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

FORM 10-K

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

For the fiscal year ended December 31, 2019

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.)**

Building 6, Chiswick Park, London W4 5HR
United Kingdom
(Address of principal executive offices)

+44-1604-232425
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s):	Name of each exchange on which registered
None	None	None

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 o No x

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

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

Note: The registrant is a voluntary filer of reports required to be filed by certain companies under Sections 13 or 15(d) of the Securities Exchange Act of 1934.

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

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

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☐
		Emerging growth company	☐

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

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

The aggregate market value of voting and non-voting Common Stock (par value $.25) held by non-affiliates at June 30, 2019 (the last business day of our most recently completed second quarter) was $1.7 billion.

The number of shares of Common Stock (par value $.01) outstanding at January 30, 2020, was 101.34

The registrant meets the conditions sets forth in General Instruction I(1)(a) and (b) of Form 10-K and is therefore filing this Form with the reduced disclosure format

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

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

- our ability to improve our financial and operational performance and execute fully our global business strategy, including our ability to implement the key initiatives of, and/or realize the projected benefits (in the amounts and time schedules we expect) from Open Up Avon, stabilization strategies, cost savings initiatives, restructuring and other initiatives, product mix and pricing strategies, enterprise resource planning, customer service initiatives, sales and operation planning process, outsourcing strategies, digital strategies, Internet platform and technology strategies including e-commerce, marketing and advertising strategies, information technology and related system enhancements and cash management, tax, foreign currency hedging and risk management strategies, and any plans to invest these projected benefits ahead of future growth;
- our broad-based geographic portfolio, which is heavily weighted towards emerging markets, a general economic downturn, a recession globally or in one or more of our geographic regions or markets, such as Brazil, Mexico or Russia, or sudden disruption in business conditions, and the ability to withstand an economic downturn, recession, cost inflation, commodity cost pressures, economic or political instability (including fluctuations in foreign exchange rates), competitive or other market pressures or conditions;
- the effect of economic factors, including inflation and fluctuations in interest rates and foreign currency exchange rates; as well as the designation of Argentina as a highly inflationary economy, and the potential effect of such factors on our business, results of operations and financial condition;
- the possibility of business disruption in connection with our Transformation Plan, Open Up Avon, stabilization strategies, cost savings initiatives, or restructuring and other initiatives;
- our ability to reverse declining revenue, to improve margins and net income, or to achieve profitable growth, particularly in our largest markets and developing and emerging markets, such as Brazil, Mexico, Russia and the United Kingdom;
- our ability to improve working capital and effectively manage doubtful accounts and inventory and implement initiatives to reduce inventory levels, including through our recent structural reset of inventory processes, and the potential impact on cash flows and obsolescence;
- our ability to reverse declines in Active Representatives, to enhance our sales leadership programs, to generate Representative activity, to increase the number of consumers served per Representative and their engagement online, to enhance branding and the Representative and consumer experience and increase Representative productivity through field activation and segmentation programs and technology tools and enablers, to invest in the direct-selling channel, to offer a more social selling experience, and to compete with other direct-selling organizations to recruit, retain and service Representatives and to continue to innovate the direct-selling model;
- general economic and business conditions in our markets, including social, economic and political uncertainties, such as in Russia and Ukraine or elsewhere, and any potential sanctions, restrictions or responses to such conditions imposed by other markets in which we operate;
- the effect of political, legal, tax, including changes in tax rates, and other regulatory risks imposed on us abroad and in the U.S., our operations or the Representatives, including foreign exchange, pricing, data privacy or other restrictions, the

adoption, interpretation and enforcement of foreign laws, including in jurisdictions such as Brazil and Russia, and any changes thereto, as well as reviews and investigations by government regulators that have occurred or may occur from time to time, including, for example, local regulatory scrutiny;

- competitive uncertainties in our markets, including competition from companies in the consumer packaged goods industry, some of which are larger than we are and have greater resources;
- the impact of the adverse effect of volatile energy, commodity and raw material prices, changes in market trends, purchasing habits of our consumers and changes in consumer preferences, particularly given the global nature of our business and the conduct of our business in primarily one channel;
- our ability to attract and retain key personnel;
- other sudden disruption in business operations beyond our control as a result of events such as acts of terrorism or war, natural disasters, pandemic situations, large-scale power outages and similar events;
- in December 2019, a novel strain of coronavirus was reported in China and other countries. While we do not currently have significant operations in geographical locations where the coronavirus was initially reported to be most prevalent, we source certain services, finished products, ingredients and packaging materials from vendors in Asia. We cannot reasonably estimate at this time the impact, if any, that the coronavirus may have on our business or operations. The extent to which the coronavirus impacts our business will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions to contain the coronavirus or treat its impact including on financial markets or otherwise.
- key information technology systems, process or site outages and disruptions, and any cyber security breaches, including any security breach of our systems or those of a third-party provider that results in the theft, transfer or unauthorized disclosure of Representative, customer, employee or Company information or compliance with information security and privacy laws and regulations in the event of such an incident which could disrupt business operations, result in the loss of critical and confidential information, and adversely impact our reputation and results of operations, and related costs to address such malicious intentional acts and to implement adequate preventative measures against cyber security breaches;
- our ability to comply with various data privacy laws affecting the markets in which we do business;
- the risk of product or ingredient shortages resulting from our concentration of sourcing in fewer suppliers;
- any changes to our credit ratings and the impact of such changes on our financing costs, rates, terms, debt service obligations, access to lending sources and working capital needs;
- the impact of our indebtedness, our access to cash and financing, and our ability to secure financing or financing at attractive rates and terms and conditions;
- our ability to successfully identify new business opportunities, strategic alliances and strategic alternatives and identify and analyze alliance candidates, secure financing on favorable terms and negotiate and consummate alliances;
- disruption in our supply chain or manufacturing and distribution operations;
- the quality, safety and efficacy of our products;
- the success of our research and development activities;
- our ability to protect our intellectual property rights, including in connection with the separation of the North America business; and
- the risk of an adverse outcome in any material pending and future litigation or with respect to the legal status of Representatives.

Additional information identifying such factors is contained in Item 1A of our Form 10-K for the year ended December 31, 2019, and other reports and documents we file with the SEC. We undertake no obligation to update any such forward-looking statements.

PART I

ITEM 1. BUSINESS

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

When used in this report, the terms "Avon," "Company," "we," "our" or "us" mean, unless the context otherwise indicates, Avon Products, Inc. and its majority 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 and Fashion & Home. Beauty consists of skincare, fragrance and color (cosmetics). Fashion & Home consists of fashion jewelry, watches, apparel, footwear, accessories, gift and decorative products, housewares, entertainment and leisure products, children's products and nutritional products.

Our business is conducted primarily in one channel, direct selling. Our reportable segments are based on geographic operations in four regions: Europe, Middle East & Africa; South Latin America; North Latin America; and Asia Pacific. Financial information relating to our reportable segments is included in "Segment Review" within Management's Discussion and Analysis of Financial Condition and Results of Operations, which we refer to in this report as "MD&A," in this Annual Report on Form 10-K for the year ended December 31, 2019, which we refer to in this report as our "2019 Annual Report", and in Note 15, Segment Information, to the Consolidated Financial Statements in our 2019 Annual Report. We refer to each of the Notes to the Consolidated Financial Statements in this 2019 Annual Report as a "Note." Information about geographic areas is included in Note 15, Segment Information in our 2019 Annual Report. All of our consolidated revenue is derived from operations of subsidiaries outside of the United States ("U.S.").

In May 2019 we and Natura Cosméticos S.A., a Brazilian corporation (sociedade anônima) ("Natura Cosméticos"), a Brazilian corporation, entered into an Agreement and Plan of Mergers (the "Merger Agreement"), pursuant to which the Company and Natura Cosméticos were acquired by and became wholly-owned subsidiaries of Natura &Co, Holding S.A., a Brazilian corporation (sociedade anônima) ("Natura &Co") in January 2020. Natura has stock listed on the B3 S.A. - Brasil, Bolsa, Balcão stock exchange in Brazil and American Depositary Shares traded on the New York Stock Exchange ("NYSE"). With the completion of this transaction, our common stock was removed from trading on the NYSE, and we became a privately held company.

Distribution

During 2019, we had sales operations in 55 countries and territories, and distributed our products in 24 other countries and territories.

Unlike most of our CPG competitors, which sell their products through third-party retail establishments (e.g., drug stores and 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 Representatives, who are independent contractors and not our employees. As of December 31, 2019, we had approximately 5 million average Active Representatives which represents the number of Representatives submitting an order in a sales campaign, totaled for all campaigns during the year and then divided by the number of campaigns. Representatives earn 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. Representatives can start their Avon businesses for a nominal fee, or in some markets for no fee at all. 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 globally.

A Representative contacts their customers directly, selling primarily through our brochure (whether paper or online), which highlights new products and special promotions (or incentives) for each sales campaign. In this sense, the Representative, together with the brochure, are the "store" through which our products are sold. A brochure introducing a new sales campaign is typically generated every three to four weeks. A purchase order is processed and the products are picked at a distribution center and delivered to the Representative usually through a combination of local and national delivery companies. Generally, the Representative then delivers the merchandise and collects payment from the customer for her or his own account. Historically, the Representative then delivers the merchandise and collects payment from the customer for her own account. Several of our larger countries have begun to offer direct to customer delivery of the ordered products. 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 communications with us. In addition, in many markets, 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. We are actively deploying and training the Representatives on additional digital tools and sales methods to help increase her customer reach.

In some markets, particularly in Asia Pacific, we use decentralized branches, satellite stores and independent retail operations (e.g., beauty boutiques) 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 of the Avon brand, channel with consumers and help reinforce our beauty image. In certain markets, we allow our beauty centers and other retail-oriented and direct-to-consumer opportunities to reach new customers in complementary ways to direct selling. In the United Kingdom ("UK") and certain other markets, we also utilize e-commerce and market our products through consumer websites.

The recruiting or appointing and training of Representatives are the primary responsibilities of independent leaders supported by zone managers. 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 downline team of recruited, trained and managed Representatives. 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 independent leaders, the opportunity to earn discounts on their own sales of our products, as well as commissions based on the net sales made by Representatives they have recruited and trained. This program generally limits the number of levels on which commissions can be earned to three. The primary responsibilities of independent leaders are the prospecting, appointing, training and development of their downline Representatives while maintaining a certain level of their own sales. As described above, the Representative is the "store" through which we primarily sell our products and, given the high rate of turnover among Representatives, which is 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 other 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, digital content and tools, promotional pieces, customer flyers and various forms of advertising may be used. In addition, we seek to motivate the 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. We believe that the training meetings are an integral part of enabling the Representatives to provide customers with the advice and tools to better service her customer base as well as teach sales techniques and provide recognition for sales performance.

We use a number of merchandising techniques, including promotional pricing for new products, combination offers, trial sizes and samples, and the promotion of products packaged as gift items. In most markets, for each sales campaign, we publish a distinctive brochure (whether paper or online), in which we introduce new products and special promotions on selected items or give particular prominence to a particular category. Key priorities for our merchandising include the delivering of product bundles and regimens that help improve average order size and the continued use of analytical tools to enable a deeper, fact-based understanding of the role and impact of pricing within our product portfolio.

Competitive Conditions

We face competition from various products and product lines. 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. We compete against products sold to consumers in a number of distribution methods, including direct selling, through the Internet, and through the mass market retail and prestige retail channels.

Specifically, due to the nature of the direct-selling channel, we often compete on a country-by-country basis, with our direct-selling competitors. Unlike a typical CPG company which operates within a broad-based consumer pool, direct sellers compete for representative or entrepreneurial talent by providing a more competitive earnings opportunity or "better deal" than that offered by the competition as well as significant competition from other non-direct selling earnings opportunities for which the existing Representatives or potential Representatives could avail themselves. Providing a compelling earnings opportunity for the Representatives is as critical as developing and marketing new and innovative products. As a result, in contrast to a typical CPG company, 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 (color), fragrance and skincare companies that manufacture and sell broad product lines through various types of retail establishments and other channels, including through the Internet. In addition, we compete against many other companies that manufacture and sell more narrow beauty product lines sold through retail establishments and other channels, including through the Internet.

We also have many global branded and private label competitors in the accessories, apparel, housewares, and gift and decorative products industries, including retail establishments, principally department stores, mass merchandisers, gift shops and specialty retailers. Our principal competition in the fashion jewelry industry consists of a few large companies and many small companies that sell fashion jewelry through department stores, mass merchandisers, specialty retailers and e-commerce.

We believe that the personalized customer service offered by the Representatives; the Representatives' earnings opportunity as well as the amount and type of field incentives we offer the 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

During 2019, our international operations, outside of the U.S., were conducted primarily through subsidiaries in 55 countries and territories. Outside of the U.S., our products were also distributed in 24 other countries and territories. In March 2016, we separated from our North America business, which had consisted of the Company's operations in the U.S., Canada and Puerto Rico; this business has been presented as discontinued operations for all periods presented. As a result, all of our consolidated revenue is derived from operations of subsidiaries outside of the U.S. During 2019, approximately 37% of our consolidated revenue was derived from South Latin America, approximately 38% was derived from Europe, Middle East & Africa, approximately 16% was derived from North Latin America and approximately 9% was derived from Asia Pacific. Further, approximately 20% of our consolidated revenue during 2019 was derived from Brazil, which is our largest market and is included within the South Latin America reportable segment.

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

See the sections "Risk Factors - Our ability to conduct business in our international markets may be affected by political, legal, tax and regulatory risks." and "Risk Factors - We are subject to financial risks as a result of our international operations, including exposure to foreign currency fluctuations and the impact of foreign currency restrictions." in Item 1A of our 2019 Annual Report for more information.

Manufacturing and Sourcing

We manufacture and package the majority of our Beauty products, which are formulated and designed by our staff of chemists, designers and artists. Raw materials, consisting chiefly of essential oils, chemicals, containers and packaging components required for our Beauty products are purchased from a range of third-party suppliers. The remainder of our Beauty products and all of our Fashion & Home products are purchased from various third-party manufacturers.

Our products are affected by the cost and availability of materials such as glass, plastics, chemicals and fabrics. For the vast majority of items we have more than one source of supply available. We believe that we can continue to obtain sufficient raw materials and supplies to manufacture and produce our Beauty products for the foreseeable future.

Additionally, we design the brochures (whether paper or online) that are used by the Representatives to sell our products. The brochures are then produced on our behalf by a range of printing suppliers.

The loss of any one supplier would not have a material impact on our ability to source raw materials for the majority of our Beauty products or source products for the remainder of our Beauty products and all of our Fashion & Home products or paper for the brochures.

See Item 2, Properties of our 2019 Annual Report for additional information regarding the location of our principal manufacturing facilities.

Product Categories

Both of our product categories individually account for 10% or more of consolidated net sales in 2019. The following is the percentage of net sales by product category for the years ended December 31:

	2019	2018	2017
Beauty	74 %	75 %	74 %
Fashion & Home	26 %	25 %	26 %

2019 was impacted by certain indirect tax items in Brazil and 2018 was impacted by the Brazil Tax on Industrial products ("IPI") tax release, both are excluded from net sales in our calculation above. See "SOLA" within MD&A for more information.

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 relevant markets, 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 are typically affected by seasonal variations, a characteristic of many companies selling beauty, gift and decorative products, apparel and fashion jewelry. For instance, our sales are generally highest during the fourth quarter due to seasonal and holiday-related patterns. However, the sales volume of holiday gift items is, by its nature, difficult to forecast, and taken as a whole, seasonality does not have a material impact on our financial results.

Research and Product Development Activities

New products are essential to growth in the highly competitive cosmetics industry. Our research and development ("R&D") department’s efforts are important to developing new products, including formulating effective beauty treatments relevant to women’s needs, and redesigning or reformulating existing products. As part of our Open Up Avon strategy and to improve our brand competitiveness, we have increasingly partnered with third party product development companies to help accelerate our development time and sustained our focus on new technology and product innovation to deliver first-to-market products that provide visible consumer benefits.

Our global R&D 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 R&D facilities located in Argentina, Brazil, China, Mexico, the Philippines, Poland, South Africa and the UK.

The amounts incurred on research activities relating to the development of new products and the improvement of existing products were $40.6 in 2019, $48.0 in 2018 and $52.9 in 2017. This research included the activities of product research and development and package design and development. Most of these activities were related to the design and development of Beauty products.

Environmental Matters

Compliance with environmental laws and regulations impacting our global operations has not had, and currently is not anticipated to have, a material adverse effect on our financial position, capital expenditures or competitive position.

Employees

At December 31, 2019, we employed approximately 19,500 employees. Of these, approximately 500 were employed in the U.S. and approximately 19,000 were employed in other countries.

Transformation Plan and Open Up Avon

In January 2016, we announced a transformation plan (the "Transformation Plan") which was completed in 2018. In September 2018, we initiated a new strategy to return Avon to growth ("Open Up Avon"). See "Overview" within MD&A for more information on these items.

Acquisitions and Dispositions

In May 2019 we and Natura Cosméticos, a Brazilian corporation entered into the Merger Agreement, pursuant to which the Company and Natura Cosméticos were acquired by and became wholly-owned subsidiaries of Natura &Co Holding, S.A. ("Natura &Co") in January 2020. With the completion of this transaction, our common stock was removed from trading on the NYSE, and we became a privately held company.

In December 2015, we entered into definitive agreements with affiliates of Cerberus, which included the separation of the North America business from Avon into New Avon, a privately-held company that is majority-owned and managed by an affiliate of Cerberus. Avon retained approximately 20% ownership in New Avon. These transactions closed in March 2016. In August 2019 we and Cerberus finalized the sale of our respective interests in New Avon to LG Household & Health Care Ltd.

During 2019, we disposed of businesses and assets as part of the Open up Avon strategy. In February, May and June 2019, we completed the sale of Avon Manufacturing (Guangzhou), Ltd, Maximin Corporation Sdn Bhd ("Malaysia Maximin") and the Rye office respectively.

Refer to Note 3, Discontinued Operations and Assets and Liabilities Held for Sale in our 2019 Annual Report, for additional information regarding the sale of the North America business, Avon Manufacturing (Guangzhou), Ltd, Maximin Corporation Sdn Bhd and the Rye office.

Website Access to Reports

Our filings with the SEC, including reports, proxy and information statements, and other information regarding the Company are 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 and all of the other information in our 2019 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, liquidity, results of operations and cash flows may be materially adversely affected.

Risks Relating to the Transaction

Now that the Transaction has been consummated, the expected benefits from integrating our operations with Natura & Co's operations may not be achieved.

The success of the Transaction depends, in part, on the ability of Natura &Co and its subsidiaries and businesses other than Avon (including Natura Cosmeticos, Aesop, The Body Shop and their respective subsidiaries) and Avon to realize the expected benefits from integrating their respective operations. No assurance can be given that Natura &Co and Avon will be able to integrate their respective operations without encountering difficulties, which may include, among other things, the loss of key employees, diversion of management attention, the disruption of our respective ongoing businesses or possible inconsistencies in standards, procedures and policies. Additionally, Natura &Co and Avon may be required to make unanticipated capital expenditures or investments in order to maintain, integrate, improve or sustain our operations. Integrating our respective operations may involve additional unanticipated costs and financial risks, such as the incurrence of unexpected write-offs, the possible effect of adverse tax and accounting treatments and unanticipated or unknown liabilities relating to Natura &Co or Avon. All of these factors could decrease or delay the expected accretive effect of the Transaction.

Even if our respective operations are successfully integrated, we may not realize the full benefits of the Transaction, including the synergies, cost savings and growth opportunities, within the expected time frame, if at all. Natura &Co and Avon continue to evaluate the estimates of synergies to be realized from, and the fair value accounting allocations associated with, the Transaction. However, the actual cost savings, the costs required to realize the cost savings and the source of the cost savings could differ materially from the estimates of Natura &Co and Avon.

Further, Natura &Co and Avon may not achieve the targeted operating or long-term strategic benefits of the Transaction. In addition, Natura &Co and Avon may not accelerate growth by increasing investments in digital, product innovation and brand initiatives. If Natura &Co and Avon are unable to achieve the objectives, or are not able to achieve our objectives on a timely basis, the anticipated benefits of the Transaction may not be realized fully or at all. An inability to realize the full extent of, or any of, the anticipated benefits of the Transaction could have an adverse effect on the financial condition, results of operations and cash flows of Natura &Co and Avon and could limit Natura &Co's and Avon's ability to achieve the anticipated benefits of the Transaction.

Third parties may terminate or alter existing contracts or relationships with us as a result of the Transaction.

We have contracts with customers, employees, Representatives, suppliers, vendors, distributors, landlords, lenders, licensors, joint venture partners and other business partners, and these contracts may require us to obtain consent from these other parties in connection with the Transaction. As not all such consents have been obtained, the counterparties to these contracts may seek to terminate or otherwise materially adversely alter the terms of such contracts following the Transaction, which in turn may result in us suffering a loss of potential future revenue, incurring contractual liabilities or losing rights that are material to our business. Further, parties with which we have business and operational relationships may experience uncertainty as to the future of such relationships and may delay or defer certain business decisions, seek alternative relationships with third parties or seek to alter their present business relationships with us. Parties with whom we otherwise may have sought to establish business relationships may seek alternative relationships with third parties.

In addition, current and prospective employees and Representatives may experience uncertainty about their roles now that the Transaction has been consummated and such uncertainty may have an effect on our corporate culture. There can be no assurance we will be able to attract and retain key talent, including senior leaders, to the same extent that we have previously been able to attract and retain employees and sales representatives. Any loss or distraction of our customers, employees, Representatives, suppliers, vendors, distributors, landlords, lenders, licensors, joint venture partners and other business partners, could have a material adverse effect on our business, financial condition, operating results and cash flows and could limit our ability to achieve the anticipated benefits of the Transaction.

The consummation of the Transaction limits our ability to utilize existing US tax credits and also could be further reduced pursuant to Sections 382 and 383 of the Code if an additional ownership change occurs in the future.

As of December 31, 2019, we had approximately $660 million of foreign tax and other credits available to offset future income for U.S. federal tax purposes. As a result of the ownership change resulting from the Transaction the ability to use these credits may be limited to a range of approximately $108 to $178 million. Our ability to utilize such credits to offset future income could be limited, however, if the Company undergoes an additional "ownership change" within the meaning of Section 382 of the Code. In general, an ownership change will occur if there is a cumulative increase in ownership of our stock by 5% shareholders (as defined in the Code) that exceeds 50 percentage points over a rolling three-year period. If the 50 percentage points are exceeded, Section 382 establishes an annual limitation on the amount of deferred tax assets attributable to previously incurred credits that may be used to offset taxable income in future years. A number of complex rules apply in calculating this limitation, and any such limitation would depend in part on the market value of the Company at the time of the ownership change and prevailing interest rates at the time of calculation. As a result, the magnitude of any potential limitation on the use of our deferred tax assets and the effect of such limitation on the Company if an ownership change were to occur is difficult to assess. However, if all or a portion of our deferred tax assets were to become subject to this limitation, our tax liability could increase significantly and our future results of operations and cash flows could be adversely impacted. Prospectively if we were to undergo a further ownership change these remaining credits could be further reduced.

Risks Related to Us and Our Business

Our success depends on our ability to improve our financial and operational performance and execute fully our global business strategy.

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

- implement Open Up Avon, stabilization strategies, cost savings initiatives, restructuring and other initiatives, and achieve anticipated savings and benefits from such programs and initiatives;
- reverse declines in our market share and strengthen our brand image;
- implement appropriate pricing strategies and product mix that are more aligned with the preferences of local markets and achieve anticipated benefits from these strategies;
- reduce costs and effectively manage our cost structure, particularly selling, general and administrative ("SG&A") expenses;
- improve our business in the markets where we operate, including through improving field health;

- execute investments in information technology ("IT") infrastructure and realize efficiencies across our supply chain, marketing processes, sales model and organizational structure;
- implement and continue to innovate our digital strategies, Internet platform, technology strategies and customer service initiatives, including our ability to offer a more compelling social selling experience and the roll-out of e-commerce in certain markets;
- effectively manage our outsourcing activities;
- improve our marketing and advertising, including our brochures and our social media presence;
- improve working capital, effectively manage inventory and implement initiatives to reduce inventory levels, including through our recent structural reset of inventory processes, and the potential impact on cash flows and obsolescence;
- secure financing at attractive rates, maintain appropriate capital investment, capital structure and cash flow levels and implement cash management, tax, foreign currency hedging and risk management strategies;
- reverse declines in Active Representatives and Representative satisfaction by successfully reducing campaign complexity and enhancing our sales leadership program, the Representative experience, retention and earnings potential, along with improving our brand image;
- increase the productivity of Representatives through successful implementation of segmentation, field activation programs and technology tools and enablers and other investments in the direct-selling channel;
- improve management of our businesses in developing markets, including improving local IT resources and management of local supply chains;
- 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 joint ventures and alliances with other companies; and
- estimate and achieve any financial projections concerning, for example, customer demand, future revenue, profit, cash flow, and operating margin increases and maintain an effective internal control environment as a result of any challenges associated with the implementation of our various plans, strategies and initiatives.

There can be no assurance if and when any of these initiatives will be successfully and fully executed or completed.

We may experience financial and strategic difficulties and delays or unexpected costs in completing Open Up Avon and any other restructuring and cost-savings initiatives, including achieving any anticipated savings and benefits of these initiatives.

In September 2018, we initiated Open Up Avon. As one element of this plan, we are targeting cost savings, to be generated from efficiencies in manufacturing and sourcing, distribution, general and administrative activities, and back office functions, as well as through revenue management, interest and tax. These savings are expected to be achieved through restructuring actions (that may result in charges related to severance, contract terminations and inventory and other asset write-offs), as well as other cost-savings strategies that would not result in restructuring charges. We initiated the Open Up Avon strategy to enable us to achieve our goals of low-single-digit constant-dollar revenue growth and low double-digit operating margin by 2021. We plan to reinvest a portion of these cost savings in commercial initiatives, including training for Representatives, and digital and IT infrastructure initiatives. See "Overview" within MD&A for more information on our Open Up Avon Strategy.

As we work to right-size our cost structure, we may not realize anticipated savings or benefits from one or more of the various restructuring and cost-savings initiatives we may undertake as part of these efforts in full or in part or within the time periods we expect. Other events and circumstances, such as financial and strategic difficulties and delays or unexpected costs, including the impact of foreign currency and inflationary pressures, may occur which could result in our not realizing our targets or in offsetting the financial benefits of reaching those targets. If we are unable to realize these savings or benefits, or otherwise fail to invest in the growth initiatives, our business may be adversely affected. In addition, any 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 risks of labor unrest, negative publicity and business disruption in connection with these initiatives, and the failure to realize anticipated savings or benefits from such initiatives could have a material adverse effect on our business, prospects, financial condition, liquidity, results of operations and cash flows.

There can be no assurance that we will be able to improve revenue, margins and net income or to achieve profitable growth.

