)	3,483.8
Retained earnings	2,210.0	23.7 ⁽⁵⁾	2,233.7
Accumulated other comprehensive loss	(1,014.4)	(1.3)	(1,015.7)
Total Avon shareholders' deficit	(918.9)	22.4	(896.5)
Total shareholders' deficit	(910.5)	22.4	(888.1)
Total liabilities, series C convertible preferred stock and shareholders' deficit	3,086.4	(10.9)	3,075.5

(1) Relates to sales returns, which were reclassified from a reduction of accounts receivable to a refund liability (within other accrued liabilities) and a returns asset (within prepaid expenses and other).

(2) Primarily relates to sales incentives and brochures, both of which were reclassified from prepaid expenses and other to inventories, and were also impacted by the timing of recognition. In addition, prepaid expenses and other was impacted by the timing of recognition of brochures, as well as the reclassification of sales returns (described above).

(3) Relates to deferred tax assets associated with the cumulative-effect adjustment.

(4) Primarily relates to the contract liability for sales incentives, which is partially offset by the lower accrual for sales incentives. In addition, other accrued liabilities was impacted by the reclassification of sales returns (described above).

(5) Relates to the \$41.1 cumulative-effect adjustment upon adoption of ASC 606, partially offset by the \$17.4 net loss adjustment.

AVON PRODUCTS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(U.S. dollars in millions, except per share data)

Line items impacted within the Consolidated Statements of Cash Flows	Impact of change in revenue recognition standard		
	Per consolidated financial statements	Adjustments	Balances excluding the impact of adopting ASC 606
Net loss	\$ (58.1)	\$ (17.4)	\$ (75.5)
Other	3.2	1.7	\$ 4.9
Changes in assets and liabilities:			
Accounts receivable	(50.0)	(2.4)	\$ (52.4)
Inventories	(99.7)	1.6	\$ (98.1)
Prepaid expenses and other	1.7	4.6	\$ 6.3
Accounts payable and accrued liabilities	(76.6)	20.3	\$ (56.3)
Income and other taxes	(.3)	(3.7)	\$ (4.0)
Noncurrent assets and liabilities	(2.6)	(4.7)	\$ (7.3)

Other Accounting Standards Implemented

ASU 2017-07, Compensation - Retirement Benefits

In March 2017, the FASB issued ASU 2017-07, *Compensation - Retirement Benefits*. This new guidance requires entities to (1) disaggregate the service cost component from the other components of net periodic benefit costs and present it with other current employee compensation costs in the Consolidated Statements of Operations and (2) present the other components of net periodic benefit costs below operating profit in other expense, net. We adopted this new accounting guidance effective January 1, 2018. The new accounting guidance was applied retrospectively and increased our operating profit for the three and six months ended June 30, 2017 by \$1.1 and \$2.2 respectively, but had no impact on net loss.

Accounting Standards to be Implemented

ASU 2016-02, Leases

In February 2016, the FASB issued ASU 2016-02, *Leases*, which requires all assets and liabilities arising from leases to be recognized in our Consolidated Balance Sheets. We intend to adopt this new accounting guidance effective January 1, 2019. While we are still evaluating the full effect that adopting this new accounting guidance will have on our Consolidated Financial Statements, we believe that it will significantly increase the assets and liabilities in our Consolidated Balance Sheets.

ASU 2018-02, Income Statement - Reporting Comprehensive Income

In February 2018, the FASB issued ASU 2018-02, *Income Statement - Reporting Comprehensive Income*, which permits entities to reclassify the disproportionate income tax effects of the 2017 enactment of U.S. tax reform legislation on items within accumulated other comprehensive income (loss) to retained earnings. These disproportionate income tax effect items are referred to as "stranded tax effects." We intend to adopt this new accounting guidance effective January 1, 2019. We are currently assessing the impact on our consolidated financial statements.

ASU 2016-13, Financial Instruments - Credit Losses

In January 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses*, which requires measurement and recognition of expected credit losses for financial assets held. We intend to adopt this new accounting guidance effective January 1, 2020. We are currently assessing the impact on our consolidated financial statements.

2. EARNINGS (LOSS) PER SHARE AND SHARE REPURCHASES

We compute earnings (loss) per share ("EPS") using the two-class method, which is an earnings (loss) allocation formula that determines earnings (loss) per share for common stock, and earnings (loss) allocated to convertible preferred stock and participating securities, as appropriate. The earnings allocated to convertible preferred stock are the larger of 1) the preferred dividends accrued in the period or 2) the percentage of earnings from continuing operations allocable to the preferred stock as if they had been converted to common stock. Our participating securities are our grants of restricted stock and restricted stock units, which contain non-forfeitable rights to dividend equivalents to the extent any dividends are declared and paid on our common stock. We compute basic EPS by dividing net income (loss) allocated to common shareholders by the weighted-average number of shares outstanding during the period. Diluted EPS is calculated to give effect to all potentially dilutive common shares that were outstanding during the period.

(Shares in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Numerator attributable to Avon:				
Net loss attributable to Avon	\$ (36.1)	\$ (45.5)	\$ (56.4)	\$ (82.0)

Less: Loss allocated to participating securities	(.4)	(.6)	(.6)	(1.0)
Less: Earnings allocated to convertible preferred stock	6.0	5.7	12.0	11.4
Loss allocated to common shareholders	(41.7)	(50.6)	(67.8)	(92.4)
Denominator:				
Basic EPS weighted-average shares outstanding	442.2	439.9	441.5	439.3
Diluted effect of assumed conversion of stock options	—	—	—	—
Diluted effect of assumed conversion of preferred stock	—	—	—	—
Diluted EPS adjusted weighted-average shares outstanding	442.2	439.9	441.5	439.3
Loss per Common Share attributable to Avon:				
Basic	\$ (.09)	\$ (.12)	\$ (.15)	\$ (.21)
Diluted	(.09)	(.12)	(.15)	(.21)

Amounts in the table above may not necessarily sum due to rounding.

During the three months and six months ended June 30, 2018, we did not include stock options to purchase 18.5 million shares and 17.4 million shares, respectively, of Avon common stock in the calculation of diluted EPS as we had a net loss and the inclusion of these shares would decrease the net loss per share. Since the inclusion of such shares would be anti-dilutive, these are excluded from the calculation. During the three and six months ended June 30, 2017, we did not include stock options to purchase 18.1 million shares and 16.1 million shares, respectively, for the same reason.

For the three and six months ended June 30, 2018 and 2017, it is more dilutive to assume the series C convertible preferred stock is not converted into common stock; therefore, the weighted-average shares outstanding were not adjusted by the as-if

AVON PRODUCTS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(U.S. dollars in millions, except per share data)

converted series C convertible preferred stock because the effect would be anti-dilutive as it would decrease the net loss per share. If the as-if converted series C convertible preferred stock had been dilutive, approximately 87.1 million additional shares would have been included in the diluted weighted average number of shares outstanding for the three and six months ended June 30, 2018 and 2017. See Note 4, Related Party Transactions.

We purchased approximately 1.1 million shares of Avon common stock for \$3.2 during the first six months of 2018, as compared to approximately 1.5 million shares of Avon common stock for \$6.4 during the first six months of 2017, through acquisition of stock from employees in connection with tax payments upon the vesting of restricted stock units and performance restricted stock units.

3. INVESTMENT IN NEW AVON

In connection with the separation of the Company's North America business, which closed on March 1, 2016, the Company retained a 19.9% ownership interest in New Avon, a privately-held company that is majority-owned and managed by an affiliate of Cerberus Capital Management L.P. ("Cerberus"). The Company has accounted for its ownership interest in New Avon using the equity method of accounting, which resulted in the Company recognizing its proportionate share of New Avon's income or loss and other comprehensive income or loss. Our recorded investment balance in New Avon at June 30, 2018 and December 31, 2017 was zero.

During the third quarter of 2017, the Company received a cash distribution of \$22.0 from New Avon, which reduced our recorded investment balance in New Avon. During the third quarter of 2017, we recorded only \$1.7 of the Company's proportionate share of the losses in New Avon, as this reduced our recorded investment balance in New Avon to zero. As a result, we have not recorded our proportionate share of New Avon's loss since the third quarter of 2017. If New Avon experiences future losses while our recorded investment balance is zero, we would not record our proportionate share of such loss. The Company's proportionate share of the losses of New Avon was \$5.8 and \$9.8 during the three and six months ended June 30, 2017, respectively, which was recorded within other expense, net. In addition, the Company's proportionate share of the post-separation other comprehensive income of New Avon was an immaterial amount during the three and six months ended June 30, 2017, and was recorded within other comprehensive income (loss).

The Company also recorded an additional loss of \$.5 within other expense, net and a benefit of \$1.1 within other comprehensive income (loss), during the six months ended June 30, 2017, primarily associated with purchase accounting adjustments reported by New Avon.

Summarized financial information related to New Avon is shown below:

	Six Months Ended June 30,	
	2018	2017
Total revenue	\$ 320.1	\$ 361.8
Gross profit	186.6	225.6
Net loss	(42.3)	(49.4)

AVON PRODUCTS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(U.S. dollars in millions, except per share data)

4. RELATED PARTY TRANSACTIONS

The following tables present the related party transactions with New Avon, affiliates of Cerberus and the Instituto Avon in Brazil. There are no other related party transactions. New Avon is majority-owned and managed by Cerberus NA. See Note 3, Investment in New Avon for further details.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Statement of Operations Data				
Revenue from sale of product to New Avon ⁽¹⁾	\$ 7.1	\$ 9.6	\$ 13.0	\$ 17.6
Gross profit from sale of product to New Avon ⁽¹⁾	\$.4	\$.7	\$.7	\$ 1.3
Cost of sales for purchases from New Avon ⁽²⁾	\$.7	\$ 1.3	\$ 1.2	\$ 2.1
Selling, general and administrative expenses related to New Avon:				
Transition services, intellectual property, technical support and innovation and subleases ⁽³⁾	\$ (.5)	\$ (7.2)	\$ (3.7)	\$ (15.1)
Project management team ⁽⁴⁾	.2	.8	.8	1.6
Net reduction of selling, general and administrative expenses	\$ (.3)	\$ (6.4)	\$ (2.9)	\$ (13.5)
Interest income from Instituto Avon ⁽⁵⁾	\$ —	\$ —	\$ —	\$ —
	June 30, 2018		December 31, 2017	
Balance Sheet Data				
Inventories ⁽⁶⁾	\$.4	\$.4	\$.4	\$.4
Receivables due from New Avon ⁽⁷⁾	\$ 6.7	\$ 9.8	\$ 9.8	\$ 9.8
Receivables due from Instituto Avon ⁽⁵⁾	\$ 3.6	\$ —	\$ —	\$ —
Payables due to New Avon ⁽⁸⁾	\$.3	\$.2	\$.2	\$.2
Payables due to an affiliate of Cerberus ⁽⁹⁾	\$.4	\$.4	\$.4	\$.4

(1) The Company supplies product to New Avon as part of a manufacturing and supply agreement.

(2) New Avon supplies product to the Company as part of the same manufacturing and supply agreement noted above. The Company purchased \$.5 and \$.9 from New Avon associated with this agreement during the three months ended June 30, 2018 and 2017, respectively, and recorded \$.7 and \$1.3 associated with these purchases within cost of sales in our Consolidated Statement of Operations during the three months ended June 30, 2018 and 2017, respectively. The Company purchased \$1.2 and \$1.9 from New Avon associated with this agreement during the six months ended June 30, 2018 and 2017, respectively, and recorded \$1.2 and \$2.1 associated with these purchases within cost of sales in our Consolidated Statement of Operations during the six months ended June 30, 2018 and 2017, respectively.

(3) The Company also entered into a transition services agreement to provide certain services to New Avon, as well as an intellectual property ("IP") license agreement, an agreement for technical support and innovation and sublease for office space. In addition, New Avon performed certain services for the Company under a similar transition services agreement, which expired during the third quarter of 2017. The Company recorded a net \$.5 and \$7.2 reduction of selling, general and administrative expenses associated with these agreements during the three months ended June 30, 2018 and 2017, respectively, and a net \$3.7 and \$15.1 reduction of selling, general and administrative expenses associated with these agreements during the six months ended June 30, 2018 and 2017, respectively, which generally represents a recovery of the related costs.

(4) The Company also entered into agreements with an affiliate of Cerberus, which provide for the secondment of Cerberus affiliate personnel to the Company's project management team responsible for assisting with the execution of the transformation plan (the "Transformation Plan") announced in January 2016. The Company recorded \$.2 and \$.8 in selling, general and administrative expenses associated with these agreements during the three months ended June 30, 2018 and 2017, respectively, and recorded \$.8 and \$1.6 in selling, general and administrative expenses associated with these agreements during the six months ended June 30, 2018 and 2017, respectively. See Note 11, Restructuring Initiatives for additional information related to the Transformation Plan.

AVON PRODUCTS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(U.S. dollars in millions, except per share data)

(5) During the second quarter of 2018, the Company entered into an agreement to loan the Instituto Avon, an independent non-government charitable organization in Brazil, \$3.6 for an unsecured 5-year term at a fixed interest rate of 7% per annum, to be paid back in 5 equal annual installments. The Instituto Avon was created by an Avon subsidiary in Brazil, with board and executive team comprising of Avon Brazil management. The purpose of the loan is to provide the Instituto Avon with the means to donate funds to Fundação Pio XII (a leading cancer prevention and treatment organization in Brazil and owner of the Hospital do Câncer de Barretos), in order to invest in equipment with the objective of expanding breast cancer prevention and treatment.

(6) Inventories relate to purchases from New Avon, associated with the manufacturing and supply agreement, which have not yet been sold, and were classified within inventories in our Consolidated Balance Sheets.

(7) The receivables due from New Avon relate to the agreements for transition services, the IP license, technical support and innovation and subleases for office space, as well as the manufacturing and supply agreement, and were classified within prepaid expenses and other in our Consolidated Balance Sheets.

(8) The payables due to New Avon relate to the manufacturing and supply agreement, and were classified within other accrued liabilities in our Consolidated Balance Sheets.

(9) The payables due to an affiliate of Cerberus relate to the agreement for the project management team, and were classified within other accrued liabilities in our Consolidated Balance Sheets.

In addition, the Company also issued standby letters of credit to the lessors of certain equipment, a lease for which was transferred to New Avon in connection with the separation of the Company's North America business. As of June 30, 2018, the Company has a liability of \$1.4 for the estimated value of such standby letters of credit.

Series C Preferred Stock

On March 1, 2016, the Company issued and sold to Cerberus Investor 435,000 shares of newly issued series C preferred stock for an aggregate purchase price of \$435.0. Cumulative preferred dividends accrue daily on the series C preferred stock at a rate of 1.25% per quarter. The series C preferred stock had accrued unpaid dividends of \$53.5 as of June 30, 2018. There were no dividends declared in the six months ended June 30, 2018 and 2017.

5. INVENTORIES

Components of Inventories	June 30, 2018	December 31, 2017
Raw materials	\$ 191.3	\$ 190.6
Finished goods	470.9	407.6
Total	\$ 662.2	\$ 598.2

6. EMPLOYEE BENEFIT PLANS

Net Periodic Benefit Costs	Three Months Ended June 30,							
	Pension Benefits				Postretirement Benefits			
	U.S. Plans		Non-U.S. Plans		2018		2017	
	2018	2017	2018	2017	2018	2017	2018	2017
Service cost	\$.9	\$ 1.3	\$ 1.2	\$ 1.2	\$ —	\$ —	\$ —	\$ —
Interest cost	.6	.8	4.0	4.4	.3	.3	.3	.3
Expected return on plan assets	(.8)	(.8)	(8.2)	(6.9)	—	—	—	—
Amortization of prior service credit	—	—	—	(.1)	(.1)	(.1)	(.1)	(.1)
Amortization of net actuarial losses	1.3	1.3	1.8	2.0	—	.1	—	.1
Net periodic benefit costs⁽¹⁾	\$ 2.0	\$ 2.6	\$ (1.2)	\$.6	\$.2	\$.3	\$.2	\$.3

AVON PRODUCTS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(U.S. dollars in millions, except per share data)

Net Periodic Benefit Costs	Six Months Ended June 30,					
	Pension Benefits				Postretirement Benefits	
	U.S. Plans		Non-U.S. Plans		2018	2017
	2018	2017	2018	2017	2018	2017
Service cost	\$ 1.8	\$ 2.7	\$ 2.4	\$ 2.4	\$.1	\$ —
Interest cost	1.2	1.5	8.2	8.8	.6	.7
Expected return on plan assets	(1.6)	(1.6)	(16.6)	(13.6)	—	—
Amortization of prior service credit	—	—	—	(.1)	(.2)	(.2)
Amortization of net actuarial losses	2.6	2.5	3.6	3.8	—	.1
Net periodic benefit costs ⁽¹⁾	\$ 4.0	\$ 5.1	\$ (2.4)	\$ 1.3	\$.5	\$.6

⁽¹⁾ Service cost is presented in selling, general and administrative expenses in our Consolidated Statements of Operations. The components of net periodic benefit costs other than service cost are presented in other expense, net in our Consolidated Statements of Operations.

During the six months ended June 30, 2018, we made approximately \$11.4 and approximately \$8 of contributions to the U.S. and non-U.S. defined benefit pension and postretirement benefit plans, respectively. During the remainder of 2018, we anticipate contributing approximately \$0 to \$4 and approximately \$12 to \$17 to fund our U.S. and non-U.S. defined benefit pension and postretirement benefit plans, respectively.

In addition to the amounts in the tables above, during the second quarter of 2017, we recorded an \$18.2 charge for a loss contingency related to a non-U.S. pension plan, for which an amendment to the plan that occurred in a prior year may not have been appropriately implemented.

7. CONTINGENCIES

Settlements of FCPA Investigations

As previously reported, we engaged outside counsel to conduct an internal investigation and compliance reviews focused on compliance with the Foreign Corrupt Practices Act ("FCPA") and related U.S. and foreign laws in China and additional countries. The internal investigation, which was conducted under the oversight of our Audit Committee, began in June 2008 and along with the compliance reviews, was completed in 2014.

Following our voluntary reporting of the internal investigation to both the U.S. Department of Justice (the "DOJ") and the U.S. Securities and Exchange Commission (the "SEC") and our subsequent cooperation with those agencies, the United States District Court for the Southern District of New York (the "USDC") approved in December 2014 a deferred prosecution agreement ("DPA") entered into between the Company and the DOJ related to charges of violations of the books and records and internal controls provisions of the FCPA. In addition, Avon Products (China) Co. Ltd., a subsidiary of the Company operating in China, pleaded guilty to conspiring to violate the books and records provision of the FCPA. The USDC also entered a judgment in January 2015 approving our consent agreement with the SEC (the "Consent") to settle the SEC's complaint charging violations of the books and records and internal control provisions of the FCPA.

As part of these resolutions, the Company agreed, among other things, to pay fines, disgorgement and prejudgment interest in an aggregate amount of \$135 and to have a compliance monitor (the "monitor"). The monitor was replaced by the Company, which undertook self-reporting obligations for the remainder of the monitoring period. The DPA has expired, and the charges against the Company were dismissed with prejudice on February 5, 2018.

The Company was subject to a continued self-monitoring period, including the filing of periodic self-monitoring reports with the SEC, until the July 2018 expiry of the monitoring period under the Consent. The Company's final self-monitoring report and certification of completion were filed on July 9, 2018, but the SEC retains the right under the Consent to request additional compliance-related information from the Company as part of the Company's self-monitoring. Third-party costs incurred in connection with self-monitoring and compliance with the Consent have not been material to date. While we do not anticipate material costs going forward, the Company's related obligations may be costly and/or time-consuming.

Brazilian Tax Assessments

In 2002, our Brazilian subsidiary received an excise tax (IPI) assessment from the Brazilian tax authorities for alleged tax deficiencies during the years 1997-1998, which was officially closed in favor of Avon Brazil in July 2017. In December 2012,

AVON PRODUCTS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(U.S. dollars in millions, except per share data)

additional assessments were received for the year 2008 with respect to excise tax (IPI) and taxes charged on gross receipts (PIS and COFINS). In the second quarter of 2014, the PIS and COFINS assessments were officially closed in favor of Avon Brazil. As in the 2002 IPI case, the 2012 IPI assessment asserts that the establishment in 1995 of separate manufacturing and distribution companies in Brazil was done without a valid business purpose and that Avon Brazil did not observe minimum pricing rules to define the taxable basis of excise tax. The structure adopted in 1995 is comparable to that used by many other companies in Brazil. We believe that our Brazilian corporate structure is appropriate, both operationally and legally, and that the 2012 IPI assessment is unfounded.

These matters are being vigorously contested. In January 2013, we filed a protest seeking a first administrative level review with respect to the 2012 IPI assessment. In July 2013, the 2012 IPI assessment was upheld at the first administrative level and we appealed this decision to the second administrative level. The 2012 IPI assessment totals approximately \$303, including penalties and accrued interest. On April 18, 2018, Avon received official notification that the second administrative level has issued a partially favorable and partially unfavorable decision. In this decision, the original assessment was reduced by approximately \$64 (including associated penalty and interest), subject to Federal Revenue appeal. The remaining \$239 of the assessment was upheld at the second administrative level. On April 20, 2018, we appealed this decision in the third administrative level.

On October 3, 2017, Avon Brazil received a new tax assessment notice regarding IPI for 2014. The 2017 IPI assessment totals approximately \$232, including penalties and accrued interest. In line with the other assessments received in the past, the Brazilian tax authorities assert that the structure adopted in 2005 has no valid business purpose and that Avon Brazil did not observe minimum pricing rules to define the taxable basis of excise tax. Avon will vigorously contest this assessment, and presented the first defense on November 1, 2017. On April 2, 2018, Avon was notified of an unfavorable decision at the first administrative level. On April 27, 2018, we filed an appeal in the second administrative level.

In the event that the 2012 and the 2017 IPI assessments are upheld in the third and final administrative level, it may be necessary for us to provide security to pursue further appeals in the judicial levels, which, depending on the circumstances, may result in a charge to earnings and an adverse effect on the Company's Consolidated Statements of Cash Flows. It is not possible to reasonably estimate the likelihood or potential amount of assessments that may be issued for subsequent periods (tax years up through 2010 are closed by statute). However, other similar IPI assessments involving different periods (1998-2001) have been cancelled and officially closed in our favor by the second administrative level and in July 2017 we received the official cancellation of the 2002 assessment pursuant to the favorable decision discussed above. We believe that the 2012 and the 2017 IPI assessments are unfounded, however, based on the likelihood that these will be upheld, we assess the risks as disclosed above as reasonably possible. At June 30, 2018, we have not recognized a liability for the 2012 or 2017 IPI assessments.

Brazil IPI Tax on Cosmetics

In May 2015, an Executive Decree on certain cosmetics went into effect in Brazil which increased the amount of IPI taxes that are to be remitted by Avon Brazil to the taxing authority on the sales of cosmetic products subject to IPI. Avon Brazil filed an objection to this IPI tax increase on the basis that it is not constitutional. In December 2016, Avon Brazil received a favorable decision from the Federal District Court regarding this objection. This decision has been appealed by the tax authorities.

From May 2015 through April 2016, Avon Brazil remitted the taxes associated with this IPI tax increase into a judicial deposit which would be remitted to the taxing authorities in the event that we are not successful in our objection to the tax increase. In May 2016, Avon Brazil received a favorable preliminary decision on its objection to the tax and was granted a preliminary injunction. As a result, beginning in May 2016, Avon Brazil is no longer required to remit the taxes associated with IPI into a judicial deposit. While an increasing number of recent preliminary decisions have been in favor of the taxpayer, as of

June 30, 2018, we have concluded that it is appropriate to continue to recognize the associated IPI taxes as a liability. At June 30, 2018, the liability to the taxing authorities for this IPI tax increase was approximately \$191 and was classified within long-term sales taxes and taxes other than income in our Consolidated Balance Sheets, and the judicial deposit was approximately \$65 and was classified within prepaid expenses and other in our Consolidated Balance Sheets. The net liability that did not have a corresponding judicial deposit was approximately \$126 at June 30, 2018, and the interest associated with this net liability has been and will continue to be recognized in other expense, net. Our cash flow from operations has benefited as compared to our earnings as we have recognized the expense and associated interest related to this IPI tax in our Consolidated Statements of Operations; however, since May 2016, we have not made a corresponding cash payment into a judicial deposit based on the preliminary injunction that is still in force. On June 12, 2018, we received a decision authorizing Avon to withdraw the amount held as a judicial deposit, substituting it by letter of guarantee, which was presented; on July 30, 2018, the funds were received in our bank account. The tax authorities have presented an appeal against that decision.

An unfavorable ruling to our objection of this IPI tax increase would have an adverse effect on the Company's Consolidated Statements of Cash Flows as Avon Brazil would have to remit the liability owed to the taxing authorities (including the judicial

AVON PRODUCTS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(U.S. dollars in millions, except per share data)

deposit that was returned to us on July 30, 2018). We are not able to reliably predict the timing of the outcome of our objection to this tax increase.

Talc-Related Litigation

The Company has been named a defendant in numerous personal injury lawsuits filed in U.S. courts, alleging that certain talc products the Company sold in the past were contaminated with asbestos. Many of these actions involve a number of codefendants from a variety of different industries, including manufacturers of cosmetics and manufacturers of other products that, unlike the Company's products, were designed to contain asbestos. We believe that the claims against us are without merit. We are defending vigorously against these claims and will continue to do so. To date, there have been no findings of liability against the Company in any of these cases but we are unable to predict the ultimate outcome of each case. Additional similar cases arising out of the use of the Company's talc products are reasonably anticipated. At this time, we are unable to estimate our reasonably possible losses, if any. Also, in light of the inherent litigation uncertainties, potential costs to litigate these cases are not known, but they may be significant, though some costs will be covered by insurance.

Brazilian Labor-Related Litigation

On an ongoing basis, the Company is subject to numerous and diverse labor-related lawsuits filed by employees in Brazil. These cases are assessed on an aggregated and ongoing basis based on historical outcomes of similar cases. The claims made are often for significantly larger sums than have historically been paid out by the Company. Our practice continues to be to recognize a liability based on our assessment of historical payments in similar cases. Our best estimate of the probable loss for such current cases at June 30, 2018 is approximately \$13 and, accordingly, we have recognized a liability for this amount.

Other Matters

Various other lawsuits and claims, arising in the ordinary course of business or related to businesses previously sold, are pending or threatened against Avon. In management's opinion, based on its review of the information available at this time, the total cost of resolving such other contingencies at June 30, 2018, is not expected to have a material adverse effect on our consolidated financial position, results of operations or cash flows.

8. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The tables below present the changes in AOCI by component and the reclassifications out of AOCI for the three and six months ended June 30, 2018 and 2017:

Three Months Ended June 30, 2018	Foreign Currency Translation Adjustments	Net Investment Hedges	Pension and Postretirement Benefits	Investment in New Avon	Total
Balance at March 31, 2018	\$ (797.3)	\$ (4.3)	\$ (92.8)	\$ 3.4	\$ (891.0)
Other comprehensive income other than reclassifications	(126.2)	—	—	—	(126.2)
Reclassifications into earnings:					
Amortization of net actuarial loss and prior service cost, net of tax of \$ ⁽¹⁾	—	—	2.8	—	2.8
Total reclassifications into earnings	—	—	2.8	—	2.8
Balance at June 30, 2018	\$ (923.5)	\$ (4.3)	\$ (90.0)	\$ 3.4	\$ (1,014.4)

Three Months Ended June 30, 2017:	Foreign Currency Translation Adjustments	Net Investment Hedges	Pension and Postretirement Benefits	Investment in New Avon	Total
Balance at March 31, 2017	\$ (849.0)	\$ (4.3)	\$ (117.1)	\$ 3.3	\$ (967.1)
Other comprehensive income other than reclassifications	9.3	—	—	.1	9.4
Reclassifications into earnings:					
Amortization of net actuarial loss and prior service cost, net of tax of \$0.0 ⁽¹⁾	—	—	3.1	—	3.1
Total reclassifications into earnings	—	—	3.1	—	3.1
Balance at June 30, 2017	\$ (839.7)	\$ (4.3)	\$ (114.0)	\$ 3.4	\$ (954.6)

AVON PRODUCTS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(U.S. dollars in millions, except per share data)

Six Months Ended June 30, 2018:	Foreign Currency Translation Adjustments	Net Investment Hedges	Pension and Postretirement Benefits	Investment in New Avon	Total
Balance at December 31, 2017	\$ (829.6)	\$ (4.3)	\$ (95.7)	\$ 3.4	\$ (926.2)
Other comprehensive income other than reclassifications	(93.9)	—	—	—	(93.9)
Reclassifications into earnings:					
Amortization of net actuarial loss and prior service cost, net of tax of \$0.3 ⁽¹⁾	—	—	5.7	—	5.7
Total reclassifications into earnings	—	—	5.7	—	5.7
Balance at June 30, 2018	<u>\$ (923.5)</u>	<u>\$ (4.3)</u>	<u>\$ (90.0)</u>	<u>\$ 3.4</u>	<u>\$ (1,014.4)</u>

Six Months Ended June 30, 2017:	Foreign Currency Translation Adjustments	Net Investment Hedges	Pension and Postretirement Benefits	Investment in New Avon	Total
Balance at December 31, 2016	\$ (910.9)	\$ (4.3)	\$ (120.2)	\$ 2.2	\$ (1,033.2)
Other comprehensive income other than reclassifications	71.2	—	—	1.2	72.4
Reclassifications into earnings:					
Amortization of net actuarial loss and prior service cost, net of tax of \$0.0 ⁽¹⁾	—	—	6.2	—	6.2
Total reclassifications into earnings	—	—	6.2	—	6.2
Balance at June 30, 2017	<u>\$ (839.7)</u>	<u>\$ (4.3)</u>	<u>\$ (114.0)</u>	<u>\$ 3.4</u>	<u>\$ (954.6)</u>

(1) Gross amount reclassified to pension and postretirement expense, within other expense, net in our Consolidated Statements of Operations, and related taxes reclassified to income taxes in our Consolidated Statements of Operations.

Foreign exchange net loss of \$9.6 and net gain of \$6.4 for the three months ended June 30, 2018 and 2017, respectively, and a foreign exchange net losses of \$3.7 and net gain of \$9.8 for the six months ended June 30, 2018 and 2017, respectively, resulting from the translation of actuarial losses and prior service cost recorded in AOCI, are included in foreign currency translation adjustments in our Consolidated Statements of Comprehensive Loss.

9. SEGMENT INFORMATION

We determine segment profit by deducting the related costs and expenses from segment revenue. Segment profit includes an allocation of global marketing expenses based on actual revenues. Segment profit excludes global expenses other than the allocation of marketing, costs to implement ("CTI") restructuring initiatives (see Note 11, Restructuring Initiatives), a loss contingency related to a non U.S. pension plan (see Note 6, Employee Benefit Plans), certain significant asset impairment charges, and other items, which are not allocated to a particular segment, if applicable. This is consistent with the manner in which we assess our performance and allocate resources.

