AVON PRODUCTS INC
Form 10-K
February 29, 2012

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

FORM 10-K

ý Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended December 31, 2011
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	13-0544597
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1345 Avenue of the Americas, New York, N.Y. 10105-0196
(Address of principal executive offices)
(212) 282-5000
(Registrant's telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common stock (par value $.25)	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

---

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ý No ¨
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No ý
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 ý No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, 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 ý No ¨
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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

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

The aggregate market value of voting and non-voting Common Stock (par value $.25) held by non-affiliates at June 30, 2011 (the last business day of our most recently completed second quarter) was $12.1 billion.

The number of shares of Common Stock (par value $.25) outstanding at January 31, 2012, was 430,954,008

Documents Incorporated by Reference

Part III - Portions of the registrant's Proxy Statement relating to the 2012 Annual Meeting of Shareholders.

Table of Contents

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

Statements in this report that are not historical facts or information are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as "estimate," "project," "forecast," "plan," "believe," "m "expect," "anticipate," "intend," "planned," "potential," "can," "expectation" and similar expressions, or the negative of those expressions, may identify forward-looking statements. Such forward-looking statements are based on management's reasonable current assumptions and expectations. 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. Such factors include, among others, the following:

- our ability to implement the key initiatives of, and realize the gross and operating margins and projected benefits (in the amounts and time schedules we expect) from, our global business strategy, including our multi-year restructuring programs and any initiatives arising under our long-range business review, product mix and pricing strategies, Enterprise Resource Planning, customer service initiatives, sales and operation planning process, outsourcing strategies, Internet platform and technology strategies, information technology and related system enhancements and cash management, tax, foreign currency hedging and risk management strategies;
- our ability to realize the anticipated benefits (including any financial projections concerning, for example, future revenue, profit, cash flow and operating margin increases) from our multi-year restructuring programs, any initiatives arising under our long-range business review or other initiatives on the time schedules or in the amounts that we expect, and our plans to invest these anticipated benefits ahead of future growth;
- the possibility of business disruption in connection with our multi-year restructuring programs, long-range business review or other initiatives;
- our ability to realize sustainable growth from our investments in our brand and the direct-selling channel;
- our ability to transition our business in North America, including enhancing our Sales Leadership model and optimizing our product portfolio;
- a general economic downturn, a recession globally or in one or more of our geographic regions, or sudden disruption in business conditions, and the ability of our broad-based geographic portfolio to withstand an economic downturn, recession, cost inflation, commodity cost pressures, economic or political instability, competitive or other market pressures or conditions;
- the effect of political, legal, tax and regulatory risks imposed on us in the United States and abroad, our operations or our Representatives, including foreign exchange or other restrictions, adoption, interpretation and enforcement of foreign laws including 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 in China;
- our ability to effectively manage inventory and implement initiatives to reduce inventory levels, including the potential impact on cash flows and obsolescence;
- our ability to achieve growth objectives, particularly in our largest markets, such as the U.S., and developing and emerging markets, such as Brazil or Russia;
- our ability to successfully identify new business opportunities and identify and analyze acquisition candidates, secure financing on favorable terms and negotiate and consummate acquisitions as well as to successfully integrate or manage any acquired business;
- the challenges to our acquired businesses, such as Silpada, including the effect of rising costs, macro-economic pressures, competition, and the impact of declines in expected future cash flows and growth rates, and a change in the discount rate used to determine the fair value of expected future cash flows, which have impacted, and may continue to impact, the estimated fair value of the recorded goodwill and intangible assets;
- the effect of economic factors, including inflation and fluctuations in interest rates and currency exchange rates, as well as the designation of Venezuela as a highly inflationary economy, foreign exchange restrictions and the potential effect of such factors on our business, results of operations and financial condition;

- our ability to successfully transition and evolve our business in China in connection with the development and evolution of the direct-selling business in that market, our ability to operate using a direct-selling model permitted in that market and our ability to retain and increase the number of Active Representatives there over a sustained period of time;

1

- general economic and business conditions in our markets, including social, economic and political uncertainties in the international markets in our portfolio;
- any developments in or consequences of investigations and compliance reviews, and any litigation related thereto, including the ongoing internal investigation and compliance reviews of Foreign Corrupt Practices Act and related U.S. and foreign law matters in China and additional countries, as well as any disruption or adverse consequences resulting from such investigations, reviews, related actions or litigation;
- key information technology systems, process or site outages and disruptions;
- disruption in our supply chain or manufacturing and distribution operations;
- 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;
- the risk of product or ingredient shortages resulting from our concentration of sourcing in fewer suppliers;
- the quality, safety and efficacy of our products;
- the success of our research and development activities;
- our ability to attract and retain key personnel;
- competitive uncertainties in our markets, including competition from companies in the cosmetics, fragrances, skincare and toiletries industry, some of which are larger than we are and have greater resources;
- our ability to implement our Sales Leadership program globally, to generate Representative activity, to increase the number of consumers served per Representative and their engagement online, to enhance the Representative and consumer experience and increase Representative productivity through field activation programs, execution of Service Model Transformation and other investments in the direct-selling channel, and to compete with other direct-selling organizations to recruit, retain and service Representatives and to continue to innovate the direct-selling model;
- the impact of the typically seasonal nature of our business, adverse effect of rising 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 protect our intellectual property rights;
- the risk of an adverse outcome in any material pending and future litigations or with respect to the legal status of Representatives;
- our ratings, our access to cash and short and long-term financing and ability to secure financing, or financing at attractive rates;
- the impact of possible pension funding obligations, increased pension expense and any changes in pension regulations or interpretations thereof on our cash flow and results of operations; and
- the impact of changes in tax rates on the value of our deferred tax assets.

Additional information identifying such factors is contained in Item 1A of our 2011 Form 10-K for the year ended December 31, 2011. We undertake no obligation to update any such forward-looking statements.

PART I

(Dollars in millions, except per share data)

ITEM 1. BUSINESS

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

General

We are a global manufacturer and marketer of beauty and related products. We commenced operations in 1886 and were incorporated in the State of New York on January 27, 1916. We conduct our business in the highly competitive beauty industry and compete against other consumer packaged goods (“CPG”) and direct-selling companies to create, manufacture and market beauty and non-beauty-related products. Our product categories are Beauty, Fashion and Home. Beauty consists of color cosmetics, fragrances, skin care and personal care. Fashion consists of fashion jewelry, watches, apparel, footwear, accessories and children’s products. Home consists of gift and decorative products, housewares, entertainment and leisure products and nutritional products.

Unlike most of our CPG competitors, which sell their products through third-party retail establishments (e.g., drug stores, department stores), our business is conducted worldwide primarily in one channel, direct selling. Our reportable segments are based on geographic operations in five regions: Latin America; North America; Central & Eastern Europe; Western Europe, Middle East & Africa; and Asia Pacific. We have centralized operations for Global Brand Marketing, Global Sales and Supply Chain. Financial information relating to our reportable segments is included in the “Segment Review” section within Management’s Discussion and Analysis of Financial Condition and Results of Operations, which we refer to in this report as “MD&A”, on pages 20 through 42 of this 2011 Annual Report on Form 10-K, which we refer to in this report as our “2011 Annual Report”, and in Note 13, Segment Information, on pages F-34 through F-36 of our 2011 Annual Report. Information about geographic areas is included in Note 13, Segment Information, on pages F-34 through F-36 of our 2011 Annual Report.

Over the past six years, we have been implementing various initiatives, including our 2005 and 2009 Restructuring Programs, and investments in advertising and our Representatives. Additional information regarding our initiatives is included in the “Overview” and "Initiatives" sections within MD&A on pages 20 through 22 and additional information regarding our inventory is included in the “Provisions for Inventory Obsolescence” and “Liquidity and Capital Resources” sections within MD&A on pages 23 and 39 through 42 of our 2011 Annual Report. In 2011, we committed to undertake a detailed assessment of our long-range business plan in order to improve our performance and better position ourselves in the increasingly complex economic environment. The review will include internal and external inputs, executional capabilities and capital allocation.

In July 2010, we purchased substantially all the assets and liabilities of Silpada Designs, Inc. (“Silpada”), a direct seller of jewelry products, primarily in North America. Additionally, in December 2010 we sold the ownership interest in Avon Products Company Limited ("Avon Japan") to Devon Holdings K.K., an affiliate of TPG Capital.

Distribution

We presently have sales operations in 65 countries and territories, including the U.S., and distribute our products in 42 other countries and territories. Unlike most of our competitors, which sell their products through third party retail establishments (e.g., drug stores, department stores), we primarily sell our products to the ultimate consumer through the direct-selling channel. In our case, sales of our products are made to the ultimate consumer principally through direct selling by approximately 6.4 million active independent Representatives. Representatives are independent contractors and not our employees. Representatives earn a profit by purchasing products directly from us at a discount from a published brochure price and selling them to their customers, the ultimate consumer of our products. We generally have no arrangements with end users of our products beyond the Representative, except as described below. No single Representative accounts for more than 10% of our net sales.

A Representative contacts customers directly, selling primarily through our brochure, which highlights new products and special promotions 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 usually generated every two weeks in the U.S. and every two to four weeks for most markets outside the U.S. Generally, the Representative forwards an order for a campaign to us using the Internet, mail, telephone, or fax. This order is processed and the products are assembled 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 payment from the customer for his or her own account. A Representative generally receives a refund of the price the Representative paid for a product if the Representative chooses to return it.

We employ certain web enabled systems to increase Representative support, which allow a Representative to run her or his business more efficiently and also allow us to improve our order-processing accuracy. For example, in many countries, Representatives can utilize the Internet to manage their business electronically, including order submission, order tracking, payment and two-way communications with us. In addition Representatives can further build their own business through personalized web pages provided by us, enabling them to sell a complete line of our products online. Self-paced online training also is available in certain markets, as well as up-to-the-minute news about us.

In some markets, we use decentralized branches, satellite stores and independent retail operations to serve Representatives and other customers. Representatives come to a branch to place and pick up product orders for their customers. The branches also create visibility for us with consumers and help reinforce our beauty image. In certain markets, we provide opportunities to license our beauty centers and other retail-oriented and direct to consumer opportunities to reach new customers in complementary ways to direct selling. In the U.S. and selected other markets, we also market our products through consumer websites (www.avon.com in the U.S.).

The recruiting or appointing and training of Representatives are the primary responsibilities of district sales managers, zone managers, and independent sales leaders. Depending on the market and the responsibilities of the role, some of these individuals are our employees and some are independent contractors. Those who are employees are paid a salary and an incentive based primarily on the achievement of a sales objective in their district. Those who are independent contractors are rewarded primarily based on total sales achieved in their zones or downlines. Personal contacts, including recommendations from current Representatives (including the Sales Leadership program), and local market advertising constitute the primary means of obtaining new Representatives. The Sales Leadership program is a multi-level compensation program which gives Representatives, known as Sales Leadership Representatives, the opportunity to earn bonuses based on the net sales made by Representatives they have recruited and trained in addition to discounts earned on their own sales of our products. This program generally limits the number of levels on which commissions can be earned to three and continues to focus on individual product sales by Sales Leadership Representatives. The primary responsibilities of Sales Leadership Representatives are the prospecting, appointing, training and development of their down-line Representatives while maintaining a certain level of their own sales. Development of the Sales Leadership program throughout the world is one part of our long-term growth strategy. As described above, the Representative is the “store” through which we primarily sell our products and given the high rate of turnover among Representatives (a common characteristic of direct selling), it is critical that we recruit, retain and service Representatives on a continuing basis in order to maintain and grow our business.

From time to time, local governments and others question the legal status of Representatives or impose burdens inconsistent with their status as independent contractors, often in regard to possible coverage under social benefit laws that would require us (and, in most instances, the Representatives) to make regular contributions to government social benefit funds. Although we have generally been able to address these questions in a satisfactory manner, these questions can be raised again following regulatory changes in a jurisdiction or can be raised in additional jurisdictions. If there should be a final determination adverse to us in a country, the cost for future, and possibly past, contributions could be so substantial in the context of the volume and profitability of our business in that country that we would consider discontinuing operations in that country.

Promotion and Marketing

Sales promotion and sales development activities are directed at assisting Representatives, through sales aids such as brochures, product samples and demonstration products. In order to support the efforts of Representatives to reach new customers, specially designed sales aids, promotional pieces, customer flyers, television and print advertising are used. In addition, we seek to motivate our Representatives through the use of special incentive programs that reward superior sales performance. Periodic sales meetings with Representatives are conducted by the district sales or zone managers. The meetings are designed to keep Representatives abreast of product line changes, explain sales techniques and provide recognition for sales performance.

A number of merchandising techniques are used, including the introduction of new products, the use of combination offers, the use of trial sizes and samples, and the promotion of products packaged as gift items. In general, for each sales campaign, a distinctive brochure is published, in which new products are introduced and selected items are offered as special promotions or are given particular prominence in the brochure. A key current priority for our

merchandising is to continue the use of pricing and promotional models to enable a deeper, fact-based understanding of the role and impact of pricing within our product portfolio.
From time to time, various regulations or laws have been proposed or adopted that would, in general, restrict the frequency, duration or volume of sales resulting from new product introductions, special promotions or other special price offers. We expect our pricing flexibility and broad product lines to mitigate the effect of these regulations.

Competitive Conditions

We face competition from various products and product lines both domestically and internationally. The beauty and beauty-related products industry is highly competitive and the number of competitors and degree of competition that we face in this industry varies widely from country to country. Worldwide, we compete against products sold to consumers by other direct-selling and direct-sales companies and through the Internet, and against products sold through the mass market and prestige retail channels.

Specifically, due to the nature of the direct-selling channel, we compete on a regional, often country-by-country basis, with our direct-selling competitors. Unlike most other beauty companies, we compete within a distinct business model where providing a compelling earnings opportunity for our Representatives is as critical as developing and marketing new and innovative products. As a result, in contrast to a typical CPG company which operates within a broad-based consumer pool, we must first compete for a limited pool of Representatives before we reach the ultimate consumer.

Within the broader CPG industry, we principally compete against large and well-known cosmetics and fragrances companies that manufacture and sell broad product lines through various types of retail establishments. In addition, we compete against many other companies that manufacture and sell more narrow beauty product lines sold through retail establishments and other channels.

We also have many competitors in the gift and decorative products and apparel industries globally, including retail establishments, principally department stores, gift shops and specialty retailers, and direct-mail companies specializing in these products.

Our principal competition in the fashion jewelry industry consists of a few large companies and many small companies that sell fashion jewelry through retail establishments and direct-selling.

We believe that the personalized customer service offered by our Representatives; the amount and type of field incentives we offer our Representatives on a market-by-market basis; the high quality, attractive designs and prices of our products; the high level of new and innovative products; our easily recognized brand name and our guarantee of product satisfaction are significant factors in helping to establish and maintain our competitive position.

International Operations

Our international operations are conducted primarily through subsidiaries in 64 countries and territories outside of the U.S. In addition to these countries and territories, our products are distributed in 42 other countries and territories.

Our international operations are subject to risks inherent in conducting business abroad, including, but not limited to, the risk of adverse currency fluctuations, currency remittance restrictions and unfavorable social, economic and political conditions.

See the sections “Risk Factors - Our ability to conduct business, particularly in international markets, may be affected by political, legal, tax and regulatory risks” and “Risk Factors - We are subject to financial risks related to our international operations, including exposure to foreign currency fluctuations” in Item 1A on pages 8 through 15 of our 2011 Annual Report.

Manufacturing

We manufacture and package almost all of our Beauty products. Raw materials, consisting chiefly of essential oils, chemicals, containers and packaging components, are purchased for our Beauty products from various suppliers. Most of our Fashion and Home products are purchased from various third-party suppliers. Additionally, we design the brochures that are used by the Representatives to sell our products. The loss of any one supplier would not have a material impact on our ability to source raw materials for our Beauty products or source products for our Fashion and Home categories or paper for the brochures.

Packages, consisting of containers and packaging components, are designed by our staff of artists and designers. The design and development of new Beauty products are affected by the cost and availability of materials such as glass, plastics and chemicals. We believe that we can continue to obtain sufficient raw materials and supplies to manufacture and produce our Beauty products for the foreseeable future.

We also continue to implement an enterprise resource planning (“ERP”) system on a worldwide basis, which is expected to improve the efficiency of our supply chain and financial transaction processes. The implementation is expected to continue in phases over the next several years. We have completed implementation in our most significant markets.

See Item 2, Properties, for additional information regarding the location of our principal manufacturing facilities.

Product Categories

Two of our three product categories account for 10% or more of consolidated net sales in 2011. The following is the percentage of net sales by product category for the years ended December 31:

	2011		2010		2009	
Beauty	73	%	71	%	72	%
Fashion	18	%	19	%	18	%
Home	9	%	10	%	10	%

Trademarks and Patents

Our business is not materially dependent on the existence of third-party patent, trademark or other third-party intellectual property rights, and we are not a party to any ongoing material licenses, franchises or concessions. We do seek to protect our key proprietary technologies by aggressively pursuing comprehensive patent coverage in major markets. We protect our Avon name and other major proprietary trademarks through registration of these trademarks in the markets where we sell our products, monitoring the markets for infringement of such trademarks by others, and by taking appropriate steps to stop any infringing activities.

Seasonal Nature of Business

Our sales and earnings typically have a seasonal pattern characteristic of many companies selling Beauty, gift and decorative products, apparel, and fashion jewelry. Holiday sales generally cause a sales peak in the fourth quarter of the year; however, the sales volume of holiday gift items is, by its nature, difficult to forecast. Fourth quarter revenue and operating data was as follows:

	2011		2010	
Fourth quarter revenues as a % of total revenue	27	%	29	%
Fourth quarter operating profit as a % of total operating profit	2	%	33	%

The fourth quarter operating profit comparison between 2011 and 2010 was unfavorably impacted by a $263.0 impairment charge, or 31% of full year operating profit, recognized in the fourth quarter of 2011. The fourth quarter operating profit comparison was partially offset by lower costs to implement our restructuring initiatives in 2011 compared to 2010. The fourth quarter of 2011 included costs to implement our restructuring initiatives of $8.7, whereas the fourth quarter of 2010 included $58.3 of costs to implement our restructuring initiatives.

Research and Product Development Activities

New products are essential to growth in the highly competitive cosmetics industry. Our research and development department's efforts are significant to developing new products, including formulating effective beauty treatments relevant to women's needs, and redesigning or reformulating existing products. To increase our brand competitiveness, we have sustained our focus on new technology and product innovation to deliver first-to-market products that provide visible consumer benefits.

Our global research and development facility is located in Suffern, NY. A team of researchers and technicians apply the disciplines of science to the practical aspects of bringing products to market around the world. Relationships with dermatologists and other specialists enhance our ability to deliver new formulas and ingredients to market. Additionally, we have satellite research facilities located in Argentina, Brazil, China, Mexico, Poland and South Africa. In 2010, we invested in our R&D facility in Shanghai, China to increase our ability to develop products to better meet Asian consumers' needs.

In 2011, our most significant product launches included: SuperShock Max Mascara. Moisture Seduction Lipstick, Outspoken Intense by Fergie Fragrance, Step Into Fragrance, Anew Genics Treatment Cream, Anew Solar Advance Sunscreen Face Lotion SPF 45, Solutions Youth Minerals Restorative Night Cream, Skin So Soft Perfecting Oil, Advance Techniques Damage Repair 3D Rescue Leave-in Treatment, Super Enchant Mascara, and ExtraLasting Makeup.

The amounts incurred on research activities relating to the development of new products and the improvement of existing products were $77.7 in 2011, $72.6 in 2010 and $65.4 in 2009. This research included the activities of product research and development and package design and development. Most of these activities were related to the development of Beauty products.

Environmental Matters

In general, compliance with environmental regulations impacting our global operations has not had, and is not anticipated to have, any material adverse effect on our capital expenditures, financial position or competitive position.

Employees

At December 31, 2011, we employed approximately 40,600 employees. Of these, approximately 5,400 were employed in the U.S. and 35,200 in other countries.

Website Access to Reports

Our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports, are, and have been throughout 2011, available without charge on our investor website (www.avoninvestor.com) as soon as reasonably practicable after they are filed with or furnished to the Securities and Exchange Commission (the "SEC"). We also make available on our website the charters of our Board Committees, our Corporate Governance Guidelines and our Code of Business Conduct and Ethics. Copies of these SEC reports and other documents are also available, without charge, from Investor Relations, Avon Products, Inc., 1345 Avenue of the Americas, New York, NY 10105-0196 or by sending an email to investor.relations@avon.com or by calling (212) 282-5320. Information on our website does not constitute part of this report. Additionally, our filings with the SEC may be read and copied at the SEC Public Reference Room at 100 F Street, NE Washington, DC 20549. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330. These filings including reports, proxy and information statements, and other information regarding the Company are also available on the SEC's website at www.sec.gov free of charge as soon as reasonably practicable after we have filed or furnished the above referenced reports.