There can be no assurance that we will be able to improve revenue, margins and net income, or to achieve profitable growth in the future, particularly in our largest markets and developing and emerging markets, such as Brazil, Mexico and Russia. Our revenue in 2019 was $4,763.2 million, compared with $5,571.3 million in 2018 and $5,715.6 million in 2017. Improving revenue, margins and net income and achieving profitable growth will depend on our ability to improve financial and operational performance and execute our global business strategy, and there can be no assurance that we will be able to achieve these goals. Our ability to improve could be hindered by competing business priorities and projects.

To improve revenue, margins and net income and to achieve profitable growth, we also need to successfully implement certain initiatives, including Open Up Avon, and there can no assurance that we will be able to do so. Our achievement of profitable growth is also subject to the strengths and weaknesses of our individual 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 or wage inflation, commodity cost pressures, economic or political instability (including fluctuations in foreign exchange rates), competitive pressures or other market pressures in one or more particular regions.

Failure to improve revenue, margins and net income and to achieve profitable growth could have a material adverse effect on our business, prospects, financial condition, liquidity, results of operations and cash flows.

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

Our business is conducted primarily in the direct-selling channel. Sales are made to the ultimate consumer principally through direct selling by Representatives, who are independent contractors and not our employees. As of December 31, 2019, we had approximately 5 million average Active Representatives. There is a high rate of turnover among Representatives, which is a common characteristic of the direct-selling business. In order to reverse losses of Representatives and grow our business in the future, we need to recruit, retain and service Representatives on a continuing basis. Among other things, we need to create attractive Representative earning opportunities and transform the value chain, restore field health and sales force effectiveness, successfully implement other initiatives in the direct-selling channel, successfully execute our digital strategy, including e-commerce, improve our brochure and product offerings and improve our marketing and advertising. There can be no assurance that we will be able to achieve these objectives. Our direct-selling model contains an inherent risk of bad debt associated with providing Representatives with credit, which is exacerbated if the financial condition of the Representatives deteriorates. Additionally, consumer purchasing habits, including reducing purchases of beauty and related products generally, or reducing purchases from Representatives through direct selling by buying beauty and related products in other channels 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, prospects, financial condition, liquidity, results of operations and cash flows. Additionally, if we lose market share in the direct-selling channel, our business, prospects, financial condition, liquidity, results of operations and cash flows may be adversely affected. Furthermore, if any government or regulatory body such as Brazil or the European Union, bans or severely restricts our business methods or operational/commercial model of direct selling, our business, prospects, financial condition, liquidity, results of operations and cash flows may be materially adversely affected.

We are subject to financial risks as a result of our international operations, including exposure to foreign currency fluctuations and the impact of foreign currency restrictions.

We operate globally, through operations in various locations around the world, and derive all of our consolidated revenue from 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 their local currency. The primary foreign currencies for which we have significant exposures include the Argentine peso, Brazilian real, British pound, Chilean peso, Colombian peso, the euro, Mexican peso, Peruvian new sol, Philippine peso, Polish zloty, Romanian leu, Russian ruble, South African rand, Turkish lira and Ukrainian hryvnia. As the U.S. dollar strengthens relative to our foreign currencies, our revenues and profits are reduced when translated into U.S. dollars and our margins may be negatively impacted by country mix if our higher margin markets experience significant devaluation. In addition, our costs are more weighted to U.S. dollars while our sales are denominated in local currencies. Although we typically work to mitigate this negative foreign currency transaction impact through price increases and further actions to reduce costs, and by shifting costs to markets in which we generate revenue, we may not be able to fully offset the impact, if at all. Our success depends, in part, on our ability to manage these various foreign currency impacts and there can be no assurance that foreign currency fluctuations will not have a material adverse effect on our business, assets, financial condition, liquidity, results of operations or cash flows.

Another risk associated with our international operations is the possibility that a foreign government may tax or impose foreign 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. If this should occur, or if the exchange rates devalue, it may have a material adverse effect on our business, assets, financial condition, liquidity, results of operations or cash flows.

Inflation is another risk associated with our international operations. Gains and losses resulting from the remeasurement of the financial statements of subsidiaries operating in highly inflationary economies are recorded in earnings. High rates of inflation or the related devaluation of foreign currency may have a material adverse effect on our business, assets, financial condition, liquidity and results of operations or cash flows. For example, Argentina has been designated as a highly inflationary economy.

See "Segment Review - South Latin America" within MD&A of our 2019 Annual Report for additional information regarding Argentina. In addition, there can be no assurance that other countries in which we operate will not become highly inflationary and that our revenue, operating profit and net income will not be adversely impacted as a result.

Our ability to improve our financial performance depends on our ability to anticipate and respond to market trends and changes in consumer preferences.

Our ability to improve our financial performance 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. Consumer spending patterns and preferences cannot be predicted with certainty and can change rapidly. In addition, certain market trends may be short-lived. There can be no assurance that we will be able to anticipate and respond to trends timely and effectively in the market for beauty and related products and changing consumer demands and improve our financial results.

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 the Representatives. Failure to maintain proper inventory levels or increased product returns by the Representatives could result in a material adverse effect on our business, prospects, financial condition, liquidity, results of operations and cash flows.

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, attract, train, develop and retain other highly qualified personnel. Competition for these employees can be intense and our ability to hire, attract and retain them depends on our ability to provide competitive compensation. We may not be able to attract, assimilate, develop 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. As a result of the Natura merger, significant changes were made to the Company's senior management in January 2020, including a new chief executive officer and a new chief financial officer. Such turnover creates a risk of business processes not being sustained if the turnover occurs with inadequate knowledge transfer. Any failure by our management team to perform as expected may have a material adverse effect on our business, prospects, financial condition, results of operations and cash flows. This risk may be exacerbated by the uncertainties associated with the implementation of Open Up Avon and any other stabilization strategies and restructuring and cost-savings initiatives we undertake from time to time.

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

Current global macro-economic instability or a further downturn in the economies in which we sell our products, including any recession in one or more of our geographic regions or markets could adversely affect our business, our access to liquidity and capital, and our credit ratings. Economic events, including high unemployment levels and recession, have resulted in challenges to our business and a heightened concern regarding further deterioration globally. In addition, as mentioned above, our business is conducted primarily in the direct-selling channel. We could experience declines in revenues, profitability and cash flow due to reduced orders, payment delays, supply chain disruptions or other factors caused by such economic, operational or business challenges. Any or all of these factors could potentially have a material adverse effect on our liquidity and capital resources and credit ratings, including our ability to access short-term financing, raise additional capital, reduce flexibility with respect to working capital, and maintain credit lines and offshore cash balances.

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 may face continued economic challenges in 2020 because customers may continue to have less money for discretionary purchases as a result of job losses, bankruptcies, and reduced access to credit, among other things.

In addition, sudden disruptions in business conditions and consumer spending may result from acts of terror, natural disasters, adverse weather conditions, and pandemic situations or large-scale power outages, none of which are under our control.

In December 2019, a novel strain of coronavirus was reported in China and other countries. While we do not currently have significant operations in geographical locations where the coronavirus was initially reported to be most prevalent, we source certain services, finished products, ingredients and packaging materials from vendors in Asia. We cannot reasonably estimate at this time the impact, if any, that the coronavirus may have on our business or operations. The extent to which the coronavirus impacts our business will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions to contain the coronavirus or treat its impact including on financial markets or otherwise.

Our credit ratings are below investment grade, which could limit our access to financing, affect the market price of our financing and increase financing costs. A downgrade in our credit ratings may adversely affect our access to liquidity.

Our long-term credit ratings are: Moody's ratings of Negative Outlook with B1 for corporate family debt, B3 for senior unsecured debt, and Ba1 for our Senior Secured Notes; S&P ratings of Stable Outlook with B+ for corporate family debt and senior unsecured debt and BB for our Senior Secured Notes; and Fitch rating of Positive Outlook with B+, each of which are below investment grade. However, our credit ratings remain below investment grade which may impact our ability to access such transactions on favorable terms. We do not believe these long-term credit ratings will have a material impact on our near-term liquidity. However, any rating agency review could result in a change in outlook or downgrade, which could limit our access to new financing, reduce our flexibility with respect to working capital needs, affect the market price of some or all of our outstanding debt securities and could result in an increase in financing costs. See Note 8, Debt and Other Financing in our 2019 Annual Report for details about the terms of our existing debt and other financing arrangements.

Our indebtedness and any future inability to meet any of our obligations under our indebtedness, could adversely affect us by reducing our flexibility to respond to changing business and economic conditions.

As of December 31, 2019, we had approximately $1.6 billion of indebtedness outstanding. We may also incur additional long-term indebtedness and working capital lines of credit to meet future financing needs, subject to certain restrictions under our indebtedness, including our Senior Secured Notes (each, as described below), which would increase our total indebtedness. We may be unable to generate sufficient cash flow from operations and future borrowings and other financing may be unavailable in an amount sufficient to enable us to fund our current and future financial obligations or our other liquidity needs, which would have a material adverse effect on our business, prospects, financial condition, liquidity, results of operations and cash flows. Our indebtedness could have material negative consequences on our business, prospects, financial condition, liquidity, results of operations and cash flows, including the following:

- limitations on our ability to obtain additional debt financing sufficient to fund growth, such as working capital and capital expenditures requirements or to meet other cash requirements, in particular during periods in which credit markets are weak;
- a downgrade in our credit ratings, as discussed above;
- a limitation on our flexibility to plan for, or react to, competitive challenges in our business and the beauty industry;
- the possibility that we are put at a competitive disadvantage relative to competitors with less debt or debt with more favorable terms than us, and competitors that may be in a more favorable position to access additional capital resources and withstand economic downturns;
- limitations on our ability to execute business development activities to support our strategies or ability to execute restructuring as necessary; and
- limitations on our ability to invest in recruiting, retaining and servicing the Representatives.

Our Senior Secured Notes are secured by first-priority liens on and security interests in substantially all of the assets of the Company and the subsidiary guarantors, in each case, subject to certain exceptions and permitted liens. Our Senior Secured Notes contain customary covenants, including, among other things, limits on the ability of the Company and any restricted subsidiary to, subject to certain exceptions, incur liens, incur debt, make restricted payments, make investments or, with respect to certain entities, merge, consolidate or dispose of all or substantially all of its assets. In addition, we could have difficulty undertaking other alternatives to avoid noncompliance, such as obtaining necessary waivers from compliance with, or necessary amendments to, the covenants contained in our Senior Secured Notes or repurchasing certain debt, and we could have difficulty addressing the impact any non-compliance with these covenants may have on our ability to secure financing with favorable terms.

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

Our ability to achieve growth in our international markets, and to improve operations in our existing international markets, is exposed to various risks, including:

- the possibility that a foreign government might ban, halt or severely restrict our business, including our primary method of direct selling;

- the possibility that local civil unrest, economic or political instability, bureaucratic delays, changes in macro-economic conditions, changes in diplomatic or trade relationships (including any sanctions, restrictions and other responses such as those related to Russia and Ukraine) 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 foreign tax legislation or exposure to additional tax liabilities, including exposure to tax assessments without prior notice or the opportunity to review the basis for any such assessments in certain jurisdictions;
- the possibility that a government authority might impose legal, tax or other financial burdens on the Representatives, as direct sellers, or on Avon, due, for example, to the structure of our operations in various markets, or additional taxes on our products, including in Brazil;
- the possibility that a government authority might challenge the status of the Representatives as independent contractors or impose employment or social taxes on the Representatives; and
- those associated with data privacy regulation and the international transfer of personal data.

We are also subject to the adoption, interpretation and enforcement by governmental agencies abroad and in the U.S. (including on federal, state and local levels) of other laws, rules, regulations or policies, including any changes thereto, such as restrictions on trade, competition, manufacturing, license and permit requirements, import and export license requirements, privacy and data protection laws, anti-trust laws, anti-corruption laws, environmental laws, records and information management, tariffs and taxes, laws relating to the sourcing of "conflict minerals," health care reform requirements such as those required by the Patient Protection and Affordable Healthcare Act, and regulation of our brochures, product claims or ingredients, which may require us to adjust our operations and systems in certain markets where we do business.

For example, from time to time, local governments and others question the legal status of Representatives or impose burdens inconsistent with the Representative's 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.

If we are unable to address these matters in a satisfactory manner, or adhere to or successfully implement processes in response to changing regulatory requirements, our business, costs 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.

Our business is subject to a number of foreign laws and regulations in various jurisdictions governing data privacy and security.

We collect, use and store personal data of our employees, Representatives, customers and other third parties in the ordinary course of business. We are required to comply with increasingly complex and changing data privacy and security laws and regulations governing the collection, storage, use, transmission and protection of personal information and other data, including the transfer of personal data between countries. In May 2018 the EU adopted robust data privacy regulations under the General Data Protection Regulation (“GDPR”). Further changes are likely to be introduced through a revised Regulation on Privacy and Electronic Communications (the “ePrivacy Regulation”). The GDPR in particular has broad extraterritorial effect and imposes a robust data protection compliance regime with significant penalties for non-compliance. Other countries in which we operate are developing comparable regulations. Brazil have introduced the Lei Geral de Proteção de Dados Pessoais (or LGPD), which is broadly equivalent to GDPR and takes effect in 2020. In general, the GDPR and ePrivacy Regulation, and other local privacy laws, could require adaptation of our technologies or practices to satisfy local privacy requirements and standards. We may also face audits or investigations by one or more domestic or foreign government agencies relating to our compliance with these regulations. An adverse outcome under any such investigation or audit could result in the issuance of stop processing orders, subject us to fines, penalties or orders to cease, delay or modify collection, use or transfers of personal data. That or other circumstances related to our collection, use and transfer of personal data could cause a loss of reputation in the market or adversely affect our business.

The scope of data privacy and security regulations continues to evolve, and we believe that the adoption of increasingly restrictive regulations in this area may be likely within the jurisdictions in which we operate. Compliance with data privacy and security restrictions could increase the cost of our operations and failure to comply with such restrictions could subject us to criminal and civil sanctions as well as other penalties.

A failure, disruption, cyberattack or other breach in the security of an IT system or infrastructure that we utilize could adversely affect our business and reputation and increase our costs.

We employ IT systems to support our business, including systems to support financial reporting, web-based tools, enterprise resource planning ("ERP") systems, and internal communication and data transfer networks. We increasingly rely on a variety of web-based systems and mobile applications to support Representatives in our markets, including electronic order collection, invoicing systems, shipping and box packing, social media tools, Representative recruitment and on-line training. We also have e-commerce sites to allow customers to purchase products directly. We use third-party service providers in many instances to provide or support these IT systems. Over the last several years, we have undertaken initiatives to increase our reliance on IT systems which has resulted in the outsourcing of certain services and functions, such as global human resources IT systems, call center support, Representative support services and other IT processes. Our IT systems and infrastructure, as well as the systems, infrastructure and services of those of third parties, are integral to our performance.

Any of our IT systems and infrastructure, or those of our third-party service providers, may be susceptible to outages, disruptions, destruction or corruption due to the complex landscape of localized applications and architectures as well as incidents related to legacy or unintegrated systems. These IT systems and infrastructure also may be susceptible to cybersecurity breaches, attacks, computer viruses, break-ins, including ransomware, other malware and phishing attacks, data corruption, fire, floods, power loss, telecommunications failures, terrorist attacks and similar events beyond our control. We rely on our employees, Representatives and third parties in our day-to-day and ongoing operations, who may, as a result of human error or malfeasance or failure, disruption, cyberattack or other security breach of third-party systems or infrastructure, expose us to risk. Furthermore, our ability to protect and monitor the practices of our third-party service providers is more limited than our ability to protect and monitor our own IT systems and infrastructure.

Our IT systems, or those of our third-party service providers may be accessed by unauthorized users such as cyber criminals as a result of a failure, disruption, cyberattack or other security breach, exposing us to risk. As techniques used by cyber criminals change frequently, a failure, disruption, cyberattack or other security breach may go undetected for a long period of time. An actual or perceived failure, disruption, cyberattack or other security breach of our IT systems or infrastructure, or those of our third-party service providers, could result in the theft, transfer, unauthorized access to, disclosure, modification, misuse, loss, or destruction of Company, employee, Representative, customer, vendor, or other third-party data, including sensitive or confidential data, personal information and intellectual property and could be particularly harmful to our brand and reputation.

We continue to invest in industry-standard solutions and protections and monitoring practices of our data and IT systems and infrastructure to reduce these risks and we continue to monitor our IT systems and infrastructure on an ongoing basis for any current or potential threats. We have also deployed additional employee security training and updated security policies for the Company and its third-party service providers. Such efforts and investments are costly, and as cyber threats continue to evolve, we may be required to expend significant additional resources to continue to modify or enhance our protective measures or to investigate and remediate any information security vulnerabilities. As a company that operates globally, we could also be impacted by commercial agreements between us and processing organizations, existing and proposed laws and regulations, and government policies and practices related to cybersecurity, privacy and data protection.

Despite our efforts, our and our third-party service providers' data, IT systems and infrastructure may be vulnerable. There can be no assurance that our efforts will prevent a failure, disruption, cyberattack or other security breach of our or our third-party service providers' IT systems or infrastructure, or that we will detect and appropriately respond if there is such a failure, disruption, cyberattack or other security breach. Our IT databases and systems have been, and will likely continue to be, subject to ransomware, denial of service and phishing attacks, none of which has been material to the Company to date. Any such failure, disruption, cyberattack or other security breach could adversely affect our business including our ability to expand our business, cause damage to our reputation, result in increased costs to address internal data, security, and personnel issues, and result in violations of applicable privacy laws and other laws and external financial obligations such as governmental fines, penalties, or regulatory proceedings, remediation efforts such as breach notification and identity theft monitoring, and third-party private litigation with potentially significant costs. In addition, it could result in deterioration in our employees', Representatives', customers', or vendors' confidence in us, which could cause them to discontinue doing business with us or result in other competitive disadvantages. In addition, there may be other challenges and risks as we upgrade, modernize, and standardize our IT systems globally.

The Company is not aware of any material cybersecurity incidents to date.

We face intense competition and can make no assurances about our ability to overcome our competitive challenges.

We face intense competition from competing products in each of our lines of business in the markets we operate. We compete against products sold to consumers in a number of distribution methods, including direct selling, through the Internet, and through mass market retail and prestige retail channels. We also face increasing direct-selling and retail competition in our developing and emerging markets, particularly Brazil and Russia.

Within the direct-selling channel, we often compete on country-by-country basis with our direct-selling competitors. There are a number of direct-selling companies that sell product lines similar to ours, some of which have worldwide operations and compete with us globally. Unlike a typical CPG company which operates within a broad-based consumer pool, direct sellers compete for representative or entrepreneurial talent by providing a more competitive earnings opportunity or "better deal" than that offered by the competition. Providing a compelling earnings opportunity for the Representatives is as critical as developing and marketing new and innovative products. Therefore, in contrast to typical CPG companies, we must first compete for a limited pool of Representatives before we reach the ultimate consumer.

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 one of the largest and oldest beauty direct sellers globally, Avon's business model and strategies are often highly sought after, particularly by smaller 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 as well as significant competition from other non-direct selling earnings opportunities for which our existing Representatives or potential Representatives could avail themselves. Changes to our compensation models are sometimes necessary to be competitive but could have short-term negative impacts on our total number of Representatives. 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 principally compete against large and well-known cosmetics (color), fragrance and skincare companies that manufacture and sell broad product lines through various types of retail establishments and other channels, including through the Internet. In addition, we compete against many other companies that manufacture and sell more narrow beauty product lines sold through retail establishments and other channels, including through the Internet. 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 also have many highly competitive global branded and private label competitors in the accessories, apparel, housewares, and gift and decorative products industries, including retail establishments, principally department stores, mass merchandisers, gift shops and specialty retailers. 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 department stores, mass merchandisers, specialty retailers and e-commerce.

The number of competitors and degree of competition that we face in the 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 improve our product mix and offer new products that represent technological breakthroughs and are aligned with local preferences, if we do not successfully manage the timing of new product introductions or the profitability of these efforts, if we are unable to improve the Representative experience, or if for other reasons the Representatives or end customers perceive competitors' products as having greater appeal, then our sales, results of operations and cash flows will be adversely affected.

Third-party suppliers provide, among other things, the raw materials required for our Beauty products, and the loss of these suppliers, a supplier's inability to supply a raw material or a finished product or a disruption or interruption in the supply chain may adversely affect our business.

We manufacture and package the majority of our Beauty products, which are formulated and designed by our staff of chemists, designers and artists. Raw materials, consisting chiefly of essential oils, chemicals, containers and packaging components required for our Beauty products are purchased from a range of third-party suppliers. The remainder of our Beauty products and all of our Fashion & Home products are purchased from various third-party manufacturers. Our products are affected by the cost and availability of materials such as glass, plastics, chemicals and fabrics. For the vast majority of items we have more than one source of supply available. We believe that we can continue to obtain sufficient raw materials and supplies to manufacture and produce our Beauty products for the foreseeable future. Additionally, we design the brochures that are used by the Representatives to sell our products. The brochures are then produced on our behalf by a range of printing suppliers.

The loss of any one supplier would not have a material impact on our ability to source raw materials for the majority of our Beauty products or source products for the remainder of our Beauty products and all of our Fashion & Home products or paper for the brochures. This risk may be exacerbated by our globally-coordinated purchasing strategy, which leverages volumes. Regulatory action, such as restrictions on importation, may also disrupt or interrupt our supply chain. 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. In addition, if our suppliers fail to use ethical business practices and comply with applicable laws and regulations, such as any child labor laws, our reputation could be harmed due to negative publicity.

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 meet the minimum required contributions under applicable law and accumulate plan assets that, over the long run, are expected to 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, including equity and debt securities and derivative instruments, or in a change of the expected rate of return on plan assets. A change in the discount rate could 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 rate of return on plan assets can result in significant changes in the net periodic pension cost. Please see "Critical Accounting Estimates - Pension and Postretirement Expense" within MD&A and Note 14, Employee Benefit Plans in our 2019 Annual Report, for additional information regarding the impact of these factors on our pension plan obligations.

Any strategic alliances or divestitures may expose us to additional risks.

We evaluate potential strategic alliances that would complement our current product offerings, increase the size and geographic scope of our operations or otherwise offer growth and/or operating efficiency opportunities. Strategic alliances may entail numerous risks, including:

- substantial costs, delays or other operational or financial difficulties, including difficulties in leveraging synergies among the businesses to increase sales and obtain cost savings or achieve expected results;
- difficulties in assimilating acquired operations or products, including the loss of key employees from any 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;
- risks of entering markets in which we have limited or no prior experience; and
- reputational and other risks regarding our ability to successfully implement such strategic alliances, including obtaining financing which could dilute the interests of our shareholders, result in an increase in our indebtedness or both.

Our failure to successfully complete the integration of any new or acquired businesses could have a material adverse effect on our business, prospects, financial condition, liquidity, results of operations and cash flows. In addition, there can be no assurance that we will be able to identify suitable candidates or consummate such transactions on favorable terms.

For divestitures, success is also dependent on effectively and efficiently separating the divested unit or business from the Company and reducing or eliminating associated overhead costs. In cases where a divestiture is not successfully implemented or completed, the Company's business, prospects, financial condition, liquidity, results of operations and cash flows could be adversely affected. Please see "Risks Related to the Separation of North America" below for additional information regarding the risks associated with the separation of North America.

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 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 our ERP system), loss or impairment of key manufacturing or distribution sites, product quality control issues, safety concerns, 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. We could also experience a negative financial impact if we do not comply with minimum purchase commitments. These risks may be exacerbated by our efforts to increase facility consolidation covering our manufacturing, distribution and supply footprints, particularly if we are unable to successfully increase our resiliency to potential operational disruptions or enhance our disaster recovery planning. The loss of, or damage to, any of our facilities or centers, or those of our third-party manufacturers, could have a material adverse effect on our business, prospects, financial condition, liquidity, results of operations and cash flows.

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

Our success depends, in part, on the quality, safety and efficacy of our products. If our products are found to be, or perceived to be, defective or unsafe, or if they otherwise fail to meet the Representatives' or end customers' standards, then our relationship with the Representatives or end customers could suffer, we may need to recall some of our products and/or become subject to regulatory action, our reputation or the appeal of our brand could be diminished, we could lose market share, and we could become subject to liability claims, any of which could result in a material adverse effect on our business, prospects, financial condition, liquidity, results of operations and cash flows.

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

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 where such products are principally sold. Although most of our material intellectual property is registered in certain 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, may not completely protect our intellectual property rights. The costs required to protect our patents and trademarks, especially in emerging markets, may be substantial. Please see "The licensing of our North America intellectual property rights, including trademarks that are fundamental to our brand, in connection with the Separation could adversely impact our reputation, our business generally, and our ability to enforce intellectual property rights used in both North America and international jurisdictions" below for additional information regarding the risks on our intellectual property rights associated with the separation of North America.

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, including, for example, claims alleging violation of the federal securities laws or claims relating to employee or employment matters, our products or advertising. 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 our financial results and the conduct of our business. 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, or to predict the impact of certain of these matters on our business, prospects, financial condition, liquidity, results of operations and cash flows. See Note 19, Contingencies in our 2019 Annual Report for a detailed discussion regarding certain legal proceedings in which we are a party.

Government reviews, inquiries, investigations, and actions could harm our business or reputation. In addition, from time to time we may conduct other investigations and reviews, the consequences of which could negatively impact 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 government officials in such locations often exercise broad discretion in deciding how to interpret and apply relevant 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. In addition, from time to time, we may conduct investigations and reviews. The consequences of such government reviews, inquiries, investigations, and actions or such investigations and reviews may adversely impact our business, prospects, reputation, financial condition, liquidity, results of operations or cash flows.

Additionally, any determination that our operations or activities, or, where local law mandates, the activities of the Representatives, 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, loss of supplier, vendor or other third-party relationship, termination of necessary licenses and permits, 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. 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. Further, other countries in which we do business may initiate their own investigations and impose similar sanctions. These proceedings or investigations could be costly and burdensome to our management, and could adversely impact our business, prospects, reputation, financial condition, liquidity, results of operations or cash flows. Even if an inquiry or investigation does not result in any adverse determinations, it potentially could create negative publicity and give rise to third-party litigation or action.

The uncertainty surrounding the UK's decision to withdraw from the EU may adversely affect our business.

On June 23, 2016, the UK held a referendum in which voters approved an exit from the EU, commonly referred to as "Brexit." As a result of the referendum, the UK parliament voted in March 2017 to trigger Article 50 of the Treaty on European Union, commencing the UK's official withdrawal process from the EU and initiating negotiations with the EU in June 2017. In January 2020, the House of Commons (the first chamber of the UK parliament) approved the terms of an agreement with the EU to determine the future terms of the parties' relationship, including the terms of trade between the UK and the EU and other nations, following the UK's exit from the EU on January 31, 2020.