Summarized financial information concerning our reportable segments was as follows:

Total Revenue	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Europe, Middle East & Africa	\$ 500.7	\$ 494.6	\$ 1,069.1	\$ 1,002.1
South Latin America	516.1	558.1	1,013.2	1,057.3
North Latin America	207.3	207.8	402.9	401.0
Asia Pacific	113.1	113.9	224.5	227.3
Total revenue from reportable segments	1,337.2	1,374.4	2,709.7	2,687.7
Other operating segments and business activities	14.7	21.5	35.7	41.3
Total revenue	<u>\$ 1,351.9</u>	<u>\$ 1,395.9</u>	<u>\$ 2,745.4</u>	<u>\$ 2,729.0</u>

AVON PRODUCTS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(U.S. dollars in millions, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Operating Profit				
Segment Profit				
Europe, Middle East & Africa	\$ 74.4	\$ 80.8	\$ 148.8	\$ 154.3
South Latin America	55.2	45.7	82.4	59.4
North Latin America	19.0	18.2	39.8	39.6
Asia Pacific	7.3	10.2	17.7	23.5
Total profit from reportable segments	\$ 155.9	\$ 154.9	\$ 288.7	\$ 276.8
Other operating segments and business activities	(.6)	(.3)	1.6	.6
Unallocated global expenses	(78.6)	(83.3)	(157.8)	(166.4)
CTI restructuring initiatives	(23.7)	(20.4)	(34.6)	(30.3)
Loss contingency	—	(18.2)	—	(18.2)
Operating profit	\$ 53.0	\$ 32.7	\$ 97.9	\$ 62.5

Other operating segments and business activities include markets that have been exited. Effective in the first quarter of 2018, given that we are exiting Australia and New Zealand during 2018, the results of Australia and New Zealand are now reported in Other operating segments and business activities for all periods presented, while previously the results had been reported in the Asia Pacific segment. Other operating segments and business activities also include revenue from the sale of products to New Avon since the separation of the Company's North America business into New Avon on March 1, 2016 and ongoing royalties from the licensing of our name and products.

10. SUPPLEMENTAL BALANCE SHEET INFORMATION

At June 30, 2018 and December 31, 2017, prepaid expenses and other included the following:

Components of Prepaid Expenses and Other	June 30, 2018	December 31, 2017
Prepaid taxes and tax refunds receivable	\$ 113.3	\$ 111.6
Receivables other than trade	54.8	67.2
Prepaid brochure costs, paper and other literature ⁽¹⁾	13.9	64.8
Judicial deposit for Brazil IPI tax on cosmetics (Note 7)	65.0	—
Other	43.9	52.8
Prepaid expenses and other	\$ 290.9	\$ 296.4

(1) The decrease in prepaid brochure costs, paper and other literature is primarily due to the adoption of ASC 606. Effective January 1, 2018, the costs associated with brochures that will be purchased by the Representative are presented within inventories in our Consolidated Balance Sheets, while the costs associated with brochures that will be given away for free as promotional items are reflected within prepaid expenses and other in our Consolidated Balance Sheets. Previously, the net of the costs and fees charged to Representatives for all brochures were presented within prepaid expenses and other in our Consolidated Balance Sheets. See Note 1, Accounting Policies for further details.

AVON PRODUCTS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(U.S. dollars in millions, except per share data)

At June 30, 2018 and December 31, 2017, other assets included the following:

Components of Other Assets	June 30, 2018	December 31, 2017
Deferred tax assets	\$ 199.8	\$ 203.8
Net overfunded pension plans	90.6	82.0
Capitalized software	81.8	85.2
Judicial deposits other than Brazil IPI tax (see below)	71.7	82.2
Judicial deposit for Brazil IPI tax on cosmetics (Note 7)	—	73.8
Long-term receivables	71.1	75.6
Trust assets associated with supplemental benefit plans	37.4	37.1
Tooling (plates and molds associated with our beauty products)	10.2	12.5
Other	11.3	14.0
Other assets	<u>\$ 573.9</u>	<u>\$ 666.2</u>

11. RESTRUCTURING INITIATIVES

Transformation Plan

In January 2016, we initiated a Transformation Plan, which included cost reduction efforts to continue to improve our cost structure and to enable us to reinvest in growth. Under this plan, we had targeted pre-tax annualized cost savings of approximately \$350 after three years, with an estimated \$200 from supply chain reductions and an estimated \$150 from other cost reductions, which were expected to be achieved through restructuring actions, as well as other cost-savings strategies that would not result in restructuring charges. We have reinvested and continue to plan to reinvest a portion of these cost savings in growth initiatives, including media, social selling and information technology systems that will help us modernize our business. We had initiated the Transformation Plan in an attempt to enable us to achieve our long-term goals of mid-single-digit constant-dollar revenue growth and low double-digit operating margin. As part of the Transformation Plan, we identified certain actions, that we believe will reduce ongoing costs, primarily consisting of global headcount reductions relating to operating model changes, as well as the closure of Australia, New Zealand and Thailand, which were smaller, under-performing markets. The operating model changes include the streamlining of our corporate functions to align with the current and future needs of the business and an information technology infrastructure outsourcing initiative.

As a result of these restructuring actions approved to-date, we have recorded total costs to implement these restructuring initiatives of \$202.4 before taxes, of which \$35.3 was recorded during the six months ended June 30, 2018, in our Consolidated Statements of Operations. The additional charges not yet incurred associated with the restructuring actions approved to-date of approximately \$20 to \$30 before taxes are expected to be recorded primarily in 2018. At this time we are unable to quantify the total costs to implement the restructuring initiatives that will be incurred through the time the Transformation Plan is fully implemented as we have not yet identified all actions to be taken.

Costs to Implement Restructuring Initiatives - Three and Six Months Ended June 30, 2018

During the three and six months ended June 30, 2018, we recorded costs to implement of \$24.5 and \$35.3 respectively, related to the Transformation Plan, in our Consolidated Statements of Operations. The costs consisted of the following:

- net charges of \$17.3 and \$25.5, respectively, for employee-related costs, including severance benefits;
- implementation costs of \$4.7 and \$5.7, respectively, primarily related to professional service fees;
- accelerated depreciation of \$.9 and \$1.6, respectively;
- inventory write-offs of \$.4 and \$1.1, respectively;
- foreign currency translation adjustment charges of \$.7 and \$.7, respectively; and
- contract termination and other net charges of \$.5 and \$.7, respectively.

Of the total costs to implement during the three months ended June 30, 2018, \$24.1 was recorded in selling, general and administrative expenses and \$.5 was recorded in cost of sales in our Consolidated Statement of Operations. Of the total costs to implement during the six months ended June 30, 2018, \$34.2 was recorded in selling, general and administrative expenses and \$1.1 was recorded in cost of sales.

AVON PRODUCTS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(U.S. dollars in millions, except per share data)

Costs to Implement Restructuring Initiatives - Three and Six Months Ended June 30, 2017

During the three and six months ended June 30, 2017, we recorded costs to implement of \$21.0 and \$31.0, respectively, related to the Transformation Plan, in the Consolidated Statement of Operations. The costs consisted of the following:

- net charges of \$9.5, and \$17.1, respectively, for employee-related costs, including severance benefits;
- contract termination and other net charges of \$10.8 and \$12.2, respectively, associated with vacating our previous corporate headquarters;
- implementation costs of \$.2 and \$.7, respectively, primarily related to professional service fees; and
- accelerated depreciation of \$.5 and \$1.0, respectively.

Of the total costs to implement during the three months ended June 30, 2017, \$21.0 was recorded in selling, general and administrative expenses. Of the total costs to implement during the six months ended June 30, 2017, \$31.1 was recorded in selling, general and administrative expenses and a benefit of \$.1 was recorded in cost of sales in our Consolidated Statement of Operations.

The tables below include restructuring costs such as employee-related costs, inventory write-offs, foreign currency translation write-offs and contract terminations, and do not include other costs to implement restructuring initiatives such as professional services fees and accelerated depreciation.

The liability balance for the Transformation Plan as of June 30, 2018 is as follows:

	Employee- Related Costs	Inventory Write-offs	Contract Terminations/Other	Foreign Currency Translation Adjustment	Total
Balance at December 31, 2017	\$ 41.2	\$ —	\$ 8.0	\$ —	\$ 49.2
2018 charges	30.1	1.1	1.4	.7	33.3
Adjustments	(4.6)	—	(0.7)	—	(5.3)
Cash payments	(13.3)	—	(3.8)	—	(17.1)
Non-cash write-offs	—	(1.1)	—	(.7)	(1.8)
Foreign exchange	(2.0)	—	—	—	(2.0)
Balance at June 30, 2018	<u>\$ 51.4</u>	<u>\$ —</u>	<u>\$ 4.9</u>	<u>\$ —</u>	<u>\$ 56.3</u>

The majority of cash payments, if applicable, associated with these charges are expected to be made during 2018.

The following table presents the restructuring charges incurred to date, under the Transformation Plan, along with the estimated charges expected to be incurred on approved initiatives under the plan:

	Employee- Related Costs	Inventory Write-offs	Foreign Currency Translation Adjustment Write-offs	Contract Terminations/Other	Total
Charges incurred to-date	\$ 136.5	\$ 2.0	\$ 3.4	\$ 36.7	\$ 178.6
Estimated charges to be incurred on approved initiatives	6.6	—	—	6.8	13.4
Total expected charges on approved initiatives	<u>\$ 143.1</u>	<u>\$ 2.0</u>	<u>\$ 3.4</u>	<u>\$ 43.5</u>	<u>\$ 192.0</u>

AVON PRODUCTS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(U.S. dollars in millions, except per share data)

The charges, net of adjustments, of initiatives under the Transformation Plan, along with the estimated charges expected to be incurred on approved initiatives under the plan, by reportable segment are as follows:

	Europe, Middle East & Africa	South Latin America	North Latin America	Asia Pacific	Global & Other Operating Segments	Total
2015	\$ —	\$ —	\$ —	\$ —	\$ 21.4	\$ 21.4
2016	30.9	13.2	4.4	9.1	16.8	74.4
2017	.9	5.6	(.6)	(.5)	49.4	54.8
First quarter 2018	3.2	5.3	0.6	—	—	9.1
Second quarter 2018	4.7	(.1)	—	—	14.3	18.9
Charges incurred to-date	39.7	24.0	4.4	8.6	101.9	178.6
Estimated charges to be incurred on approved initiatives	.5	—	—	6.5	6.4	13.4
Total expected charges on approved initiatives	\$ 40.2	\$ 24.0	\$ 4.4	\$ 15.1	\$ 108.3	\$ 192.0

The charges above are not included in segment profit, as this excludes costs to implement restructuring initiatives. We expect our total costs to implement restructuring on approved initiatives to be an estimated \$220 to \$230 before taxes under the Transformation Plan. The amounts shown in the tables above as charges recorded to-date relate to initiatives that have been approved and recorded in the consolidated financial statements as the costs are probable and estimable. The amounts shown in the tables above as total expected charges on approved initiatives represent charges recorded to-date plus charges yet to be recorded for approved initiatives as the relevant accounting criteria for recording an expense have not yet been met.

Other Restructuring Initiatives

During the three and six months ended June 30, 2018, we recorded net benefits of \$.8 and \$.7, respectively, in selling, general and administrative expenses, in our Consolidated Statements of Operations, associated with other restructuring initiatives.

During the three and six months ended June 30, 2017, we recorded net benefits of \$.7 and \$.7, respectively, in selling, general and administrative expenses, in our Consolidated Statements of Operations, associated with other restructuring initiatives.

12. GOODWILL

	Europe, Middle East & Africa	South Latin America	Asia Pacific	Total
Net balance at December 31, 2017	\$ 20.4	\$ 72.7	\$ 2.6	\$ 95.7
Changes during the period ended June 30, 2018:				
Foreign exchange	(1.7)	.9	—	(.8)
Net balance at June 30, 2018	\$ 18.7	\$ 73.6	\$ 2.6	\$ 94.9

13. FAIR VALUE

Assets and Liabilities Recorded at Fair Value on a Recurring Basis

The assets and liabilities measured at fair value on a recurring basis were immaterial at June 30, 2018 and December 31, 2017.

Fair Value of Financial Instruments

Our financial instruments include cash and cash equivalents, available-for-sale securities, short-term investments, accounts receivable, debt maturing within one year, accounts payable, long-term debt and foreign exchange forward contracts. The carrying value for cash and cash equivalents, accounts receivable, accounts payable and short-term investments approximate fair value because of the short-term nature of these instruments.

The net asset (liability) amounts recorded in the balance sheet (carrying amount) and the estimated fair values of our remaining financial instruments at June 30, 2018 and December 31, 2017, respectively, consisted of the following:

	June 30, 2018		December 31, 2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Available-for-sale securities	\$ 3.7	\$ 3.7	\$ 3.7	\$ 3.7
Debt maturing within one year ⁽¹⁾	(12.0)	(12.0)	(25.7)	(25.7)
Long-term debt ⁽¹⁾	(1,630.3)	(1,502.3)	(1,872.2)	(1,718.6)
Foreign exchange forward contracts	(.6)	(.6)	—	—

(1) The carrying value of debt maturing within one year and long-term debt is presented net of debt issuance costs and includes any related discount or premium and unamortized deferred gains on terminated interest-rate swap agreements, as applicable.

The methods and assumptions used to estimate fair value are as follows:

- Available-for-sale securities - The fair values of these investments were the quoted market prices for issues listed on securities exchanges.
- Debt maturing within one year and long-term debt - The fair values of our debt and other financing were determined using Level 2 inputs based on indicative market prices.
- Foreign exchange forward contracts - The fair values of forward contracts were estimated based on quoted forward foreign exchange prices at the reporting date.

14. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

We operate globally, with manufacturing and distribution facilities in various countries around the world. We may reduce our exposure to fluctuations in the fair value and cash flows associated with changes in interest rates and foreign exchange rates by creating offsetting positions, including through the use of derivative financial instruments. If we use foreign currency-rate sensitive and interest-rate sensitive instruments to hedge a certain portion of our existing and forecasted transactions, we would expect that any gain or loss in value of the hedge instruments generally would be offset by decreases or increases in the value of the underlying forecasted transactions.

We do not enter into derivative financial instruments for trading or speculative purposes, nor are we a party to leveraged derivatives. The master agreements governing our derivative contracts generally contain standard provisions that could trigger early termination of the contracts in certain circumstances, including if we were to merge with another entity and the creditworthiness of the surviving entity were to be "materially weaker" than that of Avon prior to the merger.

Derivatives are recognized in the Consolidated Balance Sheets at their fair values. The following table presents the fair value of derivative instruments outstanding at June 30, 2018:

	Asset		Liability	
	Balance Sheet Classification	Fair Value	Balance Sheet Classification	Fair Value
Derivatives not designated as hedges:				
Foreign exchange forward contracts	Prepaid expenses and other	\$.5	Accounts payable	\$ 1.1
Total derivatives not designated as hedges		\$.5	\$ 1.1	
Total derivatives		\$.5	\$ 1.1	

The following table presents the fair value of derivative instruments outstanding at December 31, 2017:

	Asset		Liability	
	Balance Sheet Classification	Fair Value	Balance Sheet Classification	Fair Value
Derivatives not designated as hedges:				
Foreign exchange forward contracts	Prepaid expenses and other	\$.2	Accounts payable	\$.2
Total derivatives not designated as hedges		\$.2	\$.2	
Total derivatives		\$.2	\$.2	

AVON PRODUCTS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(U.S. dollars in millions, except per share data)

Interest Rate Risk

A portion of our borrowings is subject to interest rate risk. In the past we have used interest-rate swap agreements, which effectively converted the fixed rate on long-term debt to a floating interest rate, to manage our interest rate exposure. The agreements were designated as fair value hedges. As of June 30, 2018, we do not have any interest-rate swap agreements. Approximately 1% of our debt portfolio at June 30, 2018 and December 31, 2017, was exposed to floating interest rates.

In March 2012, we terminated two of our interest-rate swap agreements previously designated as fair value hedges, with notional amounts totaling \$350. As of the interest-rate swap agreements' termination date, the aggregate favorable adjustment to the carrying value (deferred gain) of our debt was \$46.1, which was amortized as a reduction of interest expense until repayment of the underlying debt obligations in June 2018, at which point the remaining unamortized balance was fully released to the Consolidated Statement of Operations. The net impact of the gain amortization was \$1.3 and \$6.0 for the three and six months ended June 30, 2018, respectively, and \$1.2 and \$2.4 for the three and six months ended June 30, 2017, respectively. At June 30, 2018, there was no unamortized deferred gain associated with the March 2012 interest-rate swap termination.

Foreign Currency Risk

We may use foreign exchange forward contracts to manage a portion of our foreign currency exchange rate exposures. At June 30, 2018, we had outstanding foreign exchange forward contracts with notional amounts totaling approximately \$57.0 for various currencies.

We may use foreign exchange forward contracts to manage foreign currency exposure of certain intercompany loans. These contracts are not designated as hedges. The change in fair value of these contracts is immediately recognized in earnings and substantially offsets the foreign currency impact recognized in earnings relating to the associated intercompany loans. During the three and six months ended June 30, 2018, we recorded a loss of \$4.0 and a loss of \$3.1, respectively, in other expense, net in our Consolidated Statements of Operations related to these undesignated foreign exchange forward contracts. Also during the three and six months ended June 30, 2018, we recorded a gain of \$4.9 and a gain of \$3.7, respectively, related to the associated intercompany loans, caused by changes in foreign currency exchange rates. During the three and six months ended June 30, 2017, we recorded gains of \$1.7 and \$2.2, respectively, in other expense, net in our Consolidated Statements of Operations related to these undesignated foreign exchange forward contracts. Also during the three and six months ended June 30, 2017, we recorded losses of \$2.7 and \$3.9, respectively, related to the associated intercompany loans, caused by changes in foreign currency exchange rates.

15. DEBT

Revolving Credit Facility

In June 2015, Avon International Operations, Inc. ("AIO"), a wholly-owned domestic subsidiary of the Company, entered into a five-year \$400.0 senior secured revolving credit facility (the "2015 facility"). Borrowings under the 2015 facility bear interest, at our option, at a rate per annum equal to LIBOR plus 250 basis points or a floating base rate plus 150 basis points, in each case subject to adjustment based upon a leverage-based pricing grid. In December 2017, AIO entered into an amendment to the 2015 facility, which, among other things, modified the financial covenants (interest coverage and total leverage ratios) to provide the Company additional flexibility. As of June 30, 2018, there were no amounts outstanding under the 2015 facility. The 2015 facility will terminate in June 2020; provided, however, that it shall terminate on the 91st day prior to the maturity of the 4.60% Notes (as defined below), if on such 91st day, the applicable notes are not redeemed, repaid, discharged, defeased or otherwise refinanced in full.

The 2015 facility contains affirmative and negative covenants, which are customary for secured financings of this type, as well as financial covenants (interest coverage and total leverage ratios). As of June 30, 2018, we were in compliance with our interest coverage and total leverage ratios under the 2015 facility, as amended. The amount of the facility available to be drawn down on is reduced by any standby letters of credit granted by AIO, which, as of June 30, 2018, was approximately \$33. As of June 30, 2018, based on then applicable interest rates, the entire amount of the remaining 2015 facility, which is approximately \$367, could have been drawn down without violating any covenant.

Public Notes

AVON PRODUCTS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(U.S. dollars in millions, except per share data)

In March 2013, we issued, in a public offering, \$500.0 principal amount of 4.60% Notes due March 15, 2020 (the "4.60% Notes"), \$500.0 principal amount of 5.00% Notes due March 15, 2023 (the "5.00% Notes") and \$250.0 principal amount of 6.95% Notes due March 15, 2043 (the "6.95% Notes") (collectively, the "2013 Notes"). In March 2009, we issued \$350.0 principal amount of 6.50% Notes due March 1, 2019 (the "6.50% Notes"). Interest on the 2013 Notes is payable semi-annually on March 15 and September 15 of each year, and interest on the 6.50% Notes are payable semi-annually on March 1 and September 1 of each year.

On June 18, 2018, we prepaid the remaining principal amount of our 6.50% Notes. The prepayment price was equal to the remaining principal amount of \$237.8, plus a make-whole premium of \$6.2 and accrued interest of \$4.6. In connection with the prepayment, we incurred a loss on extinguishment of debt of \$2.9 before tax in the second quarter of 2018 consisting of the \$6.2 make-whole premium, and the write-off of \$.3 of debt issuance costs and discounts related to the initial issuances of the notes that were prepaid, partially offset by a write off of a deferred gain of \$3.6 associated with the March 2012 interest-rate swap agreement termination (see Note 14, Derivative Instruments and Hedging Activities).

The indenture governing the 2013 Notes contains interest rate adjustment provisions depending on the long-term credit ratings assigned to the 2013 Notes by S&P and Moody's. As described in the indenture, the interest rates on the 2013 Notes increase by .25% for each one-notch downgrade below investment grade on each of our long-term credit ratings assigned to the 2013 Notes by S&P or Moody's. These adjustments are limited to a total increase of 2% above the respective interest rates in effect on the date of issuance of the 2013 Notes. As a result of the long-term credit rating downgrades by S&P and Moody's since issuance of the 2013 Notes, the interest rates on these notes have increased by the maximum allowable increase.

The indentures governing our outstanding notes described above contain certain customary covenants and customary events of default and cross-default provisions. Further, we would be required to make an offer to repurchase all of our outstanding notes described above at a price equal to 101% of their aggregate principal amount plus accrued and unpaid interest in the event of a change in control involving Avon and, at such time, the outstanding notes are rated below investment grade.

Senior Secured Notes

In August 2016, AIO issued, in a private placement exempt from registration under the Securities Act of 1933, as amended, \$500.0 in aggregate principal amount of 7.875% Senior Secured Notes, which will mature on August 15, 2022 (the "Senior Secured Notes"). Interest on the Senior Secured Notes is payable semi-annually on February 15 and August 15 of each year.

The indenture governing our Senior Secured Notes contains certain customary covenants and restrictions as well as customary events of default and cross-default provisions. The indenture also contains a covenant requiring AIO and its restricted subsidiaries to, at the end of each year, own at least a certain percentage of the total assets of API and its restricted subsidiaries, subject to certain qualifications. Further, we would be required to make an offer to repurchase all of our Senior Secured Notes, at a price equal to 101% of their aggregate principal amount plus accrued and unpaid interest, in the event of a change in control involving Avon.

16. INCOME TAXES

Our quarterly income tax provision is calculated using an estimated annual effective income tax approach. The quarterly effective tax rate can differ from our estimated annual effective tax rate as the Company cannot apply an effective tax rate approach for all of its operations. For those entities that can apply an effective tax rate approach, as of June 30, 2018, our annual effective tax rate, excluding discrete items, is 25.6% for 2018, as compared to 25.9% for 2017. The remaining entities, which are operations that generate pre-tax losses which cannot be tax benefited and/or have an effective tax rate which cannot be reliably estimated, have to account for their income taxes on a discrete year-to-date basis as of the end of each quarter and are excluded from the effective tax rate approach. The estimated annual effective tax rate for 2018 also excludes the unfavorable impact of withholding taxes associated with certain intercompany payments, including royalties, service charges and dividends, which in the aggregate are relatively consistent each year due to the need to repatriate funds to cover U.S.-based costs, such as interest on debt and corporate overhead. Withholding taxes are accounted for discretely and accrued in the provision for income taxes as they become due.

The provision for income taxes for the three months ended June 30, 2018 and 2017 was \$36.7 and \$33.6, respectively. Our effective tax rates for the three months ended June 30, 2018 and 2017 were (12,233.3)% and (275.4)%, respectively. The provision for income taxes for the six months ended June 30, 2018 and 2017 was \$68.2 and \$63.4, respectively. Our effective tax rates for the six months ended June 30, 2018 and 2017 were 675.2% and (335.4)%, respectively.

The effective tax rates in 2018 and 2017 were impacted by CTI restructuring charges, country mix of earnings and withholding taxes that are relatively consistent. The effective tax rate in 2018 was also negatively impacted by one-time tax reserves of \$5.5 for the three months ended June 30, 2018 and \$14.7 for the six months ended June 30, 2018 associated with our uncertain tax positions.

AVON PRODUCTS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(U.S. dollars in millions, except per share data)

In its initial analysis of the impacts of the Tax Cuts and Job Act (the "Act") at year end 2017, the Company made provisional estimates that may be adjusted in future periods as required. As part of the 2017 provisional estimate, we provided for the Global Intangible Low-Taxed Income tax ("GILTI"), a US tax on certain foreign earnings, as a period cost. While still provisional, the first-quarter and second-quarter 2018 provisions for income taxes has been calculated treating GILTI as a period cost. The Act has significant complexity. Expected implementation guidance from the Internal Revenue Service, clarifications of state tax law and the information analyzed during the completion of the Company's 2017 tax return filings could impact these provisional estimates.

AVON PRODUCTS, INC.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (U.S. dollars in millions, except per share data)

When used in this report, the terms "Avon," "Company," "we," "our" or "us" mean, unless the context otherwise indicates, Avon Products, Inc. and its majority, wholly owned and controlled subsidiaries.

OVERVIEW

We are a global manufacturer and marketer of beauty and related products. Our business is conducted primarily in the direct-selling channel. During 2017, we had sales operations in 56 countries and territories, and distributed products in 18 more. All of our consolidated revenue is derived from operations of subsidiaries outside of the United States ("U.S."). Our reportable segments are based on geographic operations in four regions: Europe, Middle East & Africa; South Latin America; North Latin America; and Asia Pacific. Our product categories are Beauty and Fashion & Home. Beauty consists of skincare, fragrance and color (cosmetics). Fashion & Home consists of fashion jewelry, watches, apparel, footwear, accessories, gift and decorative products, housewares, entertainment and leisure products, children's products and nutritional products. Sales are made to the ultimate consumer principally through direct selling by Representatives, who are independent contractors and not our employees.

During the six months ended June 30, 2018, revenue increased 1% compared to the prior-year period, partially impacted by the unfavorable impact of foreign exchange. Constant \$ revenue increased by 2%. Revenue and Constant \$ revenue included a benefit of approximately 6% due to the impact of adopting the new revenue recognition standard. The 6% benefit was driven primarily by (i) the reclassification of fees paid by Representatives for brochures, late payments and payment processing from SG&A, and (ii) the timing of revenue recognition for sales incentives, as revenue recognized during the period for prior quarter sales incentives exceeded revenue deferred during the period for sales incentives not yet satisfied. Constant \$ revenue was impacted by declines primarily in Brazil, partially due to a national transportation strike that affected sales and distribution, and to a lesser extent, in the United Kingdom, Mexico and South Africa. Constant \$ revenue was negatively impacted by approximately 1% due to the national transportation strike in Brazil. These declines were partially offset by improved revenue growth management including inflationary pricing in Argentina. Revenue and Constant \$ revenue were impacted by a decrease in Active Representatives of 4%, which was primarily driven by a decline in Brazil, and included an estimated 1% decline attributable to the national transportation strike. Average order in Constant \$ increased 6%, including a benefit of approximately 6% due to the impact of adopting the new revenue recognition standard. Units sold decreased 4%, driven by a decline in Brazil.

Ending Representatives decreased by 4%. The decrease in Ending Representatives at June 30, 2018 as compared to the prior-year period was attributable to all segments, and primarily Brazil, North Latin America and Russia.

The impact of the new revenue recognition standard was primarily driven by the following accounting changes effective as of January 1, 2018:

- Certain of our sales incentives and prospective discounts are now considered to be a separate deliverable, thus initially revenue is deferred generally until delivery of the incentive prize to the Representative or future discounts are realized, and at that time the associated cost is recognized in cost of sales. Historically, the cost of sales incentives was recognized in SG&A over the period that the sales incentive was earned; and
- Fees paid by Representatives to the Company for brochures, late payments and payment processing are now reflected as revenue, rather than reflected as a reduction of SG&A. The associated cost for brochures that are sold is now recognized in cost of sales rather than in SG&A. Further, the fees and costs associated with brochures are now recognized upon delivery to the Representatives, rather than recognized over the campaign length.

See Note 1, Accounting Policies, to the Consolidated Financial Statements included herein for additional information on the new revenue recognition standard.

See "Segment Review" in this management's discussion and analysis of financial condition and results of operations ("MD&A") for additional information related to changes in revenue by segment.

Transformation Plan

In January 2016, we initiated a transformation plan (the "Transformation Plan") in order to enable us to achieve our long-term goals of mid-single-digit Constant \$ revenue growth and low double-digit operating margin. The Transformation Plan included

AVON PRODUCTS, INC.
MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(U.S. dollars in millions, except per share data)

three pillars: invest in growth, reduce costs in an effort to continue to improve our cost structure and improve our financial resilience.

The Transformation Plan was designed to focus on cost savings and financial resilience in the first year, in order to support future investment in growth. In 2016, we estimate that we achieved cost savings of \$120 before taxes when comparing to our costs in 2015, and we significantly strengthened the balance sheet. In 2017, we estimate that we achieved cost savings of \$255 before taxes when comparing to our costs in 2015. These savings include both run-rate savings from 2016, along with in-year savings from current year initiatives. These savings have mostly been offset by the impact of inflation.

During the second quarter of 2018, we estimate that we achieved cost savings of \$15 before taxes, and we expect to achieve our cost savings target of \$65 before taxes for 2018. These savings include both run-rate savings from 2017, along with in-year savings from current year initiatives.

In connection with the actions and associated savings discussed above, we have incurred costs to implement ("CTI") restructuring initiatives of approximately \$202.4 before taxes associated with the Transformation Plan to-date. In connection with the restructuring actions approved to-date associated with the Transformation Plan, we expect to realize annualized cost savings of an estimated \$120 to \$130 before taxes, when comparing to our costs in 2015 before the Transformation Plan initiated. Also associated with the restructuring actions, during the second quarter of 2018, we realized cost savings of an estimated \$30 before taxes, when comparing to our costs in 2015 before the Transformation Plan initiated. We are expected to achieve the majority of the annualized savings in 2018. In addition, we have realized savings from other cost-savings strategies that did not result in restructuring charges. For the market closures in Australia, New Zealand and Thailand, the expected annualized savings represented the operating loss no longer included within Avon's operating results as a result of no longer operating in the respective market. For actions that did not result in the closure of a market, the annualized savings represent the net reduction of expenses that will no longer be incurred by Avon. For additional details on restructuring initiatives, see Note 11, Restructuring Initiatives, to the Consolidated Financial Statements included herein.

Immediate operational priorities

The Company is focusing on immediate corrective priorities and regaining competitive momentum, while also finalizing plans for Avon's long-term success. Our corrective priorities include focusing on Brazil to re-energize Representatives and strengthening our marketing plans, improving service quality, instituting a performance culture, training Representatives, strengthening and accelerating innovation core plans and expanding digital routes to market.

NEW ACCOUNTING STANDARDS

Information relating to new accounting standards is included in Note 1, Accounting Policies, to the Consolidated Financial Statements included herein.

RESULTS OF OPERATIONS—THE THREE AND SIX MONTHS ENDED JUNE 30, 2018 AS COMPARED TO THE THREE AND SIX MONTHS ENDED JUNE 30, 2017

Non-GAAP Financial Measures

To supplement our financial results presented in accordance with generally accepted accounting principles in the United States ("GAAP"), we disclose operating results that have been adjusted to exclude the impact of changes due to the translation of foreign currencies into U.S. dollars, including changes in: revenue, operating profit, Adjusted operating profit, operating margin and Adjusted operating margin. We also refer to these adjusted financial measures as Constant \$ items, which are Non-GAAP financial measures. We believe these measures provide investors an additional perspective on trends and underlying business results. To exclude the impact of changes due to the translation of foreign currencies into U.S. dollars, we calculate current-year results and prior-year results at constant exchange rates, which are updated on an annual basis as part of our budgeting process. Foreign currency impact is determined as the difference between actual growth rates and Constant \$ growth rates.

We also present gross margin, selling, general and administrative expenses as a percentage of revenue, operating profit, operating margin, income (loss) before taxes, income taxes and effective tax rate on a Non-GAAP basis. We refer to these Non-GAAP financial measures as "Adjusted." We have provided a quantitative reconciliation of the difference between the Non-GAAP financial measures and the financial measures calculated and reported in accordance with GAAP. See "Reconciliation of Non-GAAP Financial Measures" within "Results of Operations" in this MD&A for this quantitative reconciliation.