ITEM 1A. RISK FACTORS

You should carefully consider each of the following risks associated with an investment in our publicly traded securities and all of the other information in our 2011 Annual Report. Our business may also be adversely affected by risks and uncertainties not presently known to us or that we currently believe to be immaterial. If any of the events contemplated by the following discussion of risks should occur, our business, prospects, financial condition and results of operations may suffer.

Our success depends on our ability to execute fully our global business strategy.

Our ability to implement the key initiatives of our global business strategy is dependent upon a number of factors, including our ability to:

- implement our multi-year restructuring programs and any initiatives arising under the long-range business review as well as achieve any anticipated savings and benefits from such programs and initiatives;
- increase our beauty sales and market share, and strengthen our brand image;
- realize anticipated cost savings and reinvest such savings effectively in consumer-oriented investments and other aspects of our business;
- implement appropriate product mix and pricing strategies and achieve anticipated benefits from these strategies;
- implement Enterprise Resource Planning (ERP) and realize efficiencies across our supply chain, marketing processes, sales model and organizational structure;
- implement customer service initiatives and the Sales and Operation Planning process;
- implement and continue to innovate our Internet platform and technology strategies;
- implement our outsourcing strategies;
- effectively manage inventory and implement initiatives to reduce inventory levels, including the potential impact on cash flows and obsolescence;
- secure short and long-term financing, or financing at attractive rates, maintain appropriate cash flow levels to fund, among other things, cash dividends, and implement cash management, tax, foreign currency hedging and risk management strategies;
- implement our Sales Leadership program globally, recruit Representatives, enhance the Representative experience and increase their productivity through field activation programs, execute Service Model Transformation and other investments in the direct selling channel;
- transition our business in North America, including enhancing our Sales Leadership model and optimizing our product portfolio;
- increase the number of consumers served per Representative and their engagement online, as well as to reach new consumers through a combination of new brands, new businesses, new channels and pursuit of strategic opportunities such as acquisitions, joint ventures and strategic alliances with other companies; and
- estimate and achieve any financial projections concerning, for example, future revenue, profit, cash flow, and operating margin increases.

There can be no assurance that any of these initiatives will be successfully and fully executed in the amounts or within the time periods that we expect.

We may experience financial and strategic difficulties and delays or unexpected costs in completing our multi-year restructuring programs or long-range business review, including achieving any anticipated savings and benefits of the initiatives thereunder.

In October 2011, we committed to undertake a detailed assessment of our long-range business plan in order to improve our performance and better position ourselves in the increasingly complex economic environment. The review will include internal and external inputs, executional capabilities and capital allocation. We also continue to implement our previously announced multi-year restructuring programs. We may not realize, in full or in part, any anticipated savings or benefits from one or more of any initiatives arising under the long-range business review or our multi-year restructuring programs. Other events and circumstances, such as financial and strategic difficulties and delays or unexpected costs, may occur which could result in our not realizing all or any of the anticipated savings or benefits. If we are unable to realize these savings or benefits, our ability to

8

continue to fund other initiatives may be adversely affected. In addition, our plans to invest these savings and benefits ahead of future growth means that such costs will be incurred whether or not we realize these savings and benefits. We are also subject to the risk of business disruption in connection with our long-range business review, multi-year restructuring programs or other initiatives, which could have a material adverse effect on our business, financial condition and operating results.

There can be no assurance that we will be able to achieve our growth objectives.

There can be no assurance that we will be able to achieve profitable growth in the future, particularly in our largest markets, such as the U.S., and developing and emerging markets, such as Brazil or Russia. Our growth overall is also subject to the strengths and weaknesses of our individual markets, including our international markets, which are or may be impacted by global economic conditions. We cannot assure that our broad-based geographic portfolio will be able to withstand an economic downturn, recession, cost inflation, commodity cost pressures, economic or political instability, competitive or other market pressures in one or more particular regions. Our ability to increase or maintain revenue and earnings depends on numerous factors, and there can be no assurance that our current or future business strategies will lead us to achieve our growth objectives or maintain our rates of growth.

Our success depends, in part, on our key personnel.

Our success depends, in part, on our ability to retain our key personnel. The unexpected loss of or failure to retain one or more of our key employees could adversely affect our business. Our success also depends, in part, on our continuing ability to identify, hire, train and retain other highly qualified personnel. Competition for these employees can be intense. We may not be able to attract, assimilate or retain qualified personnel in the future, and our failure to do so could adversely affect our business, including the execution of our global business strategy. For example, on December 13, 2011, the Company announced that in 2012 the Company will separate the roles of Chairman and Chief Executive Officer (“CEO”). Any failure by a successor CEO or our management team to perform as expected may have a material adverse effect on our business, results of operations and financial condition. This risk may be exacerbated by the uncertainties associated with the implementation of our multi-year restructuring programs and long-range business review.

Our business is conducted worldwide primarily in one channel, direct selling.

Our business is conducted worldwide, primarily in the direct-selling channel. Sales are made to the ultimate consumer principally through approximately 6.4 million active independent Representatives worldwide. There is a high rate of turnover among Representatives, which is a common characteristic of the direct-selling business. As a result, in order to maintain our business and grow our business in the future, we need to recruit, retain and service Representatives on a continuing basis and continue to innovate the direct-selling model. Consumer purchasing habits, including reducing purchases of beauty and related products generally, or reducing purchases from Representatives or buying beauty and related products in channels other than in direct selling, such as retail, could reduce our sales, impact our ability to execute our global business strategy or have a material adverse effect on our business, financial condition and results of operations. If our competitors establish greater market share in the direct-selling channel, our business, financial condition and operating results may be adversely affected. Furthermore, if any government bans or severely restricts our business method of direct selling, our business, financial condition and operating results may be adversely affected.

Our ability to conduct business, particularly in international markets, may be affected by political, legal, tax and regulatory risks.

Our ability to capitalize on growth, particularly in new international markets, and to maintain the current level of operations, particularly in our existing international markets, is exposed to various risks, including:

- the possibility that a foreign government might ban or severely restrict our business method of direct selling;
- the possibility that local civil unrest, economic or political instability, changes in macro-economic conditions, changes in diplomatic or trade relationships or other uncertainties might disrupt our operations in an international market;
- the lack of well-established or reliable legal systems in certain areas where we operate;
- the adoption of new U.S. or international tax legislation or exposure to additional tax liabilities;
- the possibility that a government authority might impose legal, tax or other financial burdens on our Representatives, as direct sellers, or on Avon, due, for example, to the structure of our operations in various markets; and

- the possibility that a government authority might challenge the status of our Representatives as independent contractors or impose employment or social taxes on our Representatives.

For example, in 1998, the Chinese government banned direct selling, but, subsequently in April 2005, the Chinese government granted approval for us to proceed with a limited test of direct selling in certain areas. The Chinese government later issued direct-selling regulations in late 2005, and we were granted a direct-selling license by China's Ministry of Commerce in late February 2006, which allowed us to commence direct selling under such regulations. However, there can be no assurance that these and other regulations and approvals will not be rescinded, restricted or otherwise altered, or that other regulations and approvals will not be adopted, which may have a material adverse effect on our business in China. There can be no assurance that we will be able to successfully transition and evolve our business in China in connection with the development and evolution of the direct selling business in that market and successfully operate using a direct-selling model permitted in that market, or that we will experience growth in that or other emerging markets. We may encounter similar political, legal and regulatory risks in other international markets in our portfolio.

We are also subject to the adoption, interpretation and enforcement by governmental agencies in the United States and abroad of other laws, rules, regulations or policies, including any changes thereto, such as restrictions on trade, import and export license requirements, privacy and data protection laws, records and information management, e-invoicing, and tariffs and taxes, which may require us to adjust our operations and systems in certain markets where we do business. For example, privacy and data protection laws are subject to frequently changing rules and regulations, which may vary among the various jurisdictions where we operate. If we are unable to adhere to or successfully implement processes in response to changing regulatory requirements, our business and/or reputation may be adversely affected. We cannot predict with certainty the outcome or the impact that pending or future legislative and regulatory changes may have on our business in the future.

We are subject to financial risks related to our international operations, including exposure to foreign currency fluctuations.

We operate globally, through operations in various locations around the world, and derive approximately 83% of our consolidated revenue from our operations outside of the U.S.

One risk associated with our international operations is that the functional currency for most of our international operations is the applicable local currency. Because of this, movements in exchange rates may have a significant impact on our earnings, assets, cash flow and financial position. For example, currencies for which we have significant exposures include the Argentine peso, Australian dollar, Brazilian real, British pound, Canadian dollar, Chinese renminbi, Colombian peso, the euro, Mexican peso, Philippine peso, Polish zloty, Russian ruble, South Africa rand, Turkish lira, Ukrainian hryvnia and Venezuelan bolívar. Periodically, we implement foreign currency hedging and risk management strategies to reduce our exposure to fluctuations in earnings and cash flows associated with changes in foreign exchange rates. There can be no assurance that foreign currency fluctuations will not have a material adverse effect on our business, results of operations and financial condition.

Another risk associated with our international operations is the possibility that a foreign government may impose currency remittance restrictions. Due to the possibility of government restrictions on transfers of cash out of the country and control of exchange rates, we may not be able to immediately repatriate cash at the official exchange rate or if the official exchange rate devalues, it may have a material adverse effect on our business, results of operations and financial condition. For example, currency restrictions enacted by the Venezuelan government in 2003 have become more restrictive and have impacted the ability of our subsidiary in Venezuela (Avon Venezuela) to obtain foreign currency at the official rate to pay for imported products. Unless official foreign exchange is made more readily available, Avon Venezuela's operations will continue to be negatively impacted as it will need to obtain more of its foreign currency needs from non-government sources where the exchange rate is less favorable than the official rate.

Inflation is another risk associated with our international operations. For example, Venezuela has been designated as a highly inflationary economy. Gains and losses resulting from the remeasurement of the financial statements of subsidiaries operating in highly inflationary economies are recorded in earnings. Given Venezuela's designation as a highly inflationary economy and the devaluation of the official rate, our revenue, operating profit, and net income will continue to be negatively impacted in 2012 and beyond. In addition, there can be no assurance that other countries in which we operate will not also become highly inflationary and that our operations will not be negatively impacted as a result. See the "Segment Review" section within MD&A on pages 31 through 32 of our 2011 Annual Report for additional information regarding Venezuela.

A general economic downturn, a recession globally or in one or more of our geographic regions or sudden disruption in business conditions or other challenges may adversely affect our business and our access to liquidity and capital.

A downturn in the economies in which we sell our products, including any recession in one or more of our geographic regions, or the current global macro-economic pressures, could adversely affect our business and our access to liquidity and capital. Recent global economic events over the past few years, including job losses, the tightening of credit markets and failures of financial institutions and other entities, have resulted in challenges to our business and a heightened concern regarding further deterioration globally. We could experience declines in revenues, profitability and cash flow due to reduced orders, payment delays, supply chain disruptions or other factors caused by economic or operational challenges. Any or all of these factors could potentially have a material adverse effect on our liquidity and capital resources, including our ability to issue commercial paper, raise additional capital and maintain credit lines and offshore cash balances. An adverse change in our credit ratings could result in an increase in our borrowing costs and have an adverse impact on our ability to access certain debt markets, including the commercial paper market.

Consumer spending is also generally affected by a number of factors, including general economic conditions, inflation, interest rates, energy costs, gasoline prices and consumer confidence generally, all of which are beyond our control. Consumer purchases of discretionary items, such as beauty and related products, tend to decline during recessionary periods, when disposable income is lower, and may impact sales of our products. We face continued economic challenges in fiscal 2012 because customers may continue to have less money for discretionary purchases as a result of job losses, foreclosures, bankruptcies, reduced access to credit and sharply falling home prices, among other things.

In addition, sudden disruptions in business conditions as a result of a terrorist attack similar to the events of September 11, 2001, including further attacks, retaliation and the threat of further attacks or retaliation, war, adverse weather conditions and climate changes or other natural disasters, such as Hurricane Katrina, pandemic situations or large scale power outages can have a short or, sometimes, long-term impact on consumer spending.

We face significant competition.

We face competition from competing products in each of our lines of business, in both the domestic and international markets. Worldwide, we compete against products sold to consumers by other direct-selling and direct-sales companies and through the Internet, and against products sold through the mass market and prestige retail channels. We also face increasing competition in our developing and emerging markets.

Within the direct selling channel, we compete on a regional, and often country-by-country basis, with our direct-selling competitors. There are also a number of direct-selling companies that sell product lines similar to ours, some of which also have worldwide operations and compete with us globally. Unlike most other beauty companies, we compete within a distinct business model where providing a compelling earnings opportunity for our Representatives is as critical as developing and marketing new and innovative products. Therefore, in contrast to a typical consumer packaged goods ("CPG") company which operates within a broad-based consumer pool, we must first compete for a limited pool of Representatives before we reach the ultimate consumer.

Direct sellers compete for representative or entrepreneurial talent by providing a more competitive earnings opportunity or "better deal" than that offered by the competition. Representatives are attracted to a direct seller by competitive earnings opportunities, often through what are commonly known as "field incentives" in the direct selling industry. Competitors devote substantial effort to finding out the effectiveness of such incentives so that they can invest in incentives that are the most cost effective or produce the better payback. As the largest and oldest beauty direct seller, Avon's business model and strategies are often highly sought after, particularly by smaller local and more nimble competitors who seek to capitalize on our investment and experience. As a result, we are subject to significant competition for the recruitment of Representatives from other direct selling or network marketing organizations. It is therefore continually necessary to innovate and enhance our direct selling and service model as well as to recruit and retain new Representatives. If we are unable to do so our business will be adversely affected.

Within the broader CPG industry, we compete against large and well-known cosmetics and fragrances companies that manufacture and sell broad product lines through various types of retail establishments. In addition, we compete against many other companies that manufacture and sell in more narrow Beauty product lines sold through retail establishments. This industry is highly competitive, and some of our principal competitors in the CPG industry are larger than we are and have greater resources than we do. Competitive activities on their part could cause our sales to suffer. We have many competitors in the highly competitive gift and decorative products and apparel industries globally, including retail establishments, principally department stores, gift shops and specialty retailers, and direct-mail companies specializing in these products. Our principal competition in the highly competitive fashion jewelry industry consists of a few large companies and many small companies that sell fashion jewelry through retail establishments.

The number of competitors and degree of competition that we face in this beauty and related products industry varies widely from country to country. If our advertising, promotional, merchandising or other marketing strategies are not successful, if we are unable to deliver new products that represent technological breakthroughs, if we do not successfully manage the timing of new product introductions or the profitability of these efforts, or if for other reasons our Representatives or end customers perceive competitors' products as having greater appeal, then our sales and financial results may suffer.

Any acquisitions may expose us to additional risks.

We continuously review acquisition prospects that would complement our current product offerings, increase the size and geographic scope of our operations or otherwise offer growth and operating efficiency opportunities. The financing for any of these acquisitions could dilute the interests of our stockholders, result in an increase in our indebtedness or both. Acquisitions may entail numerous risks, including:

- difficulties in assimilating acquired operations or products, including the loss of key employees from acquired businesses and disruption to our direct selling channel;
- diversion of management's attention from our core business;
- adverse effects on existing business relationships with suppliers and customers; and
- risks of entering markets in which we have limited or no prior experience.

For example, the challenges to our acquired Silpada business, including the effect of rising silver prices, macro-economic pressures, competition, and the impact of declines in expected future cash flows and growth rates, and a change in the discount rate used to determine the fair value of expected future cash flows, have impacted the estimated fair value of the recorded goodwill and intangible assets. An impairment of our goodwill and intangible assets could have a material adverse effect on our operating results. See Note 17, Goodwill and Intangible Assets, on page F-42 through F-44 of our 2011 Annual Report for additional information regarding Silpada.

Our failure to successfully complete the integration of any acquired business could have a material adverse effect on our business, financial condition and operating results. In addition, there can be no assurance that we will be able to identify suitable acquisition candidates or consummate acquisitions on favorable terms.

A disruption of a key information technology system, process or site could adversely affect our operations.

We employ information technology systems to support our business, including systems to support financial reporting, web-based tools, an ERP system which we are implementing on a worldwide basis, and an internal communication and data transfer network. We also employ information technology systems to support Representatives in many of our markets, including electronic order collection and invoicing systems and on-line training, and utilize third-party service providers. We have Internet sites in many of our markets, including business-to-business websites to support Representatives. We have undertaken initiatives to increase our reliance on employing information technology systems to enable our Representatives, as well as initiatives, as part of our multi-year restructuring programs, to outsource certain services, including the provision of global human resources information technology systems to our employees and other information technology processes.

Any of these systems may be susceptible to outages or disruptions due to the complex landscape of localized applications and architectures as well as incidents due to legacy or unintegrated systems or both, fire, floods, power loss, telecommunications failures, terrorist attacks, break-ins, corruption and similar events. There may be other challenges and risks as we upgrade, modernize, and standardize our information technology systems, such as through Service Model Transformation, on a worldwide basis. In addition, in the third quarter of 2011, we experienced challenges in implementing an ERP system in Brazil which impacted service levels, which in turn negatively impacted average order and Active Representative and revenue growth during 2011. Despite our industry-standard network security measures, including performing due diligence on our third-party vendors, our systems may also be vulnerable to computer viruses, data security breaches, break-ins, corruption and similar disruptions from unauthorized tampering with these systems. The occurrence of these or other events could disrupt our information technology systems and adversely affect our operations.

Third-party suppliers provide, among other things, the raw materials used to manufacture our Beauty products, and the loss of these suppliers or a disruption or interruption in the supply chain may adversely affect our business.

We manufacture and package almost all of our Beauty products. Raw materials, consisting chiefly of essential oils, chemicals, containers and packaging components, are purchased from various third-party suppliers for our Beauty products. Almost all of our non-Beauty products are purchased from various suppliers. Additionally, we produce the brochures that are used by

Representatives to sell Avon products. The loss of multiple suppliers or a significant disruption or interruption in the supply chain could have a material adverse effect on the manufacturing and packaging of our Beauty products, the purchasing of our non-Beauty products or the production of our brochures. This risk may be exacerbated by our strategic sourcing initiative ("SSI"), which is shifting our purchasing strategy toward a globally-coordinated one, which leverages volumes. Furthermore,
increases in the costs of raw materials or other commodities may adversely affect our profit margins if we are unable to pass along any higher costs in the form of price increases or otherwise achieve cost efficiencies in manufacturing and distribution.

The loss of or a disruption in our manufacturing and distribution operations could adversely affect our business.

Our principal properties consist of worldwide manufacturing facilities for the production of Beauty products, distribution centers where offices are located and where finished merchandise is packed and shipped to Representatives in fulfillment of their orders, and one principal research and development facility. Additionally, we also use third party manufacturers to manufacture certain of our products. Therefore, as a company engaged in manufacturing, distribution and research and development on a global scale, we are subject to the risks inherent in such activities, including industrial accidents, environmental events, fires, strikes and other labor or industrial disputes, disruptions in logistics or information systems (such as the ERP system), loss or impairment of key manufacturing or distribution sites, product quality control, safety, licensing requirements and other regulatory or government issues, as well as natural disasters, pandemics, border disputes, acts of terrorism and other external factors over which we have no control. These risks may be exacerbated by our efforts to increase facility consolidation covering our manufacturing, distribution and supply footprints, which may require significant resources and be challenging to achieve, or if we are unable to successfully enhance our disaster recovery planning. The loss of, or damage to, any of our facilities or centers, or that of our third party manufacturers could have a material adverse effect on our business, results of operations and financial condition.

Our success depends, in part, on the quality and safety of our products.

Our success depends, in part, on the quality and safety of our products, including the procedures we employ to detect the likelihood of hazard, manufacturing issues and unforeseen product misuse. If our products are found to be, or are perceived to be, defective or unsafe, or if they otherwise fail to meet our Representatives' or end customers' standards, our relationship with our Representatives or end customers could suffer, we could need to recall some of our products, our reputation or the appeal of our brand could be diminished, and we could lose market share and/or become subject to liability claims, any of which could result in a material adverse effect on our business, results of operations and financial condition.

Our ability to anticipate and respond to market trends and changes in consumer preferences could affect our financial results.

Our continued success depends on our ability to anticipate, gauge and react in a timely and effective manner to changes in consumer spending patterns and preferences for beauty and related products. We must continually work to develop, produce and market new products, maintain and enhance the recognition of our brands, achieve a favorable mix of products, and refine our approach as to how and where we market and sell our products. While we devote considerable effort and resources to shape, analyze and respond to consumer preferences, consumer spending patterns and preferences cannot be predicted with certainty and can change rapidly. If we are unable to anticipate and respond to trends in the market for beauty and related products and changing consumer demands, our financial results will suffer.