The terms of the agreement were approved by the House of Lords (the second chamber of the UK parliament) on January 23, 2020 meaning that the Bill became law and the UK left the EU on January 31, 2020. A transition period, lasting until December 31, 2020, has now begun, during which the UK will continue to (i) be subject to EU rules and (ii) remain a member of the single market. While the agreement provides for the possibility of one or more extensions of this transition period for up to two additional years, the UK has currently ruled out any such extension. The EU and the UK will also continue to negotiate trading agreements and security cooperation during this period. An update on these negotiations is expected in June and at this time we will know whether (i) a long term deal has been agreed, (ii) the transition period will be extended or (iii) the transition period will end without a deal.

Our business in the UK and EU had contingency plans in place to mitigate any negative effects of a no deal Brexit and, should the transition period end without a deal, departure from the EU in such a way they would reactivate such plans. However, in the longer term (2021 onwards) such a departure could adversely affect business activity, restrict the movement of capital and the mobility of personnel and goods, and otherwise impair political stability and economic conditions in the UK, the Eurozone, the EU and elsewhere. Any of these developments could have a material adverse effect on business activity in the UK, the Eurozone, or the EU. Given that we conduct a substantial portion of our business in the EU and the UK, and our corporate headquarters has been relocated to the UK, any of these developments could have a material adverse effect on our business, financial position, liquidity and results of operations or cash flows.

The uncertainty concerning the terms of the exit could also have a negative impact on the growth of the UK and/or EU economies and has already caused significant volatility in global stock markets and greater volatility in foreign currency exchange rates, including the pound sterling, euro and/or other currencies. Changes in foreign currency exchange rates may have a material effect on our net sales, financial condition, profitability and/or cash flows and may reduce the reported value of our operating results.

Changes to UK border and immigration policy could likewise occur as a result of Brexit, affecting our ability to recruit and retain employees from outside the UK and resulting in possible delays in transportation of goods and increased custom duties. While the full scope of implementation of the referendum decision is still unclear, companies exposed to or with operations in the UK, such as ours, may face significant regulatory changes as a result of Brexit implementation, and complying with such new regulatory mandates may prove challenging and costly.

Risks Related to the Separation of North America and the Preferred Stock Investment in the Company

We may be exposed to claims and liabilities as a result of the separation of our North America business.

On March 1, 2016, Cleveland Apple Investor L.P. ("Cerberus Investor") (an affiliate of Cerberus) contributed $170 million of cash into New Avon in exchange for 80.1% of its membership interests, and we contributed (i) assets primarily related to our North America business (including approximately $100 million of cash, subject to certain adjustments), (ii) certain assumed liabilities (primarily pension and postretirement liabilities) of our North America business and (iii) the employees of our North America business into New Avon in exchange for a 19.9% ownership interest of New Avon (collectively, the "Separation"). In August 2019, we and Cerberus finalized the sale of our respective interests in New Avon to LG Household & Health Care Ltd. In connection with the Separation, we entered into a Separation Agreement and various other agreements with New Avon to govern the separation and the relationship of the two companies going forward. These agreements provide for specific indemnity and liability obligations and could lead to disputes between us. The indemnity rights we have against New Avon under the agreements may not be sufficient to protect us. In addition, our indemnity obligations to New Avon may be significant and these risks could negatively affect our financial condition.

We or New Avon may fail to perform under the post-closing arrangements executed in connection with the Separation.

In connection with the Separation, we and New Avon entered into several agreements, including among others, an Intellectual Property License Agreement, a Technical Support and Innovation Agreement and a Manufacturing and Supply Agreement. The Intellectual Property License Agreement provides New Avon with rights to use certain intellectual property rights that we used in the conduct of the North America business prior to the Separation. The Technical Support and Innovation Agreement provides that we will perform certain beauty product development services for New Avon. The Manufacturing and Supply Agreement provides that we and New Avon will manufacture, or cause to be manufactured, and supply certain products to each other. These agreements establish a bilateral relationship between New Avon and us. We will rely on New Avon to satisfy its performance and payment obligations under these agreements. If New Avon is unable to satisfy its obligations under these agreements, we could incur operational difficulties or losses that could have a material and adverse effect on our business, financial condition and results of operations.

The licensing of our North America intellectual property rights, including trademarks that are fundamental to our brand, in connection with the Separation could adversely impact our reputation, our business generally, and our ability to enforce intellectual property rights used in both North America and international jurisdictions.

In connection with the Separation, we granted New Avon a perpetual, irrevocable, royalty-free license, with the ability to sublicense, to certain intellectual property rights that we used in the conduct of our North America business prior to the Separation. The Intellectual Property License Agreement includes quality control provisions obligating New Avon and its sublicensees to remain in compliance with applicable law or, for certain of our brands, quality standards that we have provided to New Avon, when selling products under certain trademarks that we have licensed to New Avon. However, there is a risk that failure by New Avon or its sublicensees to comply with such quality control provisions or other conduct by New Avon or its sublicensees associated with the trademarks licensed to New Avon, could adversely affect our reputation and our business globally. We have also granted New Avon enforcement rights to intellectual property licensed to New Avon in certain circumstances, which could adversely affect our position and options globally relating to enforcement of our intellectual property.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

Our principal properties worldwide consist of manufacturing facilities for the production of Beauty products, distribution centers where administrative offices are located and where finished merchandise is packed and shipped to Representatives in fulfilment of their orders, and one principal research and development facility located in Suffern, NY.

Since January 2017 our principal executive offices are located at Chiswick Park in London, UK, where we moved to be in a closer proximity to many of our commercial markets. All the floors of our previous principal executive office location at 777 Third Avenue, New York, NY have been subleased.

During 2019 the following leases expired:

- Brazil - Fortaleza branch was closed, replacing it with a new leased site
- China - Zhengzhou distribution center lease was not renewed

During 2019 the following sites were sold:

- China, Conghua Manufacturing plant.
- Rye, New York, used as executive and administrative offices and Global IT
- Malaysia, Branch and administrative office building

In addition to the facilities noted above, other principal properties measuring 50,000 square feet or more include the following:

- two manufacturing facilities in Europe, primarily servicing Europe, Middle East & Africa;
- twelve distribution centers and four administrative offices in Europe, Middle East & Africa;
- two manufacturing facilities, eight distribution centers and one administrative office in South Latin America;
- one manufacturing facility, two distribution centers and one administrative office in North Latin America; and
- three manufacturing facilities and two distribution centers in Asia Pacific, of which one manufacturing facility is inactive.

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

Of all the properties listed above, 23 are owned and the remaining 17 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.

ITEM 3. LEGAL PROCEEDINGS

Reference is made to Note 19, Contingencies in our 2019 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

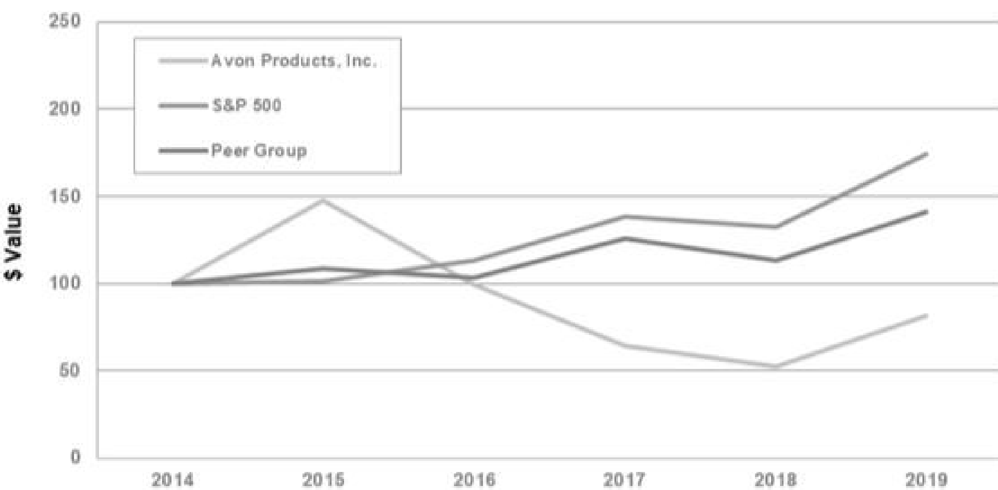
Market for Avon's Common Stock

Our common stock is listed on the NYSE and trades under the AVP ticker symbol. At December 31, 2019, there were approximately 10,787 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 2019 and 2018 are listed below. As a part of the implementation of our Transformation Plan, we suspended the dividend on our common stock effective in the first quarter of 2016.

	2019			2018		
Quarter	High	Low	Dividends Declared and Paid	High	Low	Dividends Declared and Paid
First	$ 3.29	$ 1.57	$ —	$ 2.93	$ 2.11	$ —
Second	4.03	2.60	—	2.92	1.48	—
Third	4.78	3.84	—	2.44	1.42	—
Fourth	5.79	4.10	*	2.18	1.43	—

*In December 2019, the Company declared a dividend of $0.016 per share, the dividend was paid in January 2020. No dividends were declared or paid for 2018.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN(1)
Among Avon Products, Inc., The S&P 500 Index and
2019 Peer Group (2)



The Stock Performance Graph above assumes a $100 investment on December 31, 2014, in Avon's common stock, the S&P 500 Index and the Peer Group. 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.

	2014	2015	2016	2017	2018	2019
Avon	100.0	147.5	99.7	64.0	52.2	81.7
S&P 500	100.0	101.4	113.5	138.3	132.2	173.9
Peer Group (2)	100.0	108.6	103.4	126.1	113.5	141.0

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

(2) The Peer Group includes The Clorox Company, Colgate–Palmolive Company, Coty Inc., Estée Lauder Companies, Inc., Herbalife Ltd., Kimberly Clark Corp., Revlon, Inc. and Tupperware Brands Corp.

The Stock Performance Graph above shall not be deemed to be "soliciting material" or to be "filed" with the SEC or subject to the liabilities of Section 18 under the Securities Exchange Act of 1934 as amended (the "Exchange Act"). 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 (the "Securities Act") or the Exchange Act, 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 quarterly period ended December 31, 2019:

	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program
10/1/19 – 10/31/19	—	$ —	*	*
11/1/19 – 11/30/19	—	—	*	*
12/1/18 – 12/31/18	1,535,801	5.54	*	*

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

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

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

ITEM 6. SELECTED FINANCIAL DATA
(U.S. dollars in millions, except per share 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 contained in our 2019 Annual Report.

	2019	2018	2017	2016	2015
Statement of Operations Data					
Total revenue[(1)]	$ 4,763.2	$ 5,571.3	$ 5,715.6	$ 5,717.7	$ 6,160.5
Operating profit[(2)]	125.6	235.2	281.3	323.8	165.0
Income (loss) from continuing operations, net of tax[(2)]	35.3	(21.8)	20.0	(93.4)	(796.5)
Cash dividends declared per share	$ .02	$ —	$ —	$ —	$ .24
Balance Sheet Data					
Total assets*	$ 3,086.3	$ 3,010.0	$ 3,697.9	$ 3,418.9	$ 3,770.4
Debt maturing within one year	1.8	12.0	25.7	18.1	55.2
Long-term debt	1,590.4	1,581.6	1,872.2	1,875.8	2,150.5
Total debt	1,592.2	1,593.6	1,897.9	1,893.9	2,205.7
Total shareholders' deficit	(983.8)	(896.8)	(714.7)	(836.2)	(1,056.4)

* Total assets at December 31, 2015 in the table above exclude the $100.0 receivable from continuing operations that was presented within current assets of discontinued operations.

(1) Certain Brazil indirect taxes in 2019 and 2018 impact the comparability of our revenue. See Note 19, Contingencies in our 2019 Annual Report, "Results Of Operations - Consolidated" within MD&A, and Segment Review - South Latin America within MD&A for more information.

(2) A number of items, shown below, impact the comparability of our operating profit and (loss) income from continuing operations, net of tax. See Note 19, Contingencies in our 2019 Annual Report, Segment Review - South Latin America within MD&A, Note 17, Restructuring Initiatives, Note 14, Employee Benefit Plans, Note 15, Segment Information, Note 1, Description of the Business and Summary of Significant Accounting Policies, "Results Of Operations - Consolidated" within MD&A, Note 20, Goodwill, Note 3, Discontinued Operations and Assets and Liabilities Held for Sale, Note 8, Debt and Other Financing, and Note 10, Income Taxes in our 2019 Annual Report for more information on these items.

	Impact on Operating Profit				
	2019	2018	2017	2016	2015
Certain Brazil indirect taxes (3)	$ 67.7	$ 168.4	$ —	$ —	$ —
Costs to implement restructuring initiatives(4)	$ (139.3)	$ (180.5)	(60.2)	(77.4)	(49.1)
Other expenses(5)	(64.3)	—	—	—	—
Loss contingency(6)	—	—	(18.2)	—	—
Legal settlement(7)	—	—	—	27.2	—
Venezuelan special items(8)	—	—	—	—	(120.2)
Pension settlement charge(9)	—	—	—	—	(7.3)
Other items(10)	—	—	—	—	(3.1)
Asset impairment and other charges(11)	(10.1)	(4.0)	—	—	(6.9)

In addition to the items impacting operating profit identified above, loss from continuing operations, net of tax during 2019 was impacted by:

- a gain on sale of $50.1 primarily relating to; New Avon $26.8 before and after tax, Rye Office $9.9 before and after tax, Malaysia Maxim $3.3 before tax ($3 after tax), China Manufacturing $10.3 before tax ($8.2 after tax).

In addition to the items impacting operating profit identified above, loss from continuing operations, net of tax during 2018 was impacted by:

- one-time tax reserves of approximately $18 associated with our uncertain tax positions, and an expense of approximately $3 associated with the ownership transfer of certain operational assets within the consolidated group.

In addition to the items impacting operating profit identified above, income from continuing operations, net of tax during 2017 was impacted by:

- a $29.9 net tax benefit recognized as a result of the enactment of the Tax Cuts and Jobs Act in the U.S., a release of valuation allowances of $25.5 associated with a number of markets in Europe, Middle East & Africa as a result of a business model change related to the move of the Company's headquarters from the U.S. to the UK, and a $10.4 benefit as a result of a favorable court decision in Brazil, partially offset by a charge of $16.0 associated with valuation allowances to adjust deferred tax assets in Mexico.

In addition to the items impacting operating profit identified above, loss from continuing operations, net of tax during 2016 was impacted by:

- the deconsolidation of our Venezuelan operations. As a result of the change to the cost method of accounting, in the first quarter of 2016 we recorded a loss of $120.5 before and after tax in other expense, net. The loss was comprised of $39.2 in net assets of the Venezuelan business and $81.3 in accumulated foreign currency translation adjustments within accumulated other comprehensive income (loss) ("AOCI") associated with foreign currency movements before Venezuela was accounted for as a highly inflationary economy;
- a net gain on extinguishment of debt of $1.1 before and after tax associated with the repayment of certain of our debt in 2016; and
- the release of a valuation allowance associated with Russia of $7.1 and an income tax benefit of $29.3 recognized as the result of the implementation of foreign tax planning strategies, partially offset by a charge for valuation allowances for deferred tax assets outside of the U.S. of $8.6.

  See Note 1, Description of the Business and Summary of Significant Accounting Policies, Note 8, Debt and Other Financing, and Note 10, Income Taxes in our 2019 Annual Report for more information.

In addition to the items impacting operating profit identified above, loss from continuing operations, net of tax during 2015 was impacted by:

- the gain on sale of Liz Earle of $44.9 before tax ($51.6 after tax);
- a loss on extinguishment of debt of $5.5 before and after tax caused by the make-whole premium and the write-off of debt issuance costs and discounts, associated with the prepayment of our 2.375% Notes due March 15, 2016 and a charge of $2.5 before and after tax associated with the write-off of issuance costs related to our previous $1 billion revolving credit facility;
- an aggregate income tax charge of $685.1. This was primarily due to additional valuation allowances for U.S. deferred tax assets of $669.7 which were due to the continued strengthening of the U.S. dollar against currencies of some of our

key markets and the impact on the benefits from our tax planning strategies associated with the realization of our deferred tax assets. In addition, the charge was due to valuation allowances for deferred tax assets outside of the U.S. of $15.4, primarily in Russia, which was largely due to lower earnings, which were significantly impacted by foreign exchange losses on working capital balances; and

- an income tax benefit of $18.7, which was recorded in the fourth quarter of 2015, recognized as a result of the implementation of the initial stages of foreign tax planning strategies.

See Note 3, Discontinued Operations and Assets and Liabilities Held for Sale, Note 8, Debt and Other Financing, and Note 10, Income Taxes in our 2019 Annual Report for more information.

(3) 2019 includes the impact of certain Brazil indirect taxes, which were recorded in product sales and other income (expense), net in the amounts of approximately $68 and approximately $51, respectively, in our Consolidated Income Statements. See Note 21, Supplemental Balance Sheet information, to the Consolidated Financial Statements contained herein for further information. 2018 included the impact of the Brazil IPI tax release, which was recorded in product sales and other income (expense), net in the amounts of approximately $168 and approximately $27, respectively, in our Consolidated Income Statements. See Note 19, Contingencies, to the Consolidated Financial Statements contained herein for further information.

(4) During all periods presented, our operating profit and operating margin was negatively impacted by costs to implement restructuring initiatives. Refer to Note 17, Restructuring Initiatives in our 2019 Annual Report, for additional information.

(5) During 2019, our operating profit and operating margin were negatively impacted by a charge of $64.3 incurred in relation to the Transaction, primarily professional fees, and impairment losses on assets. See Note 23, Agreement and Plan of Mergers with Natura Cosméticos S.A., to the Consolidated Financial Statements contained herein and "Agreement and Merger with Natura Cosméticos S.A.", in this MD&A for further information.

(6) During 2017, our operating profit and operating margin were negatively impacted by a charge of $18.2 for a loss contingency related to a non-U.S. pension plan, for which an amendment to the plan that occurred in a prior year may not have been appropriately implemented. See Note 14, Employee Benefit Plans in our 2019 Annual Report for more information.

(7) During 2016, our operating profit and operating margin benefited from the net proceeds of $27.2 before and after tax recognized as a result of settling claims relating to professional services that had been provided to the Company prior to 2013 in connection with a previously disclosed legal matter. See Note 15, Segment Information in our 2019 Annual Report for more information.

(8) During 2015 our operating profit and operating margin was negatively impacted by devaluations of the Venezuelan currency, combined with Venezuela being designated as a highly inflationary economy.

In February 2015, the Venezuelan government announced the creation of a new foreign exchange system referred to as the SIMADI exchange ("SIMADI"), which represented the rate which better reflected the economics of Avon Venezuela's business activity, in comparison to the other then available exchange rates; as such, we concluded that we should utilize the SIMADI exchange rate to remeasure our Venezuelan operations. The change to the SIMADI rate caused the recognition of a devaluation of approximately 70% as compared to the exchange rate we had used previously. As a result of using the historical U.S. dollar cost basis of non-monetary assets, such as inventories, these assets continued to be remeasured, following the change to the SIMADI rate, at the applicable rate at the time of their acquisition. The remeasurement of non-monetary assets at the historical U.S. dollar cost basis caused a disproportionate expense as these assets were consumed in operations, negatively impacting operating profit and net income by $18.5 during 2015. Also as a result of the change to the SIMADI rate, we determined that an adjustment of $11.4 to cost of sales was needed to reflect certain non-monetary assets, primarily inventories, at their net realizable value, which was recorded in the first quarter of 2015. In addition, we reviewed Avon Venezuela's long-lived assets to determine whether the carrying amount of the assets was recoverable. Based on our expected cash flows associated with the asset group, we determined that the carrying amount of the assets, carried at their historical U.S. dollar cost basis, was not recoverable. As such, an impairment charge of $90.3 to SG&A expenses was needed to reflect the write-down of the long-lived assets to estimated fair value of $15.7, which was recorded in the first quarter of 2015. In addition to the negative impact to operating profit, as a result of the devaluation of Venezuelan currency, during 2015, we recorded an after-tax benefit of $3.4 (a benefit of $4.2 in other expense, net, and a loss of $.8 in income taxes) in the first quarter of 2015, primarily reflecting the write-down of net monetary assets. See, Note 1, Description of the Business and Summary of Significant Accounting Policies in our 2019 Annual Report for more information.

(9) During 2015, our operating profit and operating margin were negatively impacted by settlement charges associated with the U.S. defined benefit pension plan. As a result of the lump-sum payments made to former employees who were vested and participated in the U.S. defined benefit pension plan, in the third quarter of 2015, we recorded a settlement charge of $23.8 (before and after tax). Because the settlement threshold was exceeded in the third quarter of 2015, a settlement charge of

$4.1 (before and after tax) was also recorded in the fourth quarter of 2015, as a result of additional payments from our U.S. defined benefit pension plan. These settlement charges were allocated between Global ($7.3) and Discontinued Operations ($20.6). See Note 14, Employee Benefit Plans in our 2019 Annual Report for a further discussion.

(10) During 2015, our operating profit and operating margin were negatively impacted by transaction-related costs of $3.1 before and after tax associated with the planned separation of North America that were included in continuing operations.

(11) During 2019 our operating profit and operating margin were negatively impacted by a non-cash impairment charge of $10.1 ($7.2 after tax). This related to Manufacturing assets in Brazil of $8.4 ($5.5 after tax), Software in our Corporate function of $1.2 (before and after tax) and a write off in Hungary of $0.5 (before and after tax). During 2018 our operating profit and operating margin were negatively impacted by a non-cash impairment charge of $4 ($3.6 after tax) related to CTI manufacturing equipment. During 2015, our operating profit and operating margin were negatively impacted by a non-cash impairment charge of $6.9 (before and after tax) associated with goodwill of our Egypt business.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS ("MD&A")
(U.S. dollars in millions, except per share and share data)

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 contained in our 2019 Annual Report. When used in this discussion, the terms "Avon," "Company," "we," "our" or "us" mean, unless the context otherwise indicates, Avon Products, Inc. and its majority and wholly owned subsidiaries.

See "Non-GAAP Financial Measures" of this MD&A for a description of how constant dollar ("Constant $") growth rates (a Non-GAAP financial measure) are determined and see "Performance Metrics" of this MD&A for definitions of our performance metrics (Change in Active Representatives, Change in units sold, Change in Ending Representatives and Change in Average Order).

Overview

We are a global manufacturer and marketer of beauty and related products. Our business is conducted primarily in the direct-selling channel. During 2019, we had sales operations in 55 countries and territories, and distributed products in 24 more. All of our consolidated revenue is derived from operations of subsidiaries outside of the United States ("U.S."). Our reportable segments are based on geographic operations in four regions: Europe, Middle East & Africa; South Latin America; North Latin America; and Asia Pacific. Our product categories are Beauty and Fashion & Home. Beauty consists of skincare, fragrance and color (cosmetics). Fashion & Home consists of fashion jewelry, watches, apparel, footwear, accessories, gift and decorative products, housewares, entertainment and leisure products, children's products and nutritional products. Sales are made to the ultimate consumer principally through direct selling by Representatives, who are independent contractors and not our employees.

As of December 31, 2019, we had approximately 5 million average active Representatives which represents the number of Representatives submitting an order in a sales campaign, totaled for all campaigns during the year and then divided by the number of campaigns. The success of our business is highly dependent on recruiting, retaining and servicing our Representatives.

Total revenue decreased 15% compared to the prior-year period, impacted by certain indirect taxes recognized in Brazil as well as IPI in the prior year. These indirect taxes and IPI positively impacted revenue in both 2018 and 2019, but to a larger extent in 2018. Excluding the impact of these indirect taxes in Brazil, Adjusted revenue was down 13%, impacted by the unfavorable impact of foreign exchange. Adjusted Constant $ Revenue decreased 7%.

Adjusted revenue and Adjusted Constant $ revenue decline was primarily driven by Europe Middle East & Africa markets, in particular Russia. Russia was negatively impacted by a decrease in Active Representatives and a decrease in Average Representative Sales. Revenue and Constant $ revenue in Russia continued to be impacted by lower consumer confidence, as well as weaker sales leader engagement in the first half of the year.

Revenue and Constant $ revenue were impacted by a decrease in Active Representatives of 10%, across multiple markets. Average Representative Sales decreased 5% on a reported basis, unfavorably impacted by foreign exchange and Adjusted Constant $ Average Representative Sales increased 2%. While Revenue, Adjusted revenue and Constant $ Adjusted revenue have declined, this is a consequence of our intent to improve productivity by increasing Average Representative Sales. Adjusted Constant $ Average Representative Sales were impacted by improved price/mix. In addition, Average Representative Sales were favorably impacted by certain indirect tax items, as well as a positive impact from the Brazil IPI tax compared to the prior-year period. For additional details on the IPI tax on cosmetics in Brazil, see Note 19, Contingencies, to the Consolidated Financial Statements included herein.

Units sold decreased 14% driven by declines in Brazil and Russia.

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

Agreement and Merger with Natura Cosméticos S.A.

On May 22, 2019, we entered into an Agreement and Plan of Mergers with Natura Cosméticos S.A., a Brazilian corporation (sociedade anônima) ("Natura Cosméticos"), Natura &Co Holding S.A., a Brazilian corporation (sociedade anônima) ("Natura &Co Holding"), and two subsidiaries of Natura &Co Holding S.A. ("Natura &Co") pursuant to which, in a series of transactions, Avon and Natura Cosméticos will become direct wholly owned subsidiaries of Natura &Co (the "Transaction"). For additional information, see Note 23, Agreement and Plan of Mergers with Natura Cosméticos S.A., to the Consolidated Financial Statements included herein, and our Current Report on Form 8-K filed with the Securities and Exchange Commission on May 24, 2019. On January 3, 2020, the Company consummated the Transaction and became a fully owned subsidiary of Natura &Co Holding. In connection with the consummation of the Transaction, the Company notified the New York Stock

Exchange ("NYSE") that trading of their stock should be suspended, the Company's common stock was subsequently delisted and deregistered.

Transformation Plan and Open Up Avon

In January 2016, we initiated a transformation plan (the "Transformation Plan"), in order to enable us to achieve our long-term goals of mid-single-digit Constant $ revenue growth and low double-digit operating margin. There are no further restructuring actions to be taken associated with our Transformation Plan as, beginning in the third quarter of 2018, all new restructuring actions approved operate under our new Open Up Avon plan described below.

In September 2018, we initiated a new strategy in order to return Avon to growth ("Open Up Avon"). The Open Up Avon strategy is integral to our ability to return Avon to growth, built around the necessity of incorporating new approaches to various elements of our business, including increased utilization of third-party providers in manufacturing and technology, a more fit for purpose asset base, and a focus on enabling our Representatives to more easily interact with the company and achieve relevant earnings. The commercial elements of the strategy were developed to help increase Representative earnings and thereby retention. Elements of the Representative facing strategy include improvements in service functions, increased training on utilization of digital tools to expand her consumer reach, product bundling and regimens designed to help improve her earnings opportunity and sharper more targeted product innovation to drive brand relevancy. Cost savings under this plan are expected to be generated from efficiencies in manufacturing and sourcing, distribution, general and administrative activities, and back office functions, as well as through revenue management, interest and tax. These savings are expected to be achieved through restructuring actions (that may result in charges related to severance, contract terminations and inventory and other asset write-offs), as well as other cost-savings strategies that would not result in restructuring charges. In January 2019, we announced significant advancements in this strategy, including a structural reset of inventory processes and a reduction in global workforce. The structural reset of inventory will result in lower operational and ongoing obsolescence costs. Over the longer term, it will result in a more concentrated focus on high-turn, higher margin products, driving greater earnings for Representatives due to lessened discount pressure and enhanced service levels. The structural reset resulted in an incremental one-off inventory obsolescence expense of $88 recognized at December 31, 2018. In 2019 the global workforce was reduced by 16%, ahead of the expected 10% reduction announced in January 2019 to align with ongoing operating model changes and to create a leaner organization that is better aligned with Avon’s current and future business focus. This reduction is incremental to an 8% reduction of the global workforce that was completed in 2018.