The Company uses the Non-GAAP financial measures to evaluate its operating performance. These Non-GAAP measures should not be considered in isolation, or as a substitute for, or superior to, financial measures calculated in accordance with GAAP. The Company believes investors find the Non-GAAP information helpful in understanding the ongoing performance of operations separate from items that may have a disproportionate positive or negative impact on the Company's financial results in any particular period. The Company believes that it is meaningful for investors to be made aware of the impacts of 1) CTI

AVON PRODUCTS, INC.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(U.S. dollars in millions, except per share data)

restructuring initiatives; 2) one-time tax reserves associated with our uncertain tax positions ("Special tax items"); and 3) a charge for a loss contingency related to a non-US pension plan ("Loss contingency").

The Special tax items includes the impact on the provision for income taxes in our Consolidated Statements of Operations during the first and second quarters of 2018 due to one-time tax reserves of approximately \$9 and \$6, respectively, associated with our uncertain tax positions.

The Loss contingency includes the impact on the Consolidated Statements of Operations during the second quarter of 2017 caused by a charge of approximately \$18 for a loss contingency related to a non-US pension plan, for which an amendment to the plan that occurred in a prior year may not have been properly implemented.

See Note 11, Restructuring Initiatives, Note 6, Employee Benefit Plans and "Effective Tax Rate" in this MD&A for more information on these items.

AVON PRODUCTS, INC.
MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(U.S. dollars in millions, except per share data)

	Three Months Ended June 30,			Six Months Ended June 30,		
	2018	2017	%/Basis Point Change	2018	2017	%/Basis Point Change
Select Consolidated Financial Information						
Total revenue	\$ 1,351.9	\$ 1,395.9	(3)%	\$ 2,745.4	\$ 2,729.0	1 %
Cost of sales	539.7	525.0	3 %	1,119.4	1,042.1	7 %
Selling, general and administrative expenses	759.2	838.2	(9)%	1,528.1	1,624.4	(6)%
Operating profit	53.0	32.7	62 %	97.9	62.5	57 %
Interest expense	34.5	36.1	(4)%	70.7	71.2	(1)%
Interest income	(3.5)	(3.1)	13 %	(7.7)	(7.8)	(1)%
Other expense, net	19.4	11.9	63 %	21.9	18.0	22 %
Income (loss) before taxes	(0.3)	(12.2)	*	10.1	(18.9)	*
Net loss attributable to Avon	\$ (36.1)	\$ (45.5)	21 %	\$ (56.4)	\$ (82.0)	31 %
Diluted loss per share attributable to Avon	\$ (.09)	\$ (.12)	25 %	\$ (.15)	\$ (.21)	29 %
Advertising expenses ⁽¹⁾	\$ 31.9	\$ 33.3	(4)%	\$ 61.1	\$ 63.4	(4)%
Reconciliation of Non-GAAP Financial Measures						
Gross margin	60.1 %	62.4 %	(230)	59.2 %	61.8 %	(260)
<i>CTI restructuring</i>	— %	— %	—	— %	— %	—
Adjusted gross margin	60.1 %	62.4 %	(230)	59.2 %	61.8 %	(260)
Selling, general and administrative expenses as a % of total revenue	56.2 %	60.1 %	(390)	55.7 %	59.5 %	(380)
<i>CTI restructuring</i>	(1.8)	(1.5)	20 %	(1.2)	(1.1)	9 %
<i>Loss contingency</i>	—	(1.3)	(100)%	—	(.7)	(100)%
Adjusted selling, general and administrative expenses as a % of total revenue	54.4 %	57.3 %	(290)	54.4 %	57.7 %	(330)
Operating profit	\$ 53.0	\$ 32.7	62 %	\$ 97.9	\$ 62.5	57 %
<i>CTI restructuring</i>	23.7	20.3	17 %	34.6	30.3	14 %
<i>Loss contingency</i>	—	18.2	(100)%	—	18.2	(100)%
Adjusted operating profit	\$ 76.7	\$ 71.2	8 %	\$ 132.5	\$ 111.0	19 %
Operating margin	3.9 %	2.3 %	160	3.6 %	2.3 %	130
<i>CTI restructuring</i>	1.8	1.5	20 %	1.2	1.1	9 %
<i>Loss contingency</i>	—	1.3	(100)%	—	.7	(100)%
Adjusted operating margin	5.7 %	5.1 %	60	4.8 %	4.1 %	70
Change in Constant \$ Adjusted operating margin ⁽²⁾						
Income (loss) before taxes	\$ (0.3)	\$ (12.2)	(98)%	\$ 10.1	\$ (18.9)	(153)%
<i>CTI restructuring</i>	23.7	20.3	17 %	34.6	30.3	14 %
<i>Loss contingency</i>	\$ —	\$ 18.2	(100)%	\$ —	\$ 18.2	(100)%
Adjusted income before taxes	\$ 23.4	\$ 26.3	(11)%	\$ 44.7	\$ 29.6	51 %
Income taxes	(36.7)	(33.6)	9 %	(68.2)	(63.4)	8 %
<i>CTI restructuring</i>	—	(0.8)	(100)%	(2.1)	(1.8)	17 %
<i>Special tax items</i>	5.5	—	—	14.7	—	100.0
Adjusted income taxes	\$ (31.2)	\$ (34.4)	(9)%	\$ (55.6)	\$ (65.2)	(15)%

Effective tax rate	(12,233.3)%	(275.4)%	*	675.2 %	(335.4)%	*
<i>Adjusted effective tax rate</i>	133.3 %	130.8 %	250	124.4 %	220.3 %	*

AVON PRODUCTS, INC.
MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(U.S. dollars in millions, except per share data)

	Three Months Ended June 30,			Six Months Ended June 30,		
	2018	2017	%/Basis Point Change	2018	2017	%/Basis Point Change
Performance Metrics						
Change in Active Representatives			(4)%			(4)%
Change in units sold			(5)%			(4)%
Change in Ending Representatives			(4)%			(4)%

* Calculation not meaningful

Amounts in the table above may not necessarily sum due to rounding.

(1) Advertising expenses are recorded in selling, general and administrative expenses.

(2) Change in Constant \$ Adjusted operating margin for all years presented is calculated using the current-year Constant \$ rates.

Three Months Ended June 30, 2018

Revenue

During the three months ended June 30, 2018, revenue decreased 3% compared to the prior-year period, primarily due to the unfavorable impact of foreign exchange. Constant \$ revenue increased 1%. Revenue and Constant \$ revenue included a benefit of approximately 4% due to the impact of adopting the new revenue recognition standard. The 4% benefit was driven primarily by the reclassification of fees paid by Representatives for brochures, late payments and payment processing from SG&A. The impact of timing of revenue recognition for sales incentives was negligible. Constant \$ revenue declined primarily in Brazil, partially due to a national transportation strike that affected sales and distribution, and to a lesser extent, the United Kingdom and South Africa. Constant \$ revenue was negatively impacted by approximately 1% due to the national transportation strike in Brazil. These declines were partially offset by improved revenue growth management including inflationary pricing in Argentina. Revenue and Constant \$ revenue were impacted by a decrease in Active Representatives of 4%, which was driven by South Latin America, primarily in Brazil, Europe, Middle East & Africa and North Latin America, and included an estimated 1% decline attributable to the national transportation strike in Brazil. The decrease in Active Representatives was partially offset by higher average order. Average order in Constant \$ increased 6%, including a benefit of approximately 4% due to the impact of adopting the new revenue recognition standard. Units sold decreased 5%, driven by a decline in Brazil.

Ending Representatives decreased by 4%. The decrease in Ending Representatives at June 30, 2018 as compared to the prior-year period was attributable to all segments, and primarily Brazil, North Latin America and Russia.

The impact of the new revenue recognition standard was primarily driven by the following accounting changes effective as of January 1, 2018:

- Certain of our sales incentives and prospective discounts are now considered to be a separate deliverable, thus initially revenue is deferred generally until delivery of the incentive prize to the Representative or future discounts are realized, and at that time the associated cost is recognized in cost of sales. Historically, the cost of sales incentives was recognized in SG&A over the period that the sales incentive was earned; and
- Fees paid by Representatives to the Company for brochures, late payments and payment processing are now reflected as revenue, rather than reflected as a reduction of SG&A. The associated cost for brochures that are sold is now recognized in cost of sales rather than in SG&A. Further, the fees and costs associated with brochures are now recognized upon delivery to the Representatives, rather than recognized over the campaign length.

See Note 1, Accounting Policies, to the Consolidated Financial Statements included herein for additional information on the new revenue recognition standard.

AVON PRODUCTS, INC.
MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(U.S. dollars in millions, except per share data)

On a category basis, our net sales from reportable segments and associated growth rates were as follows:

	Three Months Ended June 30,		% Change	
	2018	2017	US\$	Constant \$
Beauty:				
Skincare	\$ 372.4	\$ 396.3	(6)%	(2)%
Fragrance	347.8	366.7	(5)	—
Color	212.4	234.1	(9)	(5)
Total Beauty	932.6	997.1	(6)	(2)
Fashion & Home:				
Fashion	185.9	200.8	(7)	(5)
Home	144.3	145.5	(1)	7
Total Fashion & Home	330.2	346.3	(5)	—
Net sales from reportable segments	\$ 1,262.8	\$ 1,343.4	(6)	(2)
Net sales from Other operating segments and business activities	6.0	10.1	(41)	(32)
Net sales	\$ 1,268.8	\$ 1,353.5	(6)	1

See "Segment Review" in this MD&A for additional information related to changes in revenue by segment.

Operating Margin

Operating margin and Adjusted operating margin increased 160 basis points and 60 basis points, respectively, compared to the same period of 2017, including a decline of 10 basis points due to the impact of adopting the new revenue recognition standard. The decline of 10 basis points was driven by the net negative impact to operating margin of prior quarter sales incentives satisfied during the period and sales incentives deferred during the period, impacted by the mix of products. The changes in operating margin and Adjusted operating margin include the benefits associated with the Transformation Plan, primarily reductions in headcount, as well as other cost reductions. These savings were offset by the inflationary impact on costs outpacing revenue growth. The increases in operating margin and Adjusted operating margin are discussed further below in "Gross Margin" and "Selling, General and Administrative Expenses."

Gross Margin

Gross margin and Adjusted gross margin decreased 230 basis points and 230 basis points, respectively, compared to the same period of 2017, including a decline of 330 basis points due to the impact of adopting the new revenue recognition standard. The decline of 330 basis points was driven by (i) the reclassification of sales incentive costs from SG&A to cost of sales; and (ii) the reclassification of fees paid by Representatives for late payments, payment processing and brochures from SG&A to other revenue and cost of sales, respectively.

Gross margin and Adjusted gross margin were primarily impacted by the following:

- an increase of 70 basis points due to non-recurring net tax recoveries in Brazil; and
- an increase of 40 basis points due to the favorable net impact of mix and pricing, driven by inflationary pricing in Argentina.

These items were partially offset by the following:

- a decrease of 30 basis points due to higher supply chain costs, driven by higher material costs primarily in South Latin America, partially offset by Europe, Middle East and Africa.

Selling, General and Administrative Expenses

Selling, general and administrative expenses as a percentage of revenue and Adjusted selling, general, and administrative expenses as a percentage of revenue decreased 390 basis points and 290 basis points, respectively, compared to the same period of 2017, in each case including a benefit of 320 basis points due to the impact of adopting the new revenue recognition standard. The 320 basis point benefit was driven by (i) the reclassification of sales incentive costs from SG&A to cost of sales; and (ii) the reclassification of fees paid by Representatives for late payments, payment processing and brochures from SG&A to other revenue and cost of sales, respectively. In addition, the selling, general and administrative expenses as a percentage of revenue comparison was favorably impacted by approximately 130 basis from a loss contingency recorded in the prior-year period related to a non-U.S. pension plan and approximately.

AVON PRODUCTS, INC.
MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(U.S. dollars in millions, except per share data)

Selling, general and administrative expenses as a percentage of revenue and Adjusted selling, general, and administrative expenses as a percentage of revenue were primarily impacted by the following:

- an increase of 50 basis points from higher transportation costs, primarily in Brazil relating to inefficiencies caused by the national transportation strike, in the United Kingdom due to increased flexibility in order processing, further increases in delivery rates in Russia and an increase in fuel prices in Mexico;
- an increase of 40 basis points from higher net brochure cost, primarily in Brazil, and to a lesser extent, in the United Kingdom and South Africa; and
- a decrease of 60 basis points due to lower Representative, sales leader and field expense, primarily in South Latin America and North Latin America in line with sales performance.

Other Expenses

Interest expense decreased by approximately \$2 and interest income was relatively unchanged compared to the prior-year period.

A loss on extinguishment of debt of \$2.9 before tax was recorded in the second quarter of 2018 in connection with the prepayment of our 6.50% Notes. The loss of \$2.9 consisted of the \$6.2 make-whole premium, and the write-off of \$.3 of debt issuance costs and discounts related to the initial issuances of the notes that were prepaid, partially offset by a write off of a deferred gain of \$3.6 associated with the March 2012 interest-rate swap agreement termination (see Note 15, Debt, to the Consolidated Financial Statements).

Other expense, net, increased by approximately \$8 compared to the prior-year period, primarily due to higher foreign exchange net losses in the current period as compared to the prior-year period, resulting in an unfavorable impact of approximately \$15. This was partially offset by approximately \$6 recorded for our proportionate share of New Avon's losses during the three months ended June 30, 2017. As the recorded investment balance in New Avon was zero at the end of the third quarter of 2017, we have not recorded any additional losses associated with New Avon since the third quarter of 2017. See Note 3, Investment in New Avon, to the Consolidated Financial Statements included herein for more information on New Avon.

Effective Tax Rate

The effective tax rates and the Adjusted effective tax rates in 2018 and 2017 continue to be impacted by our inability to recognize additional deferred tax assets in various jurisdictions related to our current-year operating results. In addition, the effective tax rates and the Adjusted effective tax rates in 2018 and 2017 continue to be impacted by withholding taxes associated with certain intercompany payments, including royalties, service charges and dividends, which in the aggregate are relatively consistent each year due to the need to repatriate funds to cover U.S.-based costs, such as interest on debt and corporate overhead. These factors resulted in unusually high effective tax rates and the Adjusted effective tax rates in 2018 and 2017.

Our effective tax rates for the three months ended June 30, 2018 and 2017 were (12,233.3)% and (275.4)%, respectively. The effective tax rates in 2018 and 2017 were also impacted by CTI restructuring charges, country mix of earnings and withholding taxes that are relatively consistent. The effective tax rate in the second quarter of 2018 was also negatively impacted by one-time tax reserves of approximately \$6 associated with our uncertain tax positions.

Our Adjusted effective tax rates for the three months ended June 30, 2018 and 2017 were 133.3% and 130.8%, respectively. While the Adjusted effective tax rate is still high during the six months ended June 30, 2018, the absolute amount of Adjusted income taxes declined relative to 2017 as a result of our global business transformation.

See Note 16, Income Taxes, to the Consolidated Financial Statements included herein for more information on the effective tax rate, and Note 11, Restructuring Initiatives, to the Consolidated Financial Statements included herein for more information on CTI restructuring.

Impact of Foreign Currency

As compared to the prior-year period, foreign currency has impacted our consolidated financial results in the form of:

- foreign currency transaction losses (classified within cost of sales, and SG&A in our Consolidated Statements of Operations), which had an unfavorable impact to operating profit and Adjusted operating profit of approximately \$5, or approximately 30 basis points to operating margin and Adjusted operating margin;

AVON PRODUCTS, INC.
MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(U.S. dollars in millions, except per share data)

- foreign currency translation, which had an unfavorable impact to operating profit and Adjusted operating profit of approximately \$5, or approximately 20 basis points to operating margin and Adjusted operating margin; and
- higher foreign exchange net losses on our working capital (classified within other expense, net in our Consolidated Statements of Operations) as compared to the prior year, resulting in an unfavorable impact of approximately \$15 before tax on both a reported and Adjusted basis.

Six Months Ended June 30, 2018

Revenue

During the six months ended June 30, 2018, revenue increased 1% compared to the prior-year period, partially impacted by the unfavorable impact of foreign exchange. Constant \$ revenue increased by 2%. Revenue and Constant \$ revenue included a benefit of approximately 6% due to the impact of adopting the new revenue recognition standard. The 6% benefit was driven primarily by (i) the reclassification of fees paid by Representatives for brochures, late payments and payment processing from SG&A, and (ii) the timing of revenue recognition for sales incentives, as revenue recognized during the period for prior quarter sales incentives exceeded revenue deferred during the period for sales incentives not yet satisfied. Constant \$ revenue was impacted by declines primarily in Brazil, partially due to a national transportation strike that affected sales and distribution, the United Kingdom, Mexico and South Africa. Constant \$ revenue was negatively impacted by approximately 1% due to the national transportation strike in Brazil. These declines were partially offset by improved revenue growth management including inflationary pricing in Argentina. Revenue and Constant \$ revenue were impacted by a decrease in Active Representatives of 4%, which was primarily driven by a decline in Brazil, and included an estimated 1% decline attributable to the national transportation strike. Average order in Constant \$ increased 6%, including a benefit of approximately 6% due to the impact of adopting the new revenue recognition standard. Units sold decreased 4%, driven by a decline in Brazil.

On a category basis, our net sales from reportable segments and associated growth rates were as follows:

	Six Months Ended June 30,		% Change	
	2,018	2017	US\$	Constant \$
Beauty:				
Skincare	\$ 761.5	\$ 778.0	(2)%	(2)%
Fragrance	701.8	708.7	(1)	1
Color	448.1	473.3	(5)	(5)
Total Beauty	1,911.4	1,960.0	(2)	(2)
Fashion & Home:				
Fashion	374.5	392.7	(5)	(5)
Home	273.7	278.6	(2)	2
Total Fashion & Home	648.2	671.3	(3)	(2)
Net sales from reportable segments	\$ 2,559.6	\$ 2,631.3	(3)	(2)
Net sales from Other operating segments and business activities	185.8	97.7	90	(15)
Net sales	\$ 2,745.4	\$ 2,729.0	1	2

See "Segment Review" in this MD&A for additional information related to changes in revenue by segment.

Operating Margin

Operating margin and Adjusted operating margin increased 130 basis points and 70 basis points, respectively, compared to the same period of 2017, including a benefit of 50 basis points due to the impact of adopting the new revenue recognition standard. The benefit of 50 basis points was driven by the net positive contribution to operating margin of fourth quarter 2017 sales incentives satisfied during the six months ended June 30, 2018 and sales incentives deferred during the period, impacted by the mix of products. The changes in operating margin and Adjusted operating margin include the benefits associated with the Transformation Plan, primarily reductions in headcount, as well as other cost reductions. These savings were offset by the inflationary impact on costs outpacing revenue growth. The increases in operating margin and Adjusted operating margin are discussed further below in "Gross Margin" and "Selling, General and Administrative Expenses."

Gross Margin

Gross margin and Adjusted gross margin both decreased 260 basis points compared to the same period of 2017, including a decline of 310 basis

points due to the impact of adopting the new revenue recognition standard. The 320 basis point decline was

AVON PRODUCTS, INC.
MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(U.S. dollars in millions, except per share data)

driven by (i) the reclassification of sales incentive costs from SG&A to cost of sales; and (ii) the reclassification of fees paid by Representatives for late payments, payment processing and brochures from SG&A to other revenue and cost of sales, respectively.

Gross margin and Adjusted gross margin were primarily impacted by the following:

- an increase of 30 basis points due to non-recurring net tax recoveries in Brazil;
- an increase of 60 basis points due to the favorable net impact of mix and pricing, driven by inflationary pricing in Argentina;

These items were partially offset by the following:

- a decrease of 50 basis points due to higher supply chain costs, driven by higher material costs primarily in South Latin America.

Selling, General and Administrative Expenses

Selling, general and administrative expenses as a percentage of revenue and Adjusted selling, general, and administrative expenses as a percentage of revenue decreased 380 basis points and 330 basis points, respectively, compared to the same period of 2017, in each case including a benefit of 370 basis points due to the impact of adopting the new revenue recognition standard. The 370 basis point benefit was driven by (i) the reclassification of sales incentive costs from SG&A to cost of sales; and (ii) the reclassification of fees paid by Representatives for late payments, payment processing and brochures from SG&A to other revenue and cost of sales, respectively. In addition, the selling, general and administrative expenses as a percentage of revenue comparison was favorably impacted by approximately 70 basis from a loss contingency recorded in the prior-year period related to a non-U.S. pension plan and approximately.

Selling, general and administrative expenses as a percentage of revenue and Adjusted selling, general, and administrative expenses as a percentage of revenue were primarily impacted by the following:

an increase of 50 basis points from higher transportation costs, primarily in Brazil relating to inefficiencies caused by the national transportation strike, in the United Kingdom due to increased flexibility in order processing, further increases in delivery rates in Russia and an increase in fuel prices in Mexico; and

- an increase of 30 basis points due to the impact higher net brochure expense primarily in Brazil, and to a lesser extent, in the United Kingdom and South Africa.

These items were partially offset by the following:

- a decrease of 50 basis points from lower bad debt expense, primarily in Brazil, as the prior-year period was impacted by lower than anticipated collection of receivables;

Our expenses associated with employee incentive compensation plans did not have a significant year-on-year impact, as a benefit of approximately \$9 mainly associated with a change in the way that we record our accrual in interim periods for 2018 employee incentive compensation plans was offset by an approximate \$6 true-up to the accrual for 2017 employee incentive compensation plans which were paid in 2018. Our accrual for 2018 employee incentive compensation plan uses a phased approach that takes into account the relative contribution of the quarter's performance to the total annual target. In both the six month ended June 30, 2018 and 2017, the accrual was adjusted for the latest estimate of bonus payout (based on full year performance), however, the year-on-year impact was immaterial.

Other Expenses

Interest expense decreased by approximately \$1 and interest income was relatively unchanged compared to the prior-year period.

A loss on extinguishment of debt of \$2.9 before tax was recorded in the second quarter of 2018 in connection with the prepayment of our 6.50% Notes. The loss of \$2.9 consisted of the \$6.2 make-whole premium, and the write-off of \$.1 of debt issuance costs and discounts related to the initial issuances of the notes that were prepaid, partially offset by a write off of a deferred gain of \$3.6 associated with the March 2012 interest-rate swap agreement termination (see Note 15, Debt, to the Consolidated Financial Statements).

Other expense, net, increased by approximately \$4 compared to the prior-year period, primarily due to foreign exchange net losses in the current period as compared to net gains in the prior-year period, resulting in an unfavorable impact of approximately \$15. This is partially offset by approximately \$10 recorded for our proportionate share of New Avon's losses during the six months ended June 30, 2017. As the recorded investment balance in New Avon was zero at the end of the third

AVON PRODUCTS, INC.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(U.S. dollars in millions, except per share data)

quarter of 2017, we have not recorded any additional losses associated with New Avon since the third quarter of 2017. See Note 3, Investment in New Avon, to the Consolidated Financial Statements included herein for more information on New Avon.

Effective Tax Rate

The effective tax rates and the Adjusted effective tax rates in 2018 and 2017 continue to be impacted by our inability to recognize additional deferred tax assets in various jurisdictions related to our current-year operating results. In addition, the

AVON PRODUCTS, INC.
MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(U.S. dollars in millions, except per share data)

effective tax rates and the Adjusted effective tax rates in 2018 and 2017 continue to be impacted by withholding taxes associated with certain intercompany payments, including royalties, service charges and dividends, which in the aggregate are relatively consistent each year due to the need to repatriate funds to cover U.S.-based costs, such as interest on debt and corporate overhead. These factors resulted in unusually high effective tax rates and the Adjusted effective tax rates in 2018 and 2017.

Our effective tax rates for the six months ended June 30, 2018 and 2017 were 675.2% and (335.4)%, respectively. The effective tax rates in 2018 and 2017 were also impacted by CTI restructuring charges, country mix of earnings and withholding taxes that are relatively consistent. The effective tax rate in 2018 was also negatively impacted by one-time tax reserves of approximately \$15 associated with our uncertain tax positions.

Our Adjusted effective tax rates for the six months ended June 30, 2018 and 2017 were 124.4% and 220.3%, respectively. While the Adjusted effective tax rate is still high during the six months ended June 30, 2018, both the Adjusted effective tax rate and the absolute amount of Adjusted income taxes declined relative to 2017, as a result of our global business transformation.

See Note 16, Income Taxes, to the Consolidated Financial Statements included herein for more information on the effective tax rate, and Note 11, Restructuring Initiatives, to the Consolidated Financial Statements included herein for more information on CTI restructuring.

Impact of Foreign Currency

As compared to the prior-year period, foreign currency has impacted our consolidated financial results in the form of:

- foreign currency transaction gains (classified within cost of sales, and selling, general and administrative expenses), which had an unfavorable impact to operating profit and Adjusted operating profit of an estimated \$10, or approximately 30 basis points to operating margin and Adjusted operating margin;
- foreign currency translation, which had an immaterial net impact to operating profit and Adjusted operating profit; and
- foreign exchange net losses on our working capital (classified within other expense, net) as compared to net gains in the prior year, resulting in a year-over-year unfavorable impact of approximately \$15 before tax on both a reported and Adjusted basis.

Segment Review

We determine segment profit by deducting the related costs and expenses from segment revenue. Segment profit includes an allocation of global marketing expenses based on actual revenues. Segment profit excludes global expenses other than the allocation of marketing, CTI restructuring initiatives, certain significant asset impairment charges, and other items, which are not allocated to a particular segment, if applicable. This is consistent with the manner in which we assess our performance and allocate resources. See Note 9, Segment Information, to the Consolidated Financial Statements included herein for a reconciliation of segment profit to operating profit.

Europe, Middle East & Africa

	Three Months Ended June 30,				Six Months Ended June 30,			
	2018	2017	% / Basis Point Change		2018	2017	% / Basis Point Change	
			US\$	Constant \$			US\$	Constant \$
Total revenue	\$ 500.7	\$ 494.6	1 %	— %	\$ 1,069.1	\$ 1,002.1	7 %	1 %
Segment profit	74.4	80.8	(8)%	(9)%	148.8	154.3	(4)%	(9)%
Segment margin	14.9%	16.3%	(140)	(150)	13.9%	15.4%	(150)	(160)
Change in Active Representatives				(3)%				(2)%
Change in units sold				(3)%				(1)%
Change in Ending Representatives				(2)%				(2)%

Amounts in the table above may not necessarily sum due to rounding.

Three Months Ended June 30, 2018

Total revenue increased 1% compared to the prior-year period, primarily due to the favorable impact of foreign exchange which was primarily driven by the weakening of the U.S. dollar relative to multiple currencies. On a Constant \$ basis, revenue was

AVON PRODUCTS, INC.
MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(U.S. dollars in millions, except per share data)

relatively unchanged. Revenue and Constant \$ revenue included a benefit of approximately 3% due to the impact of adopting the new revenue recognition standard. Revenue and Constant \$ revenue were negatively impacted primarily by a decrease in Active Representatives, driven by a decline in Russia.

In Russia, revenue has decreased 5%. On a Constant \$ basis, Russia's revenue increased 3%. Russia's revenue and Constant \$ revenue included a benefit of approximately 4% due to the impact of adopting the new revenue recognition standard. Revenue and Constant \$ revenue in Russia was negatively impacted by a decrease in Active Representatives, offset by higher average order driven by growth in the Fragrance category. Revenue and Constant \$ revenue in Russia was also impacted by lower consumption in the market.

In the United Kingdom, revenue decreased 3%, despite the favorable impact of foreign exchange. On a Constant \$ basis, the United Kingdom's revenue declined 9%. The United Kingdom's revenue and Constant \$ revenue included a benefit of 4% due to the impact of adopting the new revenue recognition standard. Revenue and Constant \$ revenue in the United Kingdom were negatively impacted by a decrease in Active Representatives, driven by the continuation of underlying field issues, partially offset by higher average order.

In South Africa, revenue decreased 4%, despite the favorable impact of foreign exchange. On a Constant \$ basis, South Africa's revenue declined 7%. South Africa's revenue and Constant \$ revenue included a benefit of 2% due to the impact of adopting the new revenue recognition standard. Revenue and Constant \$ revenue in South Africa were negatively impacted by a decrease in Active Representatives, resulting from uncompetitive pricing and the application of stricter credit requirements for the acceptance of new Representatives as compared to the requirements in the prior year.

Segment margin decreased 140 basis points, or 150 basis points on a Constant \$ basis, including a decline of 40 basis points due to the impact of the new revenue recognition standard. The decrease in reported and Constant \$ segment margin was primarily as a result of:

- a decline of 60 basis points from higher advertising expense, primarily due to increased investment in the United Kingdom and Russia;
- a decline of 50 basis points due to higher net brochure cost, primarily in the United Kingdom and in South Africa;
- a decline of 50 basis points due to higher transportation costs, primarily in the United Kingdom, primarily relating to increased flexibility in order processing in the United Kingdom and further increases in delivery rates in Russia;
- a decline of 30 basis points from higher variable distribution cost, primarily relating to increased flexibility in order processing in the United Kingdom; and
- a benefit of 90 basis points due to higher gross margin primarily due to lower supply chain costs driven by material costs.

Six Months Ended June 30, 2018

Total revenue increased 7% compared to the prior-year period, primarily due to the favorable impact of foreign exchange which was primarily driven by the weakening of the U.S. dollar relative to multiple currencies. On a Constant \$ basis, revenue increased 1%. Revenue and Constant \$ revenue included a benefit of approximately 4% due to the impact of adopting the new revenue recognition standard. Revenue and Constant \$ revenue were negatively impacted by a decrease in Active Representatives and lower average order. The decrease in Ending Representatives was primarily driven by decreases in the UK and South Africa.

In Russia, revenue increased 3%, despite the unfavorable impact of foreign exchange. On a Constant \$ basis, Russia's revenue increased 4%. Russia's revenue and Constant \$ revenue included a benefit of approximately 6% due to the impact of adopting the new revenue recognition standard. Revenue and Constant \$ revenue in Russia were negatively impacted by a decrease in Active Representatives. Revenue and Constant \$ revenue in Russia was also negatively impacted by continued competitive pressures, lower consumption in the market and a decline in the Fashion & Home category.

In the United Kingdom, revenue decreased 1%, despite the favorable impact of foreign exchange. On a Constant \$ basis, the United Kingdom's revenue declined 9%. The United Kingdom's revenue and Constant \$ revenue included a benefit of 5% due to the impact of adopting the new revenue recognition standard. Revenue and Constant \$ revenue in the United Kingdom were negatively impacted by a decrease in Active Representatives, driven by the continuation of underlying field issues, partially offset by higher average order.

In South Africa, revenue grew 5%, primarily due to the favorable impact of foreign exchange. On a Constant \$ basis, South Africa's revenue declined 3%. South Africa's revenue and Constant \$ revenue included a benefit of 2% due to the impact of

AVON PRODUCTS, INC.
MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(U.S. dollars in millions, except per share data)

adopting the new revenue recognition standard. Revenue and Constant \$ revenue in South Africa were negatively impacted by a decrease in Active Representatives.

Segment margin decreased 150 basis points, or 160 basis points on a Constant \$ basis, including a benefit of 20 basis points due to the impact of the new revenue recognition standard. The decrease in reported and Constant \$ segment margin was primarily as a result of:

- a decline of 60 basis points due to lower gross margin primarily caused by 70 basis points from the unfavorable impact of foreign currency transaction net losses;
- a decline of 50 basis points from higher transportation costs, driven by further increases in delivery rates in Russia and increased flexibility in order processing in the United Kingdom;
- a decline of 30 basis points due to the higher Representative, sales leader and field expense in Russia and Turkey, driven by increased investment and higher pay-outs to the field compared to the prior-year period; and
- a decline of 20 basis points from higher advertising expense, primarily due to increased investment in the United Kingdom and Russia.