Furthermore, material shifts or decreases in market demand for our products, including as a result of changes in consumer spending patterns and preferences or incorrect forecasting of market demand, could result in us carrying inventory that cannot be sold at anticipated prices or increased product returns by our Representatives. Failure to maintain proper inventory levels or increased product returns by our Representatives could result in a material adverse effect on our business, results of operations and financial condition.

If we are unable to protect our intellectual property rights, specifically patents and trademarks, our ability to compete could be negatively impacted.

The market for our products depends to a significant extent upon the value associated with our product innovations and our brand equity. We own the material patents and trademarks used in connection with the marketing and distribution of our major products both in the U.S. and in other countries where such products are principally sold. Although most of our material intellectual property is registered in the U.S. and in certain foreign countries in which we operate, there can be no assurance with respect to the rights associated with such intellectual property in those countries. In addition, the laws of certain foreign countries, including many emerging markets, such as China, may not protect our intellectual property rights to the same extent as the laws of the U.S. The costs required to protect our patents and trademarks may be substantial.

We are involved, and may become involved in the future, in legal proceedings that, if adversely adjudicated or settled, could adversely affect our financial results.

We are and may, in the future, become party to litigation. In general, litigation claims can be expensive and time consuming to bring or defend against and could result in settlements or damages that could significantly affect financial results. We are currently vigorously contesting certain of these litigation claims. However, it is not possible to predict the final resolution of the litigation to which we currently are or may in the future become party to, and the impact of certain of these matters on our business, results of operations and financial condition could be material.

Government reviews, inquiries, investigations, and actions could harm our business or reputation.

As we operate in various locations around the world, our operations in certain countries are subject to significant governmental scrutiny and may be harmed by the results of such scrutiny. The regulatory environment with regard to direct selling in emerging and developing markets where we do business is evolving, and officials in such locations often exercise broad discretion in deciding how to interpret and apply applicable regulations. From time to time, we may receive formal and informal inquiries from various government regulatory authorities about our business and compliance with local laws and regulations. Any determination that our operations or activities, or the activities of our Representatives, are not in compliance with existing laws or regulations could result in the imposition of substantial fines, interruptions of business, loss of supplier, vendor or other third party relationships, termination of necessary licenses and permits, or similar results, all of which could potentially harm our business and/or reputation. Even if an inquiry does not result in these types of determinations, it potentially could create negative publicity which could harm our business and/or reputation.

We are investigating Foreign Corrupt Practices Act (FCPA) and related U.S. and foreign law matters, and from time to time we may conduct other internal investigations and compliance reviews, the consequences of which could negatively impact our business.

From time to time, we may conduct internal investigations and compliance reviews, the consequences of which could negatively impact our business. Any determination that our operations or activities are not, or were not, in compliance with existing United States or foreign laws or regulations could result in the imposition of substantial fines, interruptions of business, loss of supplier, vendor or other third party relationships, termination of necessary licenses and permits, and other legal or equitable sanctions. Other legal or regulatory proceedings, as well as government investigations, which often involve complex legal issues and are subject to uncertainties, may also follow as a consequence. It is our policy to cooperate with U.S. and foreign government agencies and regulators, as appropriate, in connection with our investigations and compliance reviews.

As previously reported, we have engaged outside counsel to conduct an internal investigation and compliance reviews focused on compliance with the FCPA and related U.S. and foreign laws in China and additional countries. The internal investigation, which is being conducted under the oversight of our Audit Committee, began in June 2008. As we reported in October 2008, we voluntarily contacted the United States Securities and Exchange Commission ("SEC") and the United States Department of Justice to advise both agencies of our internal investigation. We are continuing to cooperate with both agencies and inquiries by them, including but not limited to, signing tolling agreements, translating and producing documents and assisting with interviews.

As previously reported in July 2009, in connection with the internal investigation, we commenced compliance reviews regarding the FCPA and related U.S. and foreign laws in additional countries in order to evaluate our compliance efforts. We are conducting these compliance reviews in a number of other countries selected to represent each of the Company's international geographic segments. The internal investigation and compliance reviews are focused on reviewing certain expenses and books and records processes, including, but not limited to, travel, entertainment, gifts, use of third party vendors and consultants and related due diligence, joint ventures and acquisitions, and payments to third-party agents and others, in connection with our business dealings, directly or indirectly, with foreign governments and their employees. The internal investigation and compliance reviews of these matters are ongoing, and we continue to cooperate with both agencies with respect to these matters. In connection with the internal investigation and compliance reviews, we continue to enhance our ethics and compliance program, including our policies and procedures, FCPA compliance-related training, FCPA third party due diligence program and other compliance-related resources.

On October 26, 2011, the Company received a subpoena from the SEC requesting documents and information in connection with a Regulation FD investigation of the Company's contacts and communications with certain financial analysts and other representatives of the financial community during 2010 and 2011. The Company was also advised that a formal order of investigation was issued by the SEC relating to the FCPA matters described above and the Regulation FD matters that are referenced in the subpoena. The Company intends to cooperate fully with the SEC's investigation. We also have commenced an internal investigation, which is being conducted by outside counsel under the oversight of our Audit Committee, in connection with the Regulation FD matters.

In connection with the ongoing internal investigations and compliance reviews described above, certain personnel actions have been taken and additional personnel actions may be taken in the future. At this point we are unable to predict the duration, scope, developments in, results of, or consequences of the internal investigations and compliance reviews and the government's investigation.

Any determination that our operations or activities, including our licenses or permits, importing or exporting, or product testing or approvals are not, or were not, in compliance with existing laws or regulations could result in the imposition of substantial fines, civil and criminal penalties, interruptions of business, modification of business practices and compliance programs, equitable remedies, including disgorgement, injunctive relief and other sanctions that we may take against our personnel or that may be taken against us or our personnel. Further, other countries in which we do business may initiate their own investigations and impose similar sanctions. Because the internal investigations, compliance reviews and the government's investigation are ongoing, there can be no assurance as to how the resulting consequences, if any, may impact our internal controls, business, reputation, consolidated financial position, results of operations or cash flows.

Significant changes in pension fund investment performance, assumptions relating to pension costs or required legal changes in pension funding rules may have a material effect on the valuation of pension obligations, the funded status of pension plans and our pension cost.

Our funding policy for pension plans is to accumulate plan assets that, over the long run, will approximate the present value of projected benefit obligations. Our pension cost is materially affected by the discount rate used to measure pension obligations, the level of plan assets available to fund those obligations at the measurement date and the expected long-term rate of return on plan assets. Significant changes in investment performance or a change in the portfolio mix of invested assets can result in corresponding increases and decreases in the valuation of plan assets, particularly equity securities, or in a change of the expected rate of return on plan assets. A change in the discount rate would result in a significant increase or decrease in the valuation of pension obligations, affecting the reported funded status of our pension plans as well as the net periodic pension cost in the following fiscal years. Similarly, changes in the expected return on plan assets can result in significant changes in the net periodic pension cost of the following fiscal years. Finally, recent pension funding requirements under the Pension Protection Act of 2006, such as pension funding obligations and limitations on a hybrid plan's interest crediting rate to the "market rate of return", may result in a significant increase or decrease in the valuation of pension obligations affecting the reported funded status of our pension plans.

The market price of our common stock could be subject to fluctuations as a result of many factors.

Factors that could affect the trading price of our common stock include the following:

- variations in operating results;
- economic conditions and volatility in the financial markets;
- announcements or significant developments in connection with our business and with respect to beauty and related products or the beauty industry in general;
- actual or anticipated variations in our quarterly or annual financial results;
- unsolicited takeover proposals or proxy contests;
- changes in our dividend practice;
- developments in connection with the FCPA or other investigations and any litigation related thereto;
- governmental policies and regulations;
- estimates of our future performance or that of our competitors or our industries;
- general economic, political, and market conditions;
- market rumors; and
- factors relating to competitors.

The trading price of our common stock has been, and could in the future continue to be, subject to significant fluctuations.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

13

ITEM 2. PROPERTIES

Our principal properties worldwide consist of manufacturing facilities for the production of Beauty products, distribution centers where offices are located and where finished merchandise is packed and shipped to Representatives in fulfillment of their orders, and one principal research and development facility. Our domestic manufacturing facilities are located in Morton Grove, IL and Springdale, OH. Our domestic distribution centers are located in Atlanta, GA; Zanesville, OH; and Pasadena, CA. Our research and development facility is located in Suffern, NY. We also lease office space in two locations in New York City for our executive and administrative offices, and own property in Rye, NY for Global IT and Global Finance. In June 2011, we terminated a lease for office space in New York City and moved to a new office with more favorable terms.

In 2010 Avon acquired Silpada Designs, Inc., a direct seller of sterling silver jewelry with operations in the United States including an office and warehouse in Lenexa, Kansas.

Other principal properties outside the U.S. measuring 50,000 square feet or more include the following:

- two distribution centers for primary use in North America operations (other than in the U.S.);
- four manufacturing facilities, fourteen distribution centers and two administrative offices in Latin America;
- three manufacturing facilities in Europe, primarily servicing Western Europe, Middle East & Africa and Central & Eastern Europe;
- eight distribution centers and four administrative offices in Western Europe, Middle East & Africa;
- five distribution centers and three administrative offices in Central & Eastern Europe; and
- five manufacturing facilities, eight distribution centers, and one administrative office in Asia Pacific.

We consider all of these properties to be in good repair, to adequately meet our needs and to operate at reasonable levels of productive capacity.

In January 2007, we announced plans to realign certain North America distribution operations. We have closed our distribution facilities in Newark, DE and Glenview, IL. Both properties are listed for sale and the Glenview site is under contract.

Of all the properties listed above, 35 are owned and the remaining 37 are leased. Many of our properties are used for a combination of manufacturing, distribution and administration. These properties are included in the above listing based on primary usage.

In January 2008, we announced plans to realign certain Latin America distribution and manufacturing operations. We built a new distribution center in Sao Paulo, Brazil that opened in 2011. We also opened a new distribution center in Colombia in 2011.

In July 2009, we announced plans to realign manufacturing operations in North America and Europe. This initiative includes the closing of manufacturing facilities in Springdale, OH in 2012, and the sale and leaseback of the manufacturing facility in Germany in 2011.

ITEM 3. LEGAL PROCEEDINGS

Reference is made to Note 16, Contingencies, on page F-40 through F-42 of our 2011 Annual Report.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market for Avon's Common Stock

Our common stock is listed on the New York Stock Exchange and trades under the AVP ticker symbol. At December 31, 2011, there were approximately 15,974 holders of record of our common stock. We believe that there are many additional shareholders who are not "shareholders of record" but who beneficially own and vote shares through nominee holders such as brokers and benefit plan trustees. High and low market prices and dividends per share of our common stock, in dollars, for 2011 and 2010 are listed below. For information regarding future dividends on our common stock, see the "Liquidity and Capital Resources" section within MD&A on pages 39 through 42.

	2011			2010		
Quarter	High	Low	Dividends Declared and Paid	High	Low	Dividends Declared and Paid
First	$30.14	$26.16	$.23	$34.14	$29.21	$.22
Second	30.91	27.22	.23	34.76	25.73	.22
Third	28.90	19.60	.23	32.87	26.46	.22
Fourth	23.85	16.09	.23	35.49	28.56	.22

Stock Performance Graph

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN(1)

Among Avon Products, Inc., The S&P 500 Index

And 2011 Industry Composite (2)

Assumed $100 invested on December 31, 2006, in Avon's common stock, the S&P 500 Index and the Industry Composite. The dollar amounts indicated in the graph above and in the chart below are as of December 31 or the last trading day in the year indicated.

	2006	2007	2008	2009	2010	2011
Avon	100.0	122.0	76.0	102.7	97.7	61.1
S&P 500	100.0	105.5	66.5	84.1	96.7	98.8
Industry Composite(2)	100.0	115.4	99.0	106.7	115.7	128.9

(1) Total return assumes reinvestment of dividends at the closing price at the end of each quarter.

(2) The Industry Composite includes Clorox, Colgate–Palmolive, Estée Lauder, Kimberly Clark, Procter & Gamble and Revlon.

The Stock Performance Graph shall not be deemed to be "soliciting material" or to be "filed" with the Securities and Exchange Commission or subject to the liabilities of Section 18 under the Securities Exchange Act of 1934. In addition, it shall not be deemed incorporated by reference by any statement that incorporates this annual report on Form 10-K by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent that we specifically incorporate this information by reference.

Issuer Purchases of Equity Securities

The following table provides information about our purchases of our common stock during the fourth quarter of 2011:

	Total Number of Shares Purchased		Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs (1)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program
10/1/11 – 10/31/11	4,900	(2)	$23.63	—	$ 1,819,588,000
11/1/11 – 11/30/11	4,892	(2)	20.66	—	1,819,588,000
12/1/11 – 12/31/11	2,733	(3)	16.66	921	1,819,573,000
Total	12,525		20.95	921	

(1) All of the shares purchased during the fourth quarter as part of our $2.0 billion share repurchase program, publicly announced on October 11, 2007, consist of shares purchased in private transactions from a broker in connection with stock based obligations under our Deferred Compensation Plan. The program commenced on December 17, 2007 and is scheduled to expire on December 17, 2012.

(2) 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.

(3) Includes 921 shares repurchased under our publicly announced program and 1,812 shares that 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.

ITEM 6. SELECTED FINANCIAL DATA

We derived the following selected financial data from our audited consolidated financial statements. The following data should be read in conjunction with our MD&A and our Consolidated Financial Statements and related Notes.

	2011	2010	2009	2008	2007 (1)
Income Data					
Total revenue	$11,291.6	$10,862.8	$10,205.2	$10,507.5	$9,759.3
Operating profit(2)	854.6	1,073.1	1,005.6	1,324.5	874.7
Income from continuing operations, net of tax	526.4	595.2	619.2	882.5	533.2
Diluted earnings per share from continuing operations	$1.20	$1.36	$1.43	$2.03	$1.21
Cash dividends per share	$0.92	$0.88	$0.84	$0.80	$0.74
Balance Sheet Data					
Total assets	$7,735.0	$7,873.7	$6,823.4	$6,074.0	$5,716.2
Debt maturing within one year	849.3	727.6	137.8	1,030.7	929.4
Long-term debt	2,459.1	2,408.6	2,307.2	1,456.0	1,167.7
Total debt	3,308.4	3,136.2	2,445.0	2,486.7	2,097.1
Total shareholders' equity	1,585.2	1,672.6	1,312.6	712.3	749.8

(1) In 2007, we recorded a decrease of $18.3 to shareholders' equity from the initial adoption of the provisions for recognizing and measuring tax positions taken or expected to be taken in a tax return that affect amounts reported in the financial statements as required by the Income Taxes Topic of the FASB Accounting Standards Codification (the "Codification").

(2) A number of items, shown below, impact the comparability of our operating profit. See Latin America Segment review on pages 31 through 33, Note 17, Goodwill and Intangibles on pages F-42 through F-44, and Note 15, Restructuring Initiatives on pages F-37 through F-40, to our 2011 Annual Report for more information on these items.

	2011	2010	2009	2008	2007
Costs to implement restructuring initiatives related to our multi-year restructuring programs	$40.0	$80.7	$170.9	$59.3	$157.5
Inventory obsolescence expense (benefit) related to our product line simplification program	—	—	—	(13.0)	167.3
Venezuelan special items(3)	—	79.5	—	—	—
Impairment charge(4)	263.0	—	—	—	—

(3) During 2010, our operating margin was negatively impacted by the devaluation of the Venezuelan currency coupled with a required change to account for operations in Venezuela on a highly inflationary basis. As a result of using the historic dollar cost basis of nonmonetary assets, such as inventory, acquired prior to the devaluation, during 2010 operating profit was negatively impacted by $79.5 for the difference between the historical cost at the previous official exchange rate of 2.15 and the new official exchange rate of 4.30. In addition to the negative impact to operating profit, during 2010 we also recorded net charges of $46.1 in "Other expense, net" and $12.7 in "income taxes", reflecting the write-down of monetary assets and liabilities and deferred tax benefits. See discussion of Venezuela within the "Segment Review - Latin America" section of this Management's Discussion and Analysis of Financial Condition and Results of Operations for more information.

(4) During 2011, our operating margin was negatively impacted by a non-cash impairment charge associated with goodwill and an indefinite-lived intangible asset of our Silpada business. See Note 17, Goodwill and Intangible Assets, to our 2011 Annual Report for more information.

17

ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion of the results of operations and financial condition of Avon Products, Inc. and its majority and wholly owned subsidiaries in conjunction with the information contained in the Consolidated Financial Statements and related Notes. When used in this discussion, the terms “Avon,” “Company,” “we,” “our” or “us” mea unless the context otherwise indicates, Avon Products, Inc. and its majority and wholly owned subsidiaries.

Refer to the Non-GAAP Financial Measures on pages 22 through 23 of this 2011 Annual Report for a description of how Constant dollar (“Constant $”) growth rates (a Non-GAAP financial measure) are determined.

Overview

We are a global manufacturer and marketer of beauty and related products. Our business is conducted worldwide, primarily in the direct selling channel. We presently have sales operations in 65 countries and territories, including the U.S., and distribute products in 42 more. Our reportable segments are based on geographic operations in five regions: Latin America; North America; Central & Eastern Europe; Western Europe, Middle East & Africa; and Asia Pacific. We have centralized operations for Global Brand Marketing, Global Sales and Supply Chain. Our product categories are Beauty, Fashion and Home. Beauty consists of color cosmetics, fragrances, skin care and personal care. Fashion consists of fashion jewelry, watches, apparel, footwear, accessories and children’s products. Home consists of gift and decorative products, housewares, entertainment and leisure products and nutritional products. Sales are made to the ultimate consumer principally through direct selling by approximately 6.4 million active independent Representatives, who are independent contractors and not our employees. The success of our business is highly dependent on recruiting, retaining and servicing our Representatives. During 2011, approximately 83% of our consolidated revenue was derived from operations outside the U.S.

Total revenue in 2011 increased 4%, with favorable foreign exchange contributing 3 points to the revenue increase. Constant $ revenues increased 1%. Active Representatives decreased 1%. Sales from products in the Beauty category increased 5%, or 2% on a Constant $ basis, due to a 3% increase in net per unit offset by a 1% decrease in units. We saw slower than expected growth in several markets partially attributable to weaker macro-economic conditions. In Brazil, our largest market, lower than normal service levels were further impacted by the implementation of an Enterprise Resource Planning ("ERP") system during the second half of the year, which weakened results. Additionally, slowing Beauty category market growth pressured Brazil's results in the second half of 2011. During the latter part of 2011, we believe Russia's performance was also impacted by weak trends in the Beauty category market in that country.

See the “Segment Review” section of this Management’s Discussion and Analysis of Financial Condition and Results of Operations for additional information related to changes in revenue by segment.

During 2011, our operating margin was negatively impacted by an impairment charge of goodwill and an indefinite-lived intangible asset associated with our Silpada business unit which we acquired during 2010. As a result of this impairment charge, operating profit for 2011 was negatively impacted by $263.0. Please refer to Note 17, Goodwill and Intangible Assets, of our 2011 Annual Report for a discussion regarding Silpada.

We continue to experience increases in labor and commodity costs, including oil, silver and cotton. Our pricing strategies are helping to partially offset the resulting product cost increases but there is no assurance that we will be able to pass on product cost increases fully or immediately.

In 2011, we committed to undertake a detailed assessment of our long-range business plan in order to improve our performance and better position ourselves in the increasingly complex economic environment. The review will include internal and external inputs, executional capabilities and capital allocation.

We believe that our operating cash flow and global cash and cash equivalent balances will allow us to continue our focus on long-term sustainable, profitable growth. We are also focused on innovating our direct selling channel through technological and service model enhancements for our Representatives.

Beginning in the first quarter of 2011, the results of Asia Pacific and China were managed as a single operating segment, referred to as Asia Pacific. Accordingly, Asia Pacific amounts include the results of China for all periods presented. In December 2010, we completed the sale of our subsidiary in Japan, which has been reflected as discontinued operations for all periods.

Initiatives

We continue to implement certain initiatives under our 2005 and 2009 restructuring programs. The anticipated savings or benefits realized from these initiatives has funded and will continue to fund our investment in, amongst other things, advertising, market intelligence, consumer research and product innovation.

Advertising and Representative Value Proposition (“RVP”)

We significantly increased spending on advertising over the four years leading up to 2011. While investing in advertising remains a key strategy, during 2011 our investment in advertising decreased by $89.2 or 22% and as a percentage of Beauty sales, our investment in advertising decreased by 24% compared to 2010. The decrease in advertising in 2011 is primarily due to the shift to increased investment in RVP. The advertising investments supported new product launches, such as SuperShock Max Mascara. Moisture Seduction Lipstick, Outspoken Intense by Fergie Fragrance, Step Into Fragrance, Anew Genics Treatment Cream, Anew Solar Advance Sunscreen Face Lotion SPF 45, Solutions Youth Minerals Restorative Night Cream, Super Enchant Mascara, and ExtraLasting Makeup. Advertising investments also included advertising to recruit Representatives. We also continued to build the alliances portfolio including Fergie and local celebrities in Latin America and Russia.