The restructuring charge relating to the global workforce reduction, which was approved by the Board of Directors in January 2019, forms an integral part of the Open Up Avon initiative, the impacts of this are disclosed below. We initiated the Open Up Avon strategy to enable us to achieve our goals of low-single-digit Constant $ revenue growth and low double-digit operating margin by 2021. We plan to reinvest a portion of these cost savings in commercial initiatives, including training for Representatives, and digital and IT infrastructure initiatives.

In connection with the actions and associated savings discussed above, we have incurred costs to implement ("CTI") restructuring initiatives of approximately $250 before taxes to-date associated with Open Up Avon and approximately $215 before taxes to-date associated with the Transformation Plan. Of these costs, approximately $107 and approximately $9 was recorded during 2019 associated with Open Up Avon and the Transformation Plan, respectively. The additional charges not yet incurred associated with the restructuring actions approved as at December 31, 2019 relate to Open Up Avon and are negligible. At December 31, 2019, we have liabilities of approximately $24 associated with our restructuring actions, primarily associated with Open Up Avon. The majority of future cash payments associated with these restructuring liabilities are expected to be made during 2020.

In 2018, we estimate that we achieved total cost savings of approximately $110 before taxes, of which approximately $40 was attributable to Open Up Avon and approximately $70 was attributable to the Transformation Plan. The estimated $40 of savings attributable to Open Up Avon primarily related to tax and interest, when compared to our costs in 2017. As it relates to the Transformation Plan, we exceeded our cost savings target of $65 before taxes for full-year 2018. These savings include both run-rate savings from the Transformation Plan from 2017, along with in-year savings from current year initiatives already identified, and are associated with restructuring actions and from other cost-savings strategies that did not result in restructuring charges. As a result of restructuring actions and other cost-savings strategies taken related to the Transformation Plan, we exited 2018 with run-rate savings in excess of our total cumulative cost savings target of $350.

For additional details on restructuring initiatives, see Note 17, Restructuring Initiatives, to the Consolidated Financial Statements included herein.

New Accounting Standards

Information relating to new accounting standards is included in Note 2, New Accounting Standards of our 2019 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
Change in Active Representatives	This metric is a measure of Representative activity based on the number of unique Representatives submitting at least one order in a sales campaign, totaled for all campaigns in the related period. To determine the change in Active Representatives, this calculation is compared to the same calculation in the corresponding period of the prior year. Orders in China are excluded from this metric as our business in China is predominantly retail.
Change in Average Representative Sales	This metric is a measure of Representative productivity. The calculation is the difference of the year-over-year change in revenue on a Constant $ basis and the Change in Active Representatives. Change in Average Representative Sales may be impacted by a combination of factors such as inflation, units, product mix, and/or pricing.
Free cash flow	Free cash flow is net cash provided (used) by operating activities of continuing operations plus net cash provided (used) by investing activities of continuing operations plus the proceeds from the monetization of COFINS tax credits presented within net cash provided (used) by financing activities of continuing operations.

Non-GAAP Financial Measures

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

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

The Company uses Non-GAAP financial measures to evaluate its operating performance. These Non-GAAP measures should not be considered in isolation, or as a substitute for, or superior to, financial measures calculated in accordance with GAAP. The Company believes users of the financial statements find the Non-GAAP information helpful in understanding the ongoing performance of operations separate from items that may have a disproportionate positive or negative impact on the Company's financial results in any particular period. The Company believes that it is meaningful for investors to be made aware of the impacts of 1) certain Brazil indirect taxes; 2) CTI restructuring initiatives; 3) Expenses related to the Transaction, primarily professional fees, and impairment losses on assets; 4) costs associated with the early termination of debt; and 5) one-time tax items that are not associated with recurring, normal operations ("Special tax items").

(1) The full year 2019 includes the impact of certain Brazil indirect taxes, which were recorded in product sales and other income (expense), net in the amounts of approximately $68 and approximately $51, respectively, in our Consolidated Income Statements. See Note 21, Supplemental Balance Sheet Information, to the Consolidated Financial Statements contained herein for further information. The corresponding tax impact is $23. The full year 2018 included the impact of the Brazil IPI tax release, which was recorded in product sales and other income (expense), net in the amounts of approximately $168 and approximately $27, respectively, in our Consolidated Income Statements. See Note 19, Contingencies, to the Consolidated Financial Statements contained herein for further information. The Brazil IPI tax release also included approximately $66 recorded in income taxes.

(2) CTI restructuring initiatives includes the impact on the Consolidated Statements of Operations for all periods presented of net charges incurred on approved restructuring initiatives. See Note 17, Restructuring Initiative, to the Consolidated Financial Statements contained herein for further information.

(3) During 2019, the Company recorded approximately $64 respectively, of other expenses incurred in relation to the Transaction, primarily professional fees, and impairment losses on assets. See Note 23, Agreement and Plan of Mergers with Natura Cosméticos S.A., to the Consolidated Financial Statements contained herein and "Agreement and Plan of Mergers with Natura Cosméticos S.A.," in this MD&A for further information.

(4) During 2019, the Company incurred costs of $9 associated with the early termination of debt.

(5) The effective tax rate discussion includes Special tax items, including the impact on the provision for income taxes in our Consolidated Statements of Operations during 2018 due to one-time tax reserves of approximately $18 associated with our uncertain tax positions, and an expense of approximately $3 associated with the ownership transfer of certain operational assets within the consolidated group.

See Note 19, Contingencies, Note 17, Restructuring Initiatives, Note 14, Employee Benefit Plans, Note 15, Segment Information, Note 1, Description of the Business and Summary of Significant Accounting Policies, Note 8, Debt and Other Financing, and Note 10, Income Taxes in our 2019 Annual Report. See also "Effective Tax Rate" in this MD&A, and "Results Of Operations - Consolidated" below, for more information on these items.

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 of our 2019 Annual Report for a detailed discussion of the application of these and other accounting policies.

Revenue Recognition

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

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

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

Additionally, management has exercised significant judgment in the estimation of the SSP of promised goods or services delivered under sales incentives such as status programs, loyalty points, prospective discounts, and gift with purchase, among others, to determine and allocate the transaction price. SSP represents the estimated market value, or the estimated amount that could be charged for that material right when the entity sells it separately in similar circumstances to similar customers. Judgment is required to determine the SSP for each distinct performance obligation. In instances where SSP is not directly observable, such as when we do not sell the product or service separately, including for certain sales incentives, we determine the SSP using information that may include market prices and other observable inputs.

Allowances for Doubtful Accounts Receivable

Representatives contact their customers, selling primarily through the use of brochures for each sales campaign, generally on credit if the Representatives meet certain criteria. Sales campaigns are generally for a three- to four-week duration. 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 during each sales campaign, which relates to the prior campaign cycle. The Representative is generally precluded from submitting an order for the current sales campaign until the accounts receivable balance past due for prior campaigns is paid; however, there are circumstances where the Representative fails to make the required payment. We record an estimate of an allowance for doubtful accounts on receivable balances based on an analysis of historical data and current circumstances, including seasonality and changing trends. Over the past three years, annual bad debt expense was $115 in 2019, $162 in 2018 and $222 in 2017, or approximately 2% of total revenue in 2019, approximately 3% of total revenue in 2018, and approximately 4% of total revenue in 2017. 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 collection of any accounts receivable balances due from the Representative to us. If the financial condition of the Representatives were to deteriorate, resulting in their inability to make payments, additional allowances may be required.

Allowances for Sales Returns

Policies and practices for product returns vary by jurisdiction. We record a provision for estimated sales returns based on historical experience with product returns. Over the past three years, annual sales returns were $133 for 2019, $172 for 2018 and $198 for 2017, or 2-4% of total revenue in each year, which has been generally in line with our expectations. 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, when applicable, equal to the difference between the cost of inventory and the net realizable 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 estimate the level of obsolescence provision. If actual sales are less favorable than those projected, additional inventory allowances may need to be recorded for such additional obsolescence. Annual obsolescence expense was $37 in 2019, $114 in 2018 and $37 in 2017, or less than 1% of total revenue in 2019, 2% of total revenue in 2018 and less than 1% of total revenue in 2017. As discussed in the Overview section, 2018 includes inventory obsolescence charges of $88 related to our inventory reset program, most of which was utilized in 2019.

Pension and Postretirement Expense

We maintain defined benefit pension plans, the most significant of which are in the UK, Germany and the U.S. However, our U.S. defined benefit pension plan is closed to employees hired on or after January 1, 2015 and the UK defined benefit pension plan was frozen for future accruals as of April 1, 2013 and closed to employees hired on or after September 30, 2006. Additionally, we have unfunded supplemental pension benefit plans for some current and retired executives and provide retiree health care benefits subject to certain limitations to certain retired employees in the U.S. and certain foreign countries. See Note 14, Employee Benefit Plans of our 2019 Annual Report for more information on our benefit plans.

Pension and postretirement expense and the requirements for funding our major pension plans are determined based on a number of actuarial assumptions, which are generally reviewed and determined on an annual basis. These assumptions include the discount rate applied to plan obligations, the expected rate of return on plan assets, the rate of compensation increase of plan participants, price inflation, cost-of-living adjustments, mortality rates and certain other demographic assumptions, and other factors. We use a December 31 measurement date for all of our employee benefit plans.

For 2019, the weighted average assumed rate of return on all pension plan assets was 5.29%, as compared with 5.23% for 2018. 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 generally evaluate the expected long-term rates of return annually and adjust as necessary.

In some of our defined benefit pension plans, we have adopted investment strategies which are designed to match the movements in the pension liability through an increased allocation towards debt securities. In addition, we also utilize derivative instruments in our UK defined benefit pension plans to hedge certain risks. Derivative instruments may include, but are not limited to, futures, options, swaps or swaptions. Investment types, including the use of derivatives are based on written guidelines established for each investment manager and monitored by the plan's investment committee.

A significant portion of our pension plan assets relate to the UK defined benefit pension plan. The assumed rate of return for determining 2019 net periodic benefit cost for the UK defined benefit pension plan was 5.20%. In addition, the 2019 rate of return assumption for the UK defined benefit pension plan was based on an asset allocation of approximately 80% in liability driven investments, approximately 5% in corporate and government bonds and mortgage-backed securities and approximately 15% in equity securities, emerging market debt and high yield securities. In addition to the physical assets, the asset portfolio for the UK defined benefit pension plan has derivative instruments which increase our exposure to fixed income (in order to better match liabilities) and, to a lesser extent, impact our equity exposure. The rate of return on the plan assets in the UK was approximately 16.4% in 2019 and approximately (4)% in 2018.

Historically, the pension plan with the most significant pension plan assets was the U.S. defined benefit pension plan. As part of the separation of the North America business, in 2016 we transferred $499.6 of pension liabilities under the U.S. defined benefit pension plan associated with current and former employees of the North America business and certain other former Avon employees, along with $355.9 of assets held by the U.S. defined benefit pension plan, to a defined benefit pension plan sponsored by New Avon. We also transferred $60.4 of other postretirement liabilities (namely, retiree medical and supplemental pension liabilities) in respect of such employees and former employees. See Note 3, Discontinued Operations and Assets and Liabilities Held for Sale in our 2019 Annual Report. We continue to retain certain U.S. pension and other postretirement liabilities primarily associated with employees who are actively employed by Avon in the U.S. providing services other than with respect to the North America business. Prior to this separation, our net periodic benefit costs for the U.S. pension and postretirement benefit plans were allocated between Discontinued Operations and Global as the plan included both North America and U.S. Corporate Avon associates, and as such, our ongoing net periodic benefit costs within Global were not materially impacted by the separation of the North America business.

The discount rate used for determining the present value of future pension obligations for each individual plan is based on a review of bonds that receive a high-quality rating from a recognized rating agency. The discount rates for calculating the balance sheet obligations of our more significant plans, including our UK defined benefit pension plan and our U.S. defined benefit pension 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. defined benefit pension plans determined on this basis was 2.15% at December 31, 2019, and 3.06% at December 31, 2018. For the determination of the expected rates of return on assets and the discount rates, we take external actuarial and investment advice into consideration.

Effective as of January 1, 2018, we changed the method we use to estimate the service and interest cost components of net periodic benefit cost for the U.S. defined benefit pension plan and the majority of our significant non-U.S. pension plans, including the UK defined benefit pension plan. Historically, including in 2017, we estimated the service and interest cost components using a single weighted-average discount rate derived from the yield curve used to measure the benefit obligation at the beginning of the period. Beginning in 2018, we elected to use a full yield curve approach in the estimation of these components of net periodic benefit cost by applying the specific spot rates along the yield curve used in the determination of the benefit obligation to the relevant projected cash flows. We made this change to improve the correlation between projected benefit cash flows and the corresponding yield curve spot rates, which we believe will result in a more precise measurement of service and interest costs. We accounted for this change in estimate on a prospective basis beginning in 2018.

Our funding requirements may be impacted by standards and regulations or interpretations thereof. Our calculations of pension and postretirement 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, benefits earned, mortality rates, the number of participants and certain demographics 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, 2019, we had pretax actuarial losses and prior service credits totaling approximately $24 for the U.S. defined benefit pension and postretirement plans and approximately $185 for the non-U.S. defined benefit pension and postretirement plans that have not yet been charged to expense. These actuarial losses have been charged to AOCI 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 and postretirement obligations and future expense. For 2020, our assumption for the expected rate of return on assets is 4.9% for our U.S. defined benefit pension plan and 2.6% for our non-U.S. defined benefit pension plans (which includes 2.20% for our UK defined benefit pension plan). Our assumptions are generally 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 2019 pension expense and the pension benefit obligation at December 31, 2019:

	Increase/(Decrease) in Pension Expense		Increase/(Decrease) in Pension Obligation	
	50 Basis Point		50 Basis Point	
	Increase	Decrease	Increase	Decrease
Rate of return on assets	$ (3.2)	$ 3.2	N/A	N/A
Discount rate	(.7)	.5	$ (55.8)	$ 65.1
Rate of compensation increase	.8	(.7)	2.2	(2.0)

Restructuring Reserves

We record the estimated expense for our restructuring initiatives when 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, inventory write-offs, impairment or accelerated depreciation of property, plant and equipment and capitalized software, 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 whether an adjustment is required.

Taxes

We record a valuation allowance to reduce our deferred tax assets to an amount that is "more likely than not" to be realized. Evaluating the need for and quantifying the valuation allowance often requires significant judgment and extensive analysis of all the weighted positive and negative evidence available to the Company in order to determine whether all or some portion of the deferred tax assets will not be realized. In performing this analysis, the Company's forecasted U.S. and foreign taxable income, and the existence of potential prudent and feasible tax planning strategies that would enable the Company to utilize some or all of its excess foreign tax credits, are taken into consideration. At December 31, 2019, we had net deferred tax assets of approximately $153 (net of valuation allowances of approximately $2,960 and deferred tax liabilities of $142).

With respect to our deferred tax assets, at December 31, 2019, we had recognized deferred tax assets of approximately $2,112 relating to foreign and state tax loss carryforwards, for which a valuation allowance of approximately $2,019 has been provided. At December 31, 2019, we had recognized deferred tax assets of approximately $658 primarily relating to excess U.S. foreign tax and other U.S. general business credit carryforwards for which a valuation allowance of approximately $649 had been provided. We have a history of U.S. source losses, and our excess U.S. foreign tax and general business credits have primarily resulted from having a greater U.S. source loss in recent years which reduces our ability to credit foreign taxes or utilize the general business credits which we generate.

Our ability to realize our U.S. deferred tax assets, such as our foreign tax and general business credit carryforwards, is dependent on future U.S. taxable income within the carryforward period. At December 31, 2019, we would need to generate approximately $3.1 billion of excess net foreign source income in order to realize the U.S. foreign tax and general business credits before they expire.

At December 31, 2019, as a result of our U.S. liquidity profile, we continue to assert that substantially all of our foreign earnings are not indefinitely reinvested. Accordingly, we adjusted our deferred tax liability to account for our 2018 undistributed earnings of foreign subsidiaries and for the tax effect of earnings that were actually repatriated to the U.S. during the year. The net impact on the deferred tax liability associated with the Company's undistributed earnings is a decrease of $12.5, resulting in a deferred tax liability balance of $6.1 related to the incremental tax cost on approximately $1.2 billion of undistributed foreign earnings at December 31, 2019.

With respect to our uncertain tax positions, 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 our Consolidated Financial Statements.

We file income tax returns in the U.S. federal jurisdiction, and various state and foreign jurisdictions. In 2020, 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 tax positions are ultimately upheld or denied, it is possible that the 2020 provision for income taxes, as well as tax related cash receipts or payments, may be impacted.

Loss Contingencies

We determine whether to disclose and/or accrue for loss contingencies based on an assessment of whether the risk of loss is remote, reasonably possible or probable. We record loss contingencies when it is probable that a liability has been incurred and the amount of loss is reasonably estimable. 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 our Consolidated Financial Statements.

Impairment of Assets

Plant, Property and Equipment and Capitalized Software

We evaluate our plant, property and equipment and capitalized software for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset group may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated pre-tax undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset. The fair value of the asset is determined using revenue and cash flow projections, and royalty and discount rates, as appropriate.

Goodwill

We test goodwill for impairment annually, and more frequently if circumstances warrant, using various fair value methods. We completed our annual goodwill impairment assessment for 2019 in November and determined that the estimated fair values were substantially in excess of the carrying values of each of our reporting units.

The impairment analyses performed for goodwill require several estimates in computing the estimated fair value of a reporting unit. As part of our goodwill impairment analysis, we typically 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 that we would generally expect a market participant would use. In estimating the fair value of our reporting units utilizing a DCF approach, we typically forecast revenue and the resulting cash flows for periods of five to ten years and include an estimated terminal value at the end of the forecasted period. When determining the appropriate forecast period for the DCF approach, we consider the amount of time required before the reporting unit achieves what we consider a normalized, sustainable level of cash flows. The estimation of fair value utilizing a DCF approach includes numerous uncertainties which require 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, and the structure that would yield the highest economic value, among other factors.

Results Of Operations - Consolidated

	Years ended December 31			Basis Point Change	
	2019	2018	2017	2019 vs. 2018	2018 vs. 2017
Select Consolidated Financial Information					
Total revenue	$ 4,763.2	$ 5,571.3	$ 5,715.6	(15)%	(3) %
Cost of sales	(2,010.1)	(2,364.0)	(2,203.3)	(15)%	7 %
SG&A expenses	(2,627.5)	(2,972.1)	(3,231.0)	(12)%	(8) %
Operating profit	125.6	235.2	281.3	(47)%	(16) %
Interest expense	(127.6)	(134.6)	(140.8)	(5)%	(4) %
Loss on extinguishment of debt	(11.6)	(0.7)	—	1,557 %	*
Interest income	7.7	15.3	14.8	(50)%	3 %
Other income (expense), net	94.2	(7.1)	(34.6)	(1,427)%	(79) %
Income from continuing operations, before taxes	138.4	108.1	120.7	28 %	(10) %
Income (loss) from continuing operations, net of tax	35.3	(21.8)	20.0	(262)%	*
Net (loss) income attributable to Avon	$ (0.3)	$ (19.5)	$ 22.0	(98)%	*
Advertising expenses	$ 72.9	$ 127.6	$ 118.4	(43)%	8 %
Reconciliation of Non-GAAP Financial Measures					
Total revenue	$ 4,763.2	$ 5,571.3	$ 5,715.6	(15)%	(3) %
Certain Brazil indirect taxes	(67.7)	(168.4)	—		
Adjusted revenue	4,695.5	5,402.9	5,715.6	(13)%	(5) %
Gross margin	57.8 %	57.6 %	61.5 %	.2	(3.9)
Certain Brazil indirect taxes	(.6)	(1.3)	—	.7	(1.3)
CTI restructuring	.3	1.6	—	(1.3)	1.6
Adjusted gross margin	57.5 %	57.9 %	61.5 %	(.4)	(3.6)
SG&A expenses as a % of total revenue	55.2 %	53.3 %	56.5 %	1.9	(3.2)
Certain Brazil indirect taxes	.7	1.7	—	(1.0)	1.7
CTI restructuring	(2.7)	(1.6)	(1.0)	(1.1)	(.6)
Other expenses [(1)]	(1.3)	—	—	(1.3)	—
Loss contingency	—	—	(.3)	—	.3
Adjusted SG&A expenses as a % of total revenue	51.9 %	53.4 %	55.2 %	(1.5)	(1.8)

	Years ended December 31			Basis Point Change	
	2019	2018	2017	2019 vs. 2018	2018 vs. 2017
Operating profit	$ 125.6	$ 235.2	$ 281.3	(47) %	(16) %
Certain Brazil indirect taxes	(67.7)	(168.4)	—		
CTI restructuring	139.3	180.5	60.2		
Other expenses (1)	64.3	—	—		
Loss contingency	—	—	18.2		
Adjusted operating profit	$ 261.5	$ 247.3	$ 359.7	6 %	(31) %
Operating margin	2.6 %	4.2 %	4.9 %	(1.6)	(.7)
Certain Brazil indirect taxes	(1.2)	(2.8)	—	1.6	(2.8)
CTI restructuring	2.9	3.2	1.1	(.3)	2.1
Other expenses (1)	1.3	—	—	1.3	—
Loss contingency	—	—	.3	—	(.3)
Adjusted operating margin	5.6 %	4.6 %	6.3 %	1.0	(1.7)
Change in Constant $ Adjusted operating margin(2)				140	(140)
Income before taxes	138.4	108.1	120.7	28 %	(10) %
Certain Brazil indirect taxes	(118.3)	(194.7)	—		
CTI restructuring	116.0	180.5	60.2		
Other expenses (1)	73.2	—	—		
Loss contingency	—	—	18.2		
Adjusted income before taxes	209.3	93.9	199.1	123 %	(53) %
Income taxes	(103.1)	(129.9)	(100.7)	(21) %	29 %
Certain Brazil indirect taxes	23.0	66.2	—		
CTI restructuring	(11.9)	(17.4)	(1.7)		
Special tax items	—	21.1	(49.8)		
Adjusted income taxes	(92.0)	(60.0)	(152.2)	53 %	(61) %
Effective tax rate	74.5 %	120.2 %	83.4 %		
Adjusted effective tax rate	44.0 %	63.9 %	76.4 %		
Net cash provided (used) by operating activities of continuing operations	94.3	92.7	271.2	2 %	(66) %
Net cash provided (used) by investing activities of continuing operations	50.2	(93.4)	(69.6)		
Proceeds from monetization of COFINS tax credits	19.4	—	—		
Free cash flow provided (used) by continuing operations	163.9	(0.7)	201.6	*	(100) %
Performance Metrics					
Change in Active Representatives				(10) %	(5) %
Change in units sold				(14) %	(6) %

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

(1) The Company recorded approximately $73 million of other expenses, primarily professional fees incurred in relation to the Natura transaction, the loss on extinguishment of debt and credit facilities, and other impairment losses on assets.

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

2019 Compared to 2018

Revenue

Total revenue decreased 15% compared to the prior-year period, impacted by certain indirect taxes recognized in Brazil as well as IPI in the prior year. These indirect taxes and IPI positively impacted revenue in both 2018 and 2019, but to a larger extent in 2018. Excluding the impact of these indirect taxes in Brazil, Adjusted revenue was down 13%, impacted by the unfavorable impact of foreign exchange. Adjusted Constant $ Revenue decreased 7%.

Revenue, Adjusted revenue and Adjusted Constant $ revenue decline was primarily driven by Europe Middle East & Africa markets, in particular Russia. Russia was negatively impacted by a decrease in Active Representatives and a decrease in Average Representative Sales. Revenue and Constant $ revenue in Russia continued to be impacted by lower consumer confidence, as well as weaker sales leader engagement in the first half of the year.

Revenue and Constant $ revenue were impacted by a decrease in Active Representatives of 10%, across multiple markets. Average Representative Sales decreased 5% on a reported basis, unfavorably impacted by foreign exchange and Adjusted Constant $ Average Representative Sales increased 2%. While Revenue, Adjusted revenue and Constant $ Adjusted revenue have declined, this is a consequence of our intent to improve productivity by increasing Average Representative Sales. Adjusted Constant $ Average Representative Sales were impacted by improved price/mix. In addition, Average Representative Sales were favorably impacted by certain indirect tax items, as well as a positive impact from the Brazil IPI tax compared to the prior-year period. For additional details on the IPI tax on cosmetics in Brazil, see Note 19, Contingencies, to the Consolidated Financial Statements included herein.

Units sold decreased 14%, driven by declines in Brazil and Russia.

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

Operating Margin

Operating margin decreased 160 basis points, significantly impacted by certain indirect taxes recognized in Brazil in the current year as well as the IPI tax benefit in the prior year. These indirect taxes and IPI positively impacted operating margin in both 2019 and 2018, but to a larger extent in 2018. Excluding the impact of these indirect taxes in Brazil, Adjusted operating margin increased 100 basis points, driven by improved price/mix and savings across multiple cost lines. This margin improvement was delivered despite the unfavorable impact of foreign currency. The movements in operating margin and Adjusted operating margin are discussed further below in "Gross Margin" and "Selling, General and Administrative Expenses."

Gross Margin

Gross margin increased 20 basis points and Adjusted gross margin decreased 40 basis points as the unfavorable impact of foreign currency and higher supply chain costs more than offset the positive impact of price/mix (unfavorable impact of 160 basis and unfavorable impact of 110 basis points offset by benefit of 240 basis point). Price/mix improvements were driven by effective pricing, optimized discounts and promotions, more effective incentives and more favorable product mix in most markets. The unfavorable impact of foreign currency is largely due to currency devaluations in Argentina and Brazil. Higher supply chain costs were driven by higher material costs.

Selling, General and Administrative Expenses ("SG&A")

SG&A as a percentage of total revenue increased 190 basis points, significantly impacted by CTI restructuring charges. Adjusted SG&A as a percentage of total revenue decreased 150 basis points.

Savings in SG&A and Adjusted SG&A were primarily due to lower advertising expenses (benefit of 80 basis points) and better bad debt management (benefit of 50 basis points). Advertising expense benefited from certain indirect tax items in Brazil as well as optimizing our portfolio by concentrating investments in selected channels and focusing on digital advertising. We have further reduced our bad debt expense, primarily in Brazil, from continued focus on credit control and collections processes.