South Latin America

	Three Months Ended June 30,				Six Months Ended June 30,			
	2018	2017	%Basis Point Change		2018	2017	%Basis Point Change	
			US\$	Constant \$			US\$	Constant \$
Total revenue	\$ 516.1	\$ 558.1	(8)%	3 %	\$ 1,013.2	\$ 1,057.3	(4)%	4 %
Segment profit	55.2	45.7	21 %	32 %	82.4	59.4	39 %	51 %
Segment margin	10.7%	8.2%	250	230	8.1%	5.6%	250	260
Change in Active Representatives				(5)%				(6)%
Change in units sold				(6)%				(6)%
Change in Ending Representatives				(4)%				(4)%

Amounts in the table above may not necessarily sum due to rounding.

Three Months Ended June 30, 2018

Total revenue decreased 8% compared to the prior-year period, including the unfavorable impact of foreign exchange, which was primarily driven by the strengthening of the U.S. dollar relative to the Argentinian peso and the Brazilian real. On a Constant \$ basis, revenue increased 3%. Revenue and Constant \$ revenue included a benefit of approximately 5% due to the impact of adopting the new revenue recognition standard. Revenue and Constant \$ revenue were negatively impacted by a decrease in Active Representatives, partially offset by higher average order. The decline in both Active Representatives and Ending Representatives was primarily driven by a decline in Brazil.

Revenue in Brazil decreased 13%, unfavorably impacted by foreign exchange. On a Constant \$ basis, Brazil's revenue decreased 2%. Brazil's revenue and Constant \$ revenue included a benefit of approximately 9% due to the impact of adopting the new revenue recognition standard. Revenue and Constant \$ revenue in Brazil were negatively impacted by a decrease in Active Representatives, as well as lower average order. On a Constant \$ basis, Brazil's sales from Beauty products and Fashion & Home products declined 7% and 6%, respectively, including a benefit of 2% and 2% due to the impact of the new revenue recognition standard. Constant \$ revenue for the segment and for Brazil were both negatively impacted by approximately 3% and 6%, respectively, due to a national transportation strike that affected sales and distribution. In addition, revenue and Constant \$ revenue in Brazil, as well as Active Representatives and Ending Representatives, continued to be impacted by lower consumption in the market.

Revenue in Argentina declined 16%, unfavorably impacted by foreign exchange. On a Constant \$ basis, Argentina's revenue grew 22%. Argentina's revenue and Constant \$ revenue included a decline of approximately 2% due to the impact of adopting the new revenue recognition standard. Revenue and Constant \$ revenue in Argentina benefited from higher average order, which was impacted by improved revenue growth management including inflationary pricing.

AVON PRODUCTS, INC.
MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(U.S. dollars in millions, except per share data)

Segment margin increased 250 basis points, or 230 basis points on a Constant \$ basis, including a decline of 90 basis points due to the impact of adopting the new revenue recognition standard. The increase in reported and Constant \$ segment margin was primarily as a result of:

- a benefit of 240 basis points due to higher gross margin primarily caused by 170 basis points due to non-recurring net tax recoveries in Brazil and 120 basis points from the favorable net impact of mix and pricing, partially offset by 70 basis points due to higher supply chain costs driven by higher material costs;
- a benefit of 90 basis points due to lower Representative, sales leader and field expense, in line with sales performance;
- a benefit of 60 basis points from lower bad debt expense, primarily in Brazil, as the prior-year period was impacted by lower than anticipated collection of receivables;
- a decline of 70 basis points primarily related to higher transportation costs in Brazil, primarily driven by inefficiencies caused by the national transportation strike; and
- a decline of 40 basis points due to higher net brochure cost, primarily due to an increase in brochure volumes in Brazil.

During the quarter ended June 30, 2018, primarily based on published estimates which indicate that Argentina's three-year cumulative inflation rate has exceeded 100%, we concluded that Argentina has become a highly inflationary economy. Beginning July 1, 2018, we expect to apply highly inflationary accounting for our Argentinian subsidiary. As such, the functional currency for Argentina will change to U.S. dollar, which is the consolidated group's functional currency. When an entity operates in a highly inflationary economy, exchange gains and losses associated with monetary assets and liabilities resulting from changes in the exchange rate are recorded in income. Nonmonetary assets and liabilities, which include inventories and property, plant and equipment, are carried forward at their historical dollar cost, which will be calculated using the exchange rate at July 1, 2018. Our Argentinian operations contributed \$150, or 5.5% of revenues, or \$167, or 6.1% of Constant \$ revenue in the six months ended June 30, 2018. Based on a sensitivity analysis, we anticipate that a 10% devaluation of the Argentinian peso from July 1, 2018 to September 30, 2018 would result in an immaterial impact on net income for the third quarter of 2018, driven by the net monetary liability position of Argentina as at June 30, 2018.

Six Months Ended June 30, 2018

Total revenue decreased 4% compared to the prior-year period, including the unfavorable impact of foreign exchange, which was primarily driven by the strengthening of the U.S. dollar relative to the Argentinian peso and the Brazilian real. On a Constant \$ basis, revenue increased 4%. Revenue and Constant \$ revenue included a benefit of approximately 8% due to the impact of adopting the new revenue recognition standard. Revenue and Constant \$ revenue were negatively impacted by a decrease in Active Representatives, partially offset by higher average order driven by Argentina. The decline in Ending Representatives was primarily driven by a decline in Brazil.

Revenue in Brazil decreased 8%, unfavorably impacted by foreign exchange. On a Constant \$ basis, Brazil's revenue decreased 2%. Brazil's revenue and Constant \$ revenue included a benefit of approximately 10% due to the impact of adopting the new revenue recognition standard. Revenue and Constant \$ revenue in Brazil were negatively impacted by a decrease in Active Representatives, as well as lower average order. On a Constant \$ basis, Brazil's sales from Beauty products and Fashion & Home products declined 8% and 6%, respectively, including a benefit of 2% and 3% due to the impact of the new revenue recognition standard. The decline in Constant \$ Beauty sales in Brazil was driven by weaker performance in Color, which was negatively impacted by competition. The challenging macroeconomic environment and lower consumption in the market continued to impact revenue and Constant \$ revenue in Brazil, as well as Active Representatives and Ending Representatives. In addition, revenue and Constant \$ revenue in Brazil, as well as Active Representatives and Ending Representatives, were also impacted by a national transportation strike which affected sales and distribution.

Revenue in Argentina declined 9%, unfavorably impacted by foreign exchange. On a Constant \$ basis, Argentina's revenue grew 23%. Argentina's revenue and Constant \$ revenue included a benefit of approximately 1% due to the impact of adopting the new revenue recognition standard. Revenue and Constant \$ revenue in Argentina benefited from higher average order, which was impacted by the continuous inflationary impact on pricing.

Segment margin increased 250 basis points, or 260 basis points on a Constant \$ basis, with no net impact from adoption of the new revenue recognition standard. The increase in reported and Constant \$ segment margin was primarily as a result of:

- a benefit of 210 basis points due to higher gross margin including 90 basis points due to non-recurring net tax recoveries in Brazil, 110 basis points from the favorable net impact of mix and pricing and 40 basis points from the favorable impact of foreign currency net gains. These items were partially offset by 60 basis points due to higher supply chain costs driven by higher material costs;

AVON PRODUCTS, INC.
MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(U.S. dollars in millions, except per share data)

- a benefit of 150 basis points from lower net bad debt expense, primarily in Brazil, as the prior-year period was impacted by lower than anticipated collection of receivables;
- a decline of 70 basis points due to higher transportation costs in Brazil, primarily driven by inefficiencies caused by the national transportation strike, and the unfavorable impact of declining revenue with respect to transportation costs; and
- a decline of 70 basis points due to higher net brochure cost, primarily due to an increase in brochure volumes in Brazil.

North Latin America

	Three Months Ended June 30,				Six Months Ended June 30,			
	2018	2017	%Basis Point Change		2018	2017	%Basis Point Change	
			US\$	Constant \$			US\$	Constant \$
Total revenue	\$ 207.3	\$ 207.8	— %	3 %	\$ 402.9	\$ 401.0	— %	— %
Segment profit	19.0	18.2	4 %	9 %	39.8	39.6	1 %	(1)%
Segment margin	9.2%	8.8%	40	50	9.9%	9.9%	—	—
Change in Active Representatives				(5)%				(6)%
Change in units sold				(6)%				(8)%
Change in Ending Representatives				(8)%				(8)%

Amounts in the table above may not necessarily sum due to rounding.

Three Months Ended June 30, 2018

North Latin America consists largely of our Mexico business. Total revenue for the segment was relatively unchanged compared to the prior-year period, unfavorably impacted by foreign exchange, which was primarily driven by the strengthening of the U.S. dollar relative to the Mexican peso. On a Constant \$ basis, revenue increased 3%. Revenue and constant dollar revenue included a benefit of approximately 5% due to the impact of adopting the new revenue recognition standard. Revenue and Constant \$ revenue were negatively impacted by a decrease in Active Representatives, primarily in Mexico, partially offset by higher average order.

Revenue in Mexico increased 2%, despite the unfavorable impact of foreign exchange. On a Constant \$ basis, Mexico's revenue increased 6%. Mexico's revenue and Constant \$ revenue included a benefit of approximately 6% due to the impact of the new revenue recognition standard. The benefit of higher average order on revenue and Constant \$ revenue was offset by a decrease in Active Representatives, impacted by lower Representative satisfaction, primarily resulting from quality issues in the Fashion & Home category in the first quarter of 2018.

Segment margin increased 40 basis points, or 50 basis points on a Constant \$ basis, including a benefit of 60 basis points due to the impact of adopting the new revenue recognition standard. In each case, segment margin was also impacted by:

- a net decline of 170 basis points due to higher fixed expenses, primarily related to personnel cost;
- a decline of 70 basis points due to increased net bad debt expense primarily driven by lower payments in Mexico and political unrest in Nicaragua;
- a decline of 40 basis points due to higher transportation costs, primarily related to an increase in fuel prices in Mexico;
- a benefit of 210 basis points due to lower Representative, sales leader and field expense in line with sales performance; and
- a benefit of 60 basis points from lower advertising expense as compared to the prior-year period.

Six Months Ended June 30, 2018

North Latin America consists largely of our Mexico business. Total revenue for the segment remained relatively unchanged compared to the prior-year period. On a Constant \$ basis, revenue was also relatively unchanged. Revenue and constant dollar revenue included a benefit of approximately 5% due to the impact of the adopting new revenue recognition standard. Revenue and Constant \$ revenue were negatively impacted by a decrease in Active Representatives.

Revenue in Mexico increased 4%, which was favorably impacted by foreign exchange. On a Constant \$ basis, Mexico's revenue increased 2%. Mexico's revenue and Constant \$ revenue included a benefit of approximately 5% due to the impact of

AVON PRODUCTS, INC.
MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(U.S. dollars in millions, except per share data)

the new revenue recognition standard. Revenue and Constant \$ revenue in Mexico were negatively impacted by a decrease in Active Representatives primarily due to quality issues in the Fashion & Home category.

Segment margin was relatively unchanged. On a Constant \$ basis, segment margin was also relatively unchanged, and included a benefit of 80 basis points due to the impact of adopting the new revenue recognition standard. The decrease in reported and Constant \$ segment margin was primarily as a result of:

- a net decline of 190 basis points primarily due to higher fixed expenses, primarily related to personnel cost and the impact of the Constant \$ revenue decline causing deleverage of our fixed expenses;
- a decline of 60 basis points primarily due to an increase in fuel prices in Mexico;
- a benefit of 120 basis points due to lower Representative, sales leader and field expense in line with sales performance; and
- a benefit of 40 basis points from lower advertising expense as compared to the prior-year period.

Asia Pacific

	Three Months Ended June 30,				Six Months Ended June 30,			
	2018	2017	%Basis Point Change		2018	2017	%Basis Point Change	
			US\$	Constant \$			US\$	Constant \$
Total revenue	\$ 113.1	\$ 113.9	(1)%	1 %	\$ 224.5	\$ 227.3	(1)%	(1)%
Segment profit	7.3	10.2	(28)%	(21)%	17.7	23.5	(25)%	(19)%
Segment margin	6.5%	9.0%	(250)	(200)	7.9%	10.3%	(240)	(180)
Change in Active Representatives				(1)%				(1)%
Change in units sold				— %				(3)%
Change in Ending Representatives				(4)%				(4)%

Amounts in the table above may not necessarily sum due to rounding.

Effective from the first quarter of 2018, given that we will exit Australia and New Zealand during 2018, the results of Australia and New Zealand are now reported in Other operating segments and business activities for all periods presented, while previously the results had been reported in the Asia Pacific segment. The impact was not material to Asia Pacific or Other operating segments and business activities and is consistent with how we present other market exits.

Three Months Ended June 30, 2018

Total revenue decreased 1% compared to the prior-year period, due to the unfavorable impact of foreign exchange. On a Constant \$ basis, revenue increased 1%. Revenue and constant dollar revenue included an increase of 1% due to the impact of adopting the new revenue recognition standard. Revenue and Constant \$ revenue benefited from higher average order, offset by a decrease in Active Representatives, most significantly in Malaysia. The decline in Ending Representatives was primarily driven by a decline in Malaysia.

Revenue in the Philippines decreased 3%, negatively impacted by the unfavorable impact of foreign exchange. On a Constant \$ basis, revenue in the Philippines increased 2%. Revenue and Constant \$ revenue in the Philippines included a benefit of 2% due to the impact of adopting the new revenue recognition standard, and continued to be negatively impacted by inventory system issues resulting in service disruption. The benefit of an increase in Active Representatives on revenue and Constant \$ revenue in the Philippines was offset by lower average order.

Segment margin decreased 250 basis points, or 200 basis points on a Constant \$ basis, including a decrease of 40 basis points due to the impact of adopting the new revenue recognition standard. The decrease in reported and Constant \$ segment margin was primarily as a result of:

- a decline of 90 basis points from lower gross margin, primarily due to higher logistics cost in the Philippines to address service disruptions caused by the inventory system implementation earlier in the year;

AVON PRODUCTS, INC.
MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(U.S. dollars in millions, except per share data)

- a decline of 50 basis points due to higher fixed expenses primarily relating to the impairment of the inventory system implemented in the Philippines; and
- a decline of 30 basis points due to higher advertising expense, primarily in China, related to celebrity and digital advertising to support growth.

Six Months Ended June 30, 2018

Total revenue decreased 1% compared to the prior-year period, due to the unfavorable impact of foreign exchange. On a Constant \$ basis, revenue decreased 1%. Revenue and constant dollar revenue included a negligible benefit due to the impact of adopting the new revenue recognition standard. Revenue and Constant \$ revenue were negatively impacted by a decrease in Active Representatives, most significantly in Malaysia. The decline in Ending Representatives was primarily driven by a decline in Malaysia.

Revenue in the Philippines declined 4%, negatively impacted by the unfavorable impact of foreign exchange. On a Constant \$ basis, revenue in the Philippines remained relatively unchanged. Revenue and Constant \$ revenue in the Philippines included a benefit of 1% due to the impact of adopting the new revenue recognition standard. Revenue and Constant \$ revenue in the Philippines were negatively impacted by lower average order, partially offset by an increase in Active Representatives. Revenue and Constant \$ revenue in the region and the Philippines was also negatively impacted by inventory system implementation issues resulting in service disruption.

Segment margin decreased 240 basis points, or 180 basis points on a Constant \$ basis, including a decline of 30 basis points due to the impact of adopting the new revenue recognition standard. The decrease in reported and Constant \$ segment margin was primarily as a result of:

- a decline of 70 basis points related to higher Representative, sales leader and field expense, primarily due to investments in store upgrades and e-commerce in China;
- a decline of 60 basis points primarily relating to the impairment of the inventory system implemented in the Philippines;
- a decline of 50 basis points due to higher advertising expense, primarily in the Philippines, related to television advertising associated with our Color category, and in China, related to celebrity and digital advertising to support growth; and
- a benefit of 30 basis points due to higher gross margin caused by 160 basis points from benefits in supply chain costs due to lower obsolescence and overhead costs, partially offset by 100 basis points due to higher logistics cost in the Philippines to address service disruptions caused by the inventory system implementation earlier in the year.

LIQUIDITY AND CAPITAL RESOURCES

Our principal sources of funds historically have been cash flows from operations, public offerings of notes, bank financings, issuance of commercial paper, borrowings under lines of credit and a private placement of notes. At June 30, 2018, we had cash and cash equivalents totaling approximately \$444. We believe that our sources of funding will be sufficient to satisfy our currently anticipated cash requirements through at least the next twelve months. On June 12, 2018, we received a decision authorizing Avon to withdraw the amount held as a judicial deposit relating to Brazil IPI taxes, substituting it by letter of guarantee, which was presented; on July 30, 2018, \$68 was received (described more fully in Note 7, Contingencies, to the Consolidated Financial Statements included herein).

We may seek to repurchase our equity or to retire our outstanding debt in open market purchases, privately negotiated transactions, through derivative instruments, cash tender offers or otherwise. Repurchases of equity and debt may be funded by the incurrence of additional debt or the issuance of equity (including shares of preferred stock) or convertible securities and will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors, and the amounts involved may be material. We may also elect to incur additional debt or issue equity (including shares of preferred stock) or convertible securities to finance ongoing operations or to meet our other liquidity needs. Any issuances of equity (including shares of preferred stock) or convertible securities could have a dilutive effect on the ownership interest of our current shareholders and may adversely impact earnings per share in future periods. Our credit ratings were downgraded during the past several years, which may impact our ability to access such transactions on favorable terms, if at all. For more information, see "Risk Factors - Our credit ratings were downgraded during the past several years, which could limit our access to financing, affect the market price of our financing and increase financing costs. A further downgrade in our credit ratings may adversely affect our access to liquidity," "Risk Factors - Our indebtedness and any future inability to meet any of our obligations under our indebtedness, could adversely affect us by reducing our flexibility to respond to changing business and economic conditions," and "Risk Factors - A general economic downturn, a recession globally or in one or more of our geographic regions

AVON PRODUCTS, INC.
MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(U.S. dollars in millions, except per share data)

or markets or sudden disruption in business conditions or other challenges may adversely affect our business, our access to liquidity and capital, and our credit ratings" contained in our 2017 Form 10-K.

Our liquidity could also be negatively impacted by restructuring initiatives, dividends, capital expenditures, acquisitions, and certain contingencies, including any legal or regulatory settlements, described more fully in Note 7, Contingencies, to the Consolidated Financial Statements included herein. See our Cautionary Statement for purposes of the "Safe Harbor" Statement under the Private Securities Litigation Reform Act of 1995 contained in this report.

Cash Flows

Net Cash Provided (Used) by Continuing Operating Activities

Net cash used by continuing operating activities during the first six months of 2018 was approximately \$107, as compared to net cash provided by continuing operations of approximately \$11 during the first six months of 2017.

The approximate \$118 unfavorable impact to the year-over-year comparison of net cash used by continuing operating activities was primarily due to higher inventory purchase, the timing of payments and a \$10 contribution to the U.S. pension plan, partially offset by lower net receivables. Net cash used by continuing operations was also impacted by the make-whole payment and payment of accrued interest related to the 2019 bond prepayment, which totaled \$11.

Net Cash Used by Continuing Investing Activities

Net cash used by continuing investing activities during the first six months of 2018 was approximately \$50, as compared to approximately \$40 during the first six months of 2017. The approximate \$10 increase to net cash used by continuing investing activities was primarily due to higher capital expenditures.

Net Cash Used by Continuing Financing Activities

Net cash used by continuing financing activities during the first six months of 2018 was less than \$252, as compared to approximately \$13 during the first six months of 2017. The approximate \$239 unfavorable impact to net cash used by continuing financing activities was primarily due to repayment of debt.

Capital Resources

Revolving Credit Facility

In June 2015, Avon International Operations, Inc. ("AIO"), a wholly-owned domestic subsidiary of the Company, entered into a five-year \$400.0 senior secured revolving credit facility (the "2015 facility"). Borrowings under the 2015 facility bear interest, at our option, at a rate per annum equal to LIBOR plus 250 basis points or a floating base rate plus 150 basis points, in each case subject to adjustment based upon a leverage-based pricing grid. In December 2017, AIO entered into an amendment to the 2015 facility, which, among other things, modified the financial covenants (interest coverage and total leverage ratios) to provide the Company additional flexibility. As of June 30, 2018, there were no amounts outstanding under the 2015 facility.

All obligations of AIO under the 2015 facility are (i) unconditionally guaranteed by each material domestic restricted subsidiary of the Company (other than AIO, the borrower), in each case, subject to certain exceptions and (ii) fully guaranteed on an unsecured basis by the Company. The obligations of AIO and the subsidiary guarantors are secured by first priority liens on and security interest in substantially all of the assets of AIO and the subsidiary guarantors, in each case, subject to certain exceptions.

The 2015 facility will terminate in June 2020; provided, however, that it shall terminate on the 91st day prior to the maturity of the 4.60% Notes (as defined below), if on such 91st day, the applicable notes are not redeemed, repaid, discharged, defeased or otherwise refinanced in full.

The 2015 facility contains affirmative and negative covenants, which are customary for secured financings of this type, as well as financial covenants (interest coverage and total leverage ratios). As of June 30, 2018, we were in compliance with our interest coverage and total leverage ratios under the 2015 facility, as amended. The amount of the facility available to be drawn down on is reduced by any standby letters of credit granted by AIO, which, as of June 30, 2018, was approximately \$33. As of June 30, 2018, based on then applicable interest rates, the entire amount of the remaining 2015 facility, which is approximately \$367, could have been drawn down without violating any covenant. Depending on our business results (including the impact of any adverse foreign exchange movements and significant restructuring charges), it is possible that we may be non-compliant with our interest coverage or total leverage ratio absent the Company undertaking other alternatives to avoid noncompliance, such as obtaining additional amendments to the 2015 facility or repurchasing certain debt. If we were to be non-compliant with

AVON PRODUCTS, INC.
MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(U.S. dollars in millions, except per share data)

our interest coverage or total leverage ratio, we would no longer have access to our 2015 facility and our credit ratings may be downgraded. As of June 30, 2018, there were no amounts outstanding under the 2015 facility.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT STRATEGIES

Interest Rate Risk

In the past we have used interest-rate swaps to manage our interest rate exposure. The interest-rate swaps were used to either convert our fixed rate borrowing to a variable interest rate or to unwind an existing variable interest-rate swap on a fixed rate borrowing. As of June 30, 2018, we do not have any interest-rate swap agreements. Approximately 1% of our debt portfolio at June 30, 2018 and December 31, 2017, was exposed to floating interest rates.

Foreign Currency Risk

We conduct business globally, with operations in various locations around the world. Over the past three years, all of our consolidated revenue was derived from operations of subsidiaries outside of the U.S. The functional currency for most of our foreign operations is their local currency. We may reduce our exposure to fluctuations in cash flows associated with changes in foreign exchange rates by creating offsetting positions, including through the use of derivative financial instruments.

CAUTIONARY STATEMENT FOR PURPOSES OF THE "SAFE HARBOR" STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

Statements in this report (or in the documents it incorporates by reference) that are not historical facts or information may be forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as "estimate," "project," "forecast," "plan," "believe," "may," "expect," "anticipate," "intend," "planned," "potential," "can," "expectation," "could," "will," "would" and similar expressions, or the negative of those expressions, may identify forward looking statements. They include, among other things, statements regarding our anticipated or expected results, future financial performance, various strategies and initiatives (including our Transformation Plan, stabilization strategies, cost savings initiatives, restructuring and other initiatives and related actions), costs and cost savings, competitive advantages, impairments, the impact of foreign currency, including devaluations, and other laws and regulations, government investigations, internal investigations and compliance reviews, results of litigation, contingencies, taxes and tax rates, potential alliances or divestitures, liquidity, cash flow, uses of cash and financing, hedging and risk management strategies, pension, postretirement and incentive compensation plans, supply chain and the legal status of the Representatives. Such forward-looking statements are based on management's reasonable current assumptions, expectations, plans and forecasts regarding the Company's current or future results and future business and economic conditions more generally. Such forward-looking statements involve risks, uncertainties and other factors, which may cause the actual results, levels of activity, performance or achievement of Avon to be materially different from any future results expressed or implied by such forward-looking statements, and there can be no assurance that actual results will not differ materially from management's expectations. Therefore, you should not rely on any of these forward-looking statements as predictors of future events. Important factors that could cause our actual results and financial condition to differ materially from those indicated in the forward-looking statements include, among others, the following:

- our ability to improve our financial and operational performance and execute fully our global business strategy, including our ability to implement the key initiatives of, and/or realize the projected benefits (in the amounts and time schedules we expect) from, our transformation plan, stabilization strategies, cost savings initiatives, restructuring and other initiatives, product mix and pricing strategies, enterprise resource planning, customer service initiatives, sales and operation planning process, outsourcing strategies, Internet platform and technology strategies including e-commerce, marketing and advertising strategies, information technology and related system enhancements and cash management, tax, foreign currency hedging and risk management strategies, and any plans to invest these projected benefits ahead of future growth;
- our ability to achieve the anticipated benefits of our strategic partnership with Cerberus Capital Management, L.P.;
- our broad-based geographic portfolio, which is heavily weighted towards emerging markets, a general economic downturn, a recession globally or in one or more of our geographic regions or markets, such as Brazil, Mexico or Russia, or sudden disruption in business conditions, and the ability to withstand an economic downturn, recession, cost inflation, commodity cost pressures, economic or political instability (including fluctuations in foreign exchange rates), competitive or other market pressures or conditions;
- the effect of economic factors, including inflation and fluctuations in interest rates and foreign currency exchange rates; as well as the designation of Argentina as a highly inflationary economy, and the potential effect of such factors on our business, results of operations and financial condition;
- the possibility of business disruption in connection with our transformation plan, stabilization strategies, cost savings initiatives, or restructuring and other initiatives;
- our ability to reverse declining revenue, to improve margins and net income, or to achieve profitable growth, particularly in our largest markets

and developing and emerging markets, such as Brazil, Mexico and Russia;

- our ability to improve working capital and effectively manage doubtful accounts and inventory and implement initiatives to reduce inventory levels, including the potential impact on cash flows and obsolescence;
- our ability to reverse declines in Active Representatives, to enhance our sales leadership programs, to generate Representative activity, to increase the number of consumers served per Representative and their engagement online, to enhance branding and the Representative and consumer experience and increase Representative productivity through field activation and segmentation programs and technology tools and enablers, to invest in the direct-selling channel, to offer a more social selling experience, and to compete with other direct-selling organizations to recruit, retain and service Representatives and to continue to innovate the direct-selling model;
- general economic and business conditions in our markets, including social, economic and political uncertainties, such as in Russia and Ukraine or elsewhere, and any potential sanctions, restrictions or responses to such conditions imposed by other markets in which we operate;
- developments in or consequences of any investigations and compliance reviews, and any litigation related thereto, including the investigations and compliance reviews of Foreign Corrupt Practices Act and related United States ("U.S.") and foreign law matters, as well as any disruption or adverse consequences resulting from such investigations, reviews, related actions or litigation;
- the effect of political, legal, tax, including changes in tax rates, and other regulatory risks imposed on us abroad and in the U.S., our operations or the Representatives, including foreign exchange, pricing, data privacy or other restrictions, the adoption, interpretation and enforcement of foreign laws, including in jurisdictions such as Brazil and Russia, and any changes thereto, as well as reviews and investigations by government regulators that have occurred or may occur from time to time, including, for example, local regulatory scrutiny;
- competitive uncertainties in our markets, including competition from companies in the consumer packaged goods industry, some of which are larger than we are and have greater resources;
- the impact of the adverse effect of volatile energy, commodity and raw material prices, changes in market trends, purchasing habits of our consumers and changes in consumer preferences, particularly given the global nature of our business and the conduct of our business in primarily one channel;
- our ability to attract and retain key personnel;
- other sudden disruption in business operations beyond our control as a result of events such as acts of terrorism or war, natural disasters, pandemic situations, large-scale power outages and similar events;
- key information technology systems, process or site outages and disruptions, and any cyber security breaches, including any security breach of our systems or those of a third-party provider that results in the theft, transfer or unauthorized disclosure of Representative, customer, employee or Company information or compliance with information security and privacy laws and regulations in the event of such an incident which could disrupt business operations, result in the loss of critical and confidential information, and adversely impact our reputation and results of operations, and related costs to address such malicious intentional acts and to implement adequate preventative measures against cyber security breaches;
- our ability to comply with various data privacy laws affecting the markets in which we do business;
- the risk of product or ingredient shortages resulting from our concentration of sourcing in fewer suppliers;
- any changes to our credit ratings and the impact of such changes on our financing costs, rates, terms, debt service obligations, access to lending sources and working capital needs;
- the impact of our indebtedness, our access to cash and financing, and our ability to secure financing or financing at attractive rates and terms and conditions;
- the impact of our business results (including the impact of any adverse foreign exchange movements and significant restructuring charges), on our ability to comply with certain covenants in our revolving credit facility;
- our ability to successfully identify new business opportunities, strategic alliances and strategic alternatives and identify and analyze alliance candidates, secure financing on favorable terms and negotiate and consummate alliances;
- disruption in our supply chain or manufacturing and distribution operations;

AVON PRODUCTS, INC.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(U.S. dollars in millions, except per share data)

- the quality, safety and efficacy of our products;
- the success of our research and development activities;
- our ability to protect our intellectual property rights, including in connection with the separation of the North America business;
- our ability to repurchase the series C preferred stock in connection with a change of control; and
- the risk of an adverse outcome in any material pending and future litigation or with respect to the legal status of Representatives.

Additional information identifying such factors is contained in Item 1A of our 2017 Form 10-K for the year ended December 31, 2017, and other reports and documents we file with the SEC. We undertake no obligation to update any such forward-looking statements.

AVON PRODUCTS, INC.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in market risk from the information provided in Item 7A, Quantitative and Qualitative Disclosures About Market Risk, of our 2017 Form 10-K.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this report, our principal executive and principal financial officers carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-15 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). In designing and evaluating our disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management was required to apply its judgment in evaluating and implementing possible controls and procedures. Based upon their evaluation, the principal executive and principal financial officers concluded that our disclosure controls and procedures were effective as of June 30, 2018, at the reasonable assurance level. Disclosure controls and procedures are designed to ensure that information relating to Avon (including our consolidated subsidiaries) required to be disclosed by us in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the United States Securities and Exchange Commission’s rules and forms and to ensure that information required to be disclosed is accumulated and communicated to management to allow timely decisions regarding disclosure.

Changes in Internal Control over Financial Reporting

Our management has evaluated, with the participation of our principal executive and principal financial officers, whether any changes in our internal control over financial reporting that occurred during our last fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. Based on the evaluation we conducted, our management has concluded that no such changes have occurred.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

See Note 7, Contingencies, to the Consolidated Financial Statements included herein.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

(c) Repurchases

The following table provides information about our purchases of our common stock during the quarterly period ended June 30, 2018:

	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program
4/1 - 4/30/18	120,511 ⁽¹⁾	2.77	*	*
5/1 - 5/31/18	48,667 ⁽¹⁾	\$ 2.65	*	*
6/1 - 6/30/18	9,089	2.69	*	*
Total	178,267	\$ 2.73	*	*

* These amounts are not applicable as the Company does not have a share repurchase program in effect.

(1) All shares were repurchased by the Company in connection with employee elections to use shares to pay withholding taxes upon the vesting of their restricted stock units and performance restricted stock units.

Some of these share repurchases may reflect a delay from the actual transaction date.

AVON PRODUCTS, INC.

ITEM 6. EXHIBITS

- 10.1 [Performance-Contingent Restricted Stock Unit Award Agreement, for award granted effective March 14, 2018, between Avon Products, Inc. and Jan Zijderveld.](#)
- 10.2 [Option Agreement, for award granted effective March 14, 2018, between Avon Products, Inc. and Jan Zijderveld.](#)
- 10.3 [Sign-On Performance-Contingent Restricted Stock Unit Award Agreement, for award granted effective March 27, 2018, between Avon Products, Inc. and Jan Zijderveld.](#)
- 10.4 [Severance Benefit Letter Agreement and General Release of Claims, entered into on April 9, 2018 between the Company and Sheri McCoy.](#)
- 31.1 [Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- 31.2 [Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- 32.1 [Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- 32.2 [Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- 101 The following materials formatted in Extensible Business Reporting Language (XBRL): (i) Consolidated Statements of Operations, (ii) Consolidated Statements of Comprehensive Loss, (iii) Consolidated Balance Sheets, (iv) Consolidated Statements of Cash Flows and (v) Notes to Consolidated Financial Statements

SIGNATURE

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

AVON PRODUCTS, INC.