We continued to invest in our direct-selling channel to improve the reward and effort equation for our Representatives. We have committed significant investments for extensive research to determine the payback on advertising and field tools and actions, and the optimal balance of these tools and actions in our markets. We have allocated these significant investments in proprietary direct selling analytics to better understand the drivers of value for our Representatives. We measure our investment in RVP as the incremental cost to provide these value-enhancing initiatives. During 2011, we invested approximately $121.0 incrementally in our Representatives through RVP by continued implementation of our Sales Leadership program, enhanced incentives, increased sales campaign frequency, improved commissions and new e-business tools. We will continue to look for ways to improve the earnings opportunity for Representatives through various means, including the following:

- Evaluating optimum discount structures in select markets;
- Continuing the roll-out of our Sales Leadership Program, which offers Representatives an enhanced career opportunity;
- Strategically examining the fee structure and brochure costs to enhance Representative economics;
- Recalibrating the frequency of campaigns to maximize Representative selling opportunities;
- Service Model Transformation initiatives;
- Applying the optimal balance of advertising and field investment in our key markets; and
- Web enablement for Representatives including on-line training enhancements.

While the reward and effort will be different within our global portfolio of businesses, we believe that web enablement is a key element to reduce Representative effort worldwide. We will continue to focus on improving Internet-based tools for our Representatives.

Enterprise Resource Planning System

We are in the midst of a multi-year global roll-out of an enterprise resource planning (“ERP”) system, which is expected to improve the efficiency of our supply chain and financial transaction processes. We began our gradual global roll-out in Europe in 2005 and have since implemented ERP in our European manufacturing facilities, our larger European direct selling operations and in the U.S. As part of this continuing global roll-out, we expect to implement ERP in other countries over the next several years leveraging the knowledge gained from our previous implementations.

During 2011, we implemented the supply chain module of ERP in Brazil. While the implementation of the ERP system and transformation of the related processes negatively impacted service levels in Brazil in the second half of 2011, we expect the ERP system to help improve our service reliability over the long-term.

Restructuring Initiatives

We launched restructuring programs in late 2005 ("2005 Restructuring Program") and in February 2009 ("2009 Restructuring Program"). Through December 31, 2011, we have recorded total costs to implement, net of adjustments, of $526.0 ($12.3 in 2011, $3.2 in 2010, $20.1 in 2009, $59.3 in 2008, $157.5 in 2007, $217.1 in 2006 and $56.5 in

2005) for actions associated with our restructuring initiatives under the 2005 Restructuring Program, primarily for employee-related costs, including severance, pension and other termination benefits, and professional service fees related to these initiatives. Through

19

December 31, 2011, we have recorded total costs to implement, net of adjustments, of $256.0 ($27.7 in 2011, $77.5 in 2010, and $150.8 in 2009) for actions associated with our restructuring initiatives under the 2009 Restructuring Program, primarily for employee-related costs, including severance, pension and other termination benefits, and professional service fees related to these initiatives. See Note 15, Restructuring Initiatives, on pages F-37 through F-40 of our 2011 Annual Report for further information on these restructuring programs.

New Accounting Standards

Information relating to new accounting standards is included in Note 2, New Accounting Standards, of our consolidated financial statements contained in this 2011 Annual Report.

Performance Metrics

Within this MD&A, in addition to our key financial metrics of revenue, operating profit and operating margin, we utilize the performance metrics defined below to assist in the evaluation of our business.

Performance Metrics	Definition
Growth in Active Representatives	This metric is based on the number of Representatives submitting an order in a campaign, totaled for all campaigns in the related period. This amount is divided by the number of billing days in the related period, to exclude the impact of year-to-year changes in billing days (for example, holiday schedules). To determine the growth in Active Representatives, this calculation is compared to the same calculation in the corresponding period of the prior year.
Change in Units	This metric is based on the gross number of pieces of merchandise sold during a period, as compared to the same number in the same period of the prior year. Units sold include samples sold and product contingent upon the purchase of another product (for example, gift with purchase or purchase with purchase), but exclude free samples.
Inventory Days	This metric is equal to the number of days of cost of sales, based on the average of the preceding 12 months, covered by the inventory balance at the end of the period.

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. We refer to these adjusted growth rates as Constant $ growth, which is a non-GAAP financial measure. We believe this measure provides investors an additional perspective on trends. 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 a constant exchange rate. Currency impact is determined as the difference between actual growth rates and constant currency growth rates.

We present gross margin, selling, general and administrative expenses as a percentage of revenue, operating profit, operating margin and effective tax rate on a non-GAAP basis. The discussion of our segments presents operating profit and operating margin on a non-GAAP basis. We have provided a quantitative reconciliation of the difference between the non-GAAP financial measure and the financial measure calculated and reported in accordance with GAAP. 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 uses the non-GAAP financial measures to evaluate its operating performance and believes that it is meaningful for investors to be made aware of, on a period-to-period basis, the impacts of 1) costs to implement ("CTI") restructuring initiatives, 2) goodwill and indefinite-lived intangible impairment charge related to Silpada ("Impairment charge"), and 3) costs and charges related to Venezuela being designated as a highly inflationary economy and the subsequent devaluation of its currency in January 2010 ("Venezuelan special items"). 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 Impairment charge includes the impact on the Statement of Income caused by the goodwill and indefinite-lived intangible impairment charge related to Silpada in 2011. The Venezuelan special items include the impact on the Statement of Income caused by the devaluation of the Venezuelan currency on monetary assets and liabilities, such as cash, receivables and payables; deferred tax assets and liabilities; and nonmonetary assets, such as inventory and prepaid expenses. For nonmonetary assets, the Venezuelan special items include the earnings impact caused by the difference between the historical cost of the assets at the previous official exchange rate of 2.15 and the revised official exchange rate of 4.30.

Critical Accounting Estimates

We believe the accounting policies described below represent our critical accounting policies due to the estimation processes involved in each. See Note 1, Description of the Business and Summary of Significant Accounting Policies, to our 2011 Annual Report for a detailed discussion of the application of these and other accounting policies.

Restructuring Reserves

We record the estimated expense for our restructuring initiatives as such costs are deemed probable and estimable, when approved by the appropriate corporate authority and by accumulating detailed estimates of costs for such plans. These expenses include the estimated costs of employee severance and related benefits, impairment of property, plant and equipment, and any other qualifying exit costs. These estimated costs are grouped by specific projects within the overall plan and are then monitored on a quarterly basis by finance personnel. Such costs represent our best estimate, but require assumptions about the programs that may change over time, including attrition rates. Estimates are evaluated periodically to determine if an adjustment is required.

Allowances for Doubtful Accounts Receivable

Representatives contact their customers, selling primarily through the use of brochures for each sales campaign. Sales campaigns are generally for a two-week duration in the U.S. and a two- to four-week duration outside the U.S. The Representative purchases products directly from us and may or may not sell them to an end user. In general, the Representative, an independent contractor, remits a payment to us 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 for the prior campaign is paid; however, there are circumstances where the Representative fails to make the required payment. We record an estimate of an allowance for doubtful accounts on receivable balances based on an analysis of historical data and current circumstances, including selling schedules, business operations, seasonality and changing trends. Over the past three years, annual bad debt expense has been in the range of $215 to $248, or approximately 2.0% of total revenue. Bad debt expense, as a percent of revenue increased by .2 points in 2011 as compared to 2010, primarily in Latin America. 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 end user of our products beyond the Representative. We have no legal recourse against the end user for the collectability of any accounts receivable balances due from the Representative to us. If the financial condition of our Representatives were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Allowances for Sales Returns

We record a provision for estimated sales returns based on historical experience with product returns. Over the past three years, sales returns have been in the range of $370 to $447, or approximately 3.8% of total revenue. If the historical data we use to calculate these estimates does not approximate future returns, due to changes in marketing or promotional strategies, or for other reasons, additional allowances may be required.

Provisions for Inventory Obsolescence

We record an allowance for estimated obsolescence equal to the difference between the cost of inventory and the estimated market value. In determining the allowance for estimated obsolescence, we classify inventory into various categories based upon its stage in the product life cycle, future marketing sales plans and the disposition process. We assign a degree of obsolescence risk to products based on this classification to determine the level of obsolescence provision. If actual sales are less favorable than those projected by management, additional inventory allowances may need to be recorded for such additional obsolescence. Annual obsolescence expense was $128.1 for 2011, $131.1 for 2010, and $120.0 for 2009.

Pension, Postretirement and Postemployment Expense

We maintain defined benefit pension plans, which cover substantially all employees in the U.S. and a portion of employees in international locations. Additionally, we have unfunded supplemental pension benefit plans for some current and retired executives and provide retiree health care and life insurance benefits subject to certain limitations to the majority of employees in the U.S. and in some foreign countries. See Note 12, Employee Benefit Plans, to our 2011 Annual Report for further information on our benefit plans.

Pension plan expense and the requirements for funding our major pension plans are determined based on a number of actuarial assumptions. These assumptions include the expected rate of return on pension plan assets, the interest crediting rate for hybrid plans and the discount rate applied to pension plan obligations.

For 2011, the weighted average assumed rate of return on all pension plan assets, including the U.S. and non-U.S. plans was 7.54%, compared to 7.65% for 2010. In determining the long-term rates of return, we consider the nature of the plans' investments, an expectation for the plans' investment strategies, historical rates of return and current economic forecasts. We evaluate the expected long-term rate of return annually and adjust as necessary.

The majority of our pension plan assets relate to the U.S. pension plan. The assumed rate of return for 2011 for the U.S. plan was 8%, which was based on an asset allocation of approximately 40% in corporate and government bonds and mortgage-backed securities (which are expected to earn approximately 4% to 6% in the long term) and 60% in equity securities and high yield securities (which are expected to earn approximately 7% to 10% in the long term). Historical rates of return on the assets of the U.S. plan was 6.5% for the most recent 10-year period and 7.9% for the 20-year period. In the U.S. plan, our asset allocation policy has favored U.S. equity securities, which have returned 4.5% over the 10-year period and 8.3% over the 20-year period. The plan assets in the U.S. returned 7.0% in 2011 and 14.0% in 2010.

Recently issued regulations under the Pension Protection Act of 2006, though not yet finalized, require that hybrid plans limit the maximum interest crediting rate to one among several choices of crediting rates which are considered "market rates of return". The rate chosen will affect total pension obligations. The discount rate used for determining future pension obligations for each individual plan is based on a review of long-term bonds that receive a high-quality rating from a recognized rating agency. The discount rates for our more significant plans, including our U.S. plan, were based on the internal rates of return for a portfolio of high quality bonds with maturities that are consistent with the projected future benefit payment obligations of each plan. The weighted-average discount rate for U.S. and non-U.S. plans determined on this basis was 4.69% at December 31, 2011, and 5.21% at December 31, 2010. For the determination of the expected rate of return on assets and the discount rate, we take into consideration external actuarial advice.

Our funding requirements may be impacted by regulations or interpretations thereof. Our calculations of pension, postretirement and postemployment costs are dependent on the use of assumptions, including discount rates, hybrid plan maximum interest crediting rates and expected return on plan assets discussed above, rate of compensation increase of plan participants, interest cost, health care cost trend rates, benefits earned, mortality rates, the number of associate retirements, the number of associates electing to take lump-sum payments and other factors. Actual results that differ from assumptions are accumulated and amortized to expense over future periods and, therefore, generally affect recognized expense in future periods. At December 31, 2011, we had pretax actuarial losses, prior service credits, and transition obligations totaling $483.1 for the U.S. plans and $284.7 for the non-U.S. plans that have not yet been charged to expense. These actuarial losses have been charged to accumulated other comprehensive loss within shareholders' equity. While we believe that the assumptions used are reasonable, differences in actual experience or changes in assumptions may materially affect our pension, postretirement and postemployment obligations and future expense. For 2012, our assumption for the expected rate of return on assets is 7.13% for our U.S. plans and 6.85% for our non-U.S. plans. Our assumptions are reviewed and determined on an annual basis.

A 50 basis point change (in either direction) in the expected rate of return on plan assets, the discount rate or the rate of compensation increases, would have had approximately the following effect on 2011 pension expense:

	Increase/(Decrease) in Pension Expense 50 Basis Point	
	Increase	Decrease
Rate of return on assets	(5.1)	5.1
Discount rate	(8.5)	8.3
Rate of compensation increase	1.3	(1.2)

Taxes

We record a valuation allowance to reduce our deferred tax assets to an amount that is more likely than not to be realized. While we have considered projected future taxable income and ongoing tax planning strategies in assessing the need for the valuation allowance, in the event we were to determine that we would be able to realize a net deferred tax asset in the future, in excess of the net recorded amount, an adjustment to the deferred tax asset would increase earnings in the period such determination was made. Likewise, should we determine that we would not be able to realize all or part of our net deferred tax asset in the future, an adjustment to the deferred tax asset would decrease earnings in the period such determination was made. We have recognized deferred tax assets of $282.1 relating to foreign tax credit carryforwards that will expire between 2018 and

2021. To the extent future U.S. taxable income is less favorable than currently projected by management, our ability to utilize these foreign tax credits may be affected and a valuation allowance may be required. Deferred taxes are not provided on the portion of unremitted earnings of subsidiaries outside of the U.S. when we conclude that these earnings are indefinitely reinvested. Deferred taxes are provided on earnings not considered indefinitely reinvested.
We recognize the benefit of a tax position if that position is more likely than not of being sustained on examination by the taxing authorities, based on the technical merits of the position. We believe that our assessment of more likely than not is reasonable, but because of the subjectivity involved and the unpredictable nature of the subject matter at issue, our assessment may prove ultimately to be incorrect, which could materially impact the Consolidated Financial Statements.
We file income tax returns in many jurisdictions. In 2012, a number of open tax years are scheduled to close due to the expiration of the statute of limitations and it is possible that a number of tax examinations may be completed. If our filing positions are ultimately upheld, it is possible that the 2012 provision for income taxes may reflect adjustments.
Share-based Compensation
Stock options issued to employees are recognized in the Consolidated Financial Statements based on their fair values using an option-pricing model at the date of grant. We use a Black-Scholes-Merton option-pricing model to calculate the fair value of options. This model requires various judgmental assumptions including volatility, forfeiture rates and expected option life. If any of the assumptions used in the model change significantly, share-based compensation may differ materially in the future from historical results.
Loss Contingencies
We determine whether to disclose and accrue for loss contingencies based on an assessment of whether the risk of loss is remote, reasonably possible or probable. Our assessment is developed in consultation with our outside counsel and other advisors and is based on an analysis of possible outcomes under various strategies. Loss contingency assumptions involve judgments that are inherently subjective and can involve matters that are in litigation, which, by its nature is unpredictable. We believe that our assessment of the probability of loss contingencies is reasonable, but because of the subjectivity involved and the unpredictable nature of the subject matter at issue, our assessment may prove ultimately to be incorrect, which could materially impact the Consolidated Financial Statements.
Goodwill and Other Identified Intangible Assets
We test goodwill and intangible assets with indefinite lives for impairment annually, and more frequently if circumstances warrant, using fair value methods. We review identified intangible assets with defined useful lives and subject to amortization for impairment whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable.
We completed our annual goodwill and indefinite-lived intangible assets impairment assessments for 2011 during the year-end close process and determined that the estimated fair values substantially exceeded the carrying values of each of our reporting units, with the exception of our Silpada reporting unit. Our analysis of the Silpada business indicated an impairment as the carrying value of the business exceeded the estimated fair value. Accordingly, an estimated non-cash before tax impairment charge of $263.0 was recorded in the fourth quarter of 2011 to reduce the carrying amounts of goodwill and an indefinite-lived intangible asset. At December 31, 2011, as a result of the impairment charge recorded, the carrying values of Silpada's goodwill and indefinite-lived intangible asset were $116.7 and $85.0, respectively. Following weaker than expected performance in the fourth quarter, we lowered our revenue and earnings projections for Silpada largely due to the rise in silver prices, which nearly doubled since the acquisition, and the negative impact of pricing on revenues and margins. The decline in the fair values of the Silpada reporting unit and the underlying trademark was driven by the reduction in the forecasted growth rates and cash flows used to estimate fair value.
The impairment analyses performed for goodwill and indefinite-lived intangible assets require several estimates in computing the estimated fair value of a reporting unit and an indefinite-lived intangible asset. We use a discounted cash flow ("DCF") approach to estimate the fair value of a reporting unit, which we believe is the most reliable indicator of fair value of a business, and is most consistent with the approach a market place participant would use. The estimation of fair value utilizing a DCF approach includes numerous uncertainties which require our significant

judgment when making assumptions of expected growth rates and the selection of discount rates, as well as assumptions regarding general economic and business conditions, among other factors. Key assumptions used in measuring the fair value of Silpada included the discount rate (based on the weighted-average cost of capital), revenue growth, silver prices, and Representative growth and activity rates. The fair value of the Silpada trademark was determined using a risk-adjusted DCF model under the relief-from-royalty method. The royalty rate used was based on a consideration of market rates. A decline in Silpada expected future cash flows and growth rates or a change in the risk-adjusted discount rate used to fair value expected future cash flows may result in additional impairment charges for the goodwill and the indefinite-lived trademark.

See Note 17, Goodwill and Intangible Assets, to our 2011 Annual Report for further information on Silpada.

For the years ended December 31, 2010 and 2009, we completed our annual goodwill and indefinite-lived intangible assets impairment assessments and no adjustments were necessary. Additionally, no events or changes in circumstances occurred that indicated that our definite-lived intangible assets may not be recoverable during the three years ended December 31, 2011. The impairment analyses performed for goodwill and indefinite-lived intangible assets require several estimates including future cash flows, growth rates and the selection of discount rates. A significant decline in expected future cash flows and growth rates or a change in the discount rate used to fair value expected future cash flows may result in a future impairment charge.

Results Of Continuing Operations - Consolidated

	2011	2010	2009	%/Point Change 2011 vs. 2010	%/Point Change 2010 vs. 2009
Total revenue	$11,291.6	$10,862.8	$10,205.2	4%	6%
Cost of sales	4,148.6	4,041.3	3,825.5	3%	6%
Selling, general and administrative expenses	6,025.4	5,748.4	5,374.1	5%	7%
Impairment of goodwill and intangible asset	263.0	—	—	*	—%
Operating profit	854.6	1,073.1	1,005.6	(20)%	7%
Interest expense	92.9	87.1	104.8	7%	(17)%
Interest income	(16.5)	(14.0)	(20.2)	18%	(31)%
Other expense, net	35.6	54.6	7.3	(35)%	*
Net income attributable to Avon	$513.6	$606.3	$625.8	(15)%	(3)%
Diluted earnings per share attributable to Avon	$1.18	$1.39	$1.45	(15)%	(4)%
Advertising expenses[1]	$311.2	$400.4	$352.7	(22)%	14%
Gross margin	63.3%	62.8%	62.5%	.5	.3
CTI restructuring	.1	.1	.1	—	—
Venezuelan special items	—	.6	—	(.6)	.6
Adjusted Non-GAAP gross margin	63.4%	63.5%	62.6%	(.1)	.9
Selling, general and administrative expenses as a % of total revenue	53.4%	52.9%	52.7%	.5	.2
CTI restructuring	(.3)	(.7)	(1.6)	.4	.9
Venezuelan special items	—	(.1)	—	.1	(.1)
Adjusted Non-GAAP selling, general and administrative expenses as a % of total revenue	53.1%	52.2%	51.0%	.9	1.2
Operating profit	$854.6	$1,073.1	$1,005.6	(20)%	7%
CTI restructuring	40.0	80.7	171.0		
Impairment charge	263.0	—	—		
Venezuelan special items	—	79.5	—		
Adjusted Non-GAAP operating profit	$1,157.6	$1,233.3	$1,176.6	(6)%	5%
Operating margin	7.6%	9.9%	9.9%	(2.3)	—
CTI restructuring	.4	.7	1.7	(.3)	(1.0)
Impairment charge	2.3	—	—	2.3	—
Venezuelan special items	—	.7	—	(.7)	.7
Adjusted Non-GAAP operating margin	10.3%	11.4%	11.5%	(1.1)	(.1)
Effective tax rate	29.1%	37.0%	32.2%	(7.9)	4.8
CTI restructuring	.1	.3	(2.2)	(.2)	2.5
Impairment charge	2.0	—	—	2.0	—
Venezuelan special items	—	(5.6)	—	5.6	(5.6)
Adjusted Non-GAAP effective tax rate	31.3%	31.8%	30.0%	(.5)	1.8

Units sold	(2)%	1%
Active Representatives	(1)%	4%

Amounts in the table above may not necessarily sum because the computations are made independently.
* Calculation not meaningful
(1) Advertising expenses are included within selling, general and administrative expenses.