See Note 15, Segment Information of our 2019 Annual Report for more information on the legal settlement, Note 14, Employee Benefit Plans of our 2019 Annual Report for more information on the loss contingency related to a non-U.S. pension plan and Note 17, Restructuring Initiatives of our 2018 Annual Report for more information on CTI restructuring.

Other Expenses

Interest expense decreased by approximately $7 and interest income decreased by approximately $8 compared to 2018. Loss on extinguishment of debt and credit facilities of approximately $12 is primarily comprised of the costs of termination of a portion of the 2020 bonds repaid in the third and fourth quarters of 2019.

Other income (expense), net, of $94 increased by approximately $101 compared to the prior-year period. The current period income is primarily attributable to the impact of interest on certain indirect tax items recognized in Brazil of approximately $50 and the favorable impact of foreign exchange net gains in 2019 compared to losses in 2018.

Gain on sale of business/assets related to the result of the sale of the Rye Office, Maximin Corporation Sdn Bhd and Avon Manufacturing (Guangzhou), Ltd in June, May and February 2019 respectively and the sale of our investment in New Avon in August 2019. Refer to Note 3, Discontinued Operations and, Assets and Liabilities Held for Sale, to the Consolidated Financial Statements contained herein, for more information relating to these disposals.

Effective Tax Rate

The Adjusted effective tax rates and the effective tax rates in 2019 and 2018 continue to be impacted by our inability to recognize additional deferred tax assets in various jurisdictions related to our current-year operating results. In addition, the Adjusted effective tax rates and the effective tax rates in 2019 and 2018 continue to be impacted by withholding taxes associated with certain intercompany payments, including royalties, service charges and dividends, which in the aggregate are relatively consistent each year due to the need to repatriate funds to cover U.S.-based costs, such as interest on debt and corporate overhead. These factors resulted in unusually high effective tax rates in 2019 and 2018.

The Adjusted effective tax rate and the effective tax rate in 2019 was impacted by an approximate net $13 benefit recognized primarily due to reduced costs of repatriating subsidiary earnings and approximately $7 of other various net tax benefits associated with law changes, uncertain tax positions, and changes in tax estimates partially offset by a net charge of approximately $5 primarily associated with an increase in valuation allowances. The effective tax rate in 2019 was also impacted by the accrual of non-taxable income associated with indirect tax refunds and CTI restructuring for which tax benefits cannot currently be claimed in all affected jurisdictions.

The Adjusted effective tax rate and the effective tax rate in 2018 was impacted by an approximate net $25 benefit recognized primarily due to Avon's interpretation of case law and/or guidance provided during 2018 in the U.S. and Latin America and the release of valuation allowances of approximately $5 associated with improved profitability of certain Markets partially offset by a net charge of approximately $11 primarily associated with an increase in reserves for uncertain tax positions. The effective tax rate in 2018 was also impacted by the accrual of taxes associated with the reversal of the Brazil IPI loss contingency and CTI restructuring for which tax benefits cannot currently be claimed in all affected jurisdictions.

In addition, the Adjusted effective tax rates and the effective tax rates in 2019 and 2018 were negatively impacted by the country mix of earnings.

Impact of Foreign Currency

As compared to the prior-year period, foreign currency in 2019 impacted our consolidated financial results in the form of:

- foreign currency transaction net losses as compared to net gains in the prior year (classified within cost of SG&A expenses), which had an unfavorable impact to operating profit and Adjusted operating profit of an estimated $80 or approximately 140 basis points and 150 basis points, respectively to operating margin and Adjusted operating margin;
- foreign currency translation, which had an unfavorable impact, as compared to a favorable impact in the prior year to operating profit and Adjusted operating profit of approximately $15 and $30 respectively, or approximately 10 basis points and 20 basis points, respectively, to operating margin and Adjusted operating margin; and
- higher foreign exchange net gains on our working capital (classified within other income (expense), net in our Consolidated Statements of Operations) as compared to loss in the prior year, resulting in a favorable impact of approximately $60 before tax on both a reported and Adjusted basis.

2018 Compared to 2017
Revenue

During 2018, revenue declined 3% compared to the prior-year period. Excluding the Brazil IPI release, Adjusted revenue was down 5%, primarily due to the unfavorable impact of foreign exchange. Constant $ Adjusted revenue increased 1%. Revenue and Constant $ Adjusted revenue included a benefit of approximately 4% due to the impact of adopting the new revenue recognition standard. The 4% benefit was driven primarily by the reclassification of fees paid by Representatives for brochures, late payments and payment processing, and income from appointment kits, from SG&A. The impact of timing of revenue recognition for sales incentives was negligible.

Revenue and constant $ Adjusted revenue was impacted by declines primarily in Brazil, which continued to be negatively impacted by competitive pressures against a backdrop of a challenging macroeconomic environment and lower consumption in the market, as well as lower appointments due to the application of strict credit requirements for the acceptance of new

Representatives. To a lesser extent, Constant $ Adjusted revenue was also impacted by declines in the UK, South Africa and Russia, as well as lower revenue from the closure of Australia and New Zealand during 2018. These declines were partially offset by improved revenue growth management including inflationary pricing in Argentina. Revenue and Constant $ Adjusted revenue were impacted by a decrease in Active Representatives of 5%, which was primarily driven by Brazil, and to a lesser extent, Russia. Average order in Constant $ increased 2%, including a benefit of approximately 4% due to the impact of adopting the new revenue recognition standard. Units sold decreased 6%, driven by a decline in Brazil.
Ending Representatives declined 8%, primarily driven by declines in Russia and Brazil.

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

	Years ended December 31		% Change	
	2018	2017	US$	Constant $
Beauty:				
Skincare	$ 1,474.7	$ 1,606.4	(8)%	(3) %
Fragrance	1,428.1	1,547.2	(8)	(1)
Color	845.3	968.0	(13)	(7)
Total Beauty	3,748.1	4,121.6	(9)	(3)
Fashion & Home:				
Fashion	750.8	812.5	(8)	(4)
Home	561.3	587.2	(4)	5
Total Fashion & Home	1,312.1	1,399.7	(6)	—
Certain Brazil indirect taxes	168.4	—	*	*
Net sales from reportable segments	5,228.6	5,521.3	(5)	(2)
Net sales from Other operating segments and business activities	19.1	43.8	(56)	(57)
Net sales	$ 5,247.7	$ 5,565.1	(6)	(3)

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

Operating Margin

Operating margin decreased 70 basis points and Adjusted operating margin decreased 170 basis points, compared to 2017, including a benefit of 10 basis points due to the impact of adopting the new revenue recognition standard. The benefit of 10 basis points was driven by the net positive contribution to operating margin of fourth quarter 2017 sales incentives satisfied during 2018 and sales incentives deferred during the period, impacted by the mix of products. The changes in operating margin and Adjusted operating margin include the benefits associated with the Transformation Plan, primarily reductions in headcount, as well as other cost reductions. These savings were partially offset by the inflationary impact on costs. Operating margin and Adjusted operating margin drivers are discussed further below in "Gross Margin" and "SG&A Expenses."

Gross Margin

Gross margin decreased 390 basis points and Adjusted gross margin decreased 360 basis points, compared to the same period of 2017, including a decline of 350 basis points due to the impact of adopting the new revenue recognition standard. The 350 basis point decline was driven by the reclassification of sales incentive costs from SG&A to cost of sales, partially offset by the reclassification of fees paid by Representatives for late payments, payment processing and brochures from SG&A to other revenue and the reclassification of income from appointment kits from SG&A to net sales.

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

- a decrease of 80 basis points due to higher supply chain costs, driven by higher material costs primarily in South Latin America;
- a decrease of 20 basis points due to the net unfavorable impact of foreign currency transaction losses and foreign currency translation; and
- a decrease of 20 basis points due to the unfavorable impact as a result of hyperinflationary accounting in Argentina effective July 1, 2018, primarily due to inventory being accounted for at its historical dollar cost.

This item was partially offset by the following:

- an increase of 110 basis points due to the favorable net impact of mix and pricing, driven by inflationary pricing in Argentina.

SG&A Expenses

SG&A as a percentage of total revenue, which decreased 320 basis points, benefited 170 basis points from the Brazil IPI release in the third quarter of 2018 and 30 basis points from a loss contingency recorded in the prior-year period related to a non-U.S. pension plan, partially offset by 60 basis point from higher CTI restructuring. Adjusted SG&A as a percentage of Adjusted revenue decreased 180 basis points, compared to the same period of 2017. SG&A as a percentage of total revenue and Adjusted SG&A as a percentage of Adjusted revenue include a benefit of 350 basis points due to the impact of adopting the new revenue recognition standard. The 350 basis point benefit was driven by the reclassification of sales incentive costs from SG&A to cost of sales, partially offset by the reclassification of fees paid by Representatives for late payments, payment processing and brochures from SG&A to other revenue and the reclassification of income from appointment kits from SG&A to net sales.

SG&A as a percentage of total revenue and Adjusted SG&A as a percentage of Adjusted revenue were primarily impacted by the following:

- an increase of 50 basis points due to higher Representative, sales leader and field expense, primarily in Brazil due to investments aimed at recovering activity levels that were disrupted by the national transportation strike in the second quarter of 2018, as well as increased focus on Representatives training in the second half of 2018;
- an increase of 40 basis points from higher advertising expense primarily due to increased investments in Europe, Middle East & Africa;
- an increase of 40 basis points from higher transportation costs, mainly in Brazil primarily driven by inefficiencies caused by the national transportation strike and an increase in fuel prices, in Europe, Middle East & Africa driven by further increases in delivery rates in Russia and increased flexibility in order processing in the UK and in Mexico due to an increase in fuel prices;
- an increase of approximately 40 basis points due to the net unfavorable impact of foreign currency transaction losses and foreign currency translation;
- an increase of 40 basis points due to higher net brochure expense primarily due to an increase in brochure volumes in Brazil; and
- a decrease of 50 basis points from lower bad debt expense, primarily in Brazil due to improved credit control and collections processes.

Other Expenses

Interest expense decreased by approximately $6, primarily due to interest savings associated with prepayment of the $237.8 principal amount of our 6.50% Notes due March 2019. Refer to Note 8, Debt and Other Financing in our 2019 Annual Report for additional information.

A loss on extinguishment of debt of approximately $1 was comprised of a loss of approximately $3 associated with the prepayment of our 6.50% Notes, partially offset by a gain of approximately $2 associated with the debt repurchases in the fourth quarter of 2018. Refer to Note 8, Debt and Other Financing in our 2019 Annual Report for additional information.

Interest income increased by $1 compared to the prior-year period.

Other expense, net, decreased by approximately $28 compared to the prior-year period, including the impact of the Brazil IPI tax release of $27. Other expense, net, was positively impacted by lower expenses associated with employee benefit plans of $12, primarily related to the UK and including the impact of a $3 settlement charge recorded in the third quarter of 2017, and approximately $12 recorded for our proportionate share of New Avon's losses during the nine months ended September 30, 2017. As the recorded investment balance in New Avon was zero at the end of the third quarter of 2017, we have not recorded any additional losses associated with New Avon since the third quarter of 2017. These benefits were partially offset by foreign exchange net losses, which increased by approximately $19 compared to the prior-year period, and other miscellaneous unfavorable impacts totaling $4. See Note 4, Investment in New Avon in our 2019 Annual Report for more information on New Avon.

Effective Tax Rate

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

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

The Adjusted effective tax rate and the effective tax rate in 2018 was impacted by an approximate net $25 benefit recognized primarily due to Avon's interpretation of case law and/or guidance provided during 2018 in the U.S. and Latin America and the release of valuation allowances of approximately $5 associated with improved profitability of certain Markets partially offset by a net charge of approximately $11 primarily associated with an increase in reserves for uncertain tax positions. The effective tax rate in 2018 was also impacted by the accrual of taxes associated with the reversal of the Brazil IPI loss contingency and CTI restructuring for which tax benefits cannot currently be claimed in all affected jurisdictions.

The Adjusted effective tax rate and the effective tax rate in 2017 was impacted by an approximate net $30 benefit recognized as a result of the enactment of the Tax Cuts and Jobs Act in the U.S., a release of valuation allowances of approximately $26 associated with a number of markets in Europe, Middle East & Africa as a result of a business model change related to the headquarters move, and an approximate $10 benefit as a result of a favorable court decision in Brazil, partially offset by a charge of approximately $16 associated with valuation allowances to adjust deferred tax assets in Mexico. The effective tax rate in 2017 was also impacted by a loss contingency related to a non-U.S. pension plan and CTI restructuring, both for which tax benefits cannot currently be claimed.

In addition, the Adjusted effective tax rates and the effective tax rates in 2018 and 2017 were negatively impacted by the country mix of earnings.

Impact of Foreign Currency

As compared to the prior-year period, foreign currency in 2018 impacted our consolidated financial results in the form of:

- foreign currency transaction net losses as compared to net gains in the prior year (classified within cost of SG&A expenses), which had an unfavorable impact to operating profit and Adjusted operating profit of an estimated $30, or approximately 50 basis points to operating margin and Adjusted operating margin;
- foreign currency translation, which had an unfavorable impact, as compared to a favorable impact in the prior year, to operating profit and Adjusted operating profit of approximately $75 and approximately $35, respectively, or approximately 80 basis points and approximately 30 basis points, respectively, to operating margin and Adjusted operating margin; and
- higher foreign exchange net losses on our working capital (classified within other expense, net) as compared to net gains in the prior year, resulting in a year-over-year unfavorable impact of approximately $20 before tax on both a reported and Adjusted basis.

Other Comprehensive (Loss) Income

Other comprehensive loss, net of taxes was approximately $9 in 2019 compared with other comprehensive loss of approximately $104 in 2018. The year-over-year comparison was favorably impacted by unrealized losses on the revaluation of long-term intercompany balances of $6 compared to $58 in the prior-year period. These long-term intercompany balances are denominated in Mexican peso and the British pound. Foreign currency translation adjustments favorably impacted other comprehensive loss by approximately $48 as compared to 2018, primarily due to the favorable year-over-year comparison of movements of the Russian ruble.

Other comprehensive loss, net of taxes was approximately $104 in 2018 compared with other comprehensive income of approximately $108 in 2017. The year-over-year comparison was unfavorably impacted by unrealized losses on the revaluation of long-term intercompany balances of $58 compared to unrealized gains of $62 in the prior-year period. These long-term intercompany balances are denominated in Brazilian real and the British pound. Foreign currency translation adjustments unfavorably impacted other comprehensive loss by approximately $69 as compared to 2017, primarily due to the unfavorable year-over-year comparison of movements of the Polish zloty and Argentinian peso for the first half of 2018, before highly inflationary accounting was applied for our Argentinian subsidiary from July 1, 2018.

See Note 3, Discontinued Operations and Assets and Liabilities Held for Sale of our 2019 Annual Report for more information on the separation and sale of the North America business and Note 14, Employee Benefit Plans of our 2019 Annual Report for more information on our benefit plans.

Segment Review

We determine segment profit by deducting the related costs and expenses from segment revenue. Segment profit excludes certain global expenses, CTI restructuring initiatives, certain significant asset impairment charges, and other items, which are not allocated to a particular segment. This is consistent with the manner in which we assess our performance and allocate resources. See Note 15, Segment Information of our 2019 Annual Report for a reconciliation of segment profit to operating profit.

Summarized financial information concerning our reportable segments was as follows:

Years ended December 31	2019		2018		2017	
	Total revenue	Segment profit	Total revenue	Segment profit	Total revenue	Segment profit
Europe, Middle East & Africa	$ 1,794.1	$ 225.6	$ 2,093.8	$ 267.5	$ 2,126.5	$ 329.6
South Latin America	1,762.7	240.6	2,146.9	314.6	2,222.4	195.7
North Latin America	751.3	65.8	809.3	70.4	811.8	83.4
Asia Pacific	436.9	45.4	470.8	42.0	471.9	50.8
Total from reportable segments	$ 4,745.0	$ 577.4	$ 5,520.8	$ 694.5	$ 5,632.6	$ 659.5

Below is an analysis of the key factors affecting revenue and segment profit by reportable segment for each of the years in the three-year period ended December 31, 2019. Foreign currency impact is determined as the difference between actual growth rates and Constant $ growth rates. Refer to "Non-GAAP Financial Measures" in this MD&A for more information.

Europe, Middle East & Africa – 2019 Compared to 2018

			%/Point Change	
	2019	2018	US$	Constant $
Total revenue	$ 1,794.1	$ 2,093.8	(14)%	(9) %
Segment profit	225.6	267.5	(16)%	(9) %
Segment margin	12.6 %	12.8 %	(20)	10
Change in Active Representatives				(9) %
Change in units sold				(14) %

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

Total revenue decreased 14% compared to the prior-year period, owing to the unfavorable impact of foreign exchange which was driven by the strengthening of the U.S. dollar relative to multiple currencies, primarily the Turkish lira, Russian ruble and the South African rand. On a Constant $ basis, revenue decreased 9%. Revenue and Constant $ revenue were negatively impacted by a decrease in Active Representatives. The decline in Active Representatives was across multiple markets in Europe, Middle East & Africa, primarily Russia.

In Russia, revenue decreased 17%. Excluding the impact of foreign exchange Constant $ revenue decreased 14%. Revenue and Constant $ revenue in Russia were negatively impacted primarily by a decrease in Active Representatives and a decrease in Average Representative Sales. Revenue and Constant $ revenue in Russia continued to be impacted by lower consumer confidence, as well as weaker sales leader engagement in the first half of the year.

In the UK, revenue decreased 16%. Excluding the impact of foreign exchange, Constant $ revenue decreased 13%. Revenue and Constant $ revenue in the UK were entirely impacted by lower Active Representatives as a result of a changes in commercial practices and lower consumer confidence.

Segment margin remained relatively unchanged on both a reported and Constant $ basis.

The gross margin was relatively unchanged, as the favorable impact of price/mix fully offset the unfavorable impact of foreign currency net losses and lower production volumes on supply chain costs.

SG&A expenses were relatively unchanged, as lower advertising costs were re-allocated into representative and sales leader investments and training.

Europe, Middle East & Africa – 2018 Compared to 2017

			%/Point Change	
	2018	2017	US$	Constant $
Total revenue	$ 2,093.80	$ 2,126.50	(2)%	(1) %
Segment profit	267.50	329.60	(19)%	(18) %
Segment margin	12.8 %	15.5 %	(270)	(280)
Change in Active Representatives				(4) %
Change in units sold				(5) %
Change in Ending Representatives				(10) %

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

Total revenue decreased 2% compared to the prior-year period, unfavorably impacted by foreign exchange. On a Constant $ basis, revenue decreased 1%. Revenue and Constant $ revenue included a benefit of approximately 3% due to the impact of adopting the new revenue recognition standard. Revenue and Constant $ revenue were negatively impacted primarily by a decrease in Active Representatives, partially offset by higher average order. The decrease in Ending Representatives was driven primarily by declines in Russia.

In Russia, revenue decreased 6%, unfavorably impacted by foreign exchange. On a Constant $ basis, Russia's revenue increased 1%. Russia's revenue and Constant $ revenue included a benefit of approximately 4% due to the impact of adopting the new revenue recognition standard. Revenue and Constant $ revenue in Russia were negatively impacted by a decrease in Active Representatives, partially offset by higher average order. Revenue and Constant $ revenue in Russia were also negatively impacted by lower consumption in the market.

In the UK, revenue decreased 6%, despite the favorable impact of foreign exchange. On a Constant $ basis, the UK's revenue decreased 9%. The UK's revenue and Constant $ revenue included a benefit of approximately 4% due to the impact of adopting the new revenue recognition standard. Revenue and Constant $ revenue in the UK were negatively impacted by a decrease in Active Representatives, driven by underlying field issues and temporary service issues in the fourth quarter of 2018, partially offset by higher average order.

In South Africa, revenue decreased 4%, despite the favorable impact of foreign exchange. On a Constant $ basis, South Africa's revenue decreased 5%. South Africa's revenue and Constant $ revenue included a benefit of approximately 2% due to the impact of adopting the new revenue recognition standard. Revenue and Constant $ revenue in South Africa were negatively impacted by a decrease in Active Representatives, resulting from the challenging macroeconomic environment and the application of strict credit requirements for the acceptance of new Representatives as compared to the requirements in the prior year.

Segment margin decreased 270 basis points, or 280 basis points on a Constant $ basis, including a decline of approximately 30 basis points due to the impact of the new revenue recognition standard.

Gross margin was relatively unchanged.

SG&A expenses were impacted by an increase in advertising; rep and sales leader investments; higher fixed expenses, primarily due to the impact of the Constant $ Adjusted revenue decline causing deleverage of our fixed expenses; higher transportation and variable distribution cost, driven by further increases in delivery rates in Russia and increased flexibility in order processing in the UK. These impacts were partially offset by lower net bad debt expense, driven by Russia, South Africa and the UK. Bad debt expense in Russia in the prior-period was negatively impacted by a payment facilitation agency that had not remitted to us the funds it received from certain Representatives. The year-over-year bad debt expense comparison in South Africa and the UK benefited from improved credit control and enhancement of collections processes.

South Latin America – 2019 Compared to 2018

			%/Point Change	
	2019	2018	US$	Constant $
Total revenue	$ 1,762.7	$ 2,146.9	(18)%	(8)%
Certain Brazil indirect taxes benefit	(67.7)	(168.4)	*	*
Adjusted revenue	1,695.0	1,978.5	(14)%	(2)%
Segment profit	240.6	314.6	(24)%	(17)%
Certain Brazil indirect taxes benefit	*(67.7)*	*(168.4)*	*	*
Adjusted segment profit	172.9	146.2	18 %	39 %
Segment margin	13.6 %	14.7 %	(110)	(160)
Certain Brazil indirect taxes benefit	*3.4*	—	*	*
Adjusted segment margin	10.2 %	7.4 %	280	330
Change in Active Representatives				(9)%
Change in units sold				(15)%

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

Total revenue decreased 18% compared to the prior-year period, impacted by certain indirect taxes recognized in Brazil as well as the IPI tax benefit in the prior year. These indirect taxes and IPI positively impacted revenue in both 2018 and 2019, but to a larger extent in 2018. Excluding the impact of these indirect taxes in Brazil, Adjusted revenue for the region was down 14%, impacted by the unfavorable impact of foreign exchange, which was primarily a result of the strengthening of the U.S. dollar relative to the Argentinian peso and the Brazilian real. Adjusted Constant $ revenue decreased 2%. Adjusted revenue and Adjusted Constant $ revenue were impacted by a decrease in Active Representatives, primarily in Brazil substantially offset by higher Average Representative Sales, driven by Brazil and Argentina.

Revenue in Brazil decreased 18%, significantly impacted by certain indirect tax items in both the current and prior year. These indirect taxes and IPI positively impacted revenue in both 2018 and 2019, but to a larger extent in 2018. Excluding these indirect tax items, Adjusted revenue in Brazil decreased 12%, unfavorably impacted by foreign exchange, while Brazil's Constant $ Adjusted revenue decreased 4%. Revenue and Adjusted Constant $ revenue in Brazil were negatively impacted by a decrease in Active Representatives, which continued to be negatively impacted by competitive pressures and our strategy to improve productivity. The decrease in Active Representatives was offset by higher Average Representative Sales, which was impacted by improved price/mix. In addition, Average Representative Sales were favorably impacted by certain indirect tax items, as well as a positive impact from the Brazil IPI tax compared to the prior-year period. For additional details on the IPI tax on cosmetics in Brazil, see Note 19, Contingencies, to the Consolidated Financial Statements included herein.

Revenue in Argentina declined 23%, unfavorably impacted by foreign exchange. On a Constant $ basis, Argentina's revenue grew 35%. Revenue and Constant $ revenue in Argentina benefited from higher Average Representative Sales, which was impacted by improved revenue growth management including inflationary pricing.

Segment margin decreased 110 basis points, significantly impacted by the effects of indirect tax items in both the current and prior years. Adjusted segment margin increased by 280 basis points and Constant $ Adjusted segment margin increased by 330 basis points, benefited by other certain indirect tax items on revenue and SG&A (favorable impact of 230 basis points) as well as SG&A benefits which more than offset the decline in gross margin.

The gross margin declined as a result of increased supply chain costs driven by higher material costs and the unfavorable impact of foreign currency was not fully offset by the positive impact of price/mix.

Savings in SG&A were driven primarily by Brazil in multiple areas, such as, reduction of bad debt expense due to improved credit control and collections processes, lower sales leader and field investments, linked to the decrease in Active Representatives and lower fixed costs resulting from tight cost management and restructuring initiatives.

South Latin America – 2018 Compared to 2017

	2018	2017	%/Point Change US$	%/Point Change Constant $
Total revenue	2146.9	2222.4	(3)%	13 %
Brazil IPI tax release	*-168.4*	—		
Adjusted revenue	1978.5	2222.4	(11)%	3 %
Segment profit	314.6	195.7	61 %	101 %
Brazil IPI tax release	*-168.4*	—		
Adjusted segment profit	146.2	195.7	(25)%	(10)%
Segment margin	14.7 %	8.8 %	590	690
Brazil IPI tax release	*7.3*	—		
Adjusted segment margin	7.4 %	8.8 %	(140)	(110)
Change in Active Representatives				(6)%
Change in units sold				(8)%
Change in Ending Representatives				(9)%

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

Total revenue decreased 3% compared to the prior-year period. Excluding the Brazil IPI release, Adjusted revenue for the region was down 11%, unfavorably impacted by foreign exchange, which was primarily driven by the strengthening of the U.S. dollar relative to the Argentinian peso and the Brazilian real. On a Constant $ basis, Adjusted revenue increased 3%. Revenue and Constant $ Adjusted revenue included a benefit of approximately 6% due to the impact of adopting the new revenue recognition standard. Revenue and Constant $ Adjusted revenue were negatively impacted by a decrease in Active Representatives primarily driven by a decline in Brazil, partially offset by higher average order driven by Argentina. The decrease in Ending Representatives was driven primarily by declines in Brazil.

Revenue in Brazil remained relatively unchanged. Excluding the Brazil IPI release, Adjusted revenue in Brazil decreased 13%, unfavorably impacted by foreign exchange. Brazil's Constant $ Adjusted revenue decreased 1%. Brazil's revenue and Constant $ Adjusted revenue included a benefit of approximately 9% due to the impact of adopting the new revenue recognition standard. Revenue and Constant $ Adjusted revenue in Brazil were negatively impacted primarily by a decrease in Active Representatives, and to a lesser extent, lower average order. Revenue and Constant $ Adjusted revenue in Brazil, as well as Active Representatives and Ending Representatives were negatively impacted by competitive pressures against a backdrop of a challenging macroeconomic environment and lower consumption in the market, as well as lower appointments, partly due to the application of strict credit requirements for the acceptance of new Representatives. In addition, revenue and Constant $ Adjusted revenue in Brazil, as well as Active Representatives and Ending Representatives, were also impacted by a national transportation strike which affected sales and distribution in the second quarter of 2018. On an Adjusted Constant $ basis, Brazil’s sales from Beauty products and Fashion & Home products declined 8% and 4%, respectively, including a 2% benefit in both categories due to the impact of the new revenue recognition standard. The decline in Constant $ Beauty sales in Brazil was mainly in Color.