(Registrant)

Date: August 3, 2018

/s/ Laura Barbrook

Laura Barbrook
Vice President and Corporate
Controller - Principal Accounting Officer

Signed both on behalf of the
registrant and as chief
accounting officer.

[\(Back To Top\)](#)

Section 2: EX-10.1 (JAN ZIDJERVELD RSU AWARD AGREEMENT)

Exhibit 10.1

[Avon Letterhead]

Mr. Jan Zijderveld

Chief Executive Officer

Avon Products, Inc.

Dear Jan:

In accordance with your contract of employment, dated as of February 3, 2018, with Avon Cosmetics Limited (the "Employment Contract"), Avon Products, Inc. (the "Company") has granted to you, effective March 14, 2018 (the "Grant Date"), Performance Contingent Restricted Stock Units (the "PRSUs"), representing the right to receive, in the future, shares of Stock (the "Shares") as set forth in your grant notification. The PRSUs are subject to the terms and conditions set forth in this Performance Restricted Stock Unit Award Agreement (this "Agreement") and your grant notification. Please indicate your acceptance of this award by signing this Agreement and returning your signature to the General Counsel of the Company.

1. **Grant of Performance Contingent Restricted Stock Unit Award.** The PRSUs are being awarded to you hereunder outside of the Company's 2016 Omnibus Incentive Plan (the "Plan"). Notwithstanding that this award is made outside of the Plan, except as otherwise expressly provided in this Agreement and other than as to the Share limitations of Section 5 of the Plan, this Agreement will be interpreted in a manner consistent with the terms of the Plan and all such terms will be deemed to be incorporated into and made a part of this Agreement. All capitalized terms used in this Agreement shall have the meaning set forth in the Plan, unless otherwise defined herein.
2. **Nature of PRSUs; Issuance of Shares.** The PRSUs represent a right to receive Shares on the Settlement Date (as defined below) but do not represent a current interest in the Shares. If all the terms and conditions hereof and of the Plan are met, then you shall be issued Shares on the Settlement Date. Notwithstanding the foregoing, the Company reserves the right to determine to settle all or a portion of your vested PRSUs in cash, in lieu of Shares. Any such cash payment will equal (x) the Fair Market Value of a Share as of the Settlement Date *multiplied by* (y) the number of vested PRSUs the Company determines to settle in cash.

You should be aware that vesting of the PRSUs will, to the extent settled in Shares, result in the ownership of Shares and will require you to open and use a U.S. brokerage account. You will personally be responsible for any local compliance requirements in relation to all of the above transactions. These requirements may change from time to time, and the Company cannot guarantee that you will be able to receive

Shares on the Settlement Date. Moreover, the Company is not liable for any decrease of value of the Shares.

1. **Restrictions on Transfer of PRSUs.** The PRSUs may not be sold, tendered, assigned, transferred, pledged or otherwise encumbered.

2. **Vesting of PRSUs; Voting; Dividends.**

(a) Subject to Section 5, vesting of the PRSUs shall occur on the date set forth in your grant notification (such date, the “Vesting Date”), which is the third anniversary of the Grant Date, and settlement shall occur on the date set forth in your grant notification (such date, the “Settlement Date”), which is the “annual grant” settlement date, as specified by the Company (which shall be no later than 60 days after the Vesting Date). Subject to Section 5, vesting and settlement are contingent upon: (i) your being employed by the Company or any of its Subsidiaries on the Vesting Date; and (ii) satisfaction by the Company of performance measures set forth in your grant notification (the “Performance Measures”), as determined by the Committee.

(b) You do not have the right to vote any of the Shares underlying the PRSUs or to receive dividends on them prior to the date such Shares are issued to you pursuant to the terms hereof.

3. **Termination of Employment.**

(a) **Termination of Employment by the Company without Cause.** If your employment with the Company and its Subsidiaries terminates for any reason other than for Cause on or after January 1 of the year following the Grant Date and you have not attained Retirement (for all purposes under this Agreement, as such term is defined under the Plan as of the date hereof) and will not be eligible for Retirement at the end of the salary continuation period for which you are eligible under the “Severance” provision of the Employment Contract, then, provided that the Company has satisfied the Performance Measures as of the Vesting Date, a pro-rata portion of the PRSUs awarded hereunder shall become vested and such pro-rata portion of PRSUs shall be settled in the form of Shares issued to you on the Settlement Date. The number of PRSUs that vest shall be determined by multiplying the number of Shares subject to the PRSUs that are actually earned based on achievement of the applicable Performance Measures by a fraction, the numerator of which shall be the number of completed months of your employment from the Grant Date to the date of your termination of employment (typically the last day of active employment), and the denominator of which shall be the total number of months from the Grant Date to the Vesting Date.

(b) **Termination of Employment Due to Retirement.** If your employment with the Company and its Subsidiaries terminates due to Retirement on or after January 1 of the year following the Grant Date, or your employment with the Company and its Subsidiaries is terminated by the Company other than for Cause on or after January 1 of the year following the Grant Date, and you are or will be eligible for Retirement at the end of the salary continuation period for which you are eligible under the “Severance” provision of the Employment Contract, then, provided that the Company has satisfied the Performance Measures as of the Vesting Date, a pro-rata portion of the PRSUs awarded hereunder shall become vested and such pro-rata portion of PRSUs shall be issued to you on the Settlement Date. The number of PRSUs that vest shall be determined by multiplying the number of Shares subject to the PRSUs that are actually earned based on achievement of the applicable Performance Measures by a fraction, the numerator of which shall be the number of completed months of your employment from the Grant Date to the date of your termination of employment (typically the last day of active employment), and the denominator of which shall be the total number of months from the Grant Date to the Vesting Date.

(c) **Termination of Employment Due to Disability.** If your employment with the Company and its Subsidiaries terminates due to Disability, then, provided that the Company has satisfied the Performance Measures as of the Vesting Date, a pro-rata portion of the PRSUs awarded hereunder shall become vested and such pro-rata portion of PRSUs shall be issued to you on the Settlement Date. The number of PRSUs that vest shall be determined by multiplying the number of Shares subject to the PRSUs that are actually earned based on achievement of the applicable Performance Measures by a fraction, the numerator of which shall be the number of completed months of your employment from the Grant Date to the date of your termination of employment (typically the last day of active employment), and the denominator of which shall be the total number of months from the Grant Date to the Vesting Date.

(d) **Death.** If you die before otherwise incurring a termination of your employment with the Company and its Subsidiaries, then, provided that the Company has satisfied the Performance Measures as of the Vesting Date, a pro-rata portion of the PRSUs awarded hereunder shall become vested and such pro-rata portion of PRSUs shall be issued to you on the Settlement Date. The number of PRSUs that vest shall be determined by multiplying the number of Shares subject to the PRSUs that are actually earned based on achievement of the applicable Performance Measures by a fraction, the numerator of which shall be the number of completed months of your employment from the Grant Date to the date of your termination of employment (typically

the last day of active employment), and the denominator of which shall be the total number of months from the Grant Date to the Vesting Date.

(e) **Termination of Employment Causing Forfeiture.** All PRSUs are forfeited if your employment with the Company and its Subsidiaries terminates under any of the following conditions: (i) your employment with the Company and its Subsidiaries is terminated by the Company for Cause prior to the Settlement Date; (ii) your employment with the Company and its Subsidiaries is terminated by the Company other than for Cause prior to January 1 of the year following the Grant Date; (iii) you voluntarily terminate your employment with the Company and its Subsidiaries due to Retirement prior to January 1 of the year following the Grant Date; or (iv) you voluntarily terminate your employment with the Company and its Subsidiaries (excluding Retirement or Disability) at any time during the performance period to which the Performance Measures relate.

(b) **Change in Control.** Notwithstanding any other provision of this Agreement, in the event of a Change in Control, the vesting and settlement of the PRSUs shall be governed by the provisions of the Plan regarding a Change in Control as if the PRSUs were granted under the Plan, and such provisions of the Plan are incorporated herein by reference.

(c) **Paid or Unpaid Leave of Absence.** For purposes of determining the vesting of PRSUs under this Agreement, a paid or unpaid leave of absence that has been approved by the Company shall not constitute a termination of your employment with the Company and its Subsidiaries; provided, if the Company elects to place you on Garden Leave during any mandatory notice period under the Employment Contract, your PRSUs shall cease to vest as of the date immediately prior to such Garden Leave. During such paid or unpaid leave of absence, until a termination of your employment with the Company and its Subsidiaries occurs, the PRSUs shall continue to vest as set forth in this Agreement.

4. **Non-Competition/Non-Solicitation/Non-Disclosure.** You agree that, during your employment and for a period of one year after your termination of employment with the Company and its Subsidiaries for any reason whatsoever (including Retirement or Disability), you shall not, without the prior written consent of the Committee, engage in any of the following activities:

(a) directly or indirectly engage or otherwise participate in any business which is competitive with any significant business of the Company or any Subsidiary, including without limitation, your acceptance of employment with, entrance into a consulting or advisory arrangement with, rendering services to or otherwise facilitating the business of Amway Corp./Alticor Inc., Amore Pacific, Arabela, Arbonne, Beiersdorf (Nivea), COTY, De Millus S.A., Ebel Int'l/Belcorp Corp., Elizabeth Arden, Faberlic, Herbalife Ltd., Inter Parfums, Jequiti, Lady Racine/LR Health & Beauty Systems GmbH, LG Health & Household, L'Occitane, L'Oréal Group/Cosmair Inc., Mary Kay Inc., Mistine/Better Way (Thailand) Co. Ltd., Natura Cosmetics S.A., Neways Int'l, NuSkin Enterprises Inc., O Boticário, Oriflame Cosmetics S.A., Origami Owl, Reckitt Benckiser PLC, Revlon Inc., Rodan & Fields, Shaklee Corp., Shiseido, Stella & Dot, Silpada, The Body Shop Int'l PLC, The Estée Lauder Companies Inc., The Procter & Gamble Company, Tupperware Corp., Unilever Group (N.V. and PLC), Vorwerk & Co. KG/Jafra Worldwide Holdings (Lux) S.à.R.L. Inc., Yanbal Int'l (Yanbal, Unique), Younique or any of their affiliates; or

(b) solicit or aid in the solicitation of any employees of the Company or any Subsidiary to leave their employment.

In addition, you shall not, unless compelled pursuant to an order of a court or other body having jurisdiction over such matter, communicate or divulge any secret or confidential information, knowledge or data, including without limitation any trade secrets, relating to the Company or a Subsidiary, and their respective businesses, obtained by you during your employment by the Company or a Subsidiary and which is not otherwise publicly known (other than by reason of an unauthorized act by you), to anyone other than the Company and those designated by it.

In the event the Company determines that you have breached any term of this Section 6 or any non-disclosure, non-compete or non-solicitation covenant set forth in any individual agreement between you and the Company or one of its Subsidiaries, or any Company policy, then in addition to any other remedies the Company may have available to it, unless otherwise determined by the Committee: (i) all unvested PRSUs granted hereunder shall be forfeited; (ii) all vested but not yet settled PRSUs hereunder shall be forfeited; (iii) if Shares have been issued to you in respect of all or a portion of the vested PRSUs hereunder, then you shall forfeit all such Shares so issued to you hereunder; and (iv) if cash has been paid to you in lieu of Shares in respect of all or a portion of the PRSUs hereunder, then you shall pay to the Company all such cash so paid; provided, however, that if you no longer hold Shares issued to you hereunder, then, you shall pay to the Company in cash the Fair Market Value of the Shares issued to you hereunder, determined as of the date of such issuance.

Notwithstanding anything in this Section 6 to the contrary, this Agreement is not intended to, and shall be interpreted in a manner that does not, limit or restrict you from exercising any legally protected whistleblower rights (including pursuant to Rule 21F under the U.S. Securities Exchange Act of 1934).

5. **Recoupment.** Except where void by law and unless otherwise determined by the Committee, the PRSUs, and any Shares or cash issued upon settlement of any vested PRSUs, are subject to forfeiture and/or recoupment in the event that you have engaged in misconduct, including: (x) a serious violation of the Company's Code of Conduct; or (y) a violation of law within

the scope of your employment with the Company and its Subsidiaries. All PRSUs hereunder are also subject to the Company's Compensation Recoupment Policy.

6. **Service Acknowledgments.**

You acknowledge and agree as follows:

- (a) The execution and delivery of this Agreement and the granting of the PRSUs hereunder shall not constitute or be evidence of any agreement or understanding, express or implied, on the part of the Company or its Subsidiaries to employ you for any specific period.
- (b) The award of the PRSUs hereunder is voluntary and occasional, and does not entitle you to any benefit other than that specifically granted under this Agreement, or to any future grants or other benefits under the Plan or any similar plan, even if PRSUs have ever been granted in the past or have repeatedly been granted in the past. Any benefits granted under this Agreement and under the Plan are extraordinary and not part of your ordinary or expected compensation or salary for any purpose, including, but not limited to, calculating any severance, resignation, termination, redundancy, end-of-service payments, bonuses, long-service awards, pension, welfare or retirement benefits or similar payments, and in no event should be considered as compensation for, or relating in any way to, past services for the Company or any of its Subsidiaries.
- (c) Nothing in this Agreement shall confer upon you any right to continue in the service of the Company or a Subsidiary or interfere in any way with any right of the Company or a Subsidiary to terminate your employment at any time, subject to applicable law.
- (d) You are accepting the PRSUs and entering into this Agreement voluntarily.
- (e) The Plan may be modified, amended, suspended or terminated by the Company at any time, to the extent permitted by the Plan.
- (f) All decisions with respect to future PRSUs or other grants, if any, will be at the sole discretion of the Committee, subject to the terms of the Employment Contract.
- (g) The future value of the underlying Shares is unknown, indeterminable and cannot be predicted with certainty. The value of the Shares may increase or decrease.
- (h) Neither the Company nor any Subsidiary is providing any tax, legal or financial advice or making any recommendations regarding this award or your acquisition or sale of the Shares.
- (i) In consideration of the grant of the PRSUs, (i) you shall have no claim or entitlement to compensation or damages arising from (x) forfeiture of the PRSUs resulting from termination of your service (for any reason whether or not in breach of local law) or otherwise pursuant to this Agreement or (y) diminution in value of the PRSUs or Shares underlying the PRSUs and (ii) you irrevocably release the Company and its Subsidiaries from any such claim that may arise. If, notwithstanding the foregoing, any such claim is found by a court of competent jurisdiction to have arisen then, by accepting the PRSUs, you shall be deemed irrevocably to have waived your entitlement to pursue such a claim.
- (j) Any notice period mandated under applicable law shall not be treated as service for the purpose of determining the vesting of the PRSUs, and your right to the vesting of Shares in settlement of the PRSUs after termination of service, if any, will be measured by the date of termination of your active service and will not be extended by any notice period mandated under applicable law. In contrast, any notice period mandated under the Employment Contract shall be treated as service for the purpose of determining the vesting of the PRSUs; provided, if the Company elects to place you on Garden Leave during such notice period, your PRSUs shall cease to vest as of the date immediately prior to such Garden Leave. Subject to the foregoing and the provisions of the Plan which are incorporated herein by reference, the Company, in its sole discretion, shall determine whether your service has terminated and the effective date of such termination.
- (k) The grant of PRSUs will not be interpreted to form an employment contract or employment relationship with the Company or any of its Subsidiaries that does not otherwise exist.

7. **Data Privacy Acknowledgment and Consent.**

By signing this Agreement, you acknowledge and agree that in order to implement, manage and administer this award and/or in connection with tax or other governmental and regulatory compliance activities directly or indirectly related to the PRSUs, the Company and/or an entity belonging to the Company's group of companies (including your employer) may need to process your personal data (electronically or otherwise), including, but not limited to, your name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any Shares or other equity securities, directorships held in the Company, details of all PRSUs or any other entitlement to Shares awarded, canceled, vested, unvested or outstanding in your favor (the "Personal Data"). The transfer of Personal Data to and collection by third-party service providers outside the Company's group of companies, such as the Company's authorized agent, may also be necessary in order to implement, manage and administer this award and the Plan.

You expressly and unambiguously consent to the collection, use and processing of Personal Data by the Company, entities belonging to the Company's group of companies, and third-party service providers. You understand that the Company may transfer your Personal Data to the United States, or other countries which may have a different or lower level of data protection law than

your home country and which are not considered by the European Commission to have data protection laws equivalent to the laws in your country. The Company therefore maintains an EU-US Privacy Shield certification to protect your data consistent with data protection laws of the European Union.

In addition, you expressly and unambiguously consent to the disclosure of Personal Data to, and processing by, a third party in the event of any potential or actual reorganization, merger, sale, joint venture, assignment, transfer or other disposition of all or any portion of the Company's business, assets or stock (including in connection with any bankruptcy or similar proceedings); and as the Company believes necessary or appropriate: (a) under applicable law, including laws outside of your country; (b) to comply with legal processes; and (c) to respond to requests from public and government authorities including public and government authorities outside of your country.

You authorize the recipients to receive, possess, use, retain and transfer the Personal Data, in electronic or other form, for the purposes of implementing, managing and administering this award, including any requisite transfer of such Personal Data as may be required to a broker or other third party with whom you may elect to deposit any Shares acquired upon settlement of the PRSUs. You understand that Personal Data will be held only as long as is necessary to implement, manage and administer this award and your participation in the Plan, unless a longer retention period is required by applicable laws, regulations, rules or valid requests or orders of a court or other dispute resolution forums or of a governmental or public authority, in each case, including those of a court or other dispute resolution forums or of a governmental or public authority outside of your country. You understand that you may, at any time, view Personal Data, request additional information about the storage and processing of Personal Data, require any necessary amendments to Personal Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing your local stock program coordinator.

If you do not consent, or if you later seek to revoke your consent, your employment status or career with the Company or Subsidiary will not be adversely affected; the only adverse consequence of refusing or withdrawing your consent is that the Company would not be able to grant PRSUs under this award or other equity awards, or manage or administer such awards. Therefore, you understand that refusing or withdrawing your consent may affect your ability to receive equity awards. For more information on the consequences of your refusal to consent or withdrawal of consent, you may contact your local stock program coordinator.

The Company will take reasonable measures to keep the Personal Data private, confidential and accurate. You may obtain details with respect to the collection use, processing and transfer of your Personal Data in relation to this award and may also request a list with names and addresses of potential recipients of the Personal Data and/or access to and updates of such Personal Data, if needed, by contacting your local stock program coordinator.

8. **Responsibility for Taxes.**

By accepting this grant, you hereby irrevocably elect to satisfy any taxes and social insurance contribution withholding required to be withheld by the Company or its Subsidiaries on the date of grant or vesting of the PRSUs or the date of delivery or sale of any Shares hereunder or on any earlier date on which such taxes or social insurance contribution withholding may be due ("Tax Liability") by authorizing the Company or any of its Subsidiaries to withhold a sufficient number of Shares that would otherwise be deliverable to you upon settlement of the PRSUs (or, if the PRSUs are settled in cash in lieu of Shares, an amount of cash sufficient to satisfy the Tax Liability). If, for any reason, the Shares or cash that would otherwise be deliverable to you upon settlement of the PRSUs would be insufficient to satisfy the Tax Liability, the Company and any of its Subsidiaries are authorized to withhold an amount from your wages or other compensation sufficient to satisfy the Tax Liability. Furthermore, you agree to pay the Company or its Subsidiaries any amount of the Tax Liability that cannot be satisfied through one of the foregoing methods.

Notwithstanding the foregoing, if, on the applicable Settlement Date or on any earlier date on which the Tax Liability may be due, the delivery of Shares is not made for any reason, you hereby irrevocably elect to satisfy such Tax Liability by delivering cash to the Company in an amount sufficient to satisfy such Tax Liability.

Apart from any withholding obligations that may apply to the Company and/or its Subsidiaries, you acknowledge and agree that the ultimate responsibility for the Tax Liability is and remains with you. You further acknowledge that: (x) the Company and its Subsidiaries make no representations or undertakings regarding the Tax Liability; (y) the Company and its Subsidiaries do not commit to structure the terms of the grant or any other aspect of the PRSUs to reduce or eliminate the Tax Liability; and (z) you should consult a tax adviser regarding the Tax Liability.

You acknowledge that the Company and its Subsidiaries shall have no obligation to deliver Shares until the Tax Liability has been fully satisfied by you.

9. **U.S. Internal Revenue Code Section 409A.** If you are subject to U.S. Internal Revenue Code Section 409A (“Section 409A”), then the following provisions shall apply:
- (a) Any provision, application or interpretation of this Agreement that is inconsistent with Section 409A shall be disregarded. In no event shall the Company, any of its affiliates, any of its agents, or any member of the Board have any liability for any taxes, interests or penalties imposed in connection with a failure of this Agreement to comply with Section 409A.
- (b) If (i) any payment hereunder is a non-exempt amount payable under a “nonqualified deferred compensation plan” (as defined in Section 409A) upon a “separation from service” (as defined in Section 409A) (other than death), and (ii) you are a “specified employee” (as that term is defined in Section 409A and pursuant to procedures established by the Company) on the date of such separation from service, then any Shares or cash payable pursuant to the PRSUs on account of such separation from service (other than death) will not be paid to you during the six-month period immediately following such separation from service. Instead, the Shares or cash that would have been payable pursuant to the PRSUs on account of your separation from service shall be paid no earlier than the first day of the seventh month following your separation from service.
10. **United Kingdom Specific Provisions.** The following provisions apply to you as a resident of the United Kingdom. Please appreciate that the information contained in this Section 12 is general in nature and may not apply to your particular situation, and the Company is not in a position to assure you of any particular result. Accordingly, you are advised to seek appropriate professional advice as to how the relevant laws of your home country may apply to your situation. You further understand and agree that if you are a citizen or resident of a country other than the one in which you are currently working, or if your employment transfers after the grant of the PRSUs, or if you are considered a resident of another country for local law purposes, the information contained herein may not apply to you, and the Company shall, in its discretion, determine to what extent the terms and conditions contained herein shall apply, or determine that other terms and conditions are necessary or advisable in order to comply with local law or to facilitate the administration of this Agreement.
- (a) **Tax and National Insurance Contributions.** If the Company determines that it is required to account to HM Revenue & Customs for the Tax Liability and any Secondary NIC Liability or to withhold any other tax as a result of the PRSUs, you, as a condition to the vesting of the PRSUs, shall make arrangements satisfactory to the Company to enable it to satisfy all withholding liabilities. You shall also make arrangements satisfactory to the Company to enable it to satisfy any withholding requirements that may arise in connection with the vesting of the PRSUs or disposition of Shares acquired pursuant to the PRSUs. As a further condition of the vesting of the PRSUs, you may, at the Company’s discretion, be directed to join with the Company, or if and to the extent that there is a change in the law, any of its Subsidiaries or person who is or becomes a Secondary Contributor, in making a Joint Election which has been approved by HM Revenue & Customs, for the transfer of the whole Secondary NIC Liability. To the extent permitted by law, you hereby agree to indemnify and keep indemnified the Company and its Subsidiaries for any Tax Liability.
- (b) **Securities Disclosure.** This Agreement is not an approved prospectus for the purposes of section 85(1) of the Financial Services and Markets Act 2000 (“FSMA”) and no offer of transferable securities to the public (for the purposes of section 102B of FSMA) is being made in connection herewith. This Agreement and the PRSUs are exclusively available to you as a bona fide employee of Avon Cosmetics Limited.
11. **Notice.** Any notice required to be given hereunder to you shall be addressed to you at your current address shown on the Company’s records. Notice shall be sent by mail, express delivery or, if practical, by electronic delivery or hand delivery.
12. **Provisions Inconsistent with Translation.** To the extent that you have been provided with a translation of this Agreement, the English language version of this Agreement shall prevail in case of any discrepancies or ambiguities due to translation.
13. **Acknowledgment.** The Company and you agree that the PRSUs are granted under, and governed by, your grant notification, this Agreement and by those provisions set forth in the Plan that are incorporated herein by reference. You: (x) acknowledge receipt of a copy of such grant notification, this Agreement, the Plan and the prospectus relating to this award; (y) represent that you have carefully read and are familiar with their provisions; and (z) hereby accept the PRSUs subject to all of the terms and conditions set forth in your grant notification and this Agreement, including those provisions set forth in the Plan that are incorporated herein by reference.
14. **Compliance with Laws and Regulations.** The granting of the PRSUs and the delivery of Shares hereunder shall be subject to all applicable laws, rules and regulations. The issuance of Shares will be subject to and conditioned upon compliance by the Company and its Subsidiaries and you with all applicable laws and regulations and with all applicable requirements of any stock exchange or automated quotation system on which the Shares may be listed or quoted at the time of such issuance or transfer. If any provision of this Agreement conflicts with applicable mandatory law, the provisions of such law shall govern.

15. **Additional Conditions to Issuance of Shares.** If, at any time the Company determines, in its discretion, that as a condition to the issuance of Shares to you (or your estate) hereunder, it is necessary or desirable to (i) list, register, qualify or comply with the rules of any securities exchange, (ii) qualify or comply with any applicable state, federal or foreign law, including the applicable tax code and related regulations, or (iii) obtain the consent or approval of any governmental regulatory authority or securities exchange, then such issuance will not occur unless and until such listing, registration, qualification, rule compliance, consent or approval is completed, effected or obtained free of any conditions not acceptable to the Company. Where the Company determines that the delivery of Shares hereunder will violate federal securities laws or other applicable law, the Company will defer delivery until the earliest date on which the Company reasonably anticipates that the delivery of Shares hereunder will no longer cause such violation. The Company will make all reasonable efforts to meet the requirements of any such state, federal or foreign law or securities exchange and to obtain any such consent or approval of any such governmental authority or securities exchange.

16. **Foreign Exchange.** You acknowledge and agree that it is your sole responsibility to investigate and comply with any applicable exchange control laws in connection with the issuance and delivery of the Shares pursuant to the vesting of the PRSUs and that you shall be responsible for any reporting of inbound international fund transfers required under applicable law. You are advised to seek appropriate professional advice as to how the exchange control regulations apply to your specific situation. You acknowledge and agree that neither the Company nor any Subsidiary shall be liable for any foreign exchange rate fluctuation between your local currency and the United States Dollar that may affect the value of the PRSUs, or of any amounts due to you pursuant to the settlement of the PRSUs or the subsequent sale of any Shares acquired upon settlement.

17. **Miscellaneous.** The Company at any time, and from time to time, may amend the terms of this Agreement; provided, however, that your rights shall not be materially adversely affected without your written consent (except to the extent permitted under the Plan). No waiver by either party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. All amounts credited in respect of the PRSUs to the book-entry account under this Agreement shall continue for all purposes to be part of the general assets of the Company. Your interest in such account shall make you only a general, unsecured creditor of the Company. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, and each other provision of this Agreement shall be severable and enforceable to the extent permitted by law. In lieu of issuing a fraction of a Share resulting from an adjustment of the PRSUs pursuant to Section 9 of the Plan or otherwise, the Company shall be entitled to pay to you an amount equal to the Fair Market Value of such fractional Share. The terms of this Agreement shall be binding upon and inure to the benefit of the Company and its successors and assigns, and to the benefit of you and your beneficiaries, executors, administrators, heirs and successors. The headings of the Sections hereof are provided for convenience only and are not to serve as a basis for interpretation or construction, and shall not constitute a part, of this Agreement.

18. **Entire Agreement.** This Agreement (including those provisions set forth in the Plan that are incorporated herein by reference) and your grant notification contain the entire agreement and understanding of the parties hereto with respect to the subject matter contained herein and supersede all prior communications, representations and negotiations in respect thereto (including those provisions of the Employment Contract describing this award).

19. **Applicable Law.** This Agreement (including those provisions set forth in the Plan that are incorporated herein by reference) and your grant notification, and all actions taken hereunder or under the Plan shall be governed by, and construed in accordance with, the laws of the State of New York without regard to the conflict of law principles thereof.

20. **Electronic Delivery and Acceptance.** The Company may, in its sole discretion, decide to deliver any documents related to the PRSUs or any future awards that may be awarded under the Plan by electronic means, or request your consent to participate in the Plan by electronic means. Such means of electronic delivery may include, but do not necessarily include, the delivery of a link to a Company intranet or the Internet site of a third party involved in administering this award or the Plan, the delivery of the document via electronic mail or such other means of electronic delivery specified by the Company. You consent to the electronic delivery of your grant notification, this Agreement, the Plan and the prospectus relating to this award. You acknowledge that you may receive from the Company a paper copy of any documents delivered electronically, at no cost to you, by contacting the Company by telephone or in writing. You further acknowledge that you will be provided with a paper copy of any documents if the attempted electronic delivery of such documents fails. Similarly, you understand that you must provide the Company or any designated third-party administrator with a paper copy of any documents if the attempted electronic delivery of such documents fails. You may revoke your consent to the electronic delivery of documents (or may change the electronic mail address to which such documents are to be delivered to you) at any time by notifying the Company of such revoked consent or revised electronic mail address by telephone, postal service or electronic mail. Finally, you understand that you are not required to consent to electronic delivery of documents.

21. **No Advice Regarding Grant.** The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations or assessments regarding your acceptance of this award, or your acquisition or sale of the underlying Shares. You are hereby advised to consult with your own personal tax, legal and financial advisors regarding your acceptance of this award.

22. **Counterparts.** This Agreement may be executed in one or more counterparts (including via facsimile and electronic image scan (pdf)), each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument and shall become effective when one or more counterparts have been signed by each party and delivered to the other party.

[Signatures on Next Page]

IN WITNESS WHEREOF, the Company, by its duly authorized officer, and you have executed this Agreement as of the Grant Date.

By your acceptance of this Agreement, you and the Company agree that the PRSUs are granted under and governed by the terms and conditions of your grant notification and this Agreement, including those provisions set forth in the Plan that are incorporated herein by reference. You have reviewed your grant notification, this Agreement, the Plan and the prospectus relating to this award in their entirety, and fully understand all provisions thereof. You have had an opportunity to obtain the advice of counsel prior to executing this Agreement. You hereby agree to accept as binding, conclusive and final all decisions or interpretations of the Committee upon any questions relating to your grant notification, this Agreement, the Plan and the prospectus relating to this award. You further agree to notify the Company upon any change in your residence address.

AVON PRODUCTS, INC.

/s/ Susan Ormiston

Susan Ormiston, Senior Vice President, Human Resources and Chief Human Resources Officer

GRANTEE

/s/ Jan Zijderveld

Jan Zijderveld

[\(Back To Top\)](#)

Section 3: EX-10.2 (JAN ZIDJERVELD OPTION AWARD AGREEMENT)

Exhibit 10.2

[Avon letterhead]

Mr. Jan Zijderveld
Chief Executive Officer
Avon Products, Inc.

Dear Jan:

In accordance with your contract of employment, dated as of February 3, 2018, with Avon Cosmetics Limited (the "Employment Contract"), Avon Products, Inc. (the "Company") has granted to you, effective March 14, 2018 (the "Grant Date"), the right and option to purchase from the Company shares of Stock ("Shares") at an exercise price per Share (the "Exercise Price") as set forth in your grant notification (the "Option"). The Option is subject to the terms and conditions set forth in this Stock Option Agreement (this "Agreement") and your grant notification. Please indicate your acceptance of this award by signing this Agreement and returning your signature to the General Counsel of the Company.