Total Revenue

Total revenue in 2011 increased 4%, with favorable foreign exchange contributing 3 points to the revenue increase. Constant $ revenues increased 1%. Active Representatives decreased 1%.

On a category basis, the increase in revenue during 2011 was primarily driven by an increase of 5% in Beauty sales, with increases in all sub-categories of Beauty. Within the Beauty category, fragrance increased 7%, color cosmetics increased 5%, personal care increased 4%, and skincare increased 3%. Fashion sales decreased 1% and Home sales increased 1%. On a Constant $ basis, the Beauty category increased 2%. Within the Beauty category, on a Constant $ basis, sales of fragrance increased 5%, color cosmetics increased 2%, personal care increased 1%, while skincare sales were flat. Constant $ sales of Fashion decreased 3%. We acquired Silpada at the end of July 2010. Inclusion of Silpada's results for July 2011 benefited the Fashion Constant $ growth rate by 5 points, as the similar period's results were not included in our 2010 financial results ("unmatched period"). Constant $ sales of Home decreased 2%.

As noted previously in our Overview section, our revenue performance, primarily in the latter part of 2011 was negatively impacted by weaker macro-economic conditions. In Brazil, our largest market, lower than normal service levels were further impacted by the implementation of an ERP system during the second half of the year, which weakened results. Additionally, slowing Beauty category market growth pressured Brazil's results in the second half of 2011. During the latter part of 2011, we believe Russia's performance was also impacted by weak trends in the Beauty category market in that country.

During 2010, total revenues increased 6% from 2009, favorably impacted by growth in Active Representatives. Constant $ revenues also increased 6%. Acquisitions of Silpada in late July and Liz Earle in late March contributed approximately 1 point to revenue growth. Active Representatives increased 4% in 2010.

On a category basis, the increase in revenue during 2010 was primarily driven by an increase of 6% in Beauty sales. Within the Beauty category, fragrance increased 11%, color cosmetics increased 7%, personal care increased 5% and skincare declined 3%. Fashion sales increased 11% and Home sales increased 3%. On a Constant $ basis, the Beauty category increased 6%. Within the Beauty category, Constant $ sales of fragrance increased 12%, color cosmetics increased 6%, personal care increased 5% and skincare declined 3%. Skincare growth rates benefited by 3 points from the Liz Earle acquisition. Constant $ sales of Fashion and Home increased 11% and 5%, respectively. Fashion growth rates benefited by 6 points from the Silpada acquisition.

Strong revenue performance during the first half of 2010 was offset by a slowdown in revenue growth during the second half of the year. Our second half of 2010 revenue growth was negatively impacted by a slowdown in two of our largest markets, Brazil and Russia. Brazil’s moderated performance in the second half of 2010 was primarily caused by service disruptions resulting in shorting of products. The mid-year implementation of government mandated e-invoicing exacerbated our legacy order processing systems and capacity which had also been pressured by a significant increase in order scale in recent years. Russia’s performance in the second half of 2010 was primarily a result of slowing field growth due to weak incentives. Increases in social benefit taxes levied against certain Representatives exacerbated the slowdown in field growth. The increased taxes disproportionately reduced new and developing Representatives’ earnings, which reduced their motivation to recruit. In Russia, weaker color and skincare performance negatively impacted growth in the second half of 2010.

For additional discussion of the changes in revenue by segment, see the “Segment Review” section of this MD&A.

Gross Margin

Gross margin for 2011 increased by .5 points as compared to 2010, primarily due to the negative impact of the Venezuelan special items in 2010. On a Non-GAAP basis, excluding the impact of the CTI restructuring and the Venezuelan special items, gross margin decreased .1 points, as the negative impact of rising product costs was partially offset by pricing benefits and favorable foreign currency.

Gross margin for 2010 increased by .3 points as compared to 2009. On a Non-GAAP basis, excluding the impact of the CTI restructuring and the Venezuelan special items, gross margin improved .9 points, reflecting benefits from manufacturing productivity gains, which include benefits from the Strategic Sourcing Initiative ("SSI"), and the favorable impact of foreign exchange transactions. SSI was an initiative that shifted our purchasing strategy towards a globally-coordinated one, which leveraged volumes.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for 2011 increased $277.0 as compared to 2010. This increase is primarily due to our continued investing in RVP, as well as higher distribution costs and bad debt expense. We invested approximately $121.0 incrementally in our RVP during 2011, by continued implementation of our Sales Leadership program and higher incentives. Selling, general and administrative expenses during 2011, benefited from lower expenses associated with employee incentive compensation plans.

On an Adjusted Non-GAAP basis, excluding the impact of CTI restructuring and the Venezuelan special items, as a percentage of revenue, selling, general and administrative expenses during 2011, increased by 90 basis points, as higher RVP, distribution costs and bad debt expense were partially offset by lower advertising. Dual distribution costs attributable to the transition to the new facilities in Brazil and Colombia negatively impacted selling, general and administrative expenses during 2011 as compared to 2010.

Selling, general and administrative expenses for 2010 increased $374.3 as compared to 2009. The increase was primarily due to: higher advertising and RVP costs; significant professional and related fees associated with the FCPA investigation and compliance reviews described in Note 16, Contingencies, to our 2011 Annual Report of approximately $95 (up approximately $59 from 2009); and higher volume related costs, such as distribution costs, partially offset by lower CTI from our restructuring initiatives. On an Adjusted Non-GAAP basis, excluding the impact of CTI restructuring and the Venezuelan special items, as a percentage of revenue, selling, general and administrative expenses during 2010, increased by 1.2 points as compared to 2009, due to higher advertising and RVP costs and the significant professional and related fees associated with the FCPA matters.

Impairment of Goodwill and Intangible Asset

During 2011 we recorded a non-cash impairment charge of $263.0 for goodwill and an indefinite-lived intangible asset associated with Silpada. Refer to Note 17, Goodwill and Intangible Assets, to our 2011 Annual Report for more details.

See the “Segment Review” section of MD&A for additional information related to changes in operating margin by segment.

Other Expenses

Interest expense during 2011 increased by 7% as compared to 2010, primarily due to higher outstanding debt balances. Interest expense decreased by 17% in 2010 as compared to 2009 due to lower interest rates. At December 31, 2011 and 2010, we held interest-rate swap agreements that effectively converted approximately 74% of our outstanding long-term, fixed-rate borrowings to a variable interest rate based on LIBOR.

Interest income increased in 2011 as compared to 2010 due to higher average cash balances and higher interest rates. Interest income decreased in 2010 as compared to 2009, primarily due to lower interest rates.

Other expense, net for 2011, as compared to 2010 decreased primarily due to a $46.1 negative impact in 2010 from the devaluation of the Venezuelan currency on monetary assets and liabilities in conjunction with highly inflationary accounting which occurred in 2010, partially offset by higher foreign exchange losses in 2011. Other expense, net for 2010 was higher than during 2009 as a result of the $46.1 Venezuelan currency devaluation. Refer to the Latin America segment review for a further discussion of the Venezuelan currency.

Effective Tax Rate

The effective tax rate for 2011 was 29.1%, compared to 37.0% for 2010 and 32.2% for 2009.

The effective tax rate for 2011 included tax benefits from audit settlements and statute expirations, which favorably impacted the tax rate by 3.1 points. In addition, the 2011 tax rate was favorably impacted by 2.0 points from the tax benefit on the impairment charge associated with our Silpada business.

The effective tax rate for 2010 was unfavorably impacted by 5.6 points due to the devaluation of the Venezuelan currency in conjunction with highly inflationary accounting discussed further within the Latin America Segment review, partially offset by 2.1 points associated with benefits from audit settlements and statute expirations.

The effective tax rate for 2009 was unfavorably impacted by 3.4 points from the establishment of a valuation allowance against certain deferred tax assets primarily as a result of restructuring activities, partially offset by 2.1 points from a reduction in a foreign tax liability. In addition, the 2009 tax rate benefited by 2.0 points from the establishment of deferred taxes on certain inflationary adjustments that, beginning in 2010, are no longer recorded under highly inflationary accounting. The 2009 tax rate also included higher tax costs associated with the repatriation of earnings, offset by favorable changes in the earnings mix of international subsidiaries.

With respect to 2012, we have decided to not indefinitely reinvest any current year earnings of our foreign subsidiaries and, accordingly, the 2012 effective tax rate will be negatively impacted.

27

Segment Review

Beginning in the first quarter of 2011, the results of Asia Pacific and China were managed as a single operating segment. Accordingly, Asia Pacific amounts include the results of China for all periods presented. Below is an analysis of the key factors affecting revenue and operating profit by reportable segment for each of the years in the three-year period ended December 31, 2011.

Years ended December 31	2011		2010		2009	
	Total Revenue	Operating Profit	Total Revenue	Operating Profit	Total Revenue	Operating Profit
Latin America	$5,116.0	$630.4	$4,589.5	$604.7	$4,103.2	$647.9
North America	2,110.4	(184.4)	2,244.0	155.9	2,293.4	110.4
Central & Eastern Europe	1,580.6	295.2	1,585.8	297.8	1,500.1	244.9
Western Europe, Middle East & Africa	1,542.2	183.7	1,462.1	176.5	1,277.8	84.2
Asia Pacific	942.4	81.4	981.4	82.6	1,030.7	81.7
Total from operations	11,291.6	1,006.3	10,862.8	1,317.5	10,205.2	1,169.1
Global and other expenses	—	(151.7)	—	(244.4)	—	(163.5)
Total	$11,291.6	$854.6	$10,862.8	$1,073.1	$10,205.2	$1,005.6

Global and other expenses include, among other things, costs related to our executive and administrative offices, information technology, research and development, and marketing. Certain planned global expenses are allocated to our business segments primarily based on planned revenue. The unallocated costs remain as global and other expenses. We do not allocate costs of implementing restructuring initiatives related to our global functions to our segments. Costs of implementing restructuring initiatives related to a specific segment are recorded within that segment.

	2011	2010	% Change	2010	2009	% Change
Total global expenses	$651.1	$713.6	(9)%	$713.6	$577.3	24%
Allocated to segments	(499.4)	(469.2)	6%	(469.2)	(413.8)	13%
Net global expenses	$151.7	$244.4	(38)%	$244.4	$163.5	49%

Total Global expenses declined during 2011 from 2010 primarily due to lower expenses associated with management incentive programs, lower professional fees associated with acquisitions and divestitures, and lower costs to implement restructuring initiatives. Amounts allocated to segments increased in 2011 primarily due to an increase in costs associated with initiatives more specifically benefiting the segments as compared to global initiatives. Professional and related fees associated with the FCPA investigation and compliance reviews described in Note 16, Contingencies, to the consolidated financial statements included herein, amounted to approximately $93.3 in 2011. While these fees are difficult to predict, they are expected to continue and may vary during the course of this investigation. These fees were not allocated to the segments. Please see Risk Factors and Note 16, Contingencies, to the consolidated financial statements included herein, for more information regarding the FCPA investigation and other related matters.

The increase in Net Global expenses for 2010 as compared to 2009, was primarily attributable to significant professional and related fees associated with the FCPA investigation and compliance reviews of approximately $95.3 (up approximately $59.0 from 2009). The increase in Net Global expenses for 2010 as compared to 2009 was also due to higher costs associated with global initiatives and costs associated with business acquisitions.

Latin America – 2011 Compared to 2010

			%/Point Change	
	2011	2010	US$	Constant $
Total revenue	$5,116.0	$4,589.5	11%	8%
Operating profit	630.4	604.7	4%	(12)%
CTI restructuring	3.1	19.8		
Venezuelan special items	—	79.5		
Adjusted Non-GAAP operating profit	633.5	704.0	(10)%	(14)%
Operating margin	12.3%	13.2%	(0.9)	(2.8)
CTI restructuring	.1	.4		
Venezuelan special items	—	1.7		
Adjusted Non-GAAP operating margin	12.4%	15.3%	(2.9)	(3.1)
Units sold				2%
Active Representatives				3%

Amounts in the table above may not necessarily sum because the computations are made independently.

Total revenue during 2011 increased due to higher average order and growth in Active Representatives, as well as due to favorable foreign exchange. Average order benefited from the favorable impacts of pricing while Active Representatives growth benefited from continued investments in RVP. Revenue during 2011 grew 6% in Brazil and 17% in Mexico, with benefits from favorable foreign exchange. Constant $ revenue during 2011 benefited from continued growth in most markets, particularly from growth of 14% in Mexico. Constant $ revenue in Brazil was relatively flat. In Venezuela, revenue and Constant $ revenue during 2011 grew 28%. Additional information regarding our Venezuela operations is discussed in more detail below.

Brazil's performance during 2011 continued to be pressured by lower than normal service levels. In addition, lower than normal service levels were further impacted by the implementation of an ERP system during the second half of the year, which in turn has negatively impacted average order, Active Representatives, and revenue growth. Additionally, slowing Beauty category market growth pressured Brazil's results in the second half of 2011. While the implementation of the ERP system and transformation of the related processes may negatively impact service levels in the short-term, we expect the ERP system to help improve our service reliability over the long-term.

Constant $ revenue growth in Mexico during 2011, was driven by an increase in Active Representatives and a higher average order. Revenue growth during 2011 in Venezuela was the result of a higher average order primarily due to increased prices, primarily as a result of inflation.

The decrease in Adjusted Non-GAAP operating margin during 2011 was driven by a sharp decline in Brazil's operating margin. Brazil's 2011 operating margin was partially unfavorably impacted by inventory related charges primarily due to supply chain challenges, which negatively impacted Latin America's operating margin by .3 points. Additionally, Brazil's decline in operating margin was further caused by business disruptions and resulting investments in that market, as well as inflationary pressure on costs. Adjusted Non-GAAP operating margin in the region during 2011 was also negatively impacted by higher bad debt expense and higher distribution costs due to the transition to the new facilities in Brazil and Colombia. Operating margin during 2010, in Latin America was negatively impacted by the devaluation of the Venezuelan currency in conjunction with higher inflationary accounting as discussed further below.

Effective January 1, 2010, we began to account for Venezuela as a highly inflationary economy. Effective January 11, 2010, the Venezuelan government devalued its currency and moved to a two-tier exchange structure. The official exchange rate moved from 2.15 to 2.60 for essential goods and to 4.30 for nonessential goods and services. Effective December 30, 2010, the Venezuelan government eliminated the 2.60 rate which had been available for the import of essential goods. Substantially all of the imports of our subsidiary in Venezuela ("Avon Venezuela") fall into the nonessential classification.

As a result of the change in the official rate to 4.30 in conjunction with accounting for our operations in Venezuela under highly inflationary accounting guidelines, during the first quarter of 2010, we recorded net charges of $46.1 in “Other expense, net” and $12.7 in “income taxes”, for a total after-tax charge of $58.8, reflecting the write-down of monetary assets and liabilities and deferred tax benefits. Additionally, certain nonmonetary assets must continue to be carried at U.S. historic dollar cost subsequent to the devaluation. Therefore, the historic U.S. dollar costs impacted the income statement during 2010 at a disproportionate rate as they had not been devalued based on the new exchange rates. As a result of using the U.S. historic dollar cost basis of nonmonetary assets, such as inventory, acquired prior to the devaluation, operating profit during 2010 was negatively impacted by $79.5, for the difference between the historical cost at the previous official exchange rate of 2.15 and the current official exchange rate of 4.30. As there were no further devaluations, there was an immaterial impact on operating profit in 2011 from the 2010 Venezuelan currency devaluations.

Currency restrictions enacted by the Venezuelan government in 2003 have impacted the ability of Avon Venezuela to obtain foreign currency at the official rate to pay for imported products. Since 2003, Avon Venezuela had been obtaining its foreign currency needs beyond the amounts that could be obtained at official rates through non-government sources where the exchange rates were less favorable than the official rate ("parallel market"). In late May 2010, the Venezuelan government took control over the previously freely-traded parallel market. Trading in the parallel market was suspended for several weeks in May and June and reopened as a regulated ("SITME") market in early June 2010. The government has imposed volume restrictions on trading activity, limiting an entity's activity to a maximum of $0.35 per month. The current limit is below the monthly foreign exchange requirements of our Venezuelan operations and, unless these restrictions are modified, may have a negative impact on Avon Venezuela's future operations. There is no assurance that the Company will be able to recover the higher cost of obtaining foreign currency in the SITME market as compared to the official rate through operating activities, such as increased pricing or cost reductions in other areas.

At December 31, 2011, we had a net asset position of $183.4 associated with our operations in Venezuela, which included cash balances of approximately $195.8 of which approximately $193.4 was denominated in Bolívares remeasured at the December 31, 2011 official exchange rate and approximately $2.4 was denominated in U.S. dollars. Of the $183.4 net asset position, approximately $209.8 was associated with bolívar-denominated monetary net assets and deferred income taxes. Additionally, during 2011 Avon Venezuela's revenue and operating profit represented approximately 4% of Avon's consolidated revenue, 7% of Avon's consolidated operating profit, and 5% of Avon's Non-GAAP operating profit.

During 2011, the exchange rate in the SITME market ranged within 5 to 6 Bolívares to the U.S. Dollar; however, as noted previously, access to U.S. Dollars in the SITME market is limited. To illustrate our sensitivity to potential future changes in the official exchange rate in Venezuela, if the official exchange rate was further devalued as of December 31, 2011, to a rate of 9.0 Bolívares to the U.S. dollar, or an approximate 52% devaluation, our results would be negatively impacted as follows:

- As a result of the use of a further devalued exchange rate for the remeasurement of Avon Venezuela's revenues and profits, Avon's annualized consolidated revenues would likely be negatively impacted by approximately 2% and annualized consolidated operating profit would likely be negatively impacted by approximately 3% prospectively, assuming 2011's consolidated operating profit (without the Silpada impairment charge) and no operational improvements occurred to offset the negative impact of a further devaluation.
- Avon's consolidated operating profit during the first twelve months following the devaluation, in this example, would likely be negatively impacted by approximately 8%, assuming no offsetting operational improvements. The larger negative impact on operating profit during the first twelve months as compared to the prospective impact is caused by costs of nonmonetary assets being carried at historic dollar cost in accordance with the requirement to account for Venezuela as a highly inflationary economy while revenue would be remeasured at the further devalued rate.
- We would likely incur an immediate charge of approximately $86.1 ($80.2 in "Other expenses, net" and $5.9 in "Income taxes") associated with the $209.8 of Bolívar-denominated monetary net assets and deferred income taxes.

During 2011, costs associated with acquiring goods that required settlement in U.S. dollars through the SITME markets in Venezuela included within operating profit were approximately $17.0. The amounts reported for costs associated with acquiring goods that required settlement in U.S. dollars through the parallel or SITME markets in Venezuela included within operating profit during 2010 were approximately $56. Additionally, if the exchange rate in the SITME market is further devalued, or an alternative source of exchange becomes available at an unfavorable rate beyond the SITME rate of 5.7 Bolívares to the U.S. Dollar, our results would be negatively impacted.

At December 31, 2011, Avon Venezuela had pending requests submitted with an agency of the Venezuelan government for approximately $131 for remittance of dividends and royalties to its parent company in the U.S. These outstanding requests had been periodically submitted between 2005 and 2011.

Latin America – 2010 Compared to 2009

	2010	2009	%/Point Change US$	%/Point Change Constant $
Total revenue	$4,589.5	$4,103.2	12 %	13 %
Operating profit	604.7	647.9	(7)%	6 %
CTI restructuring	19.8	34.4		
Venezuelan special items	79.5	—		
Adjusted Non-GAAP operating profit	704.0	682.3	3 %	4 %
Operating margin	13.2 %	15.8 %	(2.6)	(1.0)
CTI restructuring	.4	.8		
Venezuelan special items	1.7	—		
Adjusted Non-GAAP operating margin	15.3 %	16.6 %	(1.3)	(1.4)
Units sold				5 %
Active Representatives				8 %

Amounts in the table above may not necessarily sum because the computations are made independently.

Total revenue during 2010 increased as compared to 2009 due to growth in Active Representatives, driven by continued investments in RVP, and a higher average order. Revenue during 2010 grew 20% in Brazil and 15% in Mexico, with benefits from favorable foreign exchange, while the impact of unfavorable foreign exchange drove a revenue decline of 27% in Venezuela during 2010. Constant $ revenue during 2010 benefited from continued growth in most markets, particularly from growth of 8% in Brazil, 8% in Mexico and 47% in Venezuela.

Constant $ revenue growth in Mexico during 2010, was driven by an increase in Active Representatives, as well as an increase in average order. Constant $ revenue growth for 2010, in Venezuela reflected a higher average order primarily due to increased prices, partially as a result of inflation, and growth in Active Representatives.