Revenue in Argentina declined 25%, unfavorably impacted by foreign exchange. On a Constant $ basis, Argentina's revenue grew 22%. Argentina's revenue and Constant $ revenue included a benefit of approximately 1% due to the impact of adopting the new revenue recognition standard. Revenue and Constant $ revenue in Argentina benefited from higher average order, which was impacted by improved revenue growth management including inflationary pricing.

Segment margin increased 590 basis points, including 730 basis points from the Brazil IPI tax release. On a Constant $ basis, segment margin increased 690 basis points, including 800 basis points from the Brazil IPI tax release. The reported segment margin increase and the Constant $ Adjusted segment margin decrease of 110 basis points both included a decline of approximately 20 basis points due to the impact of adopting the new revenue recognition standard. The remaining decrease in reported and in Constant $ Adjusted segment margin was primarily as a result of higher S&A which was only partially offset by the improvement in gross margin.

Gross margin increase was primarily due to favorable net impact of mix and pricing, driven by inflationary pricing in Argentina and revenue management initiatives in Brazil, partially offset by higher supply chain costs driven by higher material costs.

Increase in SG&A expenses were driven by higher Representative, sales leader and field expense, primarily in Brazil due to investments aimed at recovering activity levels that were disrupted by the national transportation strike in the second quarter of 2018, as well as increased focus on Representatives training in the second half of 2018; higher net brochure cost primarily due to an increase in brochure volumes in Brazil; higher transportation costs in Brazil primarily driven by inefficiencies caused by the national transportation strike and an increase in fuel prices; and higher fixed expenses primarily due to the impact of the Constant $ Adjusted revenue decline causing deleverage of our fixed expenses. These impacts were partially offset by lower net bad debt expense, primarily in Brazil due to improved credit control and collections processes.

Brazil IPI tax discussion

In May 2015, an Executive Decree on certain cosmetics went into effect in Brazil which increased the amount of IPI taxes that are to be remitted by Avon Brazil to the taxing authority on the sales of cosmetic products subject to IPI. As of September 30, 2018, due in part, to judicial decisions across the industry and other developments, we concluded, supported by the opinion of legal counsel, that the Executive Decree is unconstitutional. We therefore assessed the IPI tax under ASC 450, Contingencies and determined that the risk of loss during ongoing judicial reviews is reasonably possible but not probable, and accordingly, we released our liability accrued as of September 30, 2018 of $195. We considered the release of the liability as a non-GAAP adjustment, and therefore, we adjusted for the IPI tax of $168 (which was recorded in net sales in our Consolidated Income Statements) and the associated interest of $27 (which was recorded in other (income) expense, net in our Consolidated Income Statements) in our Adjusted non-GAAP results during the period ended December 31, 2018. The accrual for the Brazil IPI tax negatively impacted total revenue for the nine month period ended September 30, 2018 for Brazil, South Latin America, and total Avon by approximately 4-5%, approximately 2-3% and approximately 1%, respectively. For additional details on the IPI tax on cosmetics increase in Brazil, see Note 19, Contingencies, to the Consolidated Financial Statements included herein.

Argentina discussion

During the quarter ended June 30, 2018, based on published official exchange rates which indicate that Argentina's three-year cumulative inflation rate has exceeded 100%, we concluded that Argentina had become a highly inflationary economy. From July 1, 2018, we have applied highly inflationary accounting for our Argentinian subsidiary. As such, the functional currency for Argentina has changed to the U.S. dollar, which is the consolidated group's reporting currency. When an entity operates in a highly inflationary economy, exchange gains and losses associated with monetary assets and liabilities resulting from changes in the exchange rate are recorded in income. Nonmonetary assets and liabilities, which include inventories, property, plant and equipment and contract liabilities, are carried forward at their historical dollar cost, which was calculated using the exchange rate at June 30, 2018.

As a result of the devaluation of the Argentinian peso of approximately 25% from June 30, 2018 to December 31, 2018, operating profit was negatively impacted by approximately $8, largely in cost of sales in our Consolidated Income Statements, primarily due to inventory being accounted for at its historical dollar cost. During the six months ended December 31, 2018, we also recorded a benefit of approximately $6 in other expense, net primarily associated with the net monetary liability position of Argentina, and an approximate $2 positive impact on income taxes, both in our Consolidated Income Statements.

Our Argentinian operations contributed approximately $272, or approximately 5% of revenues, or approximately 7% of Constant $ Adjusted revenue during the year ended December 31, 2018. As of December 31, 2018, the net Argentine peso-denominated monetary liability position of Argentina was $33 and the net Argentine peso-denominated non-monetary asset position was $50, primarily consisting of inventory balances of $32.

North Latin America – 2019 Compared to 2018

			%/Point Change	
	2019	2018	US$	Constant $
Total revenue	$ 751.3	$ 809.3	(7)%	(6)%
Segment profit	65.8	70.4	(7)%	(6)%
Segment margin	8.8 %	8.7 %	10	—
Change in Active Representatives				(12)%
Change in units sold				(11)%

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

North Latin America consists largely of our Mexico business. Total revenue decreased 7% compared to the prior-year period including the unfavorable impact of foreign exchange. On a Constant $ basis, revenue declined 6%. Revenue and Constant $ revenue declined from a decrease in Active Representatives offset by higher Average Representative Sales.

Revenue in Mexico decreased 4% compared to the prior year period, on both a reported and Constant $ basis. The decline in reported and Constant $ revenue in Mexico was primarily due to decline in Active Representatives, partially offset by higher Average Representatives Sales, both driven by strategic initiatives to focus on Representative productivity via Representative segmentation and training.

Segment margin increased 10 basis points on a reported and on a Constant $ basis was relatively unchanged.

The gross margin was relatively unchanged as the positive impact of price/mix offset the unfavorable impact of higher supply chain costs driven by higher material costs and the unfavorable impact of foreign currency.

SG&A was relatively unchanged. Cost savings in multiple areas, such as, lower advertising costs and lower representative and sales leader investments in incentives linked to the decrease in Active Representatives were fully offset by higher bad debt expense and higher transportation cost, primarily in Mexico, to address security issues and improve service quality.

North Latin America – 2018 Compared to 2017

			%/Point Change	
	2018	2017	US$	Constant $
Total revenue	$ 809.3	$ 811.8	— %	2 %
Segment profit	70.4	83.4	(16)%	(15)%
Operating margin	8.7 %	10.3 %	(160)	(170)
Change in Active Representatives				(4)%
Change in units sold				(3)%
Change in Ending Representatives				(7)%

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

Total revenue for the segment remained relatively unchanged compared to the prior-year period. On a Constant $ basis, revenue increased 2%. Revenue and Constant $ revenue included a benefit of approximately 4% due to the impact of adopting the new revenue recognition standard. Revenue and Constant $ revenue were negatively impacted by a decrease in Active Representatives, partially offset by higher average order. The decline in Ending Representatives was primarily driven by a decline in Mexico.

Revenue in Mexico increased 2%, despite the unfavorable impact of foreign exchange. On a Constant $ basis, Mexico's revenue increased 5%. Mexico's revenue and Constant $ revenue included a benefit of approximately 4% due to the impact of the new revenue recognition standard. Revenue and Constant $ revenue in Mexico benefited from higher average order driven by incremental media investment in the Color and Fragrance categories in the second half of 2018, partially offset by a decrease in Active Representatives primarily due to quality issues in the Fashion & Home category in the first quarter of 2018.

Segment margin decreased 160 basis points, or 170 basis points on a Constant $ basis, including an immaterial impact of adopting the new revenue recognition standard. The decrease in reported and Constant $ segment margin was primarily as a result of higher SG&A which was only partially offset by the improvement in gross margin.

Gross margin increase was primarily due to favorable net impact of mix and pricing and favorable impact of foreign currency net gains, partially offset higher supply chain costs driven by higher material costs.
Increase in SG&A expenses was primarily from higher fixed expenses driven by personnel cost; higher transportation costs primarily related to an increase in fuel prices in Mexico; and higher advertising expense primarily in Mexico due to incremental media investment in the Color and Fragrance categories to support new product launches in the second half of 2018. These impacts were partially offset by lower net brochure costs.

Asia Pacific – 2019 Compared to 2018

	2019	2018	%/Point Change US$	%/Point Change Constant $
Total revenue	$ 436.9	$ 470.8	(7)%	(8) %
Segment profit	45.4	42.0	8 %	4 %
Segment margin	10.4 %	8.9 %	150	110
Change in Active Representatives				(15) %
Change in units sold				(14) %

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

Effective from the first quarter of 2018, given that we exited Australia and New Zealand during 2018, the results of Australia and New Zealand are reported in Other operating segments and business activities for all periods presented, while previously the results had been reported in the Asia Pacific segment.

Total revenue decreased 7% compared to the prior period favorably impacted by foreign exchange. On a Constant $ basis, revenue declined 8%. Revenue and Constant $ Revenue declined driven by a decrease in Active Representatives, across most markets, partially offset by higher Average Representative Sales.

Revenue in the Philippines decreased by 2%, favorably impacted by foreign exchange. On a Constant $ basis Revenue in the Philippines decreased by 4%. Revenue and Constant $ Revenue in the Philippines was driven by a decrease in Active Representatives impacted by changes in sales leader recruitment and commercial practices, partially offset by higher Average Representative Sales, primarily due to effective pricing.

Segment margin increased 150 basis points, or 110 basis points on a Constant $ basis, driven primarily by improved gross margin.

The gross margin increase was primarily due to improved price/mix in most markets. The benefit from higher logistics costs in the prior year in the Philippines, to address service disruptions caused by the inventory system implementation, was more than offset by higher supply chain costs driven by higher material costs.

SG&A was relatively unchanged.

Asia Pacific – 2018 Compared to 2017

	2018	2017	%/Point Change US$	%/Point Change Constant $
Total revenue	$ 470.8	$ 471.9	— %	2 %
Segment profit	42.0	50.8	(17)%	(12) %
Operating margin	8.9 %	10.8 %	(190)	(140)
Change in Active Representatives				(2) %
Change in units sold				1 %
Change in Ending Representatives				(3) %

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

Total revenue has remained relatively unchanged compared to the prior-year period, unfavorably impacted by foreign exchange. On a Constant $ basis, revenue increased 2%. Revenue and Constant $ revenue included a benefit of approximately 1% due to the impact of adopting the new revenue recognition standard. Revenue and Constant $ revenue benefited from higher average order, partially offset by a decrease in Active Representatives, most significantly in Malaysia. The decline in Ending Representatives was driven by a decline in the Philippines and Malaysia.

Revenue in the Philippines decreased 1%, negatively impacted by the unfavorable impact of foreign exchange. On a Constant $ basis, revenue in the Philippines increased 4%. Revenue and Constant $ revenue in the Philippines included a benefit of approximately 2% due to the impact of adopting the new revenue recognition standard. Revenue and Constant $ revenue in the Philippines benefited from an increase in Active Representatives and higher average order, driven by the market's initiative to grow the Skincare category, mainly in the second half of 2018.

Segment margin decreased 190 basis points, or 140 basis points on a Constant $ basis, including a decline of approximately 30 basis points due to the impact of adopting the new revenue recognition standard. The decrease in reported and Constant $ segment margin was primarily as a result of gross margin decline.

The gross margin decline was primarily due to higher supply chain costs due to higher logistics cost in the Philippines and the unfavorable impact of foreign current transaction losses.

SG&A was relatively unchanged, as higher advertising expense, primarily in China, related to celebrity and digital advertising to support growth was offset by lower fixed expenses primarily due to the impact of the Constant $ revenue growth with respect to out fixed expenses offset.

Liquidity and Capital Resources

Our principal sources of funding historically have been cash flows from operations, public offerings of notes, bank financings, issuance of commercial paper, borrowings under lines of credit and a private placement of notes. At December 31, 2019, we had cash and cash equivalents totaling approximately $651. We believe that our sources of funding will be sufficient to satisfy our currently anticipated cash requirements through at least the next twelve months.

We may seek to retire our outstanding debt in open market purchases, privately negotiated transactions, through derivative instruments, cash tender offers or otherwise. Repurchases of debt may be funded by cash or the incurrence of additional debt and will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors, and the amounts involved may be material. We may also elect to incur additional debt to finance ongoing operations or to meet our other liquidity needs. However, our credit ratings remain below investment grade which may impact our ability to access such transactions on favorable terms, if at all. For more information, see "Risk Factors - Our credit ratings are below investment grade, which could limit our access to financing, affect the market price of our financing and increase financing costs. A downgrade in our credit ratings may adversely affect our access to liquidity," "Risk Factors - Our indebtedness and any future inability to meet any of our obligations under our indebtedness, could adversely affect us by reducing our flexibility to respond to changing business and economic conditions" and "Risk Factors - A general economic downturn, a recession globally or in one or more of our geographic regions or markets or sudden disruption in business conditions or other challenges may adversely affect our business, our access to liquidity and capital, and our credit ratings" included in Item 1A of our 2019 Annual Report.

Our liquidity could also be negatively impacted by restructuring initiatives, dividends, capital expenditures, acquisitions, and certain contingencies, including any legal or regulatory settlements, described more fully in Note 19, Contingencies of our 2019 Annual Report. See our Cautionary Statement for purposes of the "Safe Harbor" Statement under the Private Securities Litigation Reform Act of 1995 on pages 1 through 2 of our 2019 Annual Report.

Balance Sheet Data

	2019	2018
Cash and cash equivalents	$ 650.6	$ 532.7
Restricted cash	2.9	—
Total debt	$ 1,592.2	$ 1,593.6
Working capital	259.6	265.5

Cash Flows

	2019	2018	2017
Net cash from continuing operating activities	$ 94.3	$ 92.7	$ 271.2
Net cash from continuing investing activities	50.2	(93.4)	(69.6)
Net cash from continuing financing activities	1.1	(306.9)	—
Effect of exchange rate changes on cash and equivalents	(0.3)	(37.5)	34.1

Net Cash from Continuing Operating Activities

Net cash provided by continuing operating activities during 2019 was approximately $94 as compared to net cash provided by continuing operating activities of approximately $93 during 2018, an increase of approximately $1. Net cash provided by continuing operations was relatively unchanged, despite an increase in restructuring payments of $71 and the impact from one-time items during 2018 that did not recur in 2019 (net of $34), offset by operational improvements in working capital and higher cash generated from earnings.

Net cash provided by continuing operating activities during 2018 was approximately $93 as compared to net cash provided by continuing operating activities of approximately $271 during 2017, a decrease of approximately $178. The year-over-year comparison of net cash provided by continuing operating activities was unfavorably impacted by lower cash-related earnings and higher inventory purchases. These unfavorable impacts to the year-over-year comparison of cash from operating activities were partially offset by the judicial deposit receipt of approximately $68 relating to Brazil IPI taxes (described more fully in Note 19, Contingencies of our 2019 Annual Report) and lower net receivables.

We maintain defined benefit pension plans and unfunded supplemental pension benefit plans (see Note 14, Employee Benefit Plans of our 2019 Annual Report). Our funding policy for pension plans is to meet the minimum required contributions under applicable law and accumulate plan assets that, over the long run, are expected to approximate the present value of projected benefit obligations. The amounts necessary to fund future obligations under these plans could vary depending on estimated assumptions (as detailed in "Critical Accounting Estimates - Pension and Postretirement Expense" in this MD&A). 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 $5 to $10 to our U.S. defined benefit pension and postretirement plans and in the range of $0 to $5 to our non-U.S. defined benefit pension and postretirement plans during 2019.

Net Cash from Continuing Investing Activities

Net cash provided by continuing investing activities during 2019 was approximately $50, as compared to net cash used by continuing investing activities of approximately $93 during 2018. The approximate $143 increase to net cash from investing activities was primarily due to net proceeds from the sale of Avon Manufacturing (Guangzhou), Ltd., which closed during the first quarter of 2019, the sale of the Rye Office and the sale of Maximin Corporation Sdn Bhd, both of which closed during the second quarter of 2019 and the sale of New Avon which closed during the third quarter of 2019. Refer to Note 3, Discontinued Operations and Assets and Liabilities Held for Sale, and Note 4, Investment in New Avon, to the Consolidated Financial Statements contained herein for more information relating to the sale of these businesses and assets.

Net cash used by continuing investing activities during 2018 was approximately $93, as compared to approximately $70 during 2017. The approximate $23 increase to net cash used by continuing investing activities was primarily due to an approximate $22 cash distribution received from New Avon LLC in the third quarter of 2017 that did not recur in 2018.

Capital expenditures during 2019 were approximately $59 compared with approximately $95 during 2018 and approximately $97 during 2017.

Net Cash from Continuing Financing Activities

Net cash provided by continuing financing activities during 2019 was approximately $1, as compared net cash used by financing activities of $307 in 2018. The approximate $308 favorable impact to net cash used by continuing financing activities was primarily due to a $289 repayment of debt during 2018 with no offsetting proceeds from debt. During 2019, debt repayments of $388 were offset by proceeds of debt of $400.

Net cash used by continuing financing activities during 2018 was approximately $307, as compared to zero in 2017. The approximate $307 unfavorable impact to net cash used by continuing financing activities was primarily due to a $238 repayment of debt in the second quarter of 2018 plus a make-whole premium of $6, as well as open market repurchases of $48 in the fourth quarter of 2018.

We purchased approximately 1.2 million shares of our common stock for $9.6 during 2019, as compared to 1.1 million shares of our common stock for $3.2 during 2018, through acquisition of stock from employees in connection with tax payments upon vesting of restricted stock units and upon vesting of performance restricted stock units in 2018 and 2017.

In December 2019, the Company declared a dividend of $0.016 per share, and the dividend was paid in January 2020. No dividends were declared or paid for 2018.

Free Cash Flow Provided by Continuing Operations

We also present free cash flow as an additional financial measure for liquidity, which we believe provides an additional perspective on trends and underlying business results. Free cash flow is the sum of net cash provided (used) by continuing operating activities and net cash provided (used) by continuing investing activities, we have also included proceeds of $19 from the monetization of COFINS tax credits presented within net cash provided (used) by financing activities of continuing operations.

Free cash flow provided by continuing operations was a net inflow of $164 and a net cash outflow of $1, respectively, for the years ended December 31, 2019 and 2018. Improvements in Free Cash Flow compared to prior year were driven by operational improvements in both earnings and working capital. Cash proceeds from asset sales, including the monetization of tax assets, funded Open Up Avon restructuring and helped mitigate the impact of non-recurring tax benefits in the third quarter of 2018.

Debt and Contractual Financial Obligations and Commitments

At December 31, 2019, our debt and contractual financial obligations and commitments by due dates were as follows:

	2020	2021	2022	2023	2024	2025 and Beyond	Total
Short-term debt	$ 1.8	$ —	$ —	$ —	$ —	$ —	$ 1.8
Long-term debt	—	—	900.0	461.9	—	243.8	1,605.7
Long-term finance lease	—	.9	.6	.1	—	—	1.6
Total debt	1.8	0.9	900.6	462.0	—	243.8	1,609.1
Debt-related interest(1)	119.5	119.5	94.8	28.5	21.8	21.8	405.9
Total debt-related	121.3	120.4	995.4	490.5	21.8	265.6	2,015.0
Short-term finance lease	1.2	—	—	—	—	—	1.2
Operating leases(2)	59.7	50.5	42.4	28.3	20.2	30.1	231.2
Purchase obligations	318.6	170.0	67.5	11.2	5.4	4.9	577.6
Total debt and contractual financial obligations and commitments(3)	500.8	$ 340.9	$ 1,105.3	$ 530.0	$ 47.4	$ 300.6	$ 2,825.0

The table above assumes debt repayments can be made in line with contractual payment terms and without the need for further refinancing.

In addition to the above, in 2016, the Company sold series C preferred stock to Cerberus. This preferred stock contains certain redemption and conversion features as well as dividends. Further details of the series C preferred stock is included in Note 18, Series C Convertible Preferred Stock, to our consolidated financial statements.

(1) Amounts are based on our current long-term credit ratings. See Note 8, Debt and Other Financing for more information.

(2) Amounts are net of expected sublease rental income. See Note 16, Leases and Commitments for more information.

(3) The amount of debt and contractual financial obligations and commitments excludes amounts due under derivative transactions. The table also excludes future benefit payments in respect of our defined benefit and postretirement benefit plans, See Note 14, Employee Benefit Plans in our 2019 Annual Report for this information. The table also excludes information on non-binding purchase orders of inventory. The table does not include any reserves for uncertain income tax positions because we are unable to reasonably predict the ultimate amount or timing of settlement of these uncertain income tax positions. At December 31, 2019, our reserves for uncertain income tax positions, including interest and penalties, totaled approximately $110.

See Note 8, Debt and Other Financing, and Note 16, Leases and Commitments, respectively, for more information on our debt and contractual financial obligations and commitments. Additionally, as disclosed in Note 17, Restructuring Initiatives, at December 31, 2019, we have liabilities of approximately $34.0 associated with our restructuring actions, primarily associated with Open Up Avon. The majority of future cash payments associated with these restructuring liabilities are expected to be made during 2020.

Off Balance Sheet Arrangements

At December 31, 2019, we had no material off-balance-sheet arrangements.

Capital Resources

Revolving Credit Facility

In June 2015, Avon International Operations, Inc. ("AIO"), a wholly-owned domestic subsidiary of the Company, entered into a five-year $400.0 senior secured revolving credit facility (the "2015 facility"). As of December 31, 2019, there were no amounts outstanding under the 2015 facility.

In February 2019, AIC, a wholly-owned foreign subsidiary of the Company, entered into a three-year €200.0 senior secured revolving credit facility (the "2019 facility"). As of December 31, 2019 this amounted to $224. The 2019 facility replaced the 2015 facility and the 2015 facility was terminated at such time. Borrowings under the 2019 facility bear interest at our option, at a rate per annum, equal to either LIBOR or EURIBOR (for any loan in euros) plus 225 basis points, in each case subject to adjustment based upon a leveraged-based pricing grid. The 2019 facility was available for general corporate and working capital purposes.

In the first quarter of 2019, $2.0 was recorded for the write-off of unamortized issuance costs related to the 2015 revolving credit facility. In the first quarter of 2019, the Company also capitalized $11.0 of issue costs relating to the 2019 revolving credit facility; this resulted in a cash outflow presented in other financing activities within the Consolidated Statement of Cash Flows. As of December 31, 2019, there were no amounts outstanding under the 2019 facility and on January 3, 2020, the facility was automatically cancelled upon change of control, as a result $7.8 was of unamortized issuance costs were written off.

The amount of the facility available to be drawn down on was reduced by any standby letters of credit granted by an obligor, which, as of December 31, 2019, was approximately $22. As of December 31, 2019, based on then applicable exchange rates, the entire amount of the remaining 2019 facility, which is approximately €180 million, could have been drawn down without violating any covenant.

All obligations of AIC under the 2019 facility were unconditionally guaranteed by the Company, AIO and each other material U.S. or English restricted subsidiary of the Company (collectively, the "Obligors"), in each case, subject to certain exceptions. The obligations of the Obligors were secured by first priority liens on and security interests in substantially all of the assets of the Obligors, in each case, subject to certain exceptions.

The 2019 facility contained affirmative and negative covenants, which are customary for secured financings of this type, as well as financial covenants (interest coverage and total leverage ratios).

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK
(U.S. dollars in millions, except per share data)

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 fair value or 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 may use foreign currency 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

In the past we have used interest-rate swaps to manage our interest rate exposure. The interest-rate swaps were used to either convert our fixed rate borrowing to a variable interest rate or to unwind an existing variable interest-rate swap on a fixed rate borrowing. As of December 31, 2019, we do not have any interest-rate swap agreements. Approximately 0% and 1% of our debt portfolio at December 31, 2019 and 2018, respectively, was exposed to floating interest rates.

Our long-term borrowings at year-end were all at fixed rates of interest and are therefore not sensitive to interest rate changes.

Foreign Currency Risk

We conduct business globally, with operations in various locations around the world. Over the past four years, all of our consolidated revenue was derived from operations of subsidiaries outside of the U.S.. The functional currency for most of our foreign operations is their local currency. We 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. We are not able to project, in any meaningful way, the possible effect of these foreign currency fluctuations on translated amounts or future earnings. At December 31, 2019, the primary foreign currencies for which we had net underlying foreign currency exchange rate exposures were the Argentine peso, Brazilian real, British pound, Chilean peso, Colombian peso, the euro, Mexican peso, Peruvian new sol, Philippine peso, Polish zloty, Romanian leu, Russian ruble, South African rand, Turkish lira and Ukrainian hryvnia.

We may reduce our exposure to fluctuations in fair value or cash flows associated with changes in foreign exchange rates by creating offsetting positions, including 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 outstanding foreign exchange contracts at December 31, 2019, all of which were taken out to hedge underlying foreign currency exposures, a hypothetical 10% appreciation of the U.S. dollar against our foreign exchange contracts would reduce earnings by $71 and a hypothetical 10% depreciation of the U.S. dollar against our foreign exchange contracts would increase earnings by $86. This hypothetical analysis does not consider our underlying foreign currency exposures. The hypothetical impact was calculated on the open positions using forward rates at December 31, 2019, adjusted for an assumed 10% appreciation or 10% depreciation of the U.S. dollar against these hedging contracts.

Credit Risk of Financial Instruments

Our foreign currency derivatives are typically 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 agreements would have resulted in a write-off of $5.6 at December 31, 2019. 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 rates.

See Note 11, Financial Instruments and Risk Management in our 2019 Annual Report for more 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 consistent with Rule 13a-15 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). In designing and evaluating our disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management was required to apply its judgment in evaluating and implementing possible controls and procedures. Based upon their evaluation, the principal executive and principal financial officers concluded that our disclosure controls and procedures were effective as of December 31, 2019, 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 U.S. 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, 2019, 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 (2013 framework). Based on our assessment using those criteria, our management concluded that our internal control over financial reporting as of December 31, 2019, was effective.

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.

ITEM 9B. OTHER INFORMATION

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information called for by this item has been omitted pursuant to General Instruction I(2)(c) of Form 10-K.

ITEM 11. EXECUTIVE COMPENSATION

The information called for by this item has been omitted pursuant to General Instruction I(2)(c) of Form 10-K.

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

The information called for by this item has been omitted pursuant to General Instruction I(2)(c) of Form 10-K

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

The information called for by this item has been omitted pursuant to General Instruction I(2)(c) of Form 10-K.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The Audit Committee that was in place during 2019 appointed PricewaterhouseCoopers LLP, United Kingdom ("PwC-UK") to serve as our independent registered public accounting firm for 2019. PwC-UK has audited our accounts since 2017. Prior to that, its U.S. affiliate, PricewaterhouseCoopers LLP, United States ("PwC-US"), audited our accounts since 1989. This appointment was ratified by our shareholders at the 2019 meeting of shareholders.