1. **Grant of Option.** The Option is being awarded to you hereunder outside of the Company's 2016 Omnibus Incentive Plan (the "Plan"). Notwithstanding that this award is made outside of the Plan, except as otherwise expressly provided in this Agreement and other than as to the Share limitations of Section 5 of the Plan, this Agreement will be interpreted in a manner consistent with the terms of the Plan and all such terms will be deemed to be incorporated into and made a part of this Agreement. All capitalized terms used in this Agreement shall have the meaning set forth in the Plan, unless otherwise defined herein.

2. **Exercise of Option.**

(a) The Option shall be exercisable in the installments outlined in your grant notification. The entire Option is fully exercisable after the final vesting date. To the extent that any of the installments becomes exercisable, it shall continue to be exercisable at any time thereafter until the Option shall terminate, expire or be surrendered.

(b) Shares may be purchased through exercise of the Option by contacting the Company's authorized agent: (x) on-line; (y) via the telephone; or (z) through a broker.

You shall designate one, or a combination, of the following methods of purchase:

(i) tender to the Company's authorized agent of a check for the full Exercise Price of the Shares with respect to which the Option or portion thereof is exercised; or

(ii) by delivery to the Company's authorized agent of a number of Shares (which may include an attestation of ownership of such Shares) having an aggregate Fair Market Value of not less than the product of (x) the Exercise Price *multiplied by* (y) the number of Shares you intend to purchase upon exercise of the Option on the date of delivery; or

(i) instructions to the Company's authorized agent that Shares acquired as a result of the Option exercise be immediately sold and that the Company's authorized agent deliver the full Exercise Price to the Company, together with any tax withholdings, whereupon the net cash proceeds and/or Shares shall be forwarded to you. The Company may establish special terms and conditions for this "cashless" exercise and at any time may terminate availability of this form of purchase.

You should be aware that the exercise method as outlined under Section 2(b)(i) and (ii) will result, and the exercise method as outlined under Section 2(b)(iii) may result, in the ownership of Shares and may also require the exchange of local currency into U.S. dollars and the transfer of funds to the U.S. In addition, you will be required to open and use a U.S. based brokerage account. You will personally be responsible for any local compliance requirements in relation to all of the above transactions.

Moreover, you should be aware that regardless of the exercise method used, you will personally be responsible for any local compliance requirements in relation to the transfer of U.S. dollars and the making of a foreign investment, if any. These requirements may change from time to time and the Company may at any time establish special terms and conditions to the exercise of the Option and at any time may terminate or limit the availability of any form of exercise as outlined above, subject to applicable law.

The Company is not responsible for foreign exchange fluctuations between your local currency and the U.S. dollar nor is the Company liable for any decrease in the value of the Shares.

1. **Expiration of Option.**

(a) The Option shall expire or terminate and may not be exercised to any extent by you as of the first to occur of the following events:

(b) The tenth anniversary of the Grant Date, or such earlier time as the Company may determine is necessary or appropriate in light of applicable laws; or

(c) The first anniversary of the date your employment with the Company and its Subsidiaries terminates by reason of death or Disability; or

(d) The third anniversary of the date your employment with the Company and its Subsidiaries terminates by reason of Retirement; or

(e) The date your employment with the Company and its Subsidiaries terminates for Cause; or

(f) The date that is ninety days after your employment with the Company and its Subsidiaries terminates for a reason other than for Cause, death, Disability or Retirement, but only to the extent the Option is exercisable as of the date of such termination of employment (with any unexercisable portion of the Option terminating on the date of any such termination of employment); or

(g) Except where void by law and unless otherwise determined by the Committee, your violation of any non-disclosure, non-compete or non-solicitation covenant applicable to you as set forth in Section 5 of this Agreement or any individual agreement between you and the Company or one of its Subsidiaries, or any Company policy, regardless of whether or not you have incurred a termination of employment due to Disability, Retirement or otherwise.

(h) In the event your employment with the Company and its Subsidiaries terminates because of death or Disability, the entire Option shall immediately become exercisable in full, notwithstanding Section 2(a) of this Agreement. In the event your employment with the Company and its Subsidiaries terminates after the first anniversary of the Grant Date because of Retirement, the Option shall continue to vest according to the schedule as set forth in your grant notification.

(i) A paid or unpaid leave of absence that has been approved by the Company shall not constitute a termination of your employment with the Company and its Subsidiaries; provided, if the Company elects to place you on Garden Leave during any mandatory notice period under the Employment Contract, the Option shall cease to vest as of the date immediately prior to such Garden Leave. During such paid or unpaid leave of absence, the Option shall continue to vest according to the schedule set forth in your grant notification.

2. **Change in Control.** Notwithstanding any other provision of this Agreement, in the event of a Change in Control, the vesting and exercise of the Option shall be governed by the provisions of the Plan regarding a Change in Control as if the Option were granted under the Plan, and such provisions of the Plan are incorporated herein by reference.

3. **Non-Competition/Non-Solicitation/Non-Disclosure.** You agree that, during the period beginning on the Grant Date and ending on the later of (x) the first anniversary of the date the Option is fully exercised and (y) the first anniversary of your termination of employment with the Company and its Subsidiaries for any reason whatsoever (including Retirement or Disability), you shall not, without the prior written consent of the Committee, engage in any of the following activities:

(a) directly or indirectly engage or otherwise participate in any business which is competitive with any significant business of the Company or any Subsidiary, including without limitation, your acceptance of employment with, entrance into a

consulting or advisory arrangement with, rendering services to or otherwise facilitating the business of Amway Corp./Alticor Inc., Amore Pacific, Arabela, Arbonne, Beiersdorf (Nivea), COTY, De Millus S.A., Ebel Int'l/Belcorp Corp., Elizabeth Arden, Faberlic, Herbalife Ltd., Inter Parfums, Jequití, Lady Racine/LR Health & Beauty Systems GmbH, LG Health & Household, L'Occitane, L'Oréal Group/Cosmair Inc., Mary Kay Inc., Mistine/Better Way (Thailand) Co. Ltd., Natura Cosmetics S.A., Neways Int'l, NuSkin Enterprises Inc., O Boticário, Oriflame Cosmetics S.A., Origami Owl, Reckitt Benckiser PLC, Revlon Inc., Rodan & Fields, Shaklee Corp., Shiseido, Stella & Dot, Silpada, The Body Shop Int'l PLC, The Estée Lauder Companies Inc., The Procter & Gamble Company, Tupperware Corp., Unilever Group (N.V. and PLC), Vorwerk & Co. KG/Jafra Worldwide Holdings (Lux) S.à.R.L. Inc., Yanbal Int'l (Yanbal, Unique), Younique or any of their affiliates; or

(b) solicit or aid in the solicitation of any employees of the Company or any Subsidiary to leave their employment.

In addition, you shall not, unless compelled pursuant to an order of a court or other body having jurisdiction over such matter, communicate or divulge any secret or confidential information, knowledge or data, including without limitation any trade secrets, relating to the Company or a Subsidiary, and their respective businesses, obtained by you during your employment by the Company or a Subsidiary and which is not otherwise publicly known (other than by reason of an unauthorized act by you), to anyone other than the Company and those designated by it.

In the event the Company determines that you have breached any term of this Section 5 or any non-disclosure, non-compete or non-solicitation covenant set forth in any individual agreement between you and the Company or one of its Subsidiaries, or any Company policy, then in addition to any other remedies the Company may have available to it, unless otherwise determined by the Committee: (i) all unexercised portions of the Option granted hereunder shall terminate to the extent the Option has not been exercised and (ii) if the Option has been exercised, then you shall forfeit all Shares issued to you in connection with the exercise of the Option; provided, however, that the Company shall return to you the lesser of any consideration paid by you in exchange for Shares issued to you hereunder or the Fair Market Value of Shares forfeited hereunder at the time of forfeiture; and provided, further, that if you no longer hold Shares issued to you hereunder, then you shall pay to the Company in cash the excess of the Fair Market Value of the Shares issued to you upon exercise of the Option, determined as of the date of such exercise, over any consideration paid by you in exchange for such Shares.

Notwithstanding anything in this Section 5 to the contrary, this Agreement is not intended to, and shall be interpreted in a manner that does not, limit or restrict you from exercising any legally protected whistleblower rights (including pursuant to Rule 21F under the U.S. Securities Exchange Act of 1934).

4. **Recoupment.** Except where void by law and unless otherwise determined by the Committee, the Option, and the Shares issued to you in connection with the exercise of the Option hereunder, are subject to forfeiture and/or recoupment in the event that you have engaged in misconduct, including: (x) a serious violation of the Company's Code of Conduct; or (y) a violation of law within the scope of employment with the Company and its Subsidiaries. The Option and any Shares issued to you in connection with the exercise of the Option hereunder are also subject to the Company's Compensation Recoupment Policy.

5. **Service Acknowledgements.** You acknowledge and agree as follows:

(a) The execution and delivery of this Agreement and the granting of the Option hereunder shall not constitute or be evidence of any agreement or understanding, express or implied, on the part of the Company or its Subsidiaries to employ you for any specific period.

(b) The award of the Option is voluntary and occasional, and does not entitle you to any benefit other than that specifically granted under this Agreement, or to any future awards or other benefits under the Plan or any similar plan, even if Options have ever been granted in the past or have repeatedly been granted in the past. Any benefits granted under this Agreement and under the Plan are extraordinary and not part of your ordinary or expected compensation or salary for any purpose, including, but not limited to, calculating any severance, resignation, termination, redundancy, end-of-service payments, bonuses, long-service awards, pension, welfare or retirement benefits or similar payments, and in no event should be considered as compensation for, or relating in any way to, past services for the Company or any of its Subsidiaries.

(c) Nothing in this Agreement shall confer upon you any right to continue in the service of the Company or a Subsidiary or interfere in any way with any right of the Company or a Subsidiary to terminate your employment at any time, subject to applicable law.

(d) You are accepting the Option and entering into this Agreement voluntarily.

(e) The Plan may be modified, amended, suspended or terminated by the Company at any time, to the extent permitted by the Plan.

(f) All decisions with respect to future options or other grants, if any, will be at the sole discretion of the Committee, subject to the terms of the Employment Contract.

(g) The future value of the Shares underlying the Option is unknown, indeterminable and cannot be predicted with certainty. The value of the Shares may increase or decrease.

(h) Neither the Company nor any Subsidiary is providing any tax, legal or financial advice or making any recommendations regarding this award or your acquisition or sale of the Shares.

(i) In consideration of the grant of the Option, (i) you shall have no claim or entitlement to compensation or damages arising from (x) forfeiture of the Option resulting from termination of your service (for any reason whether or not in breach of local law) or otherwise pursuant to the terms of this Agreement or (y) diminution in value of the Option or Shares issued upon exercise of the Option and (ii) you irrevocably release the Company and its Subsidiaries from any such claim that may arise. If, notwithstanding the foregoing, any such claim is found by a court of competent jurisdiction to have arisen then, by accepting the Option, you shall be deemed irrevocably to have waived your entitlement to pursue such a claim.

(j) Any notice period mandated under applicable law shall not be treated as service for the purpose of determining the vesting of the Option, and your right to vesting of the Option after termination of service, if any, will be measured by the date of termination of your active service and will not be extended by any notice period mandated under applicable law. In contrast, any notice period mandated under the Employment Contract shall be treated as service for the purpose of determining the vesting of the Option; provided, if the Company elects to place you on Garden Leave during such notice period, the Option shall cease to vest as of the date immediately prior to such Garden Leave. Subject to the foregoing and the provisions of the Plan, which are incorporated herein by reference, the Company, in its sole discretion, shall determine whether your service has terminated and the effective date of such termination.

(k) The grant of the Option will not be interpreted to form an employment contract or employment relationship with the Company or any of its Subsidiaries that does not otherwise exist.

6. **Data Privacy Acknowledgement and Consent.** By signing this Agreement, you acknowledge and agree that in order to implement, manage and administer the Option and/or in connection with tax or other governmental and regulatory compliance activities directly or indirectly related to the Option, the Company and/or an entity belonging to the Company's group of companies (including your employer) may need to process your personal data (electronically or otherwise), including, but not limited to, your name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any Shares or other equity securities, directorships held in the Company, details of all Options or any other entitlement to Shares awarded, canceled, vested, unvested or outstanding in your favor (the "Personal Data"). The transfer of Personal Data to and collection by third-party service providers outside the Company's group of companies, such as the Company's authorized agent, may also be necessary in order to implement, manage and administer the Option.

You expressly and unambiguously consent to the collection, use and processing of Personal Data by the Company, entities belonging to the Company's group of companies, and third-party service providers. You understand that the Company may transfer your Personal Data to the United States, or other countries which may have a different or lower level of data protection law than your home country and which are not considered by the European Commission to have data protection laws equivalent to the laws in your country. The Company therefore maintains an EU-U.S. Privacy Shield certification to protect your data consistent with data protection laws of the European Union.

In addition, you expressly and unambiguously consent to the disclosure of Personal Data to, and processing by, a third party in the event of any potential or actual reorganization, merger, sale, joint venture, assignment, transfer or other disposition of all or any portion of the Company's business, assets or stock (including in connection with any bankruptcy or similar proceedings); and as the Company believes necessary or appropriate: (a) under applicable law, including laws outside of your country; (b) to comply with legal processes; and (c) to respond to requests from public and government authorities including public and government authorities outside of your country.

You authorize the recipients to receive, possess, use, retain and transfer the Personal Data, in electronic or other form, for the purposes of implementing, managing and administering this Option, including any requisite transfer of such Personal Data as may be required to a broker or other third-party with whom you may elect to deposit any Shares acquired upon exercise of the Option. You understand that Personal Data will be held only as long as is necessary to implement, manage and administer the Option, unless a longer retention period is required by applicable laws, regulations, rules or valid requests or orders of a court or other dispute resolution forums or of a governmental or public authority, in each case, including those of a court or other dispute resolution forums or of a governmental or public authority outside of your country. You understand that you may, at any time, view Personal Data, request additional information about the storage and processing of Personal Data, require any necessary amendments to Personal Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing your local stock program coordinator.

If you do not consent, or if you later seek to revoke your consent, your employment status or career with the Company or Subsidiary will not be adversely affected; the only adverse consequence of refusing or withdrawing your consent is that the Company would not be able to grant options under the Plan or other equity awards, or manage or administer such awards. Therefore, you understand that refusing or withdrawing your consent may affect your ability to participate in the Plan, but will have no other negative consequences for you. For more information on the consequences of your refusal to consent or withdrawal of consent, you understand that you may contact your local stock program coordinator.

The Company will take reasonable measures to keep the Personal Data private, confidential and accurate. You may obtain details with respect to the collection, use, processing and transfer of your Personal Data in relation to this award and may also request a list with names and addresses of potential recipients of the Personal Data and/or access to and updates of such Personal Data, if needed, by contacting your local stock program coordinator.

7. **Responsibility for Taxes.** By accepting this grant, you hereby irrevocably elect to satisfy any taxes and social insurance contribution withholding required to be withheld by the Company or its Subsidiaries on the date of grant, vesting or exercise of the Option or delivery or sale of any Shares hereunder or on any earlier date on which such taxes or social insurance contribution withholding may be due (“Tax Liability”) by authorizing the Company and any of its Subsidiaries to withhold a sufficient number of Shares that would otherwise be deliverable to you upon exercise of the Option. If, for any reason, the Shares that would otherwise be deliverable to you upon exercise of the Option would be insufficient to satisfy the Tax Liability, the Company and any of its Subsidiaries are authorized to withhold an amount from your wages or other compensation sufficient to satisfy the Tax Liability. Furthermore, you agree to pay the Company or its Subsidiaries any amount of the Tax Liability that cannot be satisfied through one of the foregoing methods.

Apart from any withholding obligations that may apply to the Company and/or its Subsidiaries, you acknowledge and agree that the ultimate responsibility for the Tax Liability is and remains with you. You further acknowledge that: (x) the Company and its Subsidiaries make no representations or undertakings regarding the Tax Liability or the receipt of any dividends; (y) the Company and its Subsidiaries do not commit to structure the terms of the grant or any other aspect of the Option to reduce or eliminate the Tax Liability; and (z) you should consult a tax adviser regarding the Tax Liability.

You acknowledge that the Company and its Subsidiaries shall have no obligation to deliver Shares until the Tax Liability has been fully satisfied by you.

8. **United Kingdom Specific Provisions.** The following provisions apply to you as a resident of the United Kingdom. Please appreciate that the information contained in this Section 10 is general in nature and may not apply to your particular situation, and the Company is not in a position to assure you of any particular result. Accordingly, you are advised to seek appropriate professional advice as to how the relevant laws of your home country may apply to your situation. You further understand and agree that if you are a citizen or resident of a country other than the one in which you are currently working, or if your employment transfers after the grant of the Option, or if you are considered a resident of another country for local law purposes, the information contained herein may not apply to you, and the Company shall, in its discretion, determine to what extent the terms and conditions contained herein shall apply, or determine that other terms and conditions are necessary or advisable in order to comply with local law or to facilitate the administration of this Agreement.

(a) **Tax and National Insurance Contributions.** If the Company determines that it is required to account to HM Revenue & Customs for the Tax Liability and any Secondary NIC Liability or to withhold any other tax as a result of the Option, you, as a condition to the exercise of the Option, shall make arrangements satisfactory to the Company to enable it to satisfy all withholding liabilities. You shall also make arrangements satisfactory to the Company to enable it to satisfy any withholding requirements that may arise in connection with the exercise of the Option or disposition of Shares acquired pursuant to the Option. As a further condition of the vesting of the Option, you may, at the Company’s discretion, be directed to join with the Company, or if and to the extent that there is a change in the law, any of its Subsidiaries or person who is or becomes a Secondary Contributor, in making a Joint Election which has been approved by HM Revenue & Customs, for the transfer of the whole Secondary NIC Liability. To the extent permitted by law, you hereby agree to indemnify and keep indemnified the Company and its Subsidiaries for any Tax Liability.

(b) **Securities Disclosure.** This Agreement is not an approved prospectus for the purposes of section 85(1) of the Financial Services and Markets Act 2000 (“FSMA”) and no offer of transferable securities to the public (for the purposes of section 102B of FSMA) is being made in connection herewith. This Agreement and the Option are exclusively available to you as a bona fide employee of Avon Cosmetics Limited.

9. **Notice.** Any notice required to be given hereunder to you shall be addressed to you at your current address shown on the Company’s records. Notice shall be sent by mail, express delivery or, if practical, by electronic delivery or hand delivery.

10. **Provisions Inconsistent with Translation.** To the extent that you have been provided with a translation of this Agreement, the English language version of this Agreement shall prevail in case of any discrepancies or ambiguities due to translation.

11. **Acknowledgement.** The Company and you agree that the Option is granted under, and governed by, your grant notification, this Agreement and by those provisions set forth in the Plan that are incorporated herein by reference. You: (x) acknowledge receipt of a copy of your grant notification, this Agreement, the Plan and the prospectus relating to this award; (y) represent that you have carefully read and are familiar with their provisions; and (z) hereby accept the Option subject to all of the

terms and conditions set forth in your grant notification and this Agreement, including those provisions set forth in the Plan that are incorporated herein by reference.

12. **Compliance with Laws and Regulations.** The granting of the Option and the delivery of Shares hereunder shall be subject to all applicable laws, rules and regulations. The issuance of Shares will be subject to and conditioned upon compliance by the Company and you with all applicable laws and regulations and with all applicable requirements of any stock exchange or automated quotation system on which the Shares may be listed or quoted at the time of such issuance or transfer. If any provision of this Agreement conflicts with applicable mandatory law, the provisions of such law shall govern.

13. **Additional Conditions to Issuance of Shares or Exercise.** If at any time the Company determines, in its discretion, that as a condition to the issuance of Shares to you (or your estate) hereunder, it is necessary or desirable to (i) list, register, qualify or comply with the rules of any securities exchange, (ii) qualify or comply with any applicable state, federal or foreign law, including the applicable tax code and related regulations, or (iii) obtain the consent or approval of any governmental regulatory authority or securities exchange, then such issuance will not occur unless and until such listing, registration, qualification, rule compliance, consent or approval is completed, effected or obtained free of any conditions not acceptable to the Company. Where the Company determines that the delivery of Shares hereunder will violate federal securities laws or other applicable law, the Company will defer delivery until the earliest date on which the Company reasonably anticipates that the delivery of Shares hereunder will no longer cause such violation. The Company will make all reasonable efforts to meet the requirements of any such state, federal or foreign law or securities exchange and to obtain any such consent or approval of any such governmental authority or securities exchange.

14. **Foreign Exchange.** Where applicable, you acknowledge and agree that it is your sole responsibility to investigate and comply with any applicable exchange control laws in connection with the issuance and delivery of Shares pursuant to the exercise of the Option and that you shall be responsible for any reporting of inbound international fund transfers required under applicable law. You are advised to seek appropriate professional advice as to how the exchange control regulations apply to your specific situation. You acknowledge and agree that neither the Company nor any Subsidiary shall be liable for any foreign exchange rate fluctuation between your local currency and the U.S. Dollar that may affect the value of the Option or of any amounts due to you pursuant to the exercise of the Option or the subsequent sale of any Shares acquired upon exercise.

15. **Miscellaneous.** The Company at any time, and from time to time, may amend the terms of this Agreement; provided, however, that your rights shall not be materially adversely affected without your written consent (except to the extent permitted under the Plan). No waiver by either party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, and each other provision of this Agreement shall be severable and enforceable to the extent permitted by law. In lieu of issuing a fraction of a Share resulting from an adjustment of the Option pursuant to Section 9 of the Plan or otherwise, the Company shall be entitled to pay to you an amount equal to the Fair Market Value of such fractional Share. The terms of this Agreement shall be binding upon and inure to the benefit of the Company and its successors and assigns, and to the benefit of you and your beneficiaries, executors, administrators, heirs and successors. The headings of the Sections hereof are provided for convenience only and are not to serve as a basis for interpretation or construction, and shall not constitute a part, of this Agreement.

16. **Entire Agreement.** This Agreement (including the provisions set forth in the Plan that are incorporated herein by reference) and your grant notification contain the entire agreement and understanding of the parties hereto with respect to the subject matter contained herein and supersede all prior communications, representations and negotiations in respect thereto (including those provisions of the Employment Contract describing this award).

17. **Applicable Law.** This Agreement (including those provisions set forth in the Plan that are incorporated herein by reference) and your grant notification, and all actions taken hereunder or under the Plan shall be governed by, and construed in accordance with, the laws of the State of New York without regard to the conflict of law principles thereof.

18. **Electronic Delivery and Acceptance.** The Company may, in its sole discretion, decide to deliver any documents related to the Option or future options that may be awarded under the Plan by electronic means, or request your consent to participate in the Plan by electronic means. Such means of electronic delivery may include, but do not necessarily include, the delivery of a link to a Company intranet or the Internet site of a third party involved in administering this award or the Plan, the delivery of the document via electronic mail or such other means of electronic delivery specified by the Company. You consent to the electronic delivery of your grant notification, this Agreement, the Plan and the prospectus relating to this award. You acknowledge that you may receive from the Company a paper copy of any documents delivered electronically, at no cost to you, by contacting the Company by telephone or in writing. You further acknowledge that you will be provided with a paper copy of any documents if

the attempted electronic delivery of such documents fails. Similarly, you understand that you must provide the Company or any designated third-party administrator with a paper copy of any documents if the attempted electronic delivery of such documents fails. You may revoke your consent to the electronic delivery of documents (or may change the electronic mail address to which such documents are to be delivered to you) at any time by notifying the Company of such revoked consent or revised electronic mail address by telephone, postal service or electronic mail. Finally, you understand that you are not required to consent to electronic delivery of documents.

19. **No Advice Regarding Grant.** The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations or assessments regarding your acceptance of this award, participation in the Plan, or acquisition or sale of the underlying Shares. You are hereby advised to consult with your own personal tax, legal and financial advisors regarding your acceptance of this award and participation in the Plan before taking any action related to the Plan.

20. **Counterparts.** This Agreement may be executed in one or more counterparts (including via facsimile and electronic image scan (pdf)), each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument and shall become effective when one or more counterparts have been signed by each party and delivered to the other party.

[Signatures on Next Page]

IN WITNESS WHEREOF, the Company, by its duly authorized officer, and you have executed this Agreement as of the Grant Date.

By your acceptance of this Agreement, you and the Company agree that the Option is granted under and governed by the terms and conditions of your grant notification and this Agreement, including those provisions set forth in the Plan that are incorporated herein by reference. You have reviewed your grant notification, this Agreement, the Plan and the prospectus relating to this award in their entirety, and fully understand all provisions thereof. You have had an opportunity to obtain the advice of counsel prior to executing this Agreement. You hereby agree to accept as binding, conclusive and final all decisions or interpretations of the Committee upon any questions relating to your grant notification, this Agreement, the Plan and the prospectus relating to this award. You further agree to notify the Company upon any change in your residence address.

AVON PRODUCTS, INC.

OPTIONEE

/s/ Susan Ormiston

Susan Ormiston, Senior Vice President, Human Resources
and Chief Human Resources Officer

/s/ Jan Zijderveld

Jan Zijderveld

[\(Back To Top\)](#)

Section 4: EX-10.3 (JAN ZIDJERVELD PRSU AWARD AGREEMENT)

Exhibit 10.3

[Avon Letterhead]

Mr. Jan Zijderveld

Chief Executive Officer

Avon Products, Inc.

Dear Jan:

In accordance with your contract of employment, dated as of February 3, 2018, with Avon Cosmetics Limited (the "Employment Contract"), Avon Products, Inc. (the "Company") has granted you a sign-on award of performance-contingent restricted stock units (the "PRsUs"), effective March 27, 2018 (the "Grant Date"). The PRsUs are subject to the terms and conditions set forth in this Sign-On Performance-Contingent Restricted Stock Unit Award Agreement (this "Agreement") and the accompanying grant notifications (the "Grant Notifications"). Please indicate your acceptance of this award by signing this Agreement and returning your signature to the General Counsel of the Company.

1. **Grant of Performance-Contingent Restricted Stock Unit Award.** The target number of PRsUs granted hereunder is 600,000. The actual

number of PRSUs that are delivered to you will depend on the satisfaction of the service-vesting and performance-vesting conditions described below. Each PRSU represents the right to receive one share of Stock (“Share”), upon satisfaction of the vesting and other terms and conditions of this Agreement. The PRSUs are being awarded to you hereunder outside of the Company’s 2016 Omnibus Incentive Plan (the “Plan”). Notwithstanding that this award is made outside of the Plan, except as otherwise expressly provided in this Agreement and other than as to the Share limitations of Section 5 of the Plan, this Agreement will be interpreted in a manner consistent with the terms of the Plan and all such terms will be deemed to be incorporated into and made a part of this Agreement. All capitalized terms used in this Agreement shall have the meaning set forth in the Plan, unless otherwise defined herein.

2. **Nature of PRSUs; Issuance of Shares.**

As described above, the PRSUs represent a right to receive Shares on the Settlement Date (as defined below) but do not represent a current interest in the Shares. If all the terms and conditions of this Agreement and the Grant Notifications are met, then you shall be issued Shares on the Settlement Date. Notwithstanding the foregoing, the Committee reserves the right to determine to settle all or a portion of your vested PRSUs in cash, in lieu of Shares. Any such cash payment will equal (x) the Fair Market Value of a Share as of the Settlement Date *multiplied by* (y) the number of vested PRSUs the Committee determines to settle in cash.

You should be aware that vesting of the PRSUs will, to the extent settled in Shares, result in the ownership of Shares and will require you to open and use a U.S. brokerage account. You will personally be responsible for any local compliance requirements in relation to all of the above transactions. These requirements may change from time to time, and the Company cannot guarantee that you will be able to receive Shares on the Settlement Date. Moreover, the Company is not liable for any decrease of value of the Shares.

1. **Restrictions on Transfer of PRSUs.** The PRSUs may not be sold, tendered, assigned, transferred, pledged or otherwise encumbered.
2. **Vesting of PRSUs; Voting; Dividends.**
 - (a) Vesting of the PRSUs is contingent on (i) subject to Section 5, your continuous employment by the Company or any of its Subsidiaries through December 31, 2020 and (ii) satisfaction of the performance objectives described in your Grant Notifications (the "Performance Objectives") in respect of calendar years 2018, 2019 and 2020 (each, a "Performance Period"), as described further below.
 - (i) One-third of the target number of PRSUs granted hereunder shall be allocated to each Performance Period (*i.e.*, 200,000 target PRSUs shall be allocated to 2018; 200,000 target PRSUs shall be allocated to 2019; and 200,000 target PRSUs shall be allocated to 2020). You will have an opportunity to earn up to 150% of the target PRSUs allocated to each Performance Period, based on achievement of the Performance Objectives relating to such Performance Period.
 - (ii) In the first quarter of each Performance Period, the Committee will establish the Performance Objectives for that Performance Period. You will be issued a Grant Notification for each of 2018, 2019 and 2020, which will set forth the Performance Objectives for that Performance Period.
 - (iii) The determination of achievement of the Performance Objectives for any Performance Period shall be subject to the Committee's certification of such results.
 - (b) Provided that you remain in continuous employment by the Company or any of its Subsidiaries through December 31, 2020, the aggregate number of PRSUs determined by the Committee to be earned in respect of each Performance Period shall be delivered to you within the first 60 days of calendar year 2021 (and in no event later than March 15, 2021) (such date, the "Settlement Date"), in the form of cash or Shares as described in Section 2.
 - (c) You do not have the right to vote any of the Shares underlying your PRSUs or to receive dividends on them prior to the date such Shares are issued to you pursuant to the terms hereof.
3. **Termination of Employment.** This Section 5 sets forth the treatment of your PRSUs upon the termination of your employment with the Company and its Subsidiaries. For purposes of this Agreement, "Employer" means the Company and its Subsidiaries (including Avon Cosmetics Limited, which is the Company's wholly-owned Subsidiary that employs you as of the date hereof).
 - (a) **Qualifying Termination; Disability; Death.** If, prior to December 31, 2020, your employment with the Company and its Subsidiaries is terminated (x) due to a Qualifying Termination (as defined in the Employment Contract), (y) by the Company and its Subsidiaries due to Disability (as defined in the Employment Contract) or (z) due to your death, then a number of PRSUs will vest, equal to the sum of (i) with respect to any Performance Period ending prior to the termination date, the target PRSUs allocable to such Performance Period as adjusted for actual achievement of the Performance Objectives applicable to such Performance Period, as determined by the Committee in accordance with Section 4, and (ii) with respect to the Performance Period in which such termination occurs and any subsequent Performance Period, a number of PRSUs equal to (A) the target PRSUs allocable to such Performance Period(s) (*i.e.*, assuming target level performance) *multiplied by* (B) a fraction, the numerator of which is the number of completed months in the Performance Period in which such termination occurs that you worked prior to such termination, and the denominator of which is the total number of months in the Performance Period in which such termination occurs and any subsequent Performance Periods. Such vested PRSUs shall be settled in cash or Shares in the manner set forth in Section 2, within sixty (60) days after such termination.
 - (b) **Terminations Causing Forfeiture.** All PRSUs are immediately forfeited upon (i) an involuntary termination of your employment by the Employer for Cause prior to December 31, 2020 or (ii) a voluntary resignation by you (other than for Good Reason (as defined in the Employment Contract)) prior to December 31, 2020.
 - (c) **Change in Control.** Notwithstanding any other provision of this Agreement, in the event of a Change in Control, the vesting and settlement of the PRSUs shall be governed by the provisions of the Plan regarding a Change in Control (as in effect on the date hereof) as if the PRSUs were granted under the Plan, and such provisions of the Plan are incorporated herein by reference; provided, however, that for purposes of the PRSUs, the definition of "Good Reason" in the Employment Contract shall apply in lieu of the definition of "Change in Control Good Reason" set forth in the Plan.
 - (d) **Paid or Unpaid Leave of Absence.** For purposes of determining the vesting of PRSUs under this Agreement, a paid or unpaid leave of absence that has been approved by the Committee shall not constitute a termination of your employment with the Company and its Subsidiaries; provided, if the Company elects to place you on Garden Leave during any

mandatory notice period under the Employment Contract, your PRSUs shall cease to vest as of the date immediately prior to such Garden Leave. During such paid or unpaid leave of absence, until a termination of your employment with the Company and its Subsidiaries occurs, the PRSUs shall continue to vest as set forth in this Agreement and the Grant Notifications.