Constant $ revenue growth during 2010 in Brazil was primarily driven by an increase in Active Representatives. Constant $ revenue growth in 2010 in Brazil was pressured by service disruptions in the second half of the year and a decline in skin care sales. Brazil's revenue grew 38% and 9% during the first half and second half of 2010, respectively, with constant $ growth rates of 13% in the first half and 4% in the second half. Brazil's performance in the second half of 2010 was primarily driven by service disruptions resulting in shorting of products. The mid-year implementation of government mandated e-invoicing exacerbated our legacy order processing systems and capacity which have also been pressured by a significant increase in order scale in recent years as Brazil's growth during this period outpaced our expectations and our planned infrastructure investments. These factors pressured the capacity of our legacy systems and were the primary cause of the service disruptions.

Operating margin declined during 2010 in Latin America due to the negative impact of the devaluation of the Venezuelan currency in conjunction with highly inflationary accounting as discussed previously. The decline in operating margin during 2010 caused by the Venezuelan special items was partially offset by benefits of .4 points from lower CTI restructuring. On an Adjusted Non-GAAP basis, excluding the Venezuelan special items and CTI restructuring, the decrease in operating margin in 2010 was primarily driven by higher distribution costs, increased investment in RVP and advertising, partially offset by the benefit of favorable foreign exchange.

North America – 2011 Compared to 2010

	2011	2010	%/Point Change US$	%/Point Change Constant $
Total revenue	$2,110.4	$2,244.0	(6)%	(6)%
Operating (loss) profit	(184.4)	155.9	(218)%	(219)%
CTI restructuring	24.7	41.3		
Impairment charge	263.0	—		
Adjusted Non-GAAP operating profit	103.3	197.2	(48)%	(49)%
Operating margin	(8.7)%	6.9%	(15.6)	(15.8)
CTI restructuring	1.2	1.8		
Impairment charge	12.5	—		
Adjusted Non-GAAP operating margin	4.9%	8.8%	(3.9)	(4.0)
Units sold				(10)%
Active Representatives				(8)%

Amounts in the table above may not necessarily sum because the computations are made independently.

North America consists largely of the U.S. business and includes the results of Silpada for the period since its acquisition at the end of July 2010. During 2011, Silpada's results have been included in the North America results for the entire year presented, whereas the results during 2010 include Silpada's results only since the end of July 2010. The inclusion of Silpada in our 2011 results for the unmatched period through July favorably impacted North America revenue growth by 4 points, operating profit growth by 6 points, Adjusted Non-GAAP operating profit growth by 1 point, and Adjusted Non-GAAP operating profit margin growth by .1 point.

The total revenue decline for 2011 was primarily due to a decline in Active Representatives. Sales of Beauty products decreased 6% during 2011, partly due to weakness in the beauty market. Sales of non-Beauty products declined 7% during 2011. The inclusion of Silpada in our 2011 results during the unmatched period through July contributed 10 points to non-Beauty growth rates during 2011.

In 2011, operating margin in North America was negatively impacted by an impairment charge of Silpada goodwill and an indefinite-lived intangible asset. See Note 17, Goodwill and Intangible Assets, to our 2011 Annual Report for a discussion regarding Silpada. On an Adjusted Non-GAAP basis, excluding the impairment charge and CTI restructuring, the decrease in operating margin was primarily driven by lower revenues while continuing to incur overhead expenses that do not vary directly with revenue, increased investment in RVP, and lower gross margin due to commodity cost pressures. Partially offsetting these negative impacts were lower advertising and improved bad debt. During 2011, operating margin benefited by .5 points due to a reduction in the estimated fair value of an earnout provision recorded in connection with the Silpada acquisition, as we revised our estimate of the earnout liability to be zero. In comparison, operating margin during 2010 benefited by .7 points due to the change in the fair value of the earnout provision from $26 at the date of acquisition to $11 at December 31, 2010.

Given that our results have been pressured, we have focused on our recovery plan, which has included enhancing our sales leadership model and optimizing our product portfolio. During the latter portion of the year, there has been positive reaction to our recalibration of the mix of Beauty and non-Beauty products and focus on Smart Value within Beauty, as part of the optimization of our product portfolio. We are continuing to focus on field transformation as we move to a stronger multi-level leadership structure, as well as simplifying and enhancing the earnings opportunity for Representatives. As we focus on field transformation and redistricting, we expect variability in our financial results through 2012.

32

North America – 2010 Compared to 2009

	2010	2009	%/Point Change US$	%/Point Change Constant $
Total revenue	$2,244.0	$2,293.4	(2)%	(3)%
Operating profit	155.9	110.4	41%	37%
CTI restructuring	41.3	40.5		
Adjusted Non-GAAP operating profit	197.2	150.9	31%	28%
Operating margin	6.9%	4.8%	2.1	2.0
CTI restructuring	1.8	1.8		
Adjusted Non-GAAP operating margin	8.8%	6.6%	2.2	2.1
Units sold				(7)%
Active Representatives				(3)%

Amounts in the table above may not necessarily sum because the computations are made independently.
The inclusion of Silpada's results during the latter portion of 2010 favorably impacted North America revenue growth by 5 points during 2010 as compared to 2009. Silpada also favorably impacted operating profit growth by 31 points during 2010 and favorably impacted Adjusted Non-GAAP operating profit growth by 23 points. As a result of the Silpada acquisition, units sold and Active Representatives for 2010 were each favorably impacted by 1 point.

The total revenue decline during 2010 was due to a decline in Active Representatives and a lower average order received from Representatives. The decline in Active Representatives for 2010 was largely due to a decline in additions compared with 2009's record recruiting. This resulted in strong growth in Active Representatives during 2009 causing an unfavorable comparison in 2010. Sales of non-Beauty products decreased 1% during 2010, with Silpada offsetting the decline by 10 points. Sales of Beauty products decreased 4% during 2010, partly due to weakness in the beauty market.
The increase in North America operating margin and Adjusted Non-GAAP operating margin during 2010 was primarily driven by improvements in gross margin caused by favorable pricing and mix and manufacturing productivity gains and the inclusion of Silpada results, which benefited operating margin by 1.2 points during 2010, despite approximately $7 of amortization of intangible assets. These operating margin benefits were negatively impacted by lower revenues which were not able to offset overhead expenses, despite cost saving initiatives. The costs associated with completing the Silpada acquisition were recorded in global expenses and were not allocated to the North America segment. Included within the Silpada results was an operating margin benefit of .7 points due to a change in the estimated fair value of an earnout provision recorded in connection with the Silpada acquisition.

Central & Eastern Europe – 2011 Compared to 2010

	2011	2010	%/Point Change US$	%/Point Change Constant $
Total revenue	$1,580.6	$1,585.8	—%	(4)%
Operating profit	295.2	297.8	(1)%	(5)%
CTI restructuring	2.5	4.7		
Adjusted Non-GAAP operating profit	297.7	302.5	(2)%	(6)%
Operating margin	18.7%	18.8%	(.1)	(.3)
CTI restructuring	.2	.3		
Adjusted Non-GAAP operating margin	18.8%	19.1%	(.3)	(.4)
Units sold				(6)%
Active Representatives				(2)%

Amounts in the table above may not necessarily sum because the computations are made independently.
Total revenue during 2011 was flat primarily due to declines in Active Representatives as well as average order, due to macro-economic pressures in the region. These declines were offset by favorable foreign exchange. During 2011 revenue in Russia declined 1%. On a Constant $ basis, revenue declined 4% in Russia for 2011 due to declines in average order as well as Active

Representatives. During the latter part of 2011, we believe Russia's performance was also impacted by weak trends in the Beauty category market in that country.

On an Adjusted Non-GAAP basis, operating margin decreased in 2011 as improved gross margin was offset by higher distribution costs and the unfavorable impact of lower revenues while continuing to incur overhead expenses that do not vary directly with revenue. Increased investments in RVP was offset by lower advertising. RVP investment increased in 2011 in part to address the increased social benefit taxes levied against certain Representatives beginning in 2010.

Central & Eastern Europe – 2010 Compared to 2009

			%/Point Change	
	2010	2009	US$	Constant $
Total revenue	$1,585.8	$1,500.1	6 %	5 %
Operating profit	297.8	244.9	22 %	22 %
CTI restructuring	4.7	29.7		
Adjusted Non-GAAP operating profit	302.5	274.6	10 %	12 %
Operating margin	18.8 %	16.3 %	2.5	2.7
CTI restructuring	.3	2.0		
Adjusted Non-GAAP operating margin	19.1 %	18.3 %	.8	1.1
Units sold				3 %
Active Representatives				4 %

Amounts in the table above may not necessarily sum because the computations are made independently.

Total revenue during 2010 increased compared to 2009 due to growth in Active Representatives and a higher average order, as well as favorable foreign exchange. The region's revenue benefited from growth of 11% in Russia, due partially to favorable foreign exchange. During 2010, Constant $ revenue in Russia increased by 7% due to a growth in Active Representatives and a higher average order. Russia's revenue grew 26% in the first half of 2010, but was flat during the second half, with Constant $ growth rates of 14% in the first half and 2% in the second half. Russia's performance in the second half of 2010 was primarily a result of slowing field growth due to weak incentives. Increases in social benefit taxes levied against certain Representatives exacerbated the slowdown in field growth. The increased taxes disproportionately reduced new and developing Representatives' earnings, which reduced their motivation to recruit. In Russia, weaker color and skincare performance negatively impacted revenue growth in the second half of 2010. During the first quarter of 2011, we launched a new sales leadership compensation plan to help offset the tax burden on these Representatives.

During 2010, operating margin benefited by 1.7 points due to lower CTI restructuring compared to the prior year. On an Adjusted Non-GAAP basis, the increase in operating margin during 2010 was primarily driven by the benefit of leverage from higher revenues with fixed overhead expenses, partially offset by a lower gross margin.

Western Europe, Middle East & Africa – 2011 Compared to 2010

			%/Point Change	
	2011	2010	US$	Constant $
Total revenue	$1,542.2	$1,462.1	5 %	5 %
Operating profit	183.7	176.5	4 %	2 %
CTI restructuring	2.8	1.6		
Adjusted Non-GAAP operating profit	186.5	178.1	5 %	3 %
Operating margin	11.9 %	12.1 %	(.2)	(.3)
CTI restructuring	.2	.1		
Adjusted Non-GAAP operating margin	12.1 %	12.2 %	(.1)	(.2)

Units sold	1	%
Active Representatives	4	%

Amounts in the table above may not necessarily sum because the computations are made independently.

Total revenue during 2011 increased primarily as a result of an increase in Active Representatives. The region's revenue growth for 2011 was primarily due to significant growth in South Africa, partially offset by a revenue decline in the United Kingdom. Additionally, total revenue in 2011 was favorably impacted by approximately 1 point due to a benefit to the United Kingdom's revenue resulting from the settlement of a long time dispute associated with an estimated Value Added Tax ("VAT") liability which was initially recognized as a reduction to revenue. The region experienced Constant $ growth through the first nine months of 2011 but saw declines in the fourth quarter, partly due to the negative impact of the continued difficult economic environment on Fashion and Home sales. The inclusion of Liz Earle in our 2011 results for the unmatched period through March favorably impacted the region's revenue growth by 1 point.

During 2011, revenue in South Africa increased 31%, partially benefiting from favorable foreign exchange. On a Constant $ basis, revenue in South Africa increased 29%, due to growth in Active Representatives. During 2011, revenue in Turkey declined 5%, due to unfavorable foreign exchange, while on a Constant $ basis Turkey grew 5%, due to growth in Active Representatives and higher average order. In the United Kingdom, revenue declined by 1% in 2011 including benefits from favorable foreign exchange as well as the VAT settlement. On a Constant $ basis, revenue in the United Kingdom in 2011 declined by 4%, primarily due to a decline in Active Representatives and lower average order, partially offset by the VAT settlement, which benefited Constant $ growth rates by 4 points.

The decreases in operating margin and Adjusted Non-GAAP operating margin in 2011, were primarily driven by a decline in gross margin due to higher commodity costs and the negative impact from foreign exchange, partially offset by the favorable impact of the revenue associated with the VAT settlement and reduced overhead spending.

Western Europe, Middle East & Africa – 2010 Compared to 2009

					%/Point Change			
	2010		2009		US$		Constant $	
Total revenue	$1,462.1		$1,277.8		14	%	15	%
Operating profit	176.5		84.2		110	%	107	%
CTI restructuring	1.6		31.0					
Adjusted Non-GAAP operating profit	178.1		115.2		55	%	56	%
Operating margin	12.1	%	6.6	%	5.5		5.5	
CTI restructuring	.1		2.4					
Adjusted Non-CAAP operating margin	12.2	%	9.0	%	3.2		3.2	
Units sold							12	%
Active Representatives							12	%

Amounts in the table above may not necessarily sum because the computations are made independently.

Total revenue during 2010 primarily increased as compared to 2009 as a result of an increase in Active Representatives. The region’s revenue growth during 2010 was primarily due to significant growth in South Africa and Turkey, as well as the acquisition of Liz Earle, which contributed approximately 3 points to revenue growth in 2010. During 2010, revenue increased 17% in Turkey and Constant $ revenue increased 15% in Turkey, due primarily to strong growth in Active Representatives, driven by continued investments in RVP. During 2010, revenue increased 82% in South Africa, partially benefiting from favorable foreign exchange. Constant $ revenue growth of 64% during 2010 in South Africa was primarily attributable to strong growth in Active Representatives, driven by investments in RVP, and the expansion of our geographic reach in the country. During 2010, revenue increased by 1% in the United Kingdom, while Constant $ revenue increased by 3% due to a growth in Active Representatives, partially offset by a lower average order.

During 2010, operating margin benefited by 2.3 points due to lower CTI restructuring compared to the prior year. On an Adjusted Non-GAAP basis, excluding CTI restructuring, the increase in operating margin during 2010 was primarily driven by improvements in gross margin, driven by improved manufacturing productivity, including the benefits of SSI.

Asia Pacific – 2011 Compared to 2010

	2011	2010	%/Point Change US$	Constant $
Total revenue	$942.4	$981.4	(4)%	(9)%
Operating profit	81.4	82.6	(1)%	(13)%
CTI restructuring	(0.3)	(0.3)		
Adjusted Non-GAAP operating profit	81.1	82.3	(1)%	(13)%
Operating margin	8.6%	8.4%	.2	(.3)
CTI restructuring	—	—		
Adjusted Non-GAAP operating margin	8.6%	8.4%	.2	(.3)
Units sold				(9)%
Active Representatives				(11)%

Amounts in the table above may not necessarily sum because the computations are made independently.
Beginning in the first quarter of 2011, the results of Asia Pacific and China were managed as a single operating segment. Accordingly, Asia Pacific amounts include the results of China for all periods presented. In addition, the region's results for all periods exclude Japan, which was sold in 2010 and classified as a discontinued operation.

Total revenue during 2011 declined primarily due to a decrease in Active Representatives, partially offset by favorable foreign exchange. Revenue grew 3% in the Philippines during 2011, benefiting from favorable foreign exchange. Constant $ revenue in the Philippines declined 1% in 2011 reflecting increased competitive activity. The region's results were negatively impacted by a continued decline in skincare sales during 2011.
Revenue declined 20% in China during 2011, or 24% in Constant $. In 2011, we continued the rollout of service centers to support direct selling. As we continue to transition towards direct selling, we are focused on improving the productivity of Representatives.

Adjusted Non-GAAP operating margin increased during 2011, primarily due to lower advertising costs, as well as favorable foreign exchange. The favorable impact of these items was partially offset by lower gross margin and higher RVP spending. With regards to gross margin, while favorable pricing offset higher commodity costs, gross margin declined due to adverse product mix.

Asia Pacific – 2010 Compared to 2009

	2010	2009	%/Point Change US$	Constant $
Total revenue	$981.4	$1,030.7	(5)%	(10)%
Operating profit	82.6	81.7	1%	(11)%
CTI restructuring	(0.3)	20.4		
Adjusted Non-GAAP operating profit	82.3	102.1	(19)%	(28)%
Operating margin	8.4%	7.9%	.5	(.1)
CTI restructuring	—	2.0		
Adjusted Non-GAAP operating margin	8.4%	9.9%	(1.5)	(2.0)
Units sold				(13)%
Active Representatives				(7)%

Amounts in the table above may not necessarily sum because the computations are made independently.
Total revenue during 2010 decreased primarily due to a decrease in Active Representatives and lower average order, partially offset by favorable foreign exchange. Revenue grew 15% during 2010 in the Philippines, benefiting partially

from favorable foreign exchange. Constant $ revenue during 2010 in the Philippines increased by 10% driven by growth in Active
Representatives, which was supported by RVP initiatives, offset by a lower average order. The region's results were negatively impacted by a decline in skincare sales during 2010.

Revenue declined 35%, or 36% in Constant $, in China due to significant revenue declines in both direct-selling and Beauty Boutiques. The fundamental challenges in our complex hybrid business model, including conflicting needs of retail and direct-selling, impacted both businesses. Our continued transition away from our complex hybrid business model in China to one which focuses on direct selling and updating our service center model includes a realigned field compensation structure and recalibrated merchandising and campaign management strategies to support direct-selling. During 2010, operating margin benefited by 2.0 points due to lower CTI restructuring compared to the prior year. This benefit was partially offset by an unfavorable change in operating margin in China that was primarily driven by significantly lower revenues. On an Adjusted Non-GAAP basis, excluding CTI restructuring, operating margin during 2010 declined due to the lower revenues in China. Partially offsetting this decline was improved gross margin in other markets in the region, which benefited from lower product costs and favorable foreign exchange, which benefited gross margin by approximately 1 point, partially offset by an increased investment in RVP.

Liquidity And Capital Resources

Our principal sources of funds historically have been cash flows from operations, commercial paper, borrowings under lines of credit, public offerings of notes, and a private placement. As disclosed in the Latin America Segment Review, at December 31, 2011, we held cash balances associated with our Venezuela operations denominated in Bolívares amounting to approximately $193 when translated at the official exchange rate. Currency restrictions enacted by the Venezuelan government have impacted our ability to repatriate dividends and royalties from our Venezuelan operations on a timely basis. We currently believe that existing cash outside of Venezuela, as well as cash to be generated from operations outside of Venezuela along with available sources of public and private financing are adequate to meet the Company’s anticipated requirements for general corporate needs. Substantially all of our cash and cash equivalents are held outside of the U.S., as it relates to undistributed earnings of certain foreign subsidiaries, a portion of which we intend to reinvest indefinitely in our foreign subsidiaries. If these indefinitely reinvested earnings were distributed to the U.S. parent as dividends, we may be subject to additional taxes. With respect to 2012, we have decided to not indefinitely reinvest any current year earnings of our foreign subsidiaries.

We may, from time to time, seek to repurchase our equity or to retire our outstanding debt in open market purchases, privately negotiated transactions, derivative instruments or otherwise. During 2011, we repurchased approximately .4 million shares of our common stock for an aggregate purchase price of approximately $7.7. During 2010, we repurchased approximately .4 million shares of our common stock for an aggregate purchase price of approximately $14.1.

Retirements of debt 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 or convertible securities to finance ongoing operations, acquisitions or to meet our other liquidity needs.

In July 2010, Avon completed the purchase of substantially all the assets and liabilities of Silpada for approximately $650 in cash. The acquisition was funded with cash and commercial paper borrowings. Refer to Note 17, Goodwill and Intangible Assets, to our 2011 Annual Report for more details.

Any issuances of equity securities 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 liquidity could also be impacted by dividends, capital expenditures, acquisitions, and certain contingencies described more fully in Note 16, Contingencies, to the consolidated financial statements included herein. At any given time, we may be in discussions and negotiations with potential acquisition candidates. Acquisitions may be accretive or dilutive and by their nature involve numerous risks and uncertainties. See our Cautionary Statement for purposes of the “Safe Harbor” Statement under the Private Securities Litigation Reform Act of 1995.

Balance Sheet Data

	2011	2010
Cash and cash equivalents	$1,245.1	$1,179.9
Total debt	3,308.4	3,136.2
Working capital	1,207.8	1,228.0

Cash Flows

	2011	2010	2009
Net cash from continuing operating activities	$655.8	$689.0	$754.7
Net cash from continuing investing activities	(267.7)	(1,095.7)	(218.3)
Net cash from continuing financing activities	(284.5)	234.7	(361.2)
Effect of exchange rate changes on cash and equivalents	(37.2)	(33.7)	5.6

Net Cash from Continuing Operating Activities

Net cash provided from continuing operating activities during 2011 was $33.2 lower than 2010. Operating cash flow during 2011 was negatively impacted by a $75.0 contribution to the U.S. pension plan, a payment associated with a long-term incentive compensation plan of approximately $36, and higher payments associated with CTI restructuring. Partially offsetting these unfavorable comparisons were higher cash related net income and the higher recovery of value added taxes in Brazil.

Net cash provided from continuing operating activities during 2010 was $65.7 lower than 2009, primarily due to both higher inventories resulting from lower-than-expected sales and the negative impacts of timing of restructuring payments. Offsetting these unfavorable comparisons are the recovery of value added taxes in Brazil.