In determining whether to reappoint PwC-UK as our independent registered public accounting firm, the Audit Committee took into consideration a number of factors, including:

- the breadth of experience and length of time PwC-UK (and before that, PwC-US) has been engaged;
- historical and recent performance on the Company's audit;
- familiarity with our global operations and businesses;
- the advisability and potential impact of selecting an entirely different and unaffiliated independent registered public accounting firm;
- PwC-UK's independence and internal quality controls;
- the appropriateness of PwC's fees for its professional services; and
- an assessment of the professional qualifications and past performance of the lead audit partner and auditing team of PwC-UK.

Following this evaluation, the Audit Committee concluded that the selection of PwC-UK as the independent registered public accounting firm for 2019 was in the best interest of the Company and its shareholders.

A new lead audit partner is designated at least every five years. In line with this, a new lead audit partner was last designated for in 2017. The process for selection of the Company's new lead audit partner involves meetings between the candidate and the Chair of the Audit Committee and Avon financial management, as well as discussion by the full Audit Committee and with management.

Audit and Non-Audit Services Pre-Approval Policy

The Audit Committee has historically established a policy for the pre-approval of all audit and non-audit services by PricewaterhouseCoopers LLP and its worldwide affiliates ("PwC"), and the corresponding fees, which (i) strictly disallows any service that would be a prohibited service; (ii) allows audit, audit-related, and tax services only if the particular type of service is on the list of types of services that have been pre-approved by the Audit Committee, specific procedures are followed to ensure appropriate management assessment of such service, the proposed fee is within the overall limit set by the Audit Committee for that category of service, and the Audit Committee is informed on a timely basis of each such service; and (iii) allows other services not within any of the foregoing categories only if each such service and the corresponding fee is approved in advance by the Audit Committee or by one or more members of the Audit Committee with subsequent approval by the Audit Committee. The Audit Committee reviewed and approved all services provided by PwC during 2019, and the amount of fees paid to PwC for such services and concluded that the provision of services by PwC is compatible with the maintenance of their independence. Upon the merger of Avon into Natura &Co, Avon will no longer maintain an Audit Committee and decisions related to the Company's independent auditor going forward will be made in conjunction with Natura &Co.

Independent Registered Public Accounting Firm Fees

The following table sets forth the aggregate fees for professional services rendered for us by PwC, as of and for the years ended December 31, 2019 and December 31, 2018.

	2019		2018	
Audit Fees	$	10.8	$	9.5
Audit-Related Fees		—		—
Tax Fees		—		—
All Other Fees		0.1		—
Total	$	10.9	$	9.5

Audit Fees. These amounts represent the aggregate fees for professional services rendered by PwC for the audit of our annual financial statements for the years ended December 31, 2019 and December 31, 2018, the review of the financial statements included in our Quarterly Reports on Form 10-Q for those years, and services related to statutory and regulatory filings and engagements for such years.

Audit-Related Fees. These amounts represent the aggregate fees for assurance and related services performed by PwC that are reasonably related to the performance of the audit or review of our financial statements. In 2019 and 2018, audit-related fees were de minimis.

Tax Fees. In 2019 and 2018, tax-related fees were de minimis.

All Other Fees. These amounts represent the aggregate fees for other services rendered by PwC not included in any of the foregoing categories. In 2018, all other fees were de minimis.

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	Agreement and Plan of Mergers, dated as of May 22, 2019, among Avon Products, Inc., Natura Cosméticos S.A., Nectarine Merger Sub I, Inc., Nectarine Merger Sub II, Inc. and Natura Holding S.A (incorporated by reference to Exhibit 2.1 to Avon's Current Report on Form 8-K filed on May 24, 2019).
2.2	Amendment Number One, dated as of October 3, 2019, to the Agreement and Plan of Mergers, dated as of May 22, 2019, among Avon Products, Inc., Natura Cosméticos S.A., Nectarine Merger Sub I, Inc., Nectarine Merger Sub II, Inc. and Natura &Co Holding S.A (incorporated by reference to Exhibit 2.1 to Avon's Current Report on Form 8-K filed on October 4, 2019).
2.3	Amendment Number Two, dated as of November 5, 2019, to the Agreement and Plan of Mergers, dated as of May 22, 2019, among Avon Products, Inc., Natura Cosméticos S.A., Nectarine Merger Sub I, Inc., Nectarine Merger Sub II, Inc. and Natura &Co Holding S.A. (incorporated by reference to Exhibit 2.1 to the Company’s Current Report on Form 8-K filed with the SEC on November 5, 2019).
2.4	Separation and Investment Agreement, dated as of December 17, 2015, by and among Avon Products, Inc., C-A NA LLC and Cleveland NA Investors LLC (incorporated by reference to Exhibit 2.1 to Avon’s Current Report on Form 8-K filed on December 21, 2015).
3.1	Restated Certificate of Incorporation of Avon Products, Inc. (incorporated by reference to Exhibit 3.1 to Avon's Current Report on Form 8-K filed on January 3, 2020).
3.2	Amended and Restated Bylaws of Avon Products, Inc. (incorporated by reference to Exhibit 3.2 to Avon's Current Report on Form 8-K filed on January 3, 2020).
4.1	Indenture, dated July 3, 2019, among Avon International Capital p.l.c., the guarantors party thereto and Deustche Bank Trust Company Americas, as trustee and collateral agent (incorporated by reference to Exhibit 4.1 to Avon's Current Report on Form 8-K filed on July 3, 2019).
4.2	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).
4.3	Sixth Supplemental Indenture, dated as of March 12, 2013, between Avon Products, Inc. and Deutsche Bank Trust Company Americas, as Trustee, with respect to the issuance of the 4.600% Notes due 2020 (incorporated by reference to Exhibit 4.3 to Avon’s Current Report on Form 8-K filed on March 13, 2013).
4.4	Seventh Supplemental Indenture, dated as of March 12, 2013, between Avon Products, Inc. and Deutsche Bank Trust Company Americas, as Trustee, with respect to the issuance of the 5.000% Notes due 2023 (incorporated by reference to Exhibit 4.4 to Avon’s Current Report on Form 8-K filed on March 13, 2013).
4.5	Eighth Supplemental Indenture, dated as of March 12, 2013, between Avon Products, Inc. and Deutsche Bank Trust Company Americas, as Trustee, with respect to the issuance of the 6.950% Notes due 2043 (incorporated by reference to Exhibit 4.5 to Avon’s Current Report on Form 8-K filed on March 13, 2013).

4.6	Indenture, dated August 15, 2016, among Avon International Operations, Inc., the guarantors party thereto and Deutsche Bank Trust Company Americas, as trustee and collateral agent (incorporated by reference to Exhibit 4.1 to Avon's Quarterly Report on Form 10-Q for the quarter ended September 30, 2017).
4.7	Indenture, dated July 3, 2019, among Avon International Capital p.l.c., the guarantors party thereto and Deustche Bank Trust Company Americas, as trustee and collateral agent (incorporated by reference to Exhibit 4.1 to Avon's Current Report on Form 8-K filed on July 3, 2019).
4.8	Ninth Supplemental Indenture, dated July 26, 2019, between Avon Products, Inc., as Issuer, and Deutsche Bank Trust Company Americas, as trustee (incorporated by reference to Exhibit 4.1 to Avon's Current Report on Form 8-K filed on July 31, 2019).
4.9	Tenth Supplemental Indenture, dated October 2, 2019, between Avon Products, Inc., as Issuer, and Deutsche Bank Trust Company Americas, as trustee (incorporated by reference to Exhibit 4.1 to Avon's Current Report on Form 8-K filed on October 2, 2019).
10.1*	Equity Purchase Agreement, dated as of January 8, 2019, by and among TheFaceShop Co., Ltd., Avon Asia Holdings Company and Avon Products (China) Co., Ltd. (incorporated by reference to Exhibit 10.1 to Avon's Quarterly Report on Form 10-Q for the quarter ended March 31, 2019).
10.2*	Employment Offer Letter and Contract of Employment Agreement effective September 1, 2017 between Avon Cosmetics Limited and Jonathan Myers. (incorporated by reference to Exhibit 10.3 to Avon's Quarterly Report on Form 10-Q for the quarter ended March 31, 2019).
10.3*	Amendment, dated September 30, 2019, to Jonathan Myers Employment Offer Letter and Contract of Employment Agreement effective September 1, 2017 (incorporated by reference to Exhibit 10.2 to Avon's Quarterly Report on Form 10-Q for the quarter ended September 30, 2019).
10.4*	Parent Shareholder Support Agreement, dated as of May 22, 2019, among Antonio Luiz da Cunha Seabra, Lucia Helena Rios Seabra, Guilherme Peirão Leal, Pedro Luiz Barreiros Passos, Utopia Participações S.A., Felipe Pedroso Leal, Ricardo Pedroso Leal, Passos Participações S.A. and Fundo de Investimento de Ações Veredas - Investimento No Exterior, Natura Cosméticos S.A., Natura Holding S.A. and Avon Products, Inc. (incorporated by reference to Exhibit 10.1 to Avon's Current Report on Form 8-K filed on May 24, 2019).
10.5*	Avon Products, Inc. 2016 Omnibus Incentive Plan (Amended and Restated as of May 16, 2019) (incorporated by reference to Appendix A to Avon's Proxy Statement as filed on April 2, 2019).
10.6*	Form of Performance Contingent Restricted Stock Unit Award Agreement under the Avon Products, Inc. 2016 Omnibus Incentive Plan (Amended and Restated as of May 16, 2019) (incorporated by reference to Exhibit 10.3 to Avon's Quarterly Report on Form 10-Q for the quarter ended June 30, 2019).
10.7*	Form of Retention Restricted Stock Unit Award Agreement under the Avon Products, Inc. 2016 Omnibus Incentive Plan (Amended and Restated as of May 16, 2019) (incorporated by reference to Exhibit 10.4 to Avon's Quarterly Report on Form 10-Q for the quarter ended June 30, 2019).
10.8*	Form of Restricted Stock Unit Award Agreement under the Avon Products, Inc. 2016 Omnibus Incentive Plan (Amended and Restated as of May 16, 2019) (incorporated by reference to Exhibit 10.5 to Avon's Quarterly Report on Form 10-Q for the quarter ended June 30, 2019).
10.9*	Form of Stock Appreciation Right Certificate Agreement under the Avon Products, Inc. 2016 Omnibus Incentive Plan (Amended and Restated as of May 16, 2019) (incorporated by reference to Exhibit 10.6 to Avon's Quarterly Report on Form 10-Q for the quarter ended June 30, 2019).
10.10*	Form of Stock Option Award Agreement under the Avon Products, Inc. 2016 Omnibus Incentive Plan (Amended and Restated as of May 16, 2019) (incorporated by reference to Exhibit 10.7 to Avon's Quarterly Report on Form 10-Q for the quarter ended June 30, 2019).
10.11*	Sign-On Restricted Stock Unit Award Agreement, effective May 1, 2019, between Avon Products, Inc. and Gustavo Arnal (incorporated by reference to Exhibit 10.8 to Avon's Quarterly Report on Form 10-Q for the quarter ended June 30, 2019).
10.12*	Sign-On Performance-Contingent Restricted Stock Unit Award Agreement, effective May 1, 2019, between Avon Products, Inc. and Gustavo Arnal (incorporated by reference to Exhibit 10.9 to Avon's Quarterly Report on Form 10-Q for the quarter ended June 30, 2019).

10.13*	Sign-On Option Agreement, effective as of May 1, 2019, between Avon Products, Inc. and Gustavo Arnal(incorporated by reference to Exhibit 10.10 to Avon's Quarterly Report on Form 10-Q for the quarter ended June 30, 2019).
10.14*	Avon Products, Inc. 2010 Stock Incentive Plan (incorporated by reference to Appendix E to Avon's Proxy Statement as filed on March 25, 2010).
10.15*	First Amendment to the Avon Products, Inc. 2010 Stock Incentive Plan, dated March 1, 2016 (incorporated by reference to Exhibit 10.6 to Avon's Quarterly Report on Form 10-Q for the quarter ended March 31, 2016).
10.16*	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).
10.17*	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).
10.18*	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).
10.19*	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).
10.20*	Form of Performance Restricted Stock Unit Award Agreement under the Avon Products, Inc. 2010 Stock Incentive Plan (incorporated by reference to Exhibit 10.21 to Avon's Annual Report on Form 10-K for the year ended December 31, 2011).
10.21*	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).
10.22*	Form of Retention Restricted Stock Unit Award Agreement under the Avon Products, Inc. 2010 Stock Incentive Plan (incorporated by reference to Exhibit 10.1 to Avon's Quarterly Report on Form 10-Q for the quarter ended March 31, 2012).
10.23*	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 Quarterly Report on Form 10-Q for the quarter ended March 31, 2012).
10.24*	Avon Products, Inc. 2013 Stock Incentive Plan (incorporated by reference to Appendix A to Avon's Proxy Statement as filed on April 2, 2013).
10.25*	Avon Products, Inc. 2013 Stock Incentive Plan, as amended and restated (incorporated by reference to Appendix A to Avon's Proxy Statement as filed on March 27, 2015).
10.26*	First Amendment to the Avon Products, Inc. 2013 Stock Incentive Plan, as amended and restated, dated March 1, 2016 (incorporated by reference to Exhibit 10.5 to Avon's Quarterly Report on Form 10-Q for the quarter ended March 31, 2016).
10.27*	Form of Restricted Stock Unit Award Agreement under the Avon Products, Inc. 2013 Stock Incentive Plan (incorporated by reference to Exhibit 10.3 to Avon's Current Report on Form 8-K filed on May 7, 2013).
10.28*	Form of Restricted Stock Unit Award Agreement under the Avon Products, Inc. 2013 Stock Incentive Plan, as amended and restated (incorporated by reference to Exhibit 10.2 to Avon's Quarterly Report on Form 10-Q for the quarter ended March 31, 2015).
10.29*	Form of Retention Restricted Stock Unit Award Agreement under the Avon Products, Inc. 2013 Stock Incentive Plan (incorporated by reference to Exhibit 10.4 to Avon's Current Report on Form 8-K filed on May 7, 2013).
10.30*	Form of Retention Restricted Stock Unit Award Agreement under the Avon Products, Inc. 2013 Stock Incentive Plan, as amended and restated (incorporated by reference to Exhibit 10.3 to Avon's Quarterly Report on Form 10-Q for the quarter ended March 31, 2015).

10.31*	Form of Performance Contingent Restricted Stock Unit Award Agreement under the Avon Products, Inc. 2013 Stock Incentive Plan (incorporated by reference to Exhibit 10.5 to Avon's Current Report on Form 8-K filed on May 7, 2013).
10.32*	Form of Performance Contingent Restricted Stock Unit Award Agreement under the Avon Products, Inc. 2013 Stock Incentive Plan, as amended and restated (incorporated by reference to Exhibit 10.4 to Avon's Quarterly Report on Form 10-Q for the quarter ended March 31, 2015).
10.33*	Form of Stock Option Award Agreement under the Avon Products, Inc. 2013 Stock Incentive Plan, as amended and restated (incorporated by reference to Exhibit 10.11 to Avon's Quarterly Report on Form 10-Q for the quarter ended March 31, 2016).
10.34*	Avon Products, Inc. 2016 Omnibus Incentive Plan (incorporated by reference to Appendix B to Avon's Proxy Statement as filed on April 15, 2016).
10.35*	Form of Retention Restricted Stock Unit Award Agreement under the Avon Products, Inc. 2016 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.2 to Avon's Current Report on Form 8-K filed on May 26, 2016).
10.36*	Form of Restricted Stock Unit Award Agreement under the Avon Products, Inc. 2016 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.3 to Avon's Current Report on Form 8-K filed on May 26, 2016).
10.37*	Form of Performance Contingent Restricted Stock Unit Award Agreement under the Avon Products, Inc. 2016 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.4 to Avon's Current Report on Form 8-K filed on May 26, 2016).
10.38*	Form of Stock Option Award Agreement under the Avon Products, Inc. 2016 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.5 to Avon's Current Report on Form 8-K filed on May 26, 2016).
10.39*	Form of Stock Appreciation Right Certificate Agreement under the Avon Products, Inc. 2016 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.6 to Avon's Current Report on Form 8-K filed on May 26, 2016).
10.40*	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).
10.41*	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).
10.42*	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).
10.43*	Third Amendment, dated November 10, 2014, to the Avon Products, Inc. Deferred Compensation Plan, as amended and restated as of January 1, 2008 (incorporated by reference to Exhibit 10.27 to Avon's Annual Report on Form 10-K for the year ended December 31, 2014).
10.44*	Fourth Amendment, dated February 29, 2016, to the Avon Products, Inc. Deferred Compensation Plan, as amended and restated as of January 1, 2008 (incorporated by reference to Exhibit 10.10 to Avon's Quarterly Report on Form 10-Q for the quarter ended March 31, 2016).
10.45*	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).
10.46*	Avon Products, Inc. Compensation Plan for Non-Employee Directors, amended and restated as of January 1, 2013 (incorporated by reference to Exhibit 10.28 to Avon's Annual Report on Form 10-K/A for the year ended December 31, 2012).
10.47*	Avon Products, Inc. Compensation Plan for Non-Employee Directors, amended and restated as of February 8, 2016 (incorporated by reference to Exhibit 10.29 to Avon's Annual Report on Form 10-K for the year ended December 31, 2015).
10.48*	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).
10.49*	Avon Products, Inc. 2013-2017 Executive Incentive Plan (incorporated by reference to Appendix B to Avon's Proxy Statement as filed on April 2, 2013).
10.50*	First Amendment, dated March 1, 2016, to Avon Products, Inc. 2013-2017 Executive Incentive Plan (incorporated by reference to Exhibit 10.8 to Avon's Quarterly Report on Form 10-Q for the quarter ended March 31, 2016).

10.51*	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).
10.52*	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 (incorporated by reference to Exhibit 10.32 to Avon's Annual report on Form 10-K for the year ended December 31, 2011).
10.53*	Second Amendment, dated as of September 19, 2012, to the Benefit Restoration Pension Plan of Avon Products, Inc., as amended and restated as of January 1, 2009 (incorporated by reference to Exhibit 10.3 to Avon's Quarterly Report on Form 10-Q for the quarter ended September 30, 2012).
10.54*	Third Amendment, dated as of November 10, 2014, to the Benefit Restoration Pension Plan of Avon Products, Inc., as amended and restated as of January 1, 2009 (incorporated by reference to Exhibit 10.35 to Avon's Annual Report on Form 10-K for the year ended December 31, 2014).
10.55*	Fourth Amendment, dated February 29, 2016, to the Benefit Restoration Pension Plan of Avon Products, Inc., as amended and restated as of January 1, 2009 (incorporated by reference to Exhibit 10.9 to Avon's Quarterly Report on Form 10-Q for the quarter ended March 31, 2016).
10.56*	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).
10.57*	Avon Products, Inc. Management Incentive Plan, amended and restated effective as of January 1, 2015 (incorporated by reference to Exhibit 10.50 to Avon's Annual Report on Form 10-K for the year ended December 31, 2017).
10.58*	Avon Products, Inc. Long-Term Cash Bonus Plan, effective as of January 1, 2015 (incorporated by reference to Exhibit 10.51 to Avon's Annual Report on Form 10-K for the year ended December 31, 2017).
10.59*	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).
10.60*	Avon Products, Inc. Amended and Restated Compensation Recoupment Policy, effective as of January 14, 2013 (incorporated by reference to Exhibit 10.41 to Avon's Annual Report on Form 10-K/A for the year ended December 31, 2012).
10.61*	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).
10.62*	Avon Products, Inc. Amended and Restated Change in Control Policy, dated as of January 9, 2013 (incorporated by reference to Exhibit 10.43 to Avon's Annual Report on Form 10-K/A for the year ended December 31, 2012).
10.63*	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).
10.64*	Avon Products, Inc. International Retirement Plan, amended and restated effective as of January 1, 2009 (incorporated by reference to Exhibit 10.5 to Avon's Quarterly Report on Form 10-Q for the quarter ended March 31, 2015).
10.65*	First Amendment, dated as of December 13, 2010, to the Avon Products, Inc. International Retirement Plan as amended and restated effective as of January 1, 2009 (incorporated by reference to Exhibit 10.6 to Avon's Quarterly Report on Form 10-Q for the quarter ended March 31, 2015).
10.66*	Employment Offer Letter and Contract of Employment Agreement dated February 3, 2018, between Avon Cosmetics Limited and Jan Zijderveld (incorporated by reference to Exhibit 10.3 to Avon's Quarterly Report on Form 10-Q for the quarter ended March 31, 2018).
10.67*	International Relocation Letter Agreement, dated February 3, 2018, between Avon Cosmetics Limited and Jan Zijderveld (incorporated by reference to Exhibit 10.4 to Avon's Quarterly Report on Form 10-Q for the quarter ended March 31, 2018).
10.68*	Sign-On Restricted Stock Unit Award Agreement, dated as of February 3, 2018, between Avon Products, Inc. and Jan Zijderveld (incorporated by reference to Exhibit 10.5 to Avon's Quarterly Report on Form 10-Q for the quarter ended March 31, 2018).
10.69*	Performance-Contingent Restricted Stock Unit Award Agreement, for award granted effective March 14, 2018, between Avon Products, Inc. and Jan Zijderveld. (incorporated by reference to Exhibit 10.1 to Avon's Quarterly Report on Form 10-Q for the quarter ended June 30, 2018).
10.70*	Option Agreement, for award granted effective March 14, 2018, between Avon Products, Inc. and Jan Zijderveld. (incorporated by reference to Exhibit 10.2 to Avon's Quarterly Report on Form 10-Q for the quarter ended June 30, 2018).

10.71*	Sign-On Performance-Contingent Restricted Stock Unit Award Agreement, for award granted effective March 27, 2018, between Avon Products, Inc. and Jan Zijderveld. (incorporated by reference to Exhibit 10.3 to Avon's Quarterly Report on Form 10-Q for the quarter ended June 30, 2018).
10.72*	Employment Offer Letter and Contract of Employment Agreement, effective December 11, 2018, between Avon Cosmetics Limited and Gustavo Arnal (incorporated by reference to Exhibit 10.7 to Avona Annual Report on Form 10-K for the year ended December 31, 2018).
10.73*	Employment Offer Letter and Contract of Employment Agreement dated November 28, 2016, between Avon Cosmetics Limited and James Wilson (incorporated by reference to Exhibit 10.67 to Avon's Annual Report on Form 10-K for the year ended December 31, 2016).
10.74*	Employment Offer Letter and Contract of Employment Agreement dated June 12, 2017, between Avon Cosmetics Limited and Miguel Fernandez (incorporated by reference to Exhibit 10.9 to Avon's Quarterly Report on Form 10-Q for the quarter ended March 31, 2018).
10.75*	International Relocation Letter Agreement, dated June 12, 2017, between Avon Cosmetics Limited and Miguel Fernandez. (incorporated by reference to Exhibit 10.10 to Avon's Quarterly Report on Form 10-Q for the quarter ended March 31, 2018).
10.76*	Amendment, dated August 6, 2018, to Miguel Fernandez Relocation Letter dated June 12, 2017 (incorporated by reference to Exhibit 10.1 to Avon's Quarterly Report on Form 10-Q for the quarter ended September 30, 2018).
10.77*	Amendment, dated September 30, 2019, to Miguel Fernandez Relocation Letter dated August 6, 2018 (incorporated by reference to Exhibit 10.1 to Avon's Quarterly Report on Form 10-Q for the quarter ended September 30, 2019).
10.78*	Employment Offer Letter and Contract of Employment Agreement dated May 18, 2017, between Avon Cosmetics Limited and James Thompson (incorporated by reference to Exhibit 10.6 to Avon's Quarterly Report on Form 10-Q for the quarter ended March 31, 2018).
10.79*	International Relocation Letter Agreement, dated May 18, 2017, between Avon Cosmetics Limited and James Thompson (incorporated by reference to Exhibit 10.7 to Avon's Quarterly Report on Form 10-Q for the quarter ended March 31, 2018).
10.80	Investment Agreement, dated as of December 17, 2015, between Avon Products, Inc. and Cleveland Apple Investor LLC (incorporated by reference to Exhibit 10.1 to Avon's Current Report on Form 8-K filed on December 21, 2015).
10.81	Investor Rights Agreement, dated as of March 1, 2016, between Avon Products, Inc. and Cleveland Apple Investor L.P. (incorporated by reference to Exhibit 10.1 to Avon's Current Report on Form 8-K filed on March 7, 2016).
10.82	Intellectual Property License Agreement, dated as of March 1, 2016, among Avon Products, Inc., Avon International Operations, Inc., Avon NA IP LLC and New Avon LLC (incorporated by reference to Exhibit 10.2 to Avon's Current Report on Form 8-K filed on March 7, 2016).
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following materials formatted in Extensible Business Reporting Language (XBRL): (i) Consolidated Statements of Operations, (ii) Consolidated Statements of Comprehensive Income (Loss), (iii) Consolidated Balance Sheets, (iv) Consolidated Statements of Cash Flows, (v) Consolidated Statements of Changes in Shareholders' Equity (Deficit), (vi) Notes to Consolidated Financial Statements and (vi) Schedule of Valuation and Qualifying Accounts.
104	Cover Page Interactive Data File – the cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document (included in Exhibit 101).
*	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, 2019, at the time of filing with the United States 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, as amended, 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.

ITEM 16. FORM 10-K SUMMARY

None.

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 5th day of March 2020.

Avon Products, Inc.

/s/ Laura Barbrook

Laura Barbrook
Vice President and Corporate Controller - Principal
Accounting Officer

Pursuant to the requirements of the Exchange Act, 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/ Angela Cretu **Angela Cretu**	Chief Executive Officer - Principal Executive Officer	March 5, 2020
/s/ Carl Rogberg **Carl Rogberg**	Vice President Finance - Principal Financial Officer	March 5, 2020
/s/ Itamar Gaino Filho **Itamar Gaino Filho**	Director	March 5, 2020
/s/ Jose Antonio de Almeida Filippo **José Antonio de Almeida Filippo**	Director	March 5, 2020
/s/ Roberto de Oliveira Marques **Roberto de Oliveira Marques**	Director	March 5, 2020

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.:

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Avon Products, Inc. and its subsidiaries (the "Company") as of December 31, 2019 and December 31, 2018, and the related consolidated statements of operations, comprehensive (loss) income, cash flows and changes in shareholders' deficit for each of the three years in the period ended December 31, 2019, including the related notes and financial statement schedule listed in the accompanying index (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and December 31, 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these consolidated financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP

London, United Kingdom

March 5, 2020

We have served as the Company's auditor since 2017.