4. **Non-Competition/Non-Solicitation/Non-Disclosure.**

You agree that, during your employment and for a period of one year after your termination of employment with the Company and its Subsidiaries for any reason whatsoever (including Retirement or Disability), you shall not, without the prior written consent of the Committee, engage in any of the following activities:

(a) directly or indirectly engage or otherwise participate in any business which is competitive with any significant business of the Company or any Subsidiary, including without limitation, your acceptance of employment with, entrance into a consulting or advisory arrangement with, rendering services to or otherwise facilitating the business of Amway Corp./Alticor Inc., Amore Pacific, Arabella, Arbonne, Beiersdorf (Nivea), COTY, De Millus S.A., Ebel Int'l/Belcorp Corp., Elizabeth Arden, Faberlic, Herbalife Ltd., Inter Parfums, Jequití, Lady Racine/LR Health & Beauty Systems GmbH, LG Health & Household, L'Occitane, L'Oréal Group/Cosmair Inc., Mary Kay Inc., Mistine/Better Way (Thailand) Co. Ltd., Natura Cosmetics S.A., Neways Int'l, NuSkin Enterprises Inc., O Boticário, Oriflame Cosmetics S.A., Origami Owl, Reckitt Benckiser PLC, Revlon Inc., Rodan & Fields, Shaklee Corp., Shiseido, Stella & Dot, Silpada, The Body Shop Int'l PLC, The Estée Lauder Companies Inc., The Procter & Gamble Company, Tupperware Corp., Unilever Group (N.V. and PLC), Vorwerk & Co. KG/Jafra Worldwide Holdings (Lux) S.à.R.L. Inc., Yanbal Int'l (Yanbal, Unique), Younique or any of their affiliates; or

(b) solicit or aid in the solicitation of any employees of the Company or any Subsidiary to leave their employment.

In addition, you shall not, unless compelled pursuant to an order of a court or other body having jurisdiction over such matter, communicate or divulge any secret or confidential information, knowledge or data, including without limitation any trade secrets, relating to the Company or a Subsidiary, and their respective businesses, obtained by you during your employment by the Company or a Subsidiary and which is not otherwise publicly known (other than by reason of an unauthorized act by you), to anyone other than the Company and those designated by it.

In the event the Company determines that you have breached any term of this Section 6 or any non-disclosure, non-compete or non-solicitation covenant set forth in any individual agreement between you and the Company or one of its Subsidiaries, or any Company policy, then in addition to any other remedies the Company may have available to it, unless otherwise determined by the Committee: (i) all unvested PRSUs granted hereunder shall be forfeited; (ii) all vested but not yet settled PRSUs granted hereunder shall be forfeited; (iii) if Shares have been issued to you in respect of all or a portion of the vested PRSUs hereunder, then you shall forfeit all such Shares so issued to you hereunder; and (iv) if cash has been paid to you in lieu of Shares in respect of all or a portion of the vested PRSUs hereunder, then you shall pay to the Company all such cash so paid; provided, however, that if you no longer hold Shares issued to you hereunder, then you shall pay to the Company in cash the Fair Market Value of the Shares issued to you hereunder, determined as of the date of such issuance.

Notwithstanding anything in this Section 6 to the contrary, this Agreement is not intended to, and shall be interpreted in a manner that does not, limit or restrict you from exercising any legally protected whistleblower rights (including pursuant to Rule 21F under the U.S. Securities Exchange Act of 1934).

5. **Recoupment.** Except where void by law and unless otherwise determined by the Committee, the PRSUs, and any Shares or cash issued upon settlement of any vested PRSUs, are subject to forfeiture and/or recoupment in the event that you have engaged in misconduct, including: (x) a serious violation of the Company's Code of Conduct; or (y) a violation of law within the scope of your employment with the Company and its Subsidiaries. All PRSUs hereunder are also subject to the Company's Compensation Recoupment Policy.

6. **Service Acknowledgments.**

You acknowledge and agree as follows:

(a) The execution and delivery of this Agreement and the granting of the PRSUs hereunder shall not constitute or be evidence of any agreement or understanding, express or implied, on the part of the Company or its Subsidiaries to employ you for any specific period.

(b) The award of the PRSUs hereunder is a voluntary one-time grant, and does not entitle you to any benefit other than that specifically granted under this Agreement, or to any future grants or other benefits under the Plan or any similar plan, even if PRSUs have ever been granted in the past or have repeatedly been granted in the past. Any benefits granted under this Agreement and under the Plan are extraordinary and not part of your ordinary or expected compensation or salary for any purpose, including, but not limited to, calculating any severance, resignation, termination, redundancy, end-of-service

payments, bonuses, long-service awards, pension, welfare or retirement benefits or similar payments, and in no event should be considered as compensation for, or relating in any way to, past services for the Company or any of its Subsidiaries.

(c) Nothing in this Agreement shall confer upon you any right to continue in the service of the Company or a Subsidiary or interfere in any way with any right of the Company or a Subsidiary to terminate your employment at any time, subject to applicable law.

(d) You are accepting the PRSUs and entering into this Agreement voluntarily.

(e) The Plan may be modified, amended, suspended or terminated by the Company at any time, to the extent permitted by the Plan.

(f) All decisions with respect to future PRSUs or other grants will be at the sole discretion of the Committee, subject to the terms of the Employment Contract.

(g) The future value of the underlying Shares is unknown, indeterminable and cannot be predicted with certainty. The value of the Shares may increase or decrease.

(h) Neither the Company nor any Subsidiary is providing any tax, legal or financial advice or making any recommendations regarding this award.

(i) In consideration of the grant of the PRSUs, (i) you shall have no claim or entitlement to compensation or damages arising from (x) forfeiture of the PRSUs resulting from termination of your service (for any reason whether or not in breach of local law) or otherwise pursuant to the terms of this Agreement or (y) diminution in value of the PRSUs or Shares issued upon settlement of the PRSUs and (ii) you irrevocably release the Company and its Subsidiaries from any such claim that may arise. If, notwithstanding the foregoing, any such claim is found by a court of competent jurisdiction to have arisen then, by accepting the PRSUs, you shall be deemed irrevocably to have waived your entitlement to pursue such a claim.

(j) Any notice period mandated under applicable law shall not be treated as service for the purpose of determining satisfaction of the service-vesting conditions of the PRSUs, and your right to vesting of Shares in settlement of the PRSUs after termination of service, if any, will be measured by the date of termination of your active service and will not be extended by any notice period mandated under applicable law. In contrast, any notice period mandated under the Employment Contract shall be treated as service for the purpose of determining the service-vesting conditions of the PRSUs; provided, if the Company elects to place you on Garden Leave during such notice period, your PRSUs shall cease to vest as to service-vesting conditions as of the date immediately prior to such Garden Leave. Subject to the foregoing and the provisions of the Plan which are incorporated herein by reference, the Company, in its sole discretion, shall determine whether your service has terminated and the effective date of such termination.

(k) The grant of PRSUs will not be interpreted to form an employment contract or employment relationship with the Company or any of its Subsidiaries that does not otherwise exist.

7. **Data Privacy Acknowledgment and Consent.**

By signing this Agreement, you acknowledge and agree that in order to implement, manage and administer this award and/or in connection with tax or other governmental and regulatory compliance activities directly or indirectly related to the PRSUs, the Company and/or an entity belonging to the Company's group of companies (including your employer) may need to process your personal data (electronically or otherwise), including, but not limited to, your name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any Shares or other equity securities or directorships held in the Company, details of all PRSUs or any other entitlement to Shares awarded, canceled, vested, unvested or outstanding in your favor (the "Personal Data"). The transfer of Personal Data to and collection by third-party service providers outside the Company's group of companies, such as the Company's authorized agent, may also be necessary in order to implement, manage and administer this award.

You expressly and unambiguously consent to the collection, use and processing of Personal Data by the Company, entities belonging to the Company's group of companies, and third-party service providers. You understand that the Company may transfer your Personal Data to the United States, or other countries which may have a different or lower level of data protection law than your home country and which are not considered by the European Commission to have data protection laws equivalent to the laws in your country. The Company therefore maintains an EU-US Privacy Shield certification to protect your data consistent with data protection laws of the European Union.

In addition, you expressly and unambiguously consent to the disclosure of Personal Data to, and processing by, a third party in the event of any potential or actual reorganization, merger, sale, joint venture, assignment, transfer or other disposition of all or any portion of the Company's business, assets or stock (including in connection with any bankruptcy or similar proceedings); and as the Company believes necessary or appropriate: (a) under applicable law, including laws outside of your country; (b) to comply with legal processes; and (c) to respond to requests from public and government authorities including public and government authorities outside of your country.

You authorize the recipients to receive, possess, use, retain and transfer the Personal Data, in electronic or other form, for the purposes of implementing, managing and administering this award, including any requisite transfer of such Personal Data as may be required to a broker or other third party with whom you may elect to deposit any Shares acquired upon settlement of the PRSUs. You understand that Personal Data will be held only as long as is necessary to implement, manage and administer this award unless a longer retention period is required by applicable laws, regulations, rules or valid requests or orders of a court or other dispute resolution forums or of a governmental or public authority, in each case, including those of a court or other dispute resolution forums or of a governmental or public authority outside of your country. You understand that you may, at any time, view Personal Data, request additional information about the storage and processing of Personal Data, require any necessary amendments to Personal Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing your local stock program coordinator.

If you do not consent, or if you later seek to revoke your consent, your employment status or career with the Company or Subsidiary will not be adversely affected; the only adverse consequence of refusing or withdrawing your consent is that the Company would not be able to grant this award or other equity awards, or manage or administer such awards. Therefore, you understand that refusing or withdrawing your consent may affect your ability to receive equity awards. For more information on the consequences of your refusal to consent or withdrawal of consent, you may contact your local stock program coordinator.

The Company will take reasonable measures to keep the Personal Data private, confidential and accurate. You may obtain details with respect to the collection use, processing and transfer of your Personal Data in relation to this award and may also request a list with names and addresses of potential recipients of the Personal Data and/or access to and updates of such Personal Data, if needed, by contacting your local stock program coordinator.

8. Responsibility for Taxes.

By accepting this grant, you hereby irrevocably elect to satisfy any taxes and social insurance contribution withholding required to be withheld by the Company or its Subsidiaries on the date of grant or vesting of the PRSUs or the date of delivery or sale of any Shares hereunder or on any earlier date on which such taxes or social insurance contribution withholding may be due (“Tax Liability”) by authorizing the Company and any of its Subsidiaries to withhold a sufficient number of Shares that would otherwise be deliverable to you upon settlement of the PRSUs (or, if the PRSUs are settled in cash in lieu of Shares, an amount of cash sufficient to satisfy the Tax Liability). If, for any reason, the Shares or cash that would otherwise be deliverable to you upon settlement of the PRSUs would be insufficient to satisfy the Tax Liability, the Company and any of its Subsidiaries are authorized to withhold an amount from your wages or other compensation sufficient to satisfy the Tax Liability. Furthermore, you agree to pay the Company or its Subsidiaries any amount of the Tax Liability that cannot be satisfied through one of the foregoing methods.

Notwithstanding the foregoing, if, on the applicable Settlement Date or on any earlier date on which the Tax Liability may be due, the delivery of Shares is not made for any reason, you hereby irrevocably elect to satisfy such Tax Liability by delivering cash to the Company in an amount sufficient to satisfy such Tax Liability.

Apart from any withholding obligations that may apply to the Company and/or its Subsidiaries, you acknowledge and agree that the ultimate responsibility for the Tax Liability is and remains with you. You further acknowledge that: (x) the Company and its Subsidiaries make no representations or undertakings regarding the Tax Liability; (y) the Company and its Subsidiaries do not commit to structure the terms of the grant or any other aspect of the PRSUs to reduce or eliminate the Tax Liability; and (z) you should consult a tax adviser regarding the Tax Liability.

You acknowledge that the Company and its Subsidiaries shall have no obligation to deliver Shares until the Tax Liability has been fully satisfied by you.

9. U.S. Internal Revenue Code Section 409A. If you are subject to U.S. Internal Revenue Code Section 409A (“Section 409A”), then the following provisions shall apply:

(a) Any provision, application or interpretation of this Agreement that is inconsistent with Section 409A shall be disregarded. In no event shall the Company, any of its affiliates, any of its agents, or any member of the Board have any liability for any taxes, interests or penalties imposed in connection with a failure of this Agreement to comply with Section 409A.

(b) If (i) any payment hereunder is a non-exempt amount payable under a “nonqualified deferred compensation plan” (as defined in Section 409A) upon a “separation from service” (as defined in Section 409A) (other than death), and (ii) you are a “specified employee” (as that term is defined in Section 409A and pursuant to procedures established by the Company) on the date of such separation from service, then any Shares or cash payable pursuant to the PRSUs on account of such separation from service (other than death) will not be paid to you during the six-month period immediately following such

separation from service. Instead, the Shares or cash that would have been payable pursuant to the PRSUs on account of your separation from service shall be paid no earlier than the first day of the seventh month following your separation from service.

10. **United Kingdom Specific Provisions.** The following provisions apply to you as a resident of the United Kingdom. Please appreciate that the information contained in this Section 12 is general in nature and may not apply to your particular situation, and the Company is not in a position to assure you of any particular result. Accordingly, you are advised to seek appropriate professional advice as to how the relevant laws of your home country may apply to your situation. You further understand and agree that if you are a citizen or resident of a country other than the one in which you are currently working, or if your employment transfers after the grant of the PRSUs, or if you are considered a resident of another country for local law purposes, the information contained herein may not apply to you, and the Company shall, in its discretion, determine to what extent the terms and conditions contained herein shall apply, or determine that other terms and conditions are necessary or advisable in order to comply with local law or to facilitate the administration of this Agreement.

(a) **Tax and National Insurance Contributions.** If the Company determines that it is required to account to HM Revenue & Customs for the Tax Liability and any Secondary NIC Liability or to withhold any other tax as a result of the PRSUs, you, as a condition to the vesting of the PRSUs, shall make arrangements satisfactory to the Company to enable it to satisfy all withholding liabilities. You shall also make arrangements satisfactory to the Company to enable it to satisfy any withholding requirements that may arise in connection with the vesting of the PRSUs or disposition of Shares acquired pursuant to the PRSUs. As a further condition of the vesting of the PRSUs, you may, at the Company's discretion, be directed to join with the Company, or if and to the extent that there is a change in the law, any of its Subsidiaries or person who is or becomes a Secondary Contributor, in making a Joint Election which has been approved by HM Revenue & Customs, for the transfer of the whole Secondary NIC Liability. To the extent permitted by law, you hereby agree to indemnify and keep indemnified the Company and its Subsidiaries for any Tax Liability.

(b) **Securities Disclosure.** This Agreement is not an approved prospectus for the purposes of section 85(1) of the Financial Services and Markets Act 2000 ("FSMA") and no offer of transferable securities to the public (for the purposes of section 102B of FSMA) is being made in connection herewith. This Agreement and the PRSUs are exclusively available to you as a bona fide employee of the Employer in the UK.

11. **Notice.** Any notice required to be given hereunder to you shall be addressed to you at your current address shown on the Company's records. Notice shall be sent by mail, express delivery or, if practical, by electronic delivery or hand delivery.

12. **Acknowledgment.** The Company and you agree that the PRSUs are granted under, and governed by, the Grant Notifications, this Agreement and by those provisions set forth in the Plan that are incorporated herein by reference. You: (x) acknowledge receipt of a copy of the Grant Notifications, this Agreement, the Plan and the prospectus relating to this award; (y) represent that you have carefully read and are familiar with their provisions; and (z) hereby accept the PRSUs subject to all of the terms and conditions set forth in the Grant Notifications and this Agreement, including those provisions set forth in the Plan that are incorporated herein by reference.

13. **Compliance with Laws and Regulations.** The granting of the PRSUs and the delivery of Shares hereunder shall be subject to all applicable laws, rules and regulations. The issuance of Shares will be subject to and conditioned upon compliance by the Company and you with all applicable laws and regulations and with all applicable requirements of any stock exchange or automated quotation system on which the Shares may be listed or quoted at the time of such issuance or transfer. If any provision of this Agreement conflicts with applicable mandatory law, the provisions of such law shall govern.

14. **Additional Conditions to Issuance of Shares.** If, at any time the Company determines, in its discretion, that as a condition to the issuance of Shares to you (or your estate) hereunder, it is necessary or desirable to (i) list, register, qualify or comply with the rules of any securities exchange, (ii) qualify or comply with any applicable state, federal or foreign law, including the applicable tax code and related regulations, or (iii) obtain the consent or approval of any governmental regulatory authority or securities exchange, then such issuance will not occur unless and until such listing, registration, qualification, rule compliance, consent or approval is completed, effected or obtained free of any conditions not acceptable to the Company. Where the Company determines that the delivery of Shares hereunder will violate federal securities laws or other applicable law, the Company will defer delivery until the earliest date on which the Company reasonably anticipates that the delivery of Shares hereunder will no longer cause such violation. The Company will make all reasonable efforts to meet the requirements of any such state, federal or foreign law or securities exchange and to obtain any such consent or approval of any such governmental authority or securities exchange.

15. **Foreign Exchange.** Where applicable, you acknowledge and agree that it is your sole responsibility to investigate and comply with any applicable exchange control laws in connection with the issuance and delivery of the Shares pursuant to the vesting of the PRSUs and that you shall be responsible for any reporting of inbound international fund transfers required under applicable law. You are advised to seek appropriate professional advice as to how the exchange control regulations apply to

your specific situation. You acknowledge and agree that neither the Company nor any Subsidiary shall be liable for any foreign exchange rate fluctuation between your local currency and the United States Dollar that may affect the value of the PRSUs, or of any amounts due to you pursuant to the settlement of the PRSUs or the subsequent sale of any Shares acquired upon settlement.

16. **Miscellaneous.** No provision of this Agreement may be modified, waived, discharged or amended unless such modification, waiver, discharge or amendment is agreed to in writing and signed by the party against whom such modification, waiver, discharge or amendment is asserted. No waiver by either party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. All amounts credited in respect of the PRSUs to the book-entry account under this Agreement shall continue for all purposes to be part of the general assets of the Company. Your interest in such account shall make you only a general, unsecured creditor of the Company. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, and each other provision of this Agreement shall be severable and enforceable to the extent permitted by law. In lieu of issuing a fraction of a Share resulting from an adjustment of the PRSUs pursuant to Section 9 of the Plan or otherwise, the Company shall be entitled to pay to you an amount equal to the Fair Market Value of such fractional Share. The terms of this Agreement shall be binding upon and inure to the benefit of the Company and its successors and assigns, and to the benefit of you and your beneficiaries, executors, administrators, heirs and successors. The headings of the Sections hereof are provided for convenience only and are not to serve as a basis for interpretation or construction, and shall not constitute a part, of this Agreement.

17. **Entire Agreement.** This Agreement (including those provisions set forth in the Plan that are incorporated herein by reference) and the Grant Notifications contain the entire agreement and understanding of the parties hereto with respect to the subject matter contained herein and supersede all prior communications, representations and negotiations in respect thereto (including those provisions of the Employment Contract describing this award).

18. **Applicable Law.** This Agreement (including those provisions set forth in the Plan that are incorporated herein by reference) and the Grant Notifications, and all actions taken hereunder or under the Plan shall be governed by, and construed in accordance with, the laws of the State of New York without regard to the conflict of law principles thereof.

19. **Electronic Delivery and Acceptance.** The Company may, in its sole discretion, decide to deliver any documents related to the PRSUs or any future awards that may be awarded under the Plan by electronic means, or request your consent to participate in the Plan by electronic means. Such means of electronic delivery may include, but do not necessarily include, the delivery of a link to a Company intranet or the Internet site of a third party involved in administering this award or the Plan, the delivery of the document via electronic mail or such other means of electronic delivery specified by the Company. You consent to the electronic delivery of the Grant Notifications, this Agreement, the Plan and the prospectus relating to this award. You acknowledge that you may receive from the Company a paper copy of any documents delivered electronically, at no cost to you, by contacting the Company by telephone or in writing. You further acknowledge that you will be provided with a paper copy of any documents if the attempted electronic delivery of such documents fails. Similarly, you understand that you must provide the Company or any designated third-party administrator with a paper copy of any documents if the attempted electronic delivery of such documents fails. You may revoke your consent to the electronic delivery of documents (or may change the electronic mail address to which such documents are to be delivered to you) at any time by notifying the Company of such revoked consent or revised electronic mail address by telephone, postal service or electronic mail. Finally, you understand that you are not required to consent to electronic delivery of documents.

20. **No Advice Regarding Grant.** The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations or assessments regarding your acceptance of this award, or your acquisition or sale of the underlying Shares. You are hereby advised to consult with your own personal tax, legal and financial advisors regarding your acceptance of this award.

21. **Counterparts.** This Agreement may be executed in one or more counterparts (including via facsimile and electronic image scan (pdf)), each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument and shall become effective when one or more counterparts have been signed by each party and delivered to the other party.

IN WITNESS WHEREOF, the Company, by its duly authorized officer, and you have executed this Agreement as of the Grant Date.

By your acceptance of this Agreement, you and the Company agree that the PRSUs are granted under and governed by the terms and conditions of the Grant Notifications, this Agreement, including those provisions set forth in the Plan that are incorporated herein by reference. You have reviewed the Grant Notifications, this Agreement, the Plan and the prospectus relating to this award in their entirety, and fully understand all provisions thereof. You have had an opportunity to obtain the advice of counsel prior to executing this Agreement. You hereby agree to accept as binding, conclusive and final all decisions or interpretations of the Committee upon any questions relating to the Grant Notifications, this Agreement, the Plan and the prospectus relating to this award. You further agree to notify the Company upon any change in your residence address.

AVON PRODUCTS, INC.

/s/ Susan Ormiston

Susan Ormiston, Senior Vice President, Human Resources and Chief Human Resources Officer

GRANTEE

/s/ Jan Zijderveld

Jan Zijderveld

[\(Back To Top\)](#)

Section 5: EX-10.4 (SHERILYN MCCOY SEPARATION LETTER)

Exhibit 10.4

[Avon Letterhead]

Personal & Confidential

Ms. Sherilyn McCoy
Chief Executive Officer
Avon Products, Inc.

Re: Severance Benefit Letter Agreement and General Release of Claims

Dear Sheri:

Pursuant to the letter dated August 2, 2017 regarding the terms of your transition and retirement as Chief Executive Officer of Avon Products, Inc. (“Avon” or the “Company”) (the “Retirement Letter”), this Severance Benefit Letter Agreement and General Release of Claims (this “Agreement”) sets forth the terms and conditions of your severance benefits consistent with the terms of the Avon Products, Inc. Severance Pay Plan (the “Severance Plan”) for Class A Employees. However, because the Severance Plan limits total payouts to any participant to no more than \$550,000 for separations that occur in 2018 (the “409A Limit”), and as a Class A Employee your total severance payments are in excess of the amount that would otherwise be provided under the Severance Plan, this Agreement will be provided to you in lieu of any benefits payable under the Severance Plan and you agree that you waive all your rights to benefits under the Severance Plan.

The severance benefits being offered to you are a collection of benefits consisting of cash salary continuation plus certain other benefits as described below. For clarity, this collection of severance benefits will be called the “Severance Benefits.” The Severance Benefits are being offered to you in consideration of this Agreement.

To be eligible for the Severance Benefits, as detailed below, you must: (1) not resign before the Separation Date (defined in Paragraph 1); (2) timely sign this Agreement; and (3) allow this Agreement to become effective and irrevocable (by not revoking it within seven days of your signature). See the Paragraph 25 entitled Permissible Time to Sign Agreement regarding the timing requirements for deciding whether to execute this

document.

Until this Agreement becomes effective, you are not eligible for and do not have a binding right to the Severance Benefits. The below paragraphs briefly describe the treatment of your participation in Avon's benefit plans after the Separation Date. Please

note, however, that the actual written plan documents for the relevant benefit plans set forth the terms and conditions of benefits and control in the event of differences described herein.

1. Last Day of Active Employment

As provided for in the Retirement Letter, your last day of active employment with Avon is March 31, 2018 (the "Separation Date"). If you are entitled to any payment for accrued but unused paid time off benefits (*e.g.*, vacation) through your last day of work, in accordance with applicable law, or the terms of an applicable Avon policy, you will receive a separate payment representing such amount(s), if any.

2. Salary Continuation

If you elect to receive the Severance Benefits by entering into this Agreement, you will receive salary continuation for 24 months immediately following the Separation Date (referred to as the "Salary Continuation Period") based upon your annual base salary as in effect on the Separation Date. Avon payroll will calculate the total amount of salary continuation payable, in accordance with Avon's normal payroll practices.

Because you are one of the top 50 highest paid employees at Avon (a "specified employee"), under Internal Revenue Code Section 409A ("Section 409A"), the section which governs nonqualified deferred compensation (including separation agreements), certain limitations may apply on how the separation payments will be made to you if the total severance payments exceed the 409A Limit. Since your total severance payments are expected to exceed the 409A Limit, you will receive your severance in two tranches:

- (a) The first tranche ("Tranche A") will be equal to the 409A Limit, payable over the Salary Continuation Period in substantially equal, bi-weekly installments (less applicable deductions) on each of Avon's regular payroll dates (it being understood that the first of such installments shall not be made unless and until this Agreement becomes effective and irrevocable (by your not revoking it within seven days of your signature) in accordance with Paragraph 25).
- (b) The second tranche ("Tranche B") will be equal to the remaining amount of salary continuation owed to you under this Agreement in excess of the 409A Limit, payable from the first administratively feasible Avon regular payroll date that occurs in the seventh (7th) month following the Separation Date through the end of the Salary Continuation Period, in substantially equal, bi-weekly installments (less applicable deductions) on each of Avon's regular payroll dates.

Where both tranches are being paid at the same time, there will be one check paid to you by Avon. For the avoidance of doubt, payments under Tranche A are intended to be exempt from the requirements of Section 409A. Payments under Tranche B are intended to either be exempt from the requirements of Section 409A or satisfy any applicable requirements of Section 409A for payments of nonqualified deferred compensation to specified employees.

The Severance Benefits are instead of any other severance benefits that may otherwise be contemplated under any agreement with Avon or any Avon plan, policy or program.

During the Salary Continuation Period, as explained below, you will be eligible to continue to participate in certain of Avon's benefit plans in accordance with the provisions of the relevant plan documents, including any amendments to those plans that may be enacted from time to time, and any applicable elections that you may have on file with Avon. You will not, however, accrue any vacation days or be eligible for any other benefits provided to active employees during the Salary Continuation Period, other than those expressly provided for herein and/or as otherwise required by law.

Notwithstanding the foregoing, if you are receiving the Severance Benefits in the form of salary continuation but you accept a position with another business entity, Avon may elect, in its sole discretion, to pay any remaining cash severance payments to you in the form of a lump sum payment (except that any such election to accelerate payment will not apply to the extent that it would violate Section 409A), in which case your participation in all Avon benefit plans (for example, the active medical plan) will cease, and your "Salary Continuation Period" will cease. However, as used in Paragraphs 10(c), 10(d), or 10(e), below, the "Salary Continuation Period" shall mean the entire period of time that you would have received salary continuation payments under this Paragraph 2 had you not received all or a portion of your severance payments in the form of a lump sum payment as described in this paragraph.

3. Retirement Plans

a. *Avon Products, Inc. Personal Retirement Account Plan (“PRA”)*

If you enter into this Agreement and are eligible for the Severance Benefits, you will continue to be credited with service under the PRA during the Salary Continuation Period, pursuant to and in accordance with the terms of the PRA, including any amendments to the PRA that may be enacted from time to time. This means that as a participant under the “cash balance” benefit formula set forth therein, you can only continue to accrue vesting service, if applicable, during the Salary Continuation Period. In the month following the end of the Salary Continuation Period, you may take a distribution from the PRA in the form you then elect, in accordance with the terms of the PRA.

b. *Benefit Restoration Plan of Avon Products, Inc. (the “Restoration Plan”)*

If you enter into this Agreement and are eligible for the Severance Benefits, your benefit under the Restoration Plan, if payable, will be calculated and paid taking into account the Salary Continuation Period in accordance with the terms of the Restoration Plan. Because you are considered a specified employee under Section 409A at the time of the Separation Date, payments of benefits under the Restoration Plan will be subject to a six-month delay from the Separation Date, and so any benefits payable to you under the Restoration Plan will not commence until the seventh (7th) month following the Separation Date.

4. Avon Personal Savings Account Plan: With respect to the Avon Personal Savings Account Plan (the “PSA”), also known as the 401(k) Plan, you are considered a terminated employee on the Separation Date. Even if you enter into this Agreement and are eligible for the Severance Benefits, you will not be entitled to participate in the PSA during the Salary Continuation Period. Upon the Separation Date, you may take a distribution of your benefits immediately. You may roll over the contents of your PSA account into an Individual Retirement Account or other tax-deferred savings account in accordance with the PSA and applicable tax rules. Please consult with your accountant or tax advisor before doing so. Any outstanding PSA loans you may have are payable within three (3) months after your Separation Date if you do not make arrangements to continue to make regular loan repayments after the Separation Date through the PSA third party administrator, Empower Retirement. You should contact Empower Retirement if you have an outstanding plan loan.

5. Cash Incentive Award

Regardless of whether or not you enter into this Agreement and are eligible for the Severance Benefits, your annual incentive award for 2017 will (if it has not already been paid to you as of the date hereof) be paid to you in accordance with the applicable annual incentive plan, as amended by the Retirement Letter. Accordingly, your annual incentive award for 2017 is payable on the same basis and at the same time as such awards are paid to other senior executive officers, except that the amount of your award will be the greater of (i) the amount determined based solely on the level of attainment of existing performance conditions of such award and (ii) \$900,000.

Consistent with the Retirement Letter, you will not be eligible for an annual incentive award for any years after 2017. As a reminder, all cash incentive awards are subject to Avon’s compensation recoupment policy.

6. Equity Awards

Regardless of whether or not you enter into this Agreement and are eligible for the Severance Benefits, each equity award (such as restricted stock units and stock options) will continue to be governed by the applicable equity agreement(s) and the applicable stock incentive plan(s). As provided for in the Retirement Letter, for purposes of vesting and determining the amount of payment (including shares of stock) that may be due to you (but not the timing of any such payment), under those plans or arrangements, your separation from service will occur on the Separation Date (except if you are a Bad Leaver as defined in the Retirement Letter). For the avoidance of doubt, you are “retirement-eligible” for purposes of vesting, and for stock option exercise, under the terms of such incentive plans outstanding equity agreements.

Consistent with the Retirement Letter, you will not receive a long-term incentive plan or other equity based incentive award in any years after 2017.

7. Career Transition and Development Services

If you enter into this Agreement and are eligible for the Severance Benefits, you will receive career transition and development services (outplacement services) provided by a vendor and program selected by Avon. More information will be provided to you under separate cover closer to the Separation Date. Your eligibility for outplacement services will begin on the day following the Separation Date and will continue for twelve (12) months following the Separation Date. If, at the conclusion of this initial career transition and development period, you have not found new employment, you may be eligible for a maximum of twelve (12) additional months of career transition and development services, to be granted in one-month increments at the sole discretion of Avon.