Inventory levels increased during 2011, to $1,161.3 at December 31, 2011, from $1,152.9 at December 31, 2010, primarily reflecting the benefit of favorable foreign exchange offset by the adverse impact of the ERP implementation in Brazil and lower-than-expected sales. New inventory life cycle management processes leveraged with initiatives such as ERP implementation and the Sales and Operations Planning process are expected to improve inventory levels in the long-term. Inventory days are down 2 days in 2011 as compared to 2010, due to the benefit of favorable foreign exchange offset by the adverse impact of the ERP implementation in Brazil and lower-than-expected sales.

We maintain defined benefit pension plans and unfunded supplemental pension benefit plans (see Note 12, Employee Benefit Plans to our 2011 Annual Report). Our funding policy for these plans is based on legal requirements and cash flows. The amounts necessary to fund future obligations under these plans could vary depending on estimated assumptions (as detailed in “Critical Accounting Estimates”). The future funding for these plans will depend on economic conditions, employee demographics, mortality rates, the number of associates electing to take lump-sum distributions, investment performance and funding decisions. Based on current assumptions, we expect to make contributions in the range of $40 to $45 to our U.S. pension plans and in the range of $40 to $45 to our international pension plans during 2012.

Net Cash from Continuing Investing Activities

Net cash used by continuing investing activities during 2011 was $828.0 lower than during 2010, primarily due to the acquisitions of Silpada and Liz Earle in 2010, as well as lower capital expenditures. Net cash used by continuing investing activities during 2010 was $877.4 higher than during 2009, primarily due to the acquisitions of Silpada and Liz Earle. In addition during the first half of 2009, we redeemed certain corporate-owned life insurance policies.

Capital expenditures during 2011 were $276.7 compared with $331.2 in 2010, as 2010 included higher investment associated with new distribution facilities in Latin America. Capital expenditures during 2010 were $331.2 compared with $296.3 in 2009 due to higher information technology expenditures in Latin America. Capital expenditures in 2012 are currently expected to be approximately $260 to $290 and will be funded by cash from operations.

Net Cash from Continuing Financing Activities

Net cash used by continuing financing activities of $284.5 during 2011 compared unfavorably to cash provided by continuing financing activities of $234.7 during 2010 primarily due to the issuance of debt in 2010 to partially finance the Silpada acquisition.

Net cash provided by continuing financing activities of $234.7 during 2010 compared favorably to cash used by continuing financing activities of $361.2 during 2009 primarily due to the issuance of debt in 2010 to partially finance the Silpada acquisition.

We purchased approximately .4 million shares of our common stock for $7.7 during 2011, as compared to .4 million shares of our common stock for $14.1 during 2010 and .4 million shares for $8.6 during 2009, under our previously announced share repurchase programs and through acquisition of stock from employees in connection with tax payments upon vesting of restricted stock units. In October 2007, the Board of Directors authorized the repurchase of $2 billion of our common stock over a five-year period, which began in December 2007.

We increased our quarterly dividend payments to $.23 per share in 2011 from $.22 per share in 2010.

Debt and Contractual Financial Obligations and Commitments

At December 31, 2011, our debt and contractual financial obligations and commitments by due dates were as follows:

	2012	2013	2014	2015	2016	2017 and Beyond	Total
Short-term debt	$832.6	$—	$—	$—	$—	$ —	$832.6
Long-term debt	—	375.0	500.0	142.0	—	1,243.0	2,260.0
Capital lease obligations	16.7	9.8	9.1	6.5	5.9	29.3	77.3
Total debt	849.3	384.8	509.1	148.5	5.9	1,272.3	3,169.9
Debt-related interest	115.9	101.8	74.0	68.8	65.2	66.3	492.0
Total debt-related	965.2	486.6	583.1	217.3	71.1	1,338.6	3,661.9
Operating leases	105.0	92.2	79.6	68.9	52.5	146.1	544.3
Purchase obligations	344.6	154.4	126.1	115.3	120.4	5.7	866.5
Benefit obligations(1)	86.0	10.8	10.4	8.8	9.3	80.7	206.0
Total debt and contractual financial obligations and commitments(2)	$1,500.8	$744.0	$799.2	$410.3	$253.3	$ 1,571.1	$5,278.7

(1) Amounts represent expected future benefit payments for our unfunded pension and postretirement benefit plans, as well as expected contributions for 2012 to our funded pension benefit plans. We are not able to estimate our contributions to our funded pension plans beyond 2012.

(2) The amount of debt and contractual financial obligations and commitments excludes amounts due under derivative transactions. The table also excludes information on recurring purchases of inventory as these purchase orders are non-binding, are generally consistent from year to year, and are short-term in nature. The table does not include any reserves for income taxes because we are unable to reasonably predict the ultimate amount or timing of settlement of our reserves for income taxes. At December 31, 2011, our reserves for income taxes, including interest and penalties, totaled $41.8.

See Note 5, Debt and Other Financing, and Note 14, Leases and Commitments, to our 2011 Annual Report for further information on our debt and contractual financial obligations and commitments. Additionally, as disclosed in Note 15, Restructuring Initiatives, we have a remaining liability of $73.9 at December 31, 2011, associated with the restructuring charges recorded to date under the 2005 and 2009 Restructuring Programs, and we also expect to record additional restructuring charges of $7.5 in future periods to implement the actions approved to date. The significant majority of these liabilities will require cash payments during 2012.

Off Balance Sheet Arrangements

At December 31, 2011, we had no material off-balance-sheet arrangements.

Capital Resources

We maintain a three-year, $1 billion revolving credit and competitive advance facility, which expires in November 2013. Borrowings under the credit facility bear interest at a rate per annum, which are either based on LIBOR or a floating base rate plus an applicable margin. The credit facility contains various covenants, including a financial covenant that requires our interest coverage ratio (determined in relation to our consolidated pretax income and interest expense) to equal or exceed 4:1. The credit facility may be used for general corporate purposes. At December 31, 2011, there were no amounts outstanding under the credit facility.

We also maintain a $1 billion commercial paper program. Under this program, we may issue from time to time unsecured promissory notes in the commercial paper market in private placements exempt from registration under federal and state securities laws, for a cumulative face amount not to exceed $1 billion outstanding at any one time and with maturities not exceeding 270 days from the date of issue. The commercial paper short-term notes issued under the program are not redeemable prior to maturity and are not subject to voluntary prepayment. The commercial paper program is supported by our three-year credit facility. Outstanding commercial paper effectively reduces the amount available for borrowing under the three-year credit facility. At December 31, 2011, there was $709.0 outstanding under this program. For more information regarding risks associated with our ability to access certain debt markets, including the commercial paper market, see "Risk Factors - A general economic downturn, a recession globally or in one or more of our geographic regions or sudden disruption in business conditions or other challenges may adversely affect our business and our access to liquidity and capital" included in Item 1A herein.

In November 2010, we issued, in a private placement exempt from registration under the Securities Act of 1933, as amended, $142.0 principal amount of 2.60% Senior Notes, Series A, due November 23, 2015, $290.0 principal amount of 4.03% Senior Notes, Series B, due November 23, 2020, and $103.0 principal amount of 4.18% Senior Notes, Series C, due November 23, 2022. The Notes are senior unsecured obligations of the Company, rank equal in right of payment with all other senior unsecured indebtedness of the Company, and are unconditionally guaranteed by one of the Company's wholly-owned subsidiaries. The Notes require the Company to comply with an interest coverage ratio and contain customary default provisions, including cross-default provisions. The proceeds from the sale of the Notes were used to repay existing debt and for general corporate purposes.

In March 2009, we issued, in a public offering, $500.0 principal amount of 5.625% Notes, due March 1, 2014 and $350.0 principal amount of 6.50% Notes, due March 1, 2019. In March 2008, we issued, in a public offering, $250.0 principal amount of 4.80% Notes, due March 1, 2013 and $250.0 principal amount of 5.75% Notes, due March 1, 2018. The proceeds from these offerings were used to repay the outstanding indebtedness under our commercial paper program and for general corporate purposes.

At December 31, 2011, we were in compliance with all covenants in our indentures and our note purchase agreement. Such indentures and note purchase agreement do not contain any rating downgrade triggers that would accelerate the maturity of our debt. We would be required to make an offer to repurchase the 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 us and a corresponding ratings downgrade to below investment grade. We also have outstanding $250.0 principal amount of 4.20% Notes, due July 15, 2018 and $125.0 principal amount of 4.625% Notes, due May 15, 2013. Additionally, we had $500.0 principal amount of 5.125% Notes, due in January 2011, outstanding at December 31, 2010, which has subsequently been repaid primarily with the use of commercial paper. Please refer to Note 5, Debt and Other Financing, to our 2011 Annual Report for more details.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The overall objective of our financial risk management program is to reduce the potential negative effects from changes in foreign exchange and interest rates arising from our business activities. We may reduce our exposure to fluctuations in cash flows associated with changes in interest rates and foreign exchange rates by creating offsetting positions through the use of derivative financial instruments and through operational means. Since we use foreign currency rate-sensitive and interest rate-sensitive instruments to hedge a portion of our existing and forecasted transactions, we expect that any loss in value for the hedge instruments generally would be offset by changes in the value of the underlying 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 some 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.

Interest Rate Risk

We use interest rate swaps to manage our interest rate exposure. The interest rate swaps are 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. At December 31, 2011 and 2010, we held interest rate swap agreements that effectively converted approximately 74% of our outstanding long-term, fixed-rate borrowings to a variable interest rate based on LIBOR. Our total exposure to floating interest rates was 82% at December 31, 2011, and 81% at December 31, 2010.

Our long-term borrowings and interest rate swaps were analyzed at year-end to determine their sensitivity to interest rate changes. Based on the outstanding balance of all these financial instruments at December 31, 2011, a hypothetical 50-basis-point change (either an increase or a decrease) in interest rates prevailing at that date, sustained for one year, would not represent a material potential change in fair value, earnings or cash flows. This potential change was calculated based on discounted cash flow analyses using interest rates comparable to our current cost of debt.

Foreign Currency Risk

We conduct business globally, with operations in various locations around the world. Over the past three years, approximately 83% 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 the local currency. We are exposed to changes in financial market conditions in the normal course of our operations, primarily due to international businesses and transactions denominated in foreign currencies and the use of various financial instruments to fund ongoing activities. At December 31, 2011, the primary currencies for which we had net underlying foreign currency exchange rate exposures were the Argentine peso, Australian dollar, Brazilian real, British pound, Canadian dollar, Chinese renminbi, Colombian peso, the euro, Mexican peso, Philippine peso, Polish zloty, Russian ruble, South Africa rand, Turkish lira, Ukrainian hryvnia and Venezuelan bolívar.

We may reduce our exposure to fluctuations in cash flows associated with changes in foreign exchange rates by creating offsetting positions through the use of derivative financial instruments.

Our hedges of our foreign currency exposure are not designed to, and, therefore, cannot entirely eliminate the effect of changes in foreign exchange rates on our consolidated financial position, results of operations and cash flows.

Our foreign-currency financial instruments were analyzed at year-end to determine their sensitivity to foreign exchange rate changes. Based on our foreign exchange contracts at December 31, 2011, the impact of a hypothetical 10% appreciation or 10% depreciation of the U.S. dollar against our foreign exchange contracts would not represent a material potential change in fair value, earnings or cash flows. This potential change does not consider our underlying foreign currency exposures. The hypothetical impact was calculated on the open positions using forward rates at December 31, 2011, adjusted for an assumed 10% appreciation or 10% depreciation of the U.S. dollar against these hedging contracts.

Credit Risk of Financial Instruments

We attempt to minimize our credit exposure to counterparties by entering into derivative transactions and similar agreements with major international financial institutions with “A” or higher credit ratings as issued by Standard & Poor’s Corporation. Our foreign currency and interest rate derivatives are comprised of over-the-counter forward contracts, swaps or options with major international financial institutions. Although our theoretical credit risk is the replacement cost at the then estimated fair value of these instruments, we believe that the risk of incurring credit risk losses is remote and that such losses, if any, would not be material.

Non-performance of the counterparties on the balance of all the foreign exchange and interest rate agreements would result in a write-off of $159.2 at December 31, 2011. In addition, in the event of non-performance by such counterparties, we would be exposed to market risk on the underlying items being hedged as a result of changes in foreign exchange and interest rates.

See Note 8, Financial Instruments and Risk Management, to our 2011 Annual Report for further information.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Reference is made to the Index on page F-1 of our Consolidated Financial Statements and Notes thereto contained herein.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

ITEM 9A. 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 (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 December 31, 2011, 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 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.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Exchange Act. Internal control over financial reporting is defined as a process designed by, or under the supervision of, our principal executive and principal financial officers and effected by our board of directors, management and other personnel, 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, and includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper override. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process, and it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

Under the supervision and with the participation of our management, including our principal executive and principal financial officers, we assessed as of December 31, 2011, the effectiveness of our internal control over financial reporting. This assessment was based on criteria established in the framework in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our assessment using those criteria, our management concluded that our internal control over financial reporting as of December 31, 2011, was effective.

PricewaterhouseCoopers LLP, the independent registered public accounting firm that audited the financial statements included in this 2011 Annual Report on Form 10-K, has audited the effectiveness of our internal control over financial reporting as of December 31, 2011. Their report is included on page F-2 of our 2011 Annual Report.

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.

We are implementing an enterprise resource planning (“ERP”) system on a worldwide basis, which is expected to improve the efficiency of our supply chain and financial transaction processes. The implementation is expected to occur in phases over the next several years. The implementation of a worldwide ERP system will likely affect the processes that constitute our internal control over financial reporting and will require testing for effectiveness.

We completed implementation in certain significant markets and will continue to roll-out the ERP system over the next several years. As with any new information technology application we implement, this application, along with the internal controls over financial reporting included in this process, were tested for effectiveness prior to and concurrent with the implementation in these countries. We concluded, as part of our evaluation described in the above paragraph, that the implementation of ERP in these countries is not reasonably likely to materially affect our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Directors

Information regarding directors is incorporated by reference to the “Proposal 1 - Election of Directors” and “Information Concerning the Board of Directors” sections of our proxy statement for the 2012 Annual Meeting of Shareholders (“2012 Proxy Statement”).

Executive Officers

Information regarding executive officers is incorporated by reference to the “Executive Officers” section of our 2012 Proxy Statement.

Section 16(a) Beneficial Ownership Reporting Compliance

This information is incorporated by reference to the “Section 16(a) Beneficial Ownership Reporting Compliance” section of our 2012 Proxy Statement.

Code of Business Conduct and Ethics

Our Board of Directors has adopted a Code of Business Conduct and Ethics, amended in February 2008, that applies to all members of the Board of Directors and to all of our employees, including our principal executive officer, principal financial officer and principal accounting officer or controller. Our Code of Business Conduct and Ethics is available, free of charge, on our investor website, www.avoninvestor.com. Our Code of Business Conduct and Ethics is also available, without charge, from Investor Relations, Avon Products, Inc., 1345 Avenue of the Americas, New York, NY 10105-0196 or by sending an email to investor.relations@avon.com or by calling (212) 282-5320. Any amendment to, or waiver from, the provisions of this Code of Business Conduct and Ethics that applies to any of those officers will be posted to the same location on our website.

Audit Committee; Audit Committee Financial Expert

This information is incorporated by reference to the “Information Concerning the Board of Directors” section of our 2012 Proxy Statement.

Material Changes in Nominating Procedures

This information is incorporated by reference to the “Information Concerning the Board of Directors” section of our 2012 Proxy Statement.

ITEM 11. EXECUTIVE COMPENSATION

This information is incorporated by reference to the “Information Concerning the Board of Directors,” “Executive Compensation” and “Director Compensation” sections of our 2012 Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

This information is incorporated by reference to the “Equity Compensation Plan Information” and “Ownership of Shares” sections of our 2012 Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

This information is incorporated by reference to the “Information Concerning the Board of Directors” and “Transactions with Related Persons” sections of our 2012 Proxy Statement.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

This information is incorporated by reference to the “Proposal 3 - Ratification of Appointment of Independent Registered Public Accounting Firm” section of our 2012 Proxy Statement.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULE

(a) 1. Consolidated Financial Statements and Report of Independent Registered Public Accounting Firm

See Index on page F-1.

(a) 2. Financial Statement Schedule

See Index on page F-1.

All other schedules are omitted because they are not applicable or because the required information is shown in the consolidated financial statements and notes.

(a) 3. Index to Exhibits

Exhibit Number	Description
2.1	Asset Purchase Agreement, dated as of July 9, 2010, by and among Avon Products, Inc., SD Acquisition LLC, Silpada Designs, Inc., the stockholders of Silpada Designs, Inc., and Gerald A. Kelly, Jr., solely in his capacity as representative of Silpada Designs, Inc. and the stockholders of Silpada Designs, Inc. (incorporated by reference to Exhibit 2.1 to Avon's Current Report on Form 8-K filed on July 12, 2010).
3.1	Restated Certificate of Incorporation, filed with the Secretary of State of the State of New York on May 5, 2011 (incorporated by reference to Exhibit 3.1 to Avon's Current Report on Form 8-K filed on May 10, 2011).
3.2	By-laws of Avon, as amended, effective May 5, 2011 (incorporated by reference to Exhibit 3.2 to Avon's Current Report on Form 8-K filed on May 10, 2011).
4.1	Indenture, dated as of May 13, 2003, between Avon, as Issuer, and JPMorgan Chase Bank, as Trustee, relating to Avon's $125.0 aggregate principal amount of 4.625% Notes due 2013, $250.0 aggregate principal amount of 4.20% Notes due 2018 and $500.0 aggregate principal amount of Avon's 5.125% Notes due 2011 (incorporated by reference to Exhibit 4.1 to Avon's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003).
4.2	First Supplemental Indenture, dated as of March 3, 2008, between Avon Products, Inc. and Deutsche Bank Trust Company Americas, as Trustee, pursuant to which the 4.800% Notes due 2013 are issued (incorporated by reference to Exhibit 4.1 to Avon's Current Report on Form 8-K filed on March 4, 2008).
4.3	Second Supplemental Indenture, dated as of March 3, 2008, between Avon Products, Inc. and Deutsche Bank Trust Company Americas, as Trustee, pursuant to which the 5.750% Notes due 2018 are issued (incorporated by reference to Exhibit 4.2 to Avon's Current Report on Form 8-K filed on March 4, 2008).
4.4	Indenture, dated as of February 27, 2008, between Avon Products, Inc. and Deutsche Bank Trust Company Americas, as Trustee (incorporated by reference to Exhibit 4.5 to Avon's Current Report on Form 8-K filed on March 4, 2008).
4.5	Third Supplemental Indenture, dated as of March 2, 2009, between Avon Products, Inc. and Deutsche Bank Trust Company Americas, as Trustee, with respect to the issuance of the 5.625% Notes due 2014 (incorporated by reference to Exhibit 4.1 to Avon's Current Report on Form 8-K filed on March 2, 2009).
4.6	Fourth Supplemental Indenture, dated as of March 2, 2009, between Avon Products, Inc. and Deutsche Bank Trust Company Americas, as Trustee, with respect to the issuance of the 6.500% Notes due 2019 (incorporated by reference to Exhibit 4.2 to Avon's Current Report on Form 8-K filed on March 2, 2009).
10.1*	Avon Products, Inc. Year 2000 Stock Incentive Plan (incorporated by reference to Appendix A to Avon's Proxy Statement as filed on March 27, 2000).
10.2*	Amendment of the Avon Products, Inc. Year 2000 Stock Incentive Plan, effective January 1, 2002 (incorporated by reference to Exhibit 10.17 to Avon's Annual Report on Form 10-K for the year ended

	December 31, 2002).
10.3*	Second Amendment to the Avon Products, Inc. Year 2000 Stock Incentive Plan, effective January 1, 2009 (incorporated by reference to Exhibit 10.6 to Avon's Annual Report on Form 10-K for the year ended December 31, 2008).
10.4*	Form of U.S. Stock Option Agreement under the Avon Products, Inc. Year 2000 Stock Incentive Plan (incorporated by reference to Exhibit 10.1 to Avon's Quarterly Report on Form 10-Q for the quarter ended September 30, 2004).