8. Health and Welfare Plans

If you enter into this Agreement and are eligible for the Severance Benefits, then provided that you are a participant in the applicable Avon plan as of the Separation Date, you generally will continue to be eligible to participate in the following benefit plans during the Salary Continuation Period: Medical, Dental, Vision, Employee Assistance Program, Group Life Insurance, Supplemental Group Life Insurance, Group Accidental Death and Dismemberment (“AD&D”) and Supplemental Group AD&D. For the avoidance of doubt, upon the end of your assignment in the United Kingdom, you will cease to be eligible for Avon’s international assignee medical plan, and upon your repatriation you will instead be eligible to enroll in the group health benefit programs for U.S. employees. For those plans requiring premium payments, you will be required to pay the same portion of the total premium as an active associate pays. If you elect to continue Medical, Dental and/or Vision coverage, your benefit coverage level will be provided at the benefit coverage level that you previously selected, subject to Avon’s right to amend, modify, or terminate such arrangements at any time. **But note, however, because you are considered one of the top 25% highest paid associates at Avon per Internal Revenue Service regulations, you will be paying your entire premiums on an after-tax basis and your Form W-2s will include imputed income equal to value of the subsidized premiums being provided by Avon, as required by the Internal Revenue Code. Because of this required tax treatment, the cost to you of continuing coverage may be substantially higher than while you were actively employed. You may wish to consult a tax advisor to see how this change may impact you.**

Also, in the event that during the Salary Continuation Period you should become employed by another employer and are provided with medical and/or dental insurance coverage, you may either drop your Avon coverage or continue your coverage under both plans. Under the second alternative, your coverage will be coordinated between the two plans, with your new employer’s plan serving as the primary payer.

In the event that your group health plan coverage ceases during the Salary Continuation Period due to a “qualifying event,” or due to the expiration of the Salary Continuation Period, you will then be entitled to elect continued coverage pursuant to the Consolidated Omnibus Budget Reconciliation Act of 1985 (“COBRA”) at your own expense, assuming you satisfy the requirements of COBRA.

In addition, pursuant to Section 409A, the following rules apply to your continued receipt of the above welfare benefits to the extent those benefits are not exempt from the requirements of Section 409A: (x) to the extent that any such benefit is provided via reimbursement to you, no such reimbursement will be made by Avon later than the end of the year following the year in which the underlying expense is incurred; (y) any such benefit provided by Avon in any year will not be affected by the amount of any such benefit provided by Avon in any other year; and (z) under no circumstances will you be permitted to liquidate or exchange any such benefit for cash or any other benefit.

Other Welfare Benefits

Regardless of whether or not you are eligible for the Severance Benefits, your participation in all other welfare programs, including but not limited to the Short-Term and Long-Term Disability plans, will cease following the Separation Date.

Also, when your group life insurance coverage terminates at the end of the Salary Continuation Period, you may be entitled to convert the group coverage to individual life insurance coverage. Please contact the group life insurance vendor (currently Liberty Mutual at 888-787-2129) before your group life insurance coverage terminates for details.

9. Perquisites

a. *Executive Health Exam*

If you enter into this Agreement and are eligible for the Severance Benefits, and if you have not already received your annual Executive Health Exam in the calendar year in which your Severance Date occurs, you may still receive the exam for up to the earlier of three (3) months following the Separation Date or the end of the calendar year in which the Separation Date occurs. Note, however, that because you are considered a “specified employee” under Section 409A, reimbursements for an Executive Health Exam after the Separation Date will be subject to a six-month delay from the Separation Date, and so any such reimbursements will be payable to you no earlier than the seventh (7th) month following the Separation Date.

b. *Repatriation Benefits*

Consistent with the Retirement Letter, your international assignment benefits will cease on March 31, 2018, except as follows. Following the end of your international assignment, you will receive the repatriation benefits as described in your International Assignment Letter Agreement with the Company, dated as of July 20, 2016 (the "Assignment Letter"). For the avoidance of doubt, this will include tax assistance and tax equalization benefits for so long as you are subject to United Kingdom taxes on your Company compensation, and will include any lease termination fees and any other similar fees and penalties you may incur as a result of a termination of your international assignment prior to the originally scheduled date, provided that you will use your reasonable efforts to mitigate the amount of any such fees and penalties. In addition, for the avoidance of doubt, the tax equalization benefits that you have been provided continues to be subject to the terms and conditions of the Company's applicable tax equalization policies, which includes, but is not limited to, your obligation to cooperate with Avon and repay to Avon, as applicable, any tax balances or other amounts determined by Avon to be owed by you as a result of the finalization of the tax equalization process for any applicable tax years.

Payments or reimbursements provided to you under this Paragraph 9(b) that are not otherwise excludible from gross income are intended to be exempt from Section 409A, pursuant to Treas. Reg. § 1.409A-1(b)(9)(v)(A) or (C), and as such, (i) such payments or reimbursements shall be paid or provided to you only to the extent that the expenses are not incurred, or the benefits are not provided, beyond the last day of the second calendar year following the calendar year in which your "separation from service" occurs, and (ii) such expenses shall be reimbursed no later than the last day of the third calendar year following the calendar year in which your "separation from service" occurs.

c. Other Perquisites

Regardless of whether or not you are eligible for the Severance Benefits, the following perquisites that you were eligible to receive while employed by Avon will cease on the Separation Date: (i) financial planning and tax preparation services that you were eligible to receive while employed by Avon, other than those described in Paragraph 9(b) above, (ii) home security services, and (iii) use of a car and driver and all other transportation services.

To the extent that your receipt of the above perquisite(s) are subject to Section 409A, the following rules will apply: (x) to the extent that any such perquisite is provided via reimbursement to you, no such reimbursement will be made by Avon later than the end of the year following the year in which the underlying expense is incurred; (y) any such perquisite provided by Avon in any year will not be affected by the amount of any such perquisite provided by Avon in any other year; and (z) under no circumstances will you be permitted to liquidate or exchange any such perquisite for cash or any other benefit.

10. Your Obligations to Avon

In consideration for the Severance Benefits, you agree to the following:

- a. *Confidentiality*: You agree to keep and hold in strict trust all Confidential Information (defined below) that you obtained or generated during or as a result of your employment at Avon. You promise not to knowingly use, disclose, copy, distribute or reverse-engineer, directly or through persons interposed, without Avon's prior written consent (which may only be provided by the Chairman of the Board of Directors of Avon (the "Chairman")), as and from this date, and at any time, Avon's Confidential Information. For this purpose, "Confidential Information" means any secret, confidential, and/or proprietary information or knowledge relating to Avon or related to any of Avon's affiliated companies, and/or their respective businesses, agents, employees, customers and independent sales representatives, that is not generally known to the public. Such Confidential Information includes, but is not limited to, financial information and projections, marketing information and plans, product formulations, samples, processes, production methods, intellectual property and trade secrets, data, know-how, sales, market development programs and plans, and other types of information not generally known to the public, including non-public unpublished or pending patent applications and all related patent rights, techniques, formulae, processes, discoveries, improvements, ideas, conceptions, compilations of data, and developments, whether or not patentable and whether or not copyrightable. Notwithstanding your confidentiality obligations, you are permitted to disclose Confidential Information that is required to be disclosed by you pursuant to judicial order or other legal mandate, provided that you have given Avon prompt notice of the disclosure requirement, and that you fully cooperate with any efforts by Avon to obtain and comply with any protective order imposed on such disclosure.

In accordance with the Defend Trade Secrets Act of 2016, you are hereby notified by Avon that you will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that: (i) is made (x) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney and (y) solely for the purpose of reporting or investigating a suspected violation of law; or (ii) is made in

a complaint or other document that is filed under seal in a lawsuit or other proceeding. You are further notified by Avon that, if you file a lawsuit for retaliation by an employer for reporting a suspected violation of law, then you may disclose the employer's trade secrets to your attorney and use the trade secret information in the court proceeding if you: (A) file any document containing the trade secret under seal; and (B) do not disclose the trade secret, except pursuant to court order.

- b. *Use of Confidential Information:* You agree that you will not use Avon's Confidential Information in connection with any publicity, advertising, endorsement or other promotion. You further agree not to use Avon's trademarks, logos, service marks or other intellectual property in any form of advertising, publicity or release without Avon's prior written approval. You understand that nothing in this Agreement shall be construed to prevent lawful communications regarding working conditions, or other terms and conditions of employment protected under Section 7 of the National Labor Relations Act or applicable state law.
- c. *Non-solicitation:* You will not, without Avon's prior written consent (which may only be provided by the Chairman), during the Salary Continuation Period, directly or indirectly, or your own behalf or in the service of or on behalf of others, hire, solicit, attempt to hire or aid in the solicitation of, any employee of Avon or an affiliated company, including any solicitation or recruitment of such employee to take him or her away from or to leave his or her Avon (or affiliated company's) employment to work for any other employer or other entity.
- d. *Non-competition:* Notwithstanding anything else in this Agreement, you will not, during the Salary Continuation Period, without Avon's prior written consent (which may only be provided by the Chairman), directly or indirectly, or your own behalf or in the service of or on behalf of others, accept employment with, or act as a consultant or independent contractor to, any company engaged in the direct selling business or beauty business within or without the United States including, but not limited to, the following: Amway Corp./Alticor Inc., Amore Pacific, Arabela, Arbonne, Beiersdorf (Nivea), COTY, De Millus S.A., Ebel Int'l/Belcorp Corp., Elizabeth Arden, Faberlic, Herbalife Ltd., Inter Parfums, Jequití, Lady Racine/LR Health & Beauty Systems GmbH, LG Health & Household, L'Occitane, L'Oréal Group/Cosmair Inc., Mary Kay Inc., Mistine/Better Way (Thailand) Co. Ltd., Natura Cosmetics S.A., Neways Int'l, NuSkin Enterprises Inc., O Boticário, Oriflame Cosmetics S.A., Origami Owl, Reckitt Benckiser PLC, Revlon Inc., Rodan & Fields, Shaklee Corp., Shiseido, Stella & Dot, Silpada, The Body Shop Int'l PLC, The Estée Lauder Companies Inc., The Procter & Gamble Company, Tupperware Corp., Unilever Group (N.V. and PLC), Vorwerk & Co. KG/Jafra Worldwide Holdings (Lux) S.à.R.L. Inc., Yanbal Int'l (Yanbal, Unique), Younique or any of their affiliates.
- e. *Cooperation:* By signing this Agreement, you are agreeing that you may be reasonably requested from time to time by Avon: (x) to advise and consult on matters within or related to your expertise and knowledge in connection with the business of Avon; (y) to make yourself available to Avon to respond to requests for information concerning matters involving facts or events relating to Avon; and (z) to assist with pending and future litigation, investigations, arbitrations, and/or other dispute resolution matters. You will receive reimbursement for reasonable out-of-pocket expenses incurred in connection with such assistance. In addition, if you provide such post-termination assistance after the Salary Continuation Period ends, you will be paid for your time expended at the Company's request on such matters at an hourly rate equal to your weekly rate of base salary in effect at the time of your termination, divided by 40 hours, subject to your submission to the Company of your monthly invoices. For the avoidance of doubt, with respect to any post-termination cooperation you may provide under this section, you will not be an employee of, but rather an independent contractor to, the Company, and you will not be credited with compensation, service or age credit for purposes of eligibility, vesting or benefit accrual under any employee benefit plan of Avon (including the long-term incentive plan).
- f. By signing this Agreement, you acknowledge that you understand that violations of any of the preceding covenants are material and that any violations may result in a forfeiture, at Avon's sole discretion, of your benefits and payments under this Agreement (including salary continuation, whether or not already paid), but do not relieve you of your continuing obligations under this Agreement. You agree that Avon's remedies at law for any breach by you of the preceding covenants will be inadequate and that Avon will also have the right to obtain immediate injunctive relief, without a bond, so as to prevent any continued breach of any of these covenants, in

addition to any other available legal remedies. It is understood that any remedy available at law or in equity shall be available to Avon should the preceding covenants be breached.

- g. By signing this Agreement, to the fullest extent allowed by law, you agree not to commence, join, participate in, or assist any lawsuit, action, investigation or proceeding arising from or relating to any act or omission by any of the “Avon Released Parties” (as that term is defined in Paragraph 18 below) unless you are compelled by law to do so and you also agree not to recover or seek to recover any damages, backpay or other monetary relief as part of any action or class action brought by any other individual, the EEOC, or any other civil rights or governmental agency.
11. E-Mail and Voicemail: You acknowledge and understand that your access to Avon’s e-mail and voicemail, as well as other communication systems, will be discontinued as of the Separation Date.
12. Return of Avon Property: On or before the Separation Date, you agree to promptly deliver to Avon, and not keep in your possession, duplicate, or deliver to any other person or entity, any and all property (whether in hard copy, physical form, or electronic form) that belongs to Avon or any of its affiliated companies, including, without limitation, automobiles, computer hardware and software, cell phones, Blackberrys, iPhones, Androids, other smartphones, iPads, other tablets, thumb drives, other electronic equipment, keys, credit cards, identification cards, records, files, data, and other documents and information, including any and all copies of the foregoing.
13. Entire Agreement and Amendments to Agreement: You acknowledge that the only consideration for your execution and non-revocation of this Agreement (which includes a general release of claims) are the benefits which are expressly stated in this document. All other promises or agreements of any kind, including but not limited to, your offer letter dated as of April 4, 2012, the Assignment Letter and the Retirement Letter, that have been made by or between the parties or by any other person or entity whatsoever that are related to the subject matter of this Agreement are superseded, revoked and cancelled by this Agreement, except as specifically provided for in this Agreement; provided, that any arbitration, nondisclosure, intellectual property protection, non-solicit, non-compete or classified information provisions and/or agreements with the Company continue to apply in accordance with their terms (and the greater protection to Avon applies in the event of any conflict between this Agreement and such other agreements) and any plans (such as the PRA), equity award agreements, or policies that are referenced in this Agreement as continuing to be applicable (including, without limitation, the Company’s “Associate Arbitration Policy”) are not superseded and will remain in effect. In addition, any compensation recoupment provisions, practices or policies, including the Company’s Amended & Restated Compensation Recoupment Policy, will continue to apply, as applicable. Also, your entitlement to be indemnified for acts and omissions to act occurring while an officer, director or employee and for coverage as an insured under applicable directors and officers liability insurance continues to apply. You agree that this Agreement may not be changed orally, by email, or by any other form of electronic communication, but only by a written agreement signed by both you and an authorized representative of Avon.
14. Severability: You agree that the provisions of this Agreement are severable. If a provision or any part of a provision is held to be invalid under any law or ruling, all of the remaining provisions of this Agreement will remain in full force and effect and be enforceable to the extent allowed by law. If any restriction contained in this Agreement is held to be excessively broad as to duration, activity, or scope, then you agree that such restriction may be construed, “blue-penciled” or judicially modified so as to be limited or reduced to the extent required to be enforceable under applicable law.
15. Voluntary Nature: You are not required to enter into this Agreement. Any election to do so by you is completely voluntary. By signing this Agreement, you warrant and represent that you have read this entire Agreement, that you have had an opportunity to consult fully with an attorney, and that you fully understand the meaning and intent of this Agreement. Further, you knowingly and voluntarily, of your own free will, without any duress, being fully informed, and after due deliberation, accept its terms and sign below as your own free act. You understand that as a result of executing this Agreement, you will not have the right to assert that Avon or any other Avon Released Party (as defined in this Agreement in Paragraph 18 below) unlawfully terminated your employment or violated any of your rights in connection with your employment.

16. Governing Law: You agree that this Agreement (which includes a general release of claims) will be governed by and construed in accordance with the laws of the State of New York, without regard to its conflict of laws principles, and federal law where applicable. Any legal action to enforce this Agreement, by either party, shall be subject to arbitration in accordance with Avon's "Associate Arbitration Policy". To the extent that Avon is seeking equitable relief to enforce your obligations under this Agreement, Avon may seek such relief as provided in the Paragraph 10 entitled Your Obligations to Avon in any federal, state or local court in any jurisdiction.
17. Election Not to Accept the Severance Benefits: Should you elect not to enter into this Agreement and reject the Severance Benefits, you will be provided only with the basic severance as defined under the Severance Plan (two weeks of base salary, less applicable withholdings) and continued coverage under certain Avon benefit plans during that two week period (or, for some plans, until the last day of the month in which such payments end, in accordance with the terms of such plans (which control in the event of any discrepancy herein)). Following this two-week salary continuation period, you will be notified by a separate letter of your right to elect continued group health plan coverage, at your own expense, under COBRA, as applicable.
18. General Release of Claims
 In consideration of the Severance Benefits and the other terms and conditions of this Agreement, you agree, on behalf of yourself and your heirs, executors, administrators, and assigns, to forever release, dismiss, and discharge (except as provided by this Agreement) Avon and its affiliated companies and each of their respective current and former officers, directors, associates, employees, agents, employee benefit plans, employee benefit plan fiduciaries, employee benefit plan trustees, employee benefit plan administrators, representatives, attorneys, shareholders, successors and assigns, each and all of them in every capacity, personal and representative (collectively referred to as the "Avon Released Parties"), from any and all actions, causes of action, claims, suits, losses, demands, judgments, charges, contracts, obligations, debts, and liabilities of whatever nature ("Claims"), that you and your heirs, executors, administrators, and assigns have or may hereafter have against the Avon Released Parties or any of them arising out of or by reason of any cause, matter, or thing whatsoever from the beginning of the world to the date hereof, including, without limitation:
- All Claims arising from your employment relationship with Avon and the termination of such relationship;
 - All Claims arising under any federal, state, or local constitution, statute, rule, or regulation, or principle of contract law or common law;
 - All Claims for breach of contract, wrongful discharge, tort, breach of common-law duty, or breach of fiduciary duty;
 - All Claims for violation of laws prohibiting any form of employment discrimination or other unlawful employment practice, including without limitation, as applicable:
 - The Worker Adjustment and Retraining Notification Act of 1988, as amended, 29 U.S.C. §§ 2101 et seq.;
 - Title VII of the Civil Rights Act of 1964, as amended, 42 U.S.C. §§ 2000e et seq.;
 - The Age Discrimination in Employment Act of 1967, as amended, 29 U.S.C. §§ 621 et seq. (the "ADEA");
 - The Americans with Disabilities Act of 1990, as amended, 42 U.S.C. §§ 12101 et seq.;
 - The Employee Retirement Income Security Act of 1974, as amended, 29 U.S.C. §§ 1001 et seq.;
 - The Family and Medical Leave Act of 1993, as amended, 29 U.S.C. §§ 2601 et seq.;
 - The Genetic Information Nondiscrimination Act of 2008, as amended, 42 U.S.C. §§ 2000ff et seq.;
 - The National Labor Relations Act of 1935, as amended, 29 U.S.C. §§ 151 et seq. (the "NLRA");
 - the Fair Credit Reporting Act, as amended, 15 U.S.C. §§ 1681 et seq.;
 - "Whistleblower" laws (other than as provided for in Paragraph 20 herein) and laws protecting "whistleblowers" from retaliation;
 - The New York State Human Rights Law, as amended, N.Y. Exec. Law §§ 290 et seq.; the New York State Worker Adjustment and Retraining Notification Act, as amended, N.Y. Labor Law §§ 860 et seq.; Article 6 of the New York Labor Law, as amended, N.Y. Labor Law §§ 190 et seq.; the New York Nondiscrimination for Legal Actions Law, as amended, N.Y. Labor Law § 201-d; the New York State Fair Credit Reporting Act, as amended, N.Y. Gen. Bus. Law §§ 380 et seq.; Article 23-A of the New York State Corrections Law, as amended, N.Y. Correc. Law §§ 750 et seq.; the New York City Human Rights Law, as amended, N.Y.C. Admin. Code §§ 8-101 et seq.; the New York City Earned Sick Time Act, as amended, N.Y.C. Admin. Code §§ 20-911 et seq.; the New York City Stop

Credit Discrimination in Employment Act, as amended, N.Y.C. Admin. Code §§ 8-102(29), 8-107(9)(d), 8-107(24); and the New York City Fair Chance Act, as amended, N.Y.C. Admin. Code §§ 8-102(5), 8-107(9) et seq.;

- Any other state's and local government's human rights laws, anti-discrimination laws, and "plant closing"/mini-WARN Act laws;
- Anti-retaliation laws, including without limitation retaliation claims under the New York State Workers' Compensation Law, as amended, N.Y. Workers' Comp. Law § 120, and the New York State Disability Benefits Law, as amended, N.Y. Workers' Comp. Law § 241;
- Any law of England and Wales, including, but not limited to the Employment Rights Act 1996, the Working Time Regulations 1998, the Equality Act 2010, the Human Rights Act 1998, the Data Protection Act 1998 and the Protection of Harassment Act 1997; and
- Any other federal, state, or local constitution, statute, rule, or regulation;

in each case, as such laws may be amended or supplemented from time to time; provided, that you do not release or discharge the Avon Released Parties: (x) from any Claims arising based on facts, circumstances, actions or inactions after the date on which you execute this Agreement; (y) from any Claims for a breach by Avon of its obligations under this Agreement; or (z) from any Claims that by law cannot be released or waived. It is understood that the release herein does not release the Avon employee benefit plans from any claims for vested benefits that you have under the terms of any of Avon's employee benefit plans applicable to you, and it does not release Avon of its obligations to indemnify you or cover you under its director and officer liability insurance policy with respect to your service as a director and officer of Avon, subject to and in accordance with Avon's governing documents and policies. It is further understood that nothing in this General Release of Claims shall preclude or prevent you from challenging the validity of this General Release of Claims solely with respect to any waiver of any Claims arising under the ADEA after the date on which you execute this General Release of Claims.

Nothing in this Agreement is to be construed as an admission on behalf of the Avon Released Parties of any wrongdoing with respect to you, any such wrongdoing being expressly denied.

You represent and warrant that you have not filed any complaint, charge, claim, or proceeding against any of the Avon Released Parties before any federal, state, or local agency, court, or other body relating to your employment and the cessation thereof or to any claim released in this Agreement, and that you are not currently aware of any facts or basis for filing such a complaint, charge, claim, or proceeding against any of the Avon Released Parties. Except as otherwise provided in this Agreement, you agree that, if you or any other person or entity files an action, complaint, charge, claim, or proceeding against any of the Avon Released Parties, you will not seek or accept any monetary, equitable, or other relief in such action, complaint, charge, claim, or proceeding (including without limitation, relief that would provide you with reinstatement to employment with Avon) and that you will take all available steps/procedures to withdraw and/or dismiss the complaint, charge, claim or proceeding, regardless of who filed or initiated such complaint, charge, claim, or proceeding, whether pursued solely on your behalf or on behalf of a greater class of individuals.

If you are employed in, or, were formerly employed in the State of California, you additionally acknowledge that you are aware of and familiar with the provisions of Section 1542 of the California Civil Code, which provides as follows:

"A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the general release which if known by him must have materially affected his settlement with the debtor."

If you are employed in, or, were formerly employed in the State of California, by signing this Agreement, you hereby waive and relinquish all rights and benefits which you may have under Section 1542 of the California Civil Code and under the law of any other state or jurisdiction to the same or similar effect. You represent and warrant that you have the authority to enter into this general release on your behalf individually and to bind all persons and entities claiming through you.

You acknowledge: (w) that you are receiving valuable consideration in exchange for your execution of this Agreement that you would not otherwise be entitled to receive; (x) that you were given at least twenty-one (21) days in which to consider this Agreement; (y) that any changes made to this Agreement, whether material or immaterial, will not restart the twenty-one (21) day consideration period; and (z) that you are entitled to revoke this Agreement in writing, within seven (7) days after you sign each, respectively. Such revocation must be delivered to the Company as provided herein within the applicable seven (7)-day period, in which case you will receive no benefits other than basic

severance (as defined under the Severance Plan) and neither this Agreement, nor your eligibility to receive the Severance Benefits, will go into effect.

19. Additional Representations

- a. You acknowledge that you have been paid in full (or will be paid in full pursuant to the Company's normal payroll practice policy) for all hours that you have worked for Avon, that you have properly reported all hours worked, and that other than what is provided for in this Agreement (and under the terms and conditions of the employee benefit plans and equity agreements and plans referenced herein), you have no other rights to any other compensation or benefits.
- b. You further acknowledge that you have not been denied any leave requested under the Family and Medical Leave Act ("FMLA") or applicable state leave laws and that, to the extent applicable, you have been returned to your job, or an equivalent position, following any FMLA or state leave taken pursuant to the FMLA or state laws.
- c. You acknowledge, understand and agree that you have reported (or will timely report for occurrences that occur after the date that you sign this Agreement) to Avon any work related injury or illness that occurred up to and including the Separation Date.
- d. You acknowledge and certify that you have complied with Avon's Code of Conduct and its principles.
- e. You acknowledge and agree that you have no additional employment rights against any of the Avon Released Parties as a result of your international assignment.

20. Reservation of Certain Rights

You understand that nothing in this Agreement is intended, and nothing in this Agreement will be construed, to prevent, interfere with, or otherwise restrict communications or actions protected or required by applicable law, including the legitimate exercise of any Section 7 rights under the NLRA that you may have during your employment with Avon (such as discussing terms and conditions of employment and other workplace conditions).

Protection of Whistleblower Rights: This Agreement is not intended to, and shall be interpreted in a manner that does not, limit or restrict you from exercising any legally protected rights that you may have under any applicable statutes, regulations and rules intended to protect whistleblowers (including pursuant to Rule 21F under the Securities Exchange Act of 1934, as amended).

21. Compliance with Laws/Tax Treatment: Avon will comply with all payroll/tax withholding requirements and will include in income these benefits as required by law. Avon cannot guarantee the tax treatment of any of these benefits and makes no representation regarding the tax treatment.

22. Internal Revenue Code Section 409A: The parties hereto have made a good faith effort to comply with current guidance under Section 409A. The intent of the parties hereto is that payments and benefits under this Agreement comply with or be exempt from Section 409A and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted to be in compliance therewith, including, without limitation, that references to "termination of employment" and like terms, with respect to payments and benefits that are provided under a "nonqualified deferred compensation plan" (as defined in Section 409A) that is not exempt from Section 409A, will be interpreted to mean "separation from service" (as defined in Section 409A). In the event that amendments to this Agreement are necessary in order to comply with Section 409A or to minimize or eliminate any income inclusion and penalties under Section 409A (e.g., under any document or operational correction program), Avon and you agree to negotiate in good faith the applicable terms of such amendments and to implement such negotiated amendments, on a prospective and/or retroactive basis, as needed. To the extent that any amount payable or benefit to be provided under this Agreement constitutes an amount payable or benefit to be provided under a "nonqualified deferred compensation plan" (as defined in Section 409A) that is not exempt from Section 409A, and such amount or benefit is payable or to be provided as a result of a "separation from service" (as defined in Section 409A), and you are a specified employee (as defined in Section 409A and determined pursuant to procedures adopted by Avon from time to time) on your

separation from service date, then, notwithstanding any other provision in this Agreement to the contrary, such payment or benefit will not be made or provided to you during the six (6) month period following your separation from service. Notwithstanding the foregoing, Avon makes no representation to you about the effect of Section 409A on the provisions of this Agreement and Avon shall have no liability to you in the event that you become subject to taxation under Section 409A (other than any tax reporting and/or withholding obligations that Avon may have under applicable law).

23. Advice of Counsel: You acknowledge that you have been and are hereby advised by Avon to consult with an attorney about this Agreement and its General Release of Claims prior to signing and you represent that you did so to the extent that you deemed appropriate or you knowingly and voluntarily waived your right to do so. You represent and warrant that you fully understand the terms of this Agreement and its General Release of Claims, and you knowingly and voluntarily, of your own free will, without any duress, being fully informed, and after due deliberation, accept its terms and sign below as your own free act. You understand that, as a result of signing this Agreement you will not have the right to assert that Avon or any other Avon Released Party unlawfully terminated your employment or violated any of your rights in connection with your employment.
24. Challenge to the Validity of the Agreement and Communication with Government Agency: Nothing in this Agreement: (x) limits or affects your right to challenge the validity of the General Release of Claims under the ADEA or the Older Workers Benefit Protection Act; or (y) precludes you from filing an administrative charge or otherwise communicating with any federal, state or local government office, official or agency. However, you promise and agree never to seek or accept any damages or other legal remedies, or any equitable remedies or relief (including, without limitation, relief that would provide you with reinstatement to employment with Avon), and hereby waive any right to recovery of any such damages, remedies or other relief for you personally with respect to any claim released by Paragraph 18, regardless of whether another person or entity or you initiate the underlying action related to the Claim. You also promise and agree not to voluntarily offer to be a witness and/or voluntarily provide evidence in support of any lawsuit brought by a third party (excluding governmental agencies) against Avon or the Avon Released Parties (as defined in the General Release of Claims above).
25. Permissible Time to Sign Agreement. In order to receive the Severance Benefits, you must sign and return this Agreement **no earlier than** the Separation Date and **no later than** thirty (30) days following the Separation Date. If you do not sign and return the Agreement within this time period, then the offer of the Severance Benefits described herein will expire and you will not be entitled to any Severance Benefits. As long as you sign and return this Agreement within this time period, you will have seven (7) days immediately after the date of your signature to revoke your decision by delivering, within the seven (7) day period, written notice of revocation to Avon's Senior Vice President, General Counsel. If you timely sign and return this Agreement and do not revoke it, then this Agreement will become effective on the eighth (8th) day immediately following the date of your signature.

You understand that the present offer of the Severance Benefits is made without prejudice and is conditional upon its unqualified acceptance and compliance with the execution and delivery requirements described above for this Agreement. Note that the Agreement includes an agreement regarding your ongoing obligation to protect and preserve the confidentiality of the Confidential Information obtained or accessed while you were in the employ of Avon.

Your signature below signifies your voluntary acceptance of the terms of this Agreement, its confidentiality clauses and your election to receive the Severance Benefits, which benefits you acknowledge you would not otherwise be entitled to receive

A duplicate copy of this Agreement is attached for your files. Please sign and date both copies of this Agreement, in the spaces provided, returning one copy to Avon and retaining the other copy for your records. If you elect not to enter into this Agreement and accept the Severance Benefits, please notify Avon, in writing, as soon as practicable of your decision. Your failure to timely return the executed Agreement, will be treated as your rejection of the Severance Benefits.

Sheri, thank you again for your contributions to Avon. We wish you the best in your future endeavors.

Sincerely,

AVON PRODUCTS, INC.

By: /s/ Susan Ormiston ___
Susan Ormiston
SVP, Chief Human Resources Officer

ACKNOWLEDGEMENT AND AGREEMENT

I have carefully reviewed, understood and agree with the terms and conditions specified in this Agreement above. I have signed to indicate my acceptance thereof.

Date: 4/9/18 By: /s/ Sherilyn McCoy ____
Sherilyn McCoy

[\(Back To Top\)](#)

Section 6: EX-31.1 (CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 302)

CERTIFICATION

I, Jan Zijderveld, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Avon Products, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those

entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 3, 2018

/s/ Jan Zijderveld

Jan Zijderveld

Chief Executive Officer

[\(Back To Top\)](#)

Section 7: EX-31.2 (CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 302)

Exhibit 31.2

CERTIFICATION

I, James Wilson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Avon Products, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent

fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 3, 2018

/s/ James Wilson

James Wilson
Executive Vice President and
Chief Financial Officer

[\(Back To Top\)](#)

Section 8: EX-32.1 (CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 906)

Exhibit 32.1

**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 of Avon Products, Inc. (the "Company") on Form 10-Q for the period ending June 30, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jan Zijderveld, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (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/ Jan Zijderveld

Jan Zijderveld
Chief Executive Officer
August 3, 2018

[\(Back To Top\)](#)

Section 9: EX-32.2 (CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 906)

Exhibit 32.2

**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 of Avon Products, Inc. (the "Company") on Form 10-Q for the period ending June 30, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James Wilson, Chief Financial Officer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (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/ James Wilson

James Wilson
Executive Vice President and
Chief Financial Officer
August 3, 2018

[\(Back To Top\)](#)