10.5*	Form of U.S. Restricted Stock Unit Award Agreement under the Avon Products, Inc. Year 2000 Stock Incentive Plan (incorporated by reference to Exhibit 10.39 to Avon's Annual Report on Form 10-K for the year ended December 31, 2005).
10.6*	Form of Revised U.S. Stock Option Agreement under the Avon Products, Inc. Year 2000 Stock Incentive Plan (incorporated by reference to Exhibit 99.1 to Avon's Current Report on Form 8-K filed on March 8, 2005).
10.7*	Form of Revised U.S. Restricted Stock Unit Award Agreement under the Avon Products, Inc. Year 2000 Stock Incentive Plan (incorporated by reference to Exhibit 99.2 to Avon's Current Report on Form 8-K filed on March 8, 2005).
10.8*	Avon Products, Inc. 2005 Stock Incentive Plan approved by stockholders on May 5, 2005 (incorporated by reference to Appendix G to Avon's Proxy Statement filed on May 5, 2005).
10.9*	First Amendment of the Avon Products, Inc. 2005 Stock Incentive Plan, effective January 1, 2006 (incorporated by reference to Exhibit 10.12 to Avon's Annual Report on Form 10-K for the year ended December 31, 2006).
10.10*	Second Amendment of the Avon Products, Inc. 2005 Stock Incentive Plan, effective January 1, 2007 (incorporated by reference to Exhibit 10.13 to Avon's Annual Report on Form 10-K for the year ended December 31, 2006).
10.11*	Third Amendment to the Avon Products, Inc. 2005 Stock Incentive Plan, dated October 2, 2008 (incorporated by reference to Exhibit 10.14 to Avon's Annual Report on Form 10-K for the year ended December 31, 2008).
10.12*	Form of U.S. Stock Option Agreement under the Avon Products, Inc. Year 2005 Stock Incentive Plan (incorporated by reference to Exhibit 99.1 to Avon's Current Report on Form 8-K filed on September 6, 2005).
10.13*	Form of U.S. Restricted Stock Unit Award Agreement under the Avon Products, Inc. Year 2005 Stock Incentive Plan (incorporated by reference to Exhibit 99.2 to Avon's Current Report on Form 8-K filed on September 6, 2005).
10.14*	Form of Restricted Stock Unit Award Agreement under the Avon Products, Inc. 2005 Stock Incentive Plan (incorporated by reference to Exhibit 10.1 to Avon's Current Report on Form 8-K filed on February 7, 2008).
10.15*	Form of Retention Restricted Stock Unit Award Agreement under the Avon Products, Inc. 2005 Stock Incentive Plan (incorporated by reference to Exhibit 10.2 to Avon's Current Report on Form 8-K filed on February 7, 2008).
10.16*	Avon Products, Inc. 2010 Stock Incentive Plan (incorporated by reference to Appendix E to Avon's Proxy Statement as filed on March 25, 2010).
10.17*	Form of Stock Option Award Agreement under the Avon Products, Inc. 2010 Stock Incentive Plan (incorporated by reference to Exhibit 10.1 to Avon's Current Report on Form 8-K filed on May 24, 2010).
10.18*	Form of Restricted Stock Unit Award Agreement under the Avon Products, Inc. 2010 Stock Incentive Plan (incorporated by reference to Exhibit 10.2 to Avon's Current Report on Form 8-K filed on May 24, 2010).
10.19*	Form of Retention Restricted Stock Unit Award Agreement under the Avon Products, Inc. 2010 Stock Incentive Plan (incorporated by reference to Exhibit 10.3 to Avon's Current Report on Form 8-K filed on May 24, 2010).
10.20*	Form of Performance Restricted Stock Unit Award Agreement under the Avon Products, Inc. 2010 Stock Incentive Plan (incorporated by reference to Exhibit 10.1 to Avon's Current Report on Form 8-K filed on March 8, 2011).
10.21*	Form of Performance Restricted Stock Unit Award Agreement under the Avon Products, Inc. 2010 Stock Incentive Plan.
10.22*	Form of Retention Restricted Stock Unit Award Agreement under the Avon Products, Inc. 2010 Stock Incentive Plan (incorporated by reference to Exhibit 10.2 to Avon's Current Report on Form 8-K filed on

	March 8, 2011).
10.23*	Supplemental Executive Retirement Plan of Avon Products, Inc., as amended and restated as of January 1, 2009 (incorporated by reference to Exhibit 10.20 to Avon's Annual Report on Form 10-K for the year ended December 31, 2008).
10.24*	Avon Products, Inc. Deferred Compensation Plan, as amended and restated as of January 1, 2008 (incorporated by reference to Exhibit 10.20 to Avon's Annual Report on Form 10-K for the year ended December 31, 2007).

10.25*	First Amendment, dated as of December 7, 2010, to the Avon Products, Inc. Deferred Compensation Plan, as amended and restated as of January 1, 2008. (incorporated by reference to Exhibit 10.22 to Avon's Annual Report on Form 10-K for the year ended December 31, 2010).
10.26*	Second Amendment, dated March 2, 2011, to the Avon Products, Inc. Deferred Compensation Plan, as amended and restated as of January 1, 2008 (incorporated by reference to Exhibit 10.4 to Avon's Quarterly Report on Form 10-Q for the quarter ended March 31, 2011).
10.27*	Avon Products, Inc. Compensation Plan for Non-Employee Directors, amended and restated as of May 6, 2010 (incorporated by reference to Exhibit 10.5 to Avon's Quarterly Report on Form 10-Q for the quarter ended June 30, 2010).
10.28*	Board of Directors of Avon Products, Inc. Deferred Compensation Plan, amended and restated as of May 6, 2010 (incorporated by reference to Exhibit 10.6 to Avon's Quarterly Report on Form 10-Q for the quarter ended June 30, 2010).
10.29*	Avon Products, Inc. 2008-2012 Executive Incentive Plan (incorporated by reference to Exhibit 10.1 to Avon's Current Report on Form 8-K filed on March 11, 2008).
10.30*	First Amendment, dated March 2, 2011, to the Avon Products, Inc. 2008-2012 Executive Incentive Plan (incorporated by reference to Exhibit 10.3 to Avon's Quarterly Report on Form 10-Q for the quarter ended March 31, 2011).
10.31*	Benefit Restoration Pension Plan of Avon Products, Inc., as amended and restated as of January 1, 2009 (incorporated by reference to Exhibit 10.26 to Avon's Annual Report on Form 10-K for the year ended December 31, 2008).
10.32*	First Amendment, dated as of December 13, 2010, to the Benefit Restoration Pension Plan of Avon Products, Inc., as amended and restated as of January 1, 2009.
10.33*	Trust Agreement, dated as of October 29, 1998, between Avon and The Chase Manhattan Bank, N.A., as Trustee, relating to the grantor trust (incorporated by reference to Exhibit 10.12 to Avon's Annual Report on Form 10-K for the year ended December 31, 2004).
10.34*	Amendment to Trust Agreement, effective as of January 1, 2009 (incorporated by reference to Exhibit 10.28 to Avon's Annual Report on Form 10-K for the year ended December 31, 2008).
10.35*	Amended and Restated Employment Agreement with Andrea Jung, dated December 5, 2008 (incorporated by reference to Exhibit 10.1 to Avon's Current Report on Form 8-K filed on December 8, 2008).
10.36*	Employment Offer Letter Agreement, dated as of November 13, 2005, between Avon and Charles W. Cramb (incorporated by reference to Exhibit 10.1 to Avon's Current Report on Form 8-K/A filed on November 16, 2005).
10.37*	Amendment to Employment Offer Letter Agreement, effective as of December 3, 2008 between Avon and Charles W. Cramb (incorporated by reference to Exhibit 10.34 to Avon's Annual Report on Form 10-K for the year ended December 31, 2008).
10.38*	Form of Performance Contingent Restricted Stock Unit Award Agreement under the Avon Products, Inc. 2005 Stock Incentive Plan for the Chief Executive Officer (incorporated by reference to Exhibit 10.2 to Avon's Current Report on Form 8-K filed on March 31, 2006).
10.39*	Employment Offer Letter Agreement, dated as of November 18, 2005, between Avon and Charles Herington (incorporated by reference to Exhibit 10.37 to Avon's Annual Report on Form 10-K for the year ended December 31, 2008).
10.40*	Amendment to Employment Offer Letter Agreement, effective as of November 24, 2008 between Avon and Charles Herington (incorporated by reference to Exhibit 10.38 to Avon's Annual Report on Form 10-K for the year ended December 31, 2008).
10.41*	Employment Offer Letter Agreement, dated as of February 1, 2008, between Avon and Kim Rucker (incorporated by reference to Exhibit 10.37 to Avon's Annual Report on Form 10-K for the year ended December 31, 2009).
10.42*	Supplemental Life Plan of Avon Products, Inc., amended and restated as of January 1, 2009 (incorporated by reference to Exhibit 10.48 to Avon's Annual Report on Form 10-K for the year ended December 31,

2008).

10.43*	Pre-1990 Supplemental Life Plan of Avon Products, Inc., amended and restated as of January 1, 2009 (incorporated by reference to Exhibit 10.49 to Avon's Annual Report on Form 10-K for the year ended December 31, 2008).
10.44*	Avon Products, Inc. Management Incentive Plan, effective as of January 1, 2009 (incorporated by reference to Exhibit 10.50 to Avon's Annual Report on Form 10-K for the year ended December 31, 2008).
10.45*	Avon Products, Inc. Compensation Recoupment Policy (incorporated by reference to Exhibit 10.1 to Avon's Current Report on Form 8-K filed on March 17, 2010).
10.46*	Avon Products, Inc. Change in Control Policy (incorporated by reference to Exhibit 10.2 to Avon's Current Report on Form 8-K filed on March 17, 2010).
10.47*	Avon Products, Inc. Long Term Incentive Cash Plan, effective as of January 1, 2011 (incorporated by reference to Exhibit 10.5 to Avon's Quarterly Report on Form 10-Q for the quarter ended March 31, 2011).
10.48*	Avon Products, Inc. 2011 Transition Incentive Cash Program, effective as of January 1, 2011 (incorporated by reference to Exhibit 10.6 to Avon's Quarterly Report on Form 10-Q for the quarter ended March 31, 2011).
10.49*	Avon Products, Inc. 2011-2012 Transition Incentive Cash Program, effective as of January 1, 2011 (incorporated by reference to Exhibit 10.7 to Avon's Quarterly Report on Form 10-Q for the quarter ended March 31, 2011).
10.50*	Employment Offer Letter Agreement, dated as of May 18, 2011, between Avon Products, Inc. and Kimberly Ross (incorporated by reference to Exhibit 10.1 to Avon's Quarterly Report on Form 10-Q for the quarter ended June 30, 2011).
10.51*	Amendment to Employment Offer Letter Agreement, dated as of February 8, 2012, between Avon Products, Inc. and Kimberly Ross.
10.52*	Employment Offer Letter Agreement, dated as of February 8, 2012, between Avon Products, Inc. and Fernando Acosta.
10.53*	Employment Offer Letter Agreement, dated as of December 27, 2007, between Avon Products, Inc. and Donagh Herlihy.
10.54	Employment Agreement, by and between Avon Products, Inc. and Andrea Jung, dated as of December 13, 2011, (incorporated by reference to Exhibit 10.1 to Avon's Current Report on Form 8-K filed on December 16, 2011).
10.55	Guarantee of Avon Products, Inc. dated as of August 31, 2005 (incorporated by reference to Exhibit 10.1 to Avon's Current Report on Form 8-K filed on September 6, 2005).
10.56	Revolving Credit and Competitive Advance Facility Agreement, dated as of November 2, 2010, among Avon Products, Inc., Avon Capital Corporation, Citibank, N.A., as Administrative Agent, Citigroup Global Markets Inc., Banc of America Securities LLC and J.P. Morgan Securities LLC, as Joint Lead Arrangers and Joint Bookrunners, and the other lenders party thereto (incorporated by reference to Exhibit 10.1 to Avon's Current Report on Form 8-K filed on November 5, 2010).
10.57	Note Purchase Agreement, dated as of November 23, 2010, among the Company and the purchasers of its 2.60% Senior Notes, Series A, due November 23, 2015, 4.03% Senior Notes, Series B, due November 23, 2020 and 4.18% Senior Notes, Series C, due November 23, 2022 (incorporated by reference to Exhibit 10.1 to Avon's Current Report on Form 8-K filed on November 29, 2010).
10.58	Credit Agreement, dated as of December 14, 2010, among Avon Products, Inc., Avon Capital Corporation and Citibank, N.A. (incorporated by reference to Exhibit 10.1 to Avon's Current Report on Form 8-K filed on December 17, 2010).
21	Subsidiaries of the registrant.
23	Consent of PricewaterhouseCoopers LLP.
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	

	Certification of Executive Vice President and 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 Executive Vice President and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

47

101	The following materials formatted in Extensible Business Reporting Language (XBRL): (i) Consolidated Statements of Income, (ii) Consolidated Balance Sheets, (iii) Consolidated Statements of Cash Flows, (iv) Consolidated Statements of Changes in Shareholders' Equity, (v) Notes to Consolidated Financial Statements and (vi) Schedule of Valuation and Qualifying Accounts.
*	The Exhibits identified above with an asterisk (*) are management contracts or compensatory plans or arrangements.

Avon's Annual Report on Form 10-K for the year ended December 31, 2011, at the time of filing with the Securities and Exchange Commission, shall modify and supersede all prior documents filed pursuant to Section 13, 14 or 15(d) of the Securities Exchange Act of 1934 for purposes of any offers or sales of any securities after the date of such filing pursuant to any Registration Statement or Prospectus filed pursuant to the Securities Act of 1933, which incorporates by reference such Annual Report on Form 10-K.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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, on the 29th day of February 2012.

Avon Products, Inc.

/s/ Stephen Ibbotson
Stephen Ibbotson
Group Vice President and
Corporate Controller - Principal Accounting Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/S/ ANDREA JUNG Andrea Jung	Chairman of the Board and Chief Executive Officer – Principal Executive Officer	February 29, 2012
/S/ KIMBERLY ROSS Kimberly Ross	Executive Vice President, Chief Financial Officer – Principal Financial Officer	February 29, 2012
/S/ STEPHEN IBBOTSON Stephen Ibbotson	Group Vice President and Corporate Controller – Principal Accounting Officer	February 29, 2012
/S/ W. DON CORNWELL W. Don Cornwell	Director	February 29, 2012
/S/ V. ANN HAILEY V. Ann Hailey	Director	February 29, 2012
/S/ FRED HASSAN Fred Hassan	Director	February 29, 2012
/S/ MARIA ELENA LAGOMASINO Maria Elena Lagomasino	Director	February 29, 2012
/S/ ANN S. MOORE	Director	February 29, 2012

Ann S. Moore		
	Director	February 29, 2012
Paul S. Pressler		
/S/ GARY M. RODKIN	Director	February 29, 2012
Gary M. Rodkin		
/S/ PAULA STERN	Director	February 29, 2012
Paula Stern		
/S/ LAWRENCE A. WEINBACH	Director	February 29, 2012
Lawrence A. Weinbach		

51

AVON PRODUCTS, INC.
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SCHEDULE

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Avon Products, Inc.:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, cash flows and changes in shareholders' equity present fairly, in all material respects, the financial position of Avon Products, Inc. and its subsidiaries at December 31, 2011 and December 31, 2010, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2011 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in Item 15(a)(2) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting, appearing in Item 9A. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP
New York, New York
February 29, 2012

AVON PRODUCTS, INC.
CONSOLIDATED STATEMENTS OF INCOME

(In millions, except per share data)			
Years ended December 31	2011	2010	2009
Net sales	$11,112.0	$10,731.3	$10,084.8
Other revenue	179.6	131.5	120.4
Total revenue	$11,291.6	$10,862.8	$10,205.2
Costs, expenses and other:			
Cost of sales	4,148.6	4,041.3	3,825.5
Selling, general and administrative expenses	6,025.4	5,748.4	5,374.1
Impairment of goodwill and intangible asset	263.0	—	—
Operating profit	854.6	1,073.1	1,005.6
Interest expense	92.9	87.1	104.8
Interest income	(16.5)	(14.0)	(20.2)
Other expense, net	35.6	54.6	7.3
Total other expenses	112.0	127.7	91.9
Income from continuing operations, before taxes	742.6	945.4	913.7
Income taxes	216.2	350.2	294.5
Income from continuing operations, net of tax	526.4	595.2	619.2
Discontinued operations, net of tax	(8.6)	14.1	9.0
Net income	517.8	609.3	628.2
Net income attributable to noncontrolling interests	(4.2)	(3.0)	(2.4)
Net income attributable to Avon	$513.6	$606.3	$625.8
Earnings per share:			
Basic from continuing operations	$1.20	$1.37	$1.43
Basic from discontinued operations	(.02)	.04	.02
Basic attributable to Avon	$1.18	$1.40	$1.45
Diluted from continuing operations	$1.20	$1.36	$1.43
Diluted from discontinued operations	(.02)	.03	.02
Diluted attributable to Avon	$1.18	$1.39	$1.45
Weighted-average shares outstanding:			
Basic	430.5	428.8	426.9
Diluted	432.1	431.4	428.5

The accompanying notes are an integral part of these statements.

AVON PRODUCTS, INC.
CONSOLIDATED BALANCE SHEETS

(In millions, except per share data)		
December 31	2011	2010
Assets		
Current Assets		
Cash, including cash equivalents of $623.7 and $572.0	$1,245.1	$1,179.9
Accounts receivable (less allowances of $174.5 and $232.0)	761.5	826.3
Inventories	1,161.3	1,152.9
Prepaid expenses and other	930.9	1,025.2
Total current assets	$4,098.8	$4,184.3
Property, plant and equipment, at cost		
Land	65.4	69.2
Buildings and improvements	1,150.4	1,140.2
Equipment	1,493.0	1,541.5
	2,708.8	2,750.9
Less accumulated depreciation	(1,137.3)	(1,123.5)
	1,571.5	1,627.4
Goodwill	473.1	675.1
Other intangible assets, net	279.9	368.3
Other assets	1,311.7	1,018.6
Total assets	$7,735.0	$7,873.7
Liabilities and Shareholders' Equity		
Current Liabilities		
Debt maturing within one year	$849.3	$727.6
Accounts payable	850.2	809.8
Accrued compensation	217.1	293.2
Other accrued liabilities	663.6	771.6
Sales and taxes other than income	212.4	207.6
Income taxes	98.4	146.5
Total current liabilities	2,891.0	2,956.3
Long-term debt	2,459.1	2,408.6
Employee benefit plans	603.0	561.3
Long-term income taxes	67.0	128.9
Other liabilities	129.7	146.0
Total liabilities	$6,149.8	$6,201.1
Contingencies (Notes 14 and 16)		
Shareholders' Equity		
Common stock, par value $.25 - authorized 1,500 shares; issued 744.9 and 743.3 shares	$187.3	$186.6
Additional paid-in capital	2,077.7	2,024.2
Retained earnings	4,726.1	4,610.8
Accumulated other comprehensive loss	(854.4)	(605.8)
Treasury stock, at cost (314.1 and 313.8 shares)	(4,566.3)	(4,559.3)
Total Avon shareholders' equity	1,570.4	1,656.5
Noncontrolling interest	14.8	16.1
Total shareholders' equity	$1,585.2	$1,672.6
Total liabilities and shareholders' equity	$7,735.0	$7,873.7

The accompanying notes are an integral part of these statements.

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

Years ended December 31	2011	2010	2009
Cash Flows from Operating Activities			
Net income	$517.8	$609.3	$628.2
Discontinued operations, net of tax	8.6	(14.1)	(9.0)
Income from continuing operations	$526.4	$595.2	$619.2
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	174.0	145.2	127.8
Amortization	65.6	49.6	47.5
Provision for doubtful accounts	247.2	215.7	221.2
Provision for obsolescence	128.1	131.1	120.0
Share-based compensation	36.6	57.6	54.9
Foreign exchange losses (gains)	12.8	(9.4)	(1.5)
Deferred income taxes	(196.6)	(103.1)	(166.3)
Impairment of goodwill and intangible asset	263.0	—	—
Charge for Venezuelan monetary assets and liabilities	—	46.1	—
Other	39.9	26.6	57.6
Changes in assets and liabilities:			
Accounts receivable	(241.5)	(280.3)	(259.5)
Inventories	(210.3)	(189.8)	(127.8)
Prepaid expenses and other	24.6	(4.9)	(90.4)
Accounts payable and accrued liabilities	(55.7)	76.7	145.0
Income and other taxes	(50.7)	(63.2)	16.1
Noncurrent assets and liabilities	(107.6)	(4.1)	(9.1)
Net cash provided by operating activities of continuing operations	655.8	689.0	754.7
Cash Flows from Investing Activities			
Capital expenditures	(276.7)	(331.2)	(296.3)
Disposal of assets	17.1	11.9	11.2
Acquisitions and other investing activities	(13.0)	(785.8)	5.8
Proceeds from sale of investments	33.7	11.3	61.9
Purchases of investments	(28.8)	(1.9)	(.9)
Net cash used by investing activities of continuing operations	(267.7)	(1,095.7)	(218.3)
Cash Flows from Financing Activities*			
Cash dividends	(403.4)	(384.1)	(364.7)
Debt, net (maturities of three months or less)	635.7	(3.6)	(507.6)
Proceeds from debt	88.9	661.5	957.8
Repayment of debt	(614.6)	(53.2)	(450.5)
Proceeds from exercise of stock options			