AVON PRODUCTS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

(In millions)

Years ended December 31	2019	2018	2017
Net sales	$ 4,494.1	$ 5,247.7	$ 5,565.1
Other revenue	269.1	323.6	150.5
Total revenue	4,763.2	5,571.3	5,715.6
Costs, expenses and other:			
Cost of sales	(2,010.1)	(2,364.0)	(2,203.3)
Selling, general and administrative expenses	(2,627.5)	(2,972.1)	(3,231.0)
Operating profit	125.6	235.2	281.3
Interest expense	(127.6)	(134.6)	(140.8)
Loss on extinguishment of debt	(11.6)	(0.7)	—
Interest income	7.7	15.3	14.8
Other income (expense), net	94.2	(7.1)	(34.6)
Gain on sale of business	50.1	—	—
Total other income (expenses)	12.8	(127.1)	(160.6)
Income from continuing operations, before taxes	138.4	108.1	120.7
Income taxes	(103.1)	(129.9)	(100.7)
Income (loss) from continuing operations, net of tax	35.3	(21.8)	20.0
Loss from discontinued operations, net of tax	(36.6)	—	—
Net (loss) income	(1.3)	(21.8)	20.0
Net loss attributable to noncontrolling interests	1.0	2.3	2.0
Net (loss) income attributable to Avon	$ (.3)	$ (19.5)	$ 22.0

The accompanying notes are an integral part of these statements.

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

(In millions) Years ended December 31	2019	2018	2017
Net (loss) income	$ (1.3)	$ (21.8)	$ 20.0
Other comprehensive income (loss):			
Foreign currency translation adjustments	(0.6)	(48.7)	19.8
Unrealized (losses) gains on revaluation of long-term intercompany balances, net of taxes of $0.0	(5.7)	(58.1)	62.2
Change in derivative gains on cash flow hedges, net of taxes of $0.0	(1.1)	0.5	—
Amortization of net actuarial loss and prior service cost, net of taxes of $0.4, $0.6 and $0.8	9.4	10.5	15.6
Adjustments of net actuarial loss and prior service cost, net of taxes of $2.9, $1.1 and $2.1	(8.0)	(8.6)	8.9
Other comprehensive income related to New Avon investment, net of taxes of $0.0	—	—	1.2
Sale of New Avon	(3.4)	—	—
Total other comprehensive (loss) income, net of taxes	(9.4)	(104.4)	107.7
Comprehensive (loss) income	(10.7)	(126.2)	127.7
Less: comprehensive loss attributable to noncontrolling interests	0.9	2.6	1.5
Comprehensive (loss) income attributable to Avon	$ (9.8)	$ (123.6)	$ 129.2

The accompanying notes are an integral part of these statements.

AVON PRODUCTS, INC.
CONSOLIDATE BALANCE SHEETS

(In millions, except per share data)

December 31	2019	2018
Assets		
Current Assets		
Cash, including cash equivalents of $50.9 and $36.2	$ 650.6	$ 532.7
Restricted cash	2.9	—
Accounts receivable (less allowances of $66.6 and $93.0)	280.2	349.7
Inventories	452.3	542.0
Prepaid expenses and other	252.1	272.0
Held for sale assets	22.6	65.6
Total current assets	1,660.7	1,762.0
Property, plant and equipment, at cost		
Land	20.6	22.6
Buildings and improvements	459.2	502.9
Equipment	628.8	682.3
	1,108.6	1,207.8
Less accumulated depreciation	(633.5)	(650.2)
Property, plant and equipment, net	475.1	557.6
Right-of-use assets	175.4	—
Goodwill	86.2	87.4
Deferred tax asset	161.2	212.6
Other assets	527.7	390.4
Total assets	$ 3,086.3	$ 3,010.0
Liabilities and Shareholders' Deficit		
Current Liabilities		
Debt maturing within one year	$ 1.8	$ 12.0
Accounts payable	723.3	816.5
Dividends payable	8.7	—
Accrued compensation	114.5	85.5
Other accrued liabilities	410.7	451.3
Sales and taxes other than income	118.7	103.9
Income taxes	7.4	15.9
Held for sale liabilities	—	11.4
Current liabilities of discontinued operations	16.0	—
Total current liabilities	1,401.1	1,496.5
Long-term debt	1,590.4	1,581.6
Long-term operating lease liability	143.3	—
Employee benefit plans	137.6	128.3
Long-term income taxes	128.7	136.2
Other liabilities	90.5	72.1
Total liabilities	3,491.6	3,414.7
Leases and Commitments and contingencies (Notes 16 and 19)		
Series C convertible preferred stock	578.5	492.1
Shareholders' Deficit		
Common stock, par value $0.25 - authorized 1,500.0 shares; issued 770.0 and 761.8 shares	192.6	190.3
Additional paid-in capital	2,321.2	2,303.6
Retained earnings	2,138.9	2,234.3
Accumulated other comprehensive loss	(1,040.0)	(1,030.4)
Treasury stock, at cost (319.9 and 319.4 shares)	(4,603.3)	(4,602.3)
Total Avon shareholders' deficit	(990.6)	(904.5)
Noncontrolling interests	6.8	7.7

Total shareholders’ deficit	(983.8)	(896.8)
Total liabilities, series C convertible preferred stock and shareholders’ deficit	$ 3,086.3	$ 3,010.0

The accompanying notes are an integral part of these statements.

AVON PRODUCTS, INC.CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)

Years ended December 31	2019	2018	2017
Cash Flows from Operating Activities			
Net (loss) income	$ (1.3)	$ (21.8)	$ 20.0
Loss from discontinued operations, net of tax	(36.6)	—	—
Income (loss) from continuing operations, net of tax	35.3	(21.8)	20.0
Adjustments to reconcile net income (loss) from continuing operations to net cash provided by operating activities:			
Depreciation	68.1	81.1	84.3
Amortization	24.8	26.6	29.7
Provision for doubtful accounts	115.4	162.4	221.9
Provision for obsolescence	37.1	113.5	36.7
Share-based compensation	15.6	13.8	24.2
Foreign exchange (gains) losses	(14.1)	14.9	18.1
Deferred income taxes	37.5	(49.0)	(30.2)
Impairment loss on assets	17.7	—	—
Gain on sale of business / assets	(50.1)	—	—
Certain Brazil indirect taxes	(118.3)	(194.7)	—
Other	12.0	18.5	39.6
Changes in assets and liabilities:			
Accounts receivable	(55.2)	(102.8)	(214.6)
Inventories	56.0	(99.6)	(19.2)
Prepaid expenses and other	25.7	(49.3)	14.8
Accounts payable and accrued liabilities	(145.4)	73.1	12.3
Income and other taxes	28.8	63.2	4.1
Noncurrent assets and liabilities	3.4	42.8	29.5
Net cash provided by operating activities of continuing operations	94.3	92.7	271.2
Cash Flows from Investing Activities			
Capital expenditures	(58.5)	(94.9)	(97.3)
Disposal of assets	7.8	4.8	5.9
Net proceeds from sale of business / assets	99.9	—	—
Distribution from New Avon LLC	—	—	22.0
Other investing activities	1.0	(3.3)	(.2)
Net cash provided (used) by investing activities of continuing operations	50.2	(93.4)	(69.6)
Cash Flows from Financing Activities			
Debt, net (maturities of three months or less)	(9.2)	(10.7)	10.3
Proceeds from debt	400.0	—	—
Repayment of debt	(388.2)	(289.1)	(2.9)
Repurchase of common stock	(9.6)	(3.2)	(7.2)
Net proceeds from exercise of stock options	15.6	—	—
Costs associated with debt issue / repayment	(26.8)	—	—
Proceeds from monetization of COFINS tax credits	19.4	—	—
Other financing activities	(.1)	(3.9)	(.2)
Net cash provided (used) by financing activities of continuing operations	1.1	(306.9)	—
Cash Flows from Discontinued Operations			
Net cash used by operating activities of discontinued operations	(20.6)	—	(8.6)
Net cash used by discontinued operations	(20.6)	—	(8.6)
Effect of exchange rate changes on cash and cash equivalents	(.3)	(37.5)	34.1
Net increase (decrease) in cash and cash equivalents	124.7	(345.1)	227.1
Cash and cash equivalents and restricted cash at beginning of year[1]	536.4	881.5	654.4
Cash and cash equivalents and restricted cash at end of year[2]	$ 661.1	$ 536.4	$ 881.5
Cash paid for:			

Interest	$	122.0	$	139.0	$	141.7
Income taxes, net of refunds received	$	55.9	$	87.4	$	132.2

(1) The balance at the beginning of the twelve month period ended December 31, 2019 includes cash and cash equivalents of $3.7 classified as Assets held for sale in the Company's Consolidated Balance Sheets at the end of the year in 2018.

(2) The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the Consolidated Balance Sheet that sum to the total of the same such amounts shown in the Consolidated Statement of Cash Flows for the twelve month period ended December 31, 2019 and 2018.

	December 31, 2019	December 31, 2018
Cash and cash equivalents	$ 650.6	$ 532.7
Restricted cash	2.9	—
Long-term restricted cash[1]	7.6	—
Held for sale cash and cash equivalents	—	3.7
Cash and cash equivalents, and restricted cash at end of period per the statement of cash flows	$ 661.1	$ 536.4

[1] Long-term restricted cash is presented in other assets in our Consolidated Balance Sheets.

The accompanying notes are an integral part of these statements.

AVON PRODUCTS, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIT

(In millions, except per share data)	Common Stock		Additional	Retained	Accumulated Other	Treasury Stock		Noncontrolling	
	Shares	Amount	Paid-In Capital	Earnings	Comprehensive Loss	Shares	Amount	Interests	Total
Balances at December 31, 2016	754.9	188.8	2,273.9	2,322.2	(1,033.2)	317.3	(4,599.7)	11.8	(836.2)
Net (loss) income	—	—	—	22.0	—	—	—	(2.0)	20.0
Other comprehensive income (loss)	—	—	—		107.0	—		.7	107.7
Dividends accrued - Series C convertible preferred stock	—	—	—	(23.1)	—	—	—	—	(23.1)
Exercise/ vesting/ expense of share-based compensation	3.8	1.0	17.3	(.8)	—	(.5)	6.8	—	24.3
Repurchase of common stock	—	(.1)	—	—	—	1.6	(7.1)	—	(7.2)
Purchases and sales of noncontrolling interests, net of dividends paid of $0.2	—	—	—	—	—	—	—	(.2)	(.2)
Balances at December 31, 2017	758.7	189.7	2,291.2	2,320.3	(926.2)	318.4	(4,600.0)	10.3	(714.7)
Net income	—	—	—	(19.5)	—	—	—	(2.3)	(21.8)
Revenue Recognition Cumulative catch up	—	—	—	(41.1)	—	—	—	—	(41.1)
Other comprehensive income	—	—	—	—	(104.2)	—	—	(.2)	(104.4)
Dividends accrued - Series C convertible preferred stock	—	—	—	(24.3)	—	—	—	—	(24.3)
Exercise/ vesting/ expense of share-based compensation	3.1	.7	12.4	(1.1)	—	(.1)	.8	—	12.8
Repurchase of common stock	—	(.1)	—	—	—	1.1	(3.1)	—	(3.2)
Purchases and sales of noncontrolling interests, net of dividends paid of $0.1	—	—	—	—	—	—	—	(.1)	(.1)
Balances at December 31, 2018	761.8	190.3	2,303.6	2,234.3	(1,030.4)	319.4	(4,602.3)	7.7	(896.8)
Net loss	—	—	—	(.3)	—	—	—	(1.0)	(1.3)
Other comprehensive income	—	—	—	—	(9.6)	—	—	.2	(9.4)
Dividends accrued - Series C convertible preferred stock	—	—	—	(25.5)	—	—	—	—	(25.5)
Dividends accrued- common stock	—	—	—	(8.7)	—	—	—	—	(8.7)
Exercise/ vesting/ expense of share-based compensation	9.9	2.6	25.9	—	—	—	—	—	28.5
Repurchase of common stock	(1.7)	(.3)	(8.3)	—	—	.5	(1.0)	—	(9.6)
Remeasurement of Series C convertible preferred stock	—	—	—	(60.9)	—	—	—	—	(60.9)
Purchases and sales of noncontrolling interests, net of dividends paid of $0.1	—	—	—	—	—	—	—	(.1)	(.1)
Balances at December 31, 2019	770.0	192.6	2,321.2	2,138.9	(1,040.0)	319.9	(4,603.3)	6.8	(983.8)

The accompanying notes are an integral part of these statements.

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

NOTE 1. Description of the Business and Summary of Significant Accounting Policies

Business

When used in these notes, the terms "Avon," "Company," "we," "our" or "us" mean Avon Products, Inc.

We are a global manufacturer and marketer of beauty and related products. Our business is conducted primarily in one channel, direct selling. Our reportable segments are based on geographic operations in four regions: Europe, Middle East & Africa; South Latin America; North Latin America; and Asia Pacific. Our product categories are Beauty and Fashion & Home. Beauty consists of skincare, fragrance and color (cosmetics). Fashion & Home consists of fashion jewelry, watches, apparel, footwear, accessories, gift and decorative products, housewares, entertainment and leisure products, children's products and nutritional products. Sales are made to the ultimate consumer principally by independent Representatives.

In December 2015, we entered into definitive agreements with affiliates of Cerberus Capital Management L.P. ("Cerberus"), which included a $435 investment in Avon by an affiliate of Cerberus through the purchase of our convertible preferred stock and the separation of the North America business (including approximately $100 of cash, subject to certain adjustments) from Avon into New Avon LLC ("New Avon"), a privately-held company that is majority-owned and managed by an affiliate of Cerberus. These transactions closed in March 2016 and Avon retained approximately 20% ownership in New Avon. In April 2019, Avon and Cerberus signed an agreement with LG Household & Health Care Ltd. for the sale of New Avon, including our 20% ownership interest. This transaction closed on August 14, 2019. See Note 3, Discontinued Operations and Assets and Liabilities Held for Sale, for additional information. The North American business, which represented the Company's operations in the United States ("U.S."), Canada and Puerto Rico, was previously its own reportable segment and has been presented as discontinued operations for all periods. As a result of this transaction, all of our consolidated revenue is derived from operations of subsidiaries outside of the U.S.

On May 22, 2019, we entered into an Agreement and Plan of Mergers with Natura Cosméticos S.A., a Brazilian corporation (sociedade anônima) ("Natura Cosméticos"), Natura &Co Holding S.A., a Brazilian corporation (sociedade anônima) ("Natura &Co Holding"), and two subsidiaries of Natura &Co Holding ("Natura &Co") pursuant to which, in a series of transactions, Avon and Natura Cosméticos will become direct wholly owned subsidiaries of Natura &Co (the "Transaction"). For additional information, see Note 23, Agreement and Plan of Mergers with Natura Cosméticos S.A., to the Consolidated Financial Statements included herein. On January 3, 2020, the Company consummated the Transaction and became a fully owned subsidiary of Natura &Co Holding. In connection with the consummation of the Transaction, the Company notified the NYSE that trading of their stock should be suspended, the Company's common stock was subsequently delisted and deregistered. The Company files these financial statements with the SEC, as a voluntary filer, to comply with the terms of certain debt instruments.

In December 2019, the Company declared a dividend of $0.016 per share equating to $9, this dividend was subsequently paid in January 2020 by the Company.

Principles of Consolidation

The consolidated financial statements include the accounts of Avon and our majority and wholly-owned subsidiaries. Intercompany balances and transactions are eliminated.

Use of Estimates

We prepare our consolidated financial statements and related disclosures in conformity with accounting principles generally accepted in the United States of America, or GAAP. In preparing these statements, we are required to use estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from those estimates and assumptions. On an ongoing basis, we review our estimates, including those related to stand-alone selling prices ("SSP") of promised goods or services delivered under sales incentives, allowances for sales returns, allowances for doubtful accounts receivable, provisions for inventory obsolescence, the determination of discount rates and other actuarial assumptions for pension and postretirement benefit expenses, restructuring expense, income taxes and tax valuation allowances, share-based compensation, loss contingencies and the evaluation of goodwill, property, plant and equipment and capitalized software for potential impairment.

Foreign Currency

Financial statements of foreign subsidiaries operating in other than highly inflationary economies are translated at year-end exchange rates for assets and liabilities and average exchange rates during the year for income and expense accounts. The resulting translation adjustments are recorded within accumulated other comprehensive income (loss) ("AOCI"). Gains or losses resulting from the impact of changes in foreign currency rates on assets and liabilities denominated in a currency other than the functional currency are recorded in other expense, net.

For financial statements of Avon subsidiaries operating in highly inflationary economies, the U.S. dollar is required to be used as the functional currency. At December 31, 2019, only our Argentinian subsidiary is considered to be operating in a highly inflationary economy. Highly inflationary accounting requires monetary assets and liabilities, such as cash, receivables and payables, to be remeasured into U.S. dollars at the current exchange rate at the end of each period with the impact of any changes in exchange rates being recorded in income. We record the impact of changes in exchange rates on monetary assets and liabilities in other expense, net. Similarly, deferred tax assets and liabilities are remeasured into U.S. dollars at the current exchange rates; however, the impact of changes in exchange rates is recorded in income taxes in our Consolidated Statements of Operations. Non-monetary assets and liabilities, such as inventory, property, plant and equipment and prepaid expenses are carried forward at their historical dollar cost, which was calculated using the exchange rate at the date which hyperinflationary accounting is implemented.

Argentina Currency

During the quarter ended June 30, 2018, based on published official exchange rates which indicate that Argentina's three-year cumulative inflation rate has exceeded 100%, we concluded that Argentina had become a highly inflationary economy. From July 1, 2018, we have applied highly inflationary accounting for our Argentinian subsidiary. As such, the functional currency for Argentina has changed to the U.S. dollar, which is the consolidated group's reporting currency. When an entity operates in a highly inflationary economy, exchange gains and losses associated with monetary assets and liabilities resulting from changes in the exchange rate are recorded in income. Nonmonetary assets and liabilities, which include inventories, property, plant and equipment and contract liabilities, are carried forward at their historical dollar cost, which was calculated using the exchange rate at June 30, 2018.

As a result of the devaluation of the Argentinian peso of approximately 36% during the year end December 31, 2019, operating profit was negatively impacted by approximately $11, largely in cost of sales in our Consolidated Income Statements, primarily due to inventory being accounted for at its historical dollar cost. During the year ended December 31, 2019, we also recorded a benefit during the period of approximately $7 in other expense, net primarily associated with the net monetary liability position of Argentina, and an approximate $3 positive impact on income taxes, both in our Consolidated Income Statements. As of December 31, 2019, the net Argentine peso-denominated monetary liability position of Argentina was $8 and the net Argentine peso-denominated non-monetary asset position was $45, primarily consisting of inventory balances of $23.

As a result of the devaluation of the Argentinian peso of approximately 25% from June 30, 2018 to December 31, 2018, operating profit was negatively impacted by approximately $8, largely in cost of sales in our Consolidated Income Statements, primarily due to inventory being accounted for at its historical dollar cost. During the six months ended December 31, 2018, we also recorded a benefit during the period of approximately $6 in other expense, net primarily associated with the net monetary liability position of Argentina, and an approximate $2 positive impact on income taxes, both in our Consolidated Income Statements. As of December 31, 2018, the net Argentine peso-denominated monetary liability position of Argentina was $33 and the net Argentine peso-denominated non-monetary asset position was $50, primarily consisting of inventory balances of $32.

Revenue Recognition

Nature of goods and services

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

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

Revenue recognition

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

Principal revenue streams and significant judgments

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

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

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

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

Revenue from Contracts with Customers

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

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

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

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

Performance obligation - Avon products and appointment kits

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

Performance obligation - Sales incentives

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

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

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

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

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

We often charge the Representative for shipping and handling (including order processing) and payment processing activities on the invoice, and such activities are considered to be fulfillment costs. The consideration received represents part of the transaction price in the contract that is allocated to the performance obligations in the contract. We recognize revenue for fulfillment activities in other revenue in our Consolidated Statements of Operations when such services are provided to the Representative. The cost of these activities is recognized in SG&A expenses in our Consolidated Statements of Operations.

iii) Other revenue

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

Cash and Cash Equivalents

Cash equivalents are stated at cost plus accrued interest, which approximates fair value. Cash equivalents are generally high-quality, short-term money market instruments with an original maturity of three months or less and consist of time deposits with a number of U.S. and non-U.S. commercial banks and money market fund investments.

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined using the first-in, first-out method. 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 estimate the level of obsolescence provision.

Brochure Costs

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

Brochure costs and associated fees that are presented as inventory were $8.9 at December 31, 2019 and $13.2 at December 31, 2018. Brochure costs and associated fees that are presented as prepaid expenses and other were $4.8 at December 31, 2019 and $5.9 at December 31, 2018.

Brochure costs expensed to COGS and SG&A in 2019 amounted to $101.1 and $93.9, respectively. In 2018 brochure costs expensed to COGS and SG&A were $113.5 and $106.2, respectively. In 2017 brochure costs of $244.0, were expensed to SG&A under the previous Accounting Standards Update ("ASU") 605, *Revenue Recognition*.

The fees charged to Representatives for brochures sold recorded in Other revenue in 2019 and 2018 amounted to $96.9 and $117.0, respectively. In 2017, the fees charged to Representatives were recorded as a reduction to SG&A expenses and amounted to $139.4.

Property, Plant and Equipment and Capitalized Software

Property, plant and equipment are stated at cost and are depreciated using a straight-line method over the estimated useful lives of the assets. The estimated useful lives generally are as follows: buildings, 45 years; land improvements, 20 years; machinery and equipment, 15 years; and office equipment, five to ten years. Leasehold improvements are depreciated over the shorter of the lease term or the estimated useful life of the asset. Upon disposal of property, plant and equipment, the cost of the assets and the related accumulated depreciation are removed from the accounts and the resulting gain or loss is reflected in earnings. Costs associated with repair and maintenance activities are expensed as incurred.

Certain systems development costs related to the purchase, development and installation of computer software, and implementation costs incurred in a hosting arrangement that is a service contract, are capitalized and amortized over the estimated useful life of the related project. Costs incurred prior to the development stage, as well as maintenance, training costs, and general and administrative expenses are expensed as incurred. The other assets balance included unamortized capitalized software costs of $83.1 at December 31, 2019 and $89.3 at December 31, 2018. The amortization expense associated with capitalized software was $24.7, $26.5 and $29.5 for the years ended December 31, 2019, 2018 and 2017, respectively.

We evaluate our property, plant and equipment and capitalized software for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset group may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated pre-tax undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset. The fair value of the asset is determined using revenue and cash flow projections, and royalty and discount rates, as appropriate.

Leases

We determine if an arrangement is a lease at the lease commencement date. In addition to our lease agreements, we review all material new vendor arrangements for potential embedded lease obligations. The asset balance related to operating and finance leases is presented within right-of-use (ROU) asset and property, plant and equipment, respectively, on our Consolidated Balance Sheet. The short-term liability balance related to operating and finance leases is presented within other accrued liabilities on our Consolidated Balance Sheets. The long-term liability balance is presented within long-term operating lease liability and long-term debt on our Consolidated Balance Sheets for operating and finance leases, respectively.

The lease liability is recognized based on the present value of the remaining fixed or in-substance fixed lease payments discounted using our incremental borrowing rates. We use a specific incremental borrowing rate for our material leases, which is determined based on the geography, nature of the asset and term of the lease. These rates are determined based on inputs provided by external banks and updated periodically. The lease liability includes the exercise of a purchase option only if we are reasonably certain to exercise as of the commencement date of the lease. The residual value guarantee amount is only included in the lease liability calculation to the extent payment is probable to the lessor as of the commencement of the lease. The ROU asset is calculated based on the lease liability adjusted for any lease payments paid to the lessor at or before the commencement date (i.e. prepaid rent) and initial direct costs incurred by Avon and excluding any lease incentives received from the Lessor.

Variable lease payments are payments to the lessor not included in the lease liability calculation. We define variable lease payments as payments made by Avon to the lessor for the right to use a leased asset that vary because of changes in facts or circumstances (such as changes in an index rate, volume, usage, etc.) occurring after the lease commencement date, other than predetermined contractual changes due to the passage of time (for example, predetermined rent increase amounts that are set out in the contract). Variable lease payments or charges are accounted for as incurred.

The lease term for purposes of lease accounting may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option as of the commencement date of the lease. For operating leases, the lease expense is recognized on a straight-line basis over the lease term. For finance leases, the Company amortizes the ROU asset on a straight-line basis and records interest expense on the lease liability created at lease commencement over the lease term.

We account for our lease and non-lease components as a single component for most of our asset classes, and therefore both are included in the calculation of lease liability recognized on the Consolidated Balance Sheets. However, for certain lease asset classes related to identified embedded leases we account for the lease and non-lease components separately, and therefore, the non-lease component is not included in the lease liability.

Leases with an initial term of twelve months or less are not recorded on the Consolidated Balance Sheet; we recognize lease expense for these leases over their lease term.

Assets and Liabilities Held for Sale

A long-lived asset (or disposal group) is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable within a year. A long-lived asset (or disposal group) classified as held for sale is initially measured at the lower of its carrying amount or fair value less cost to sell. An impairment loss is recognized for any initial or subsequent write-down of the long-lived asset (or disposal group) to fair value less costs to sell. A gain or loss not previously recognized by the date of the sale of the long-lived asset (or disposal group) is recognized at the date of derecognition.

Long-lived assets (including those that are part of a disposal group) are not depreciated or amortized while they are classified as held for sale. Long-lived assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

Goodwill

Goodwill is not amortized and is assessed for impairment annually during the fourth quarter or on the occurrence of an event that indicates impairment may have occurred, at the reporting unit level. A reporting unit is the operating segment, or a component, which is one level below that operating segment. Components are aggregated as a single reporting unit if they have similar economic characteristics. When testing goodwill for impairment, we perform either a qualitative or quantitative assessment for each of our reporting units. Factors considered in the qualitative analysis include macroeconomic conditions, industry and market considerations, cost factors and overall financial performance specific to the reporting unit. If the qualitative analysis results in a more likely than not probability of impairment, the first quantitative step, as described below, is required.

The quantitative test to evaluate goodwill for impairment is a two-step process. In the first step, we compare the fair value of a reporting unit to its carrying value. If the fair value of a reporting unit is less than its carrying value, we perform a second step to determine the implied fair value of the reporting unit’s goodwill. The second step of the impairment analysis requires a valuation of a reporting unit’s tangible and intangible assets and liabilities in a manner similar to the allocation of the purchase price in a business combination. If the resulting implied fair value of the reporting unit’s goodwill is less than its carrying value, that difference represents an impairment.

The impairment analysis performed for goodwill requires several estimates in computing the estimated fair value of a reporting unit. We typically 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 this business, and is most consistent with the approach that we would generally expect a marketplace participant would use. In estimating the fair value of our reporting units utilizing a DCF approach, we typically forecast revenue and the resulting cash flows for periods of five to ten years and include an estimated terminal value at the end of the forecasted period. When determining the appropriate forecast period for the DCF approach, we consider the amount of time required before the reporting unit achieves what we consider a normalized, sustainable level of cash flows. The estimation of fair value utilizing a DCF approach includes numerous uncertainties which require 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, and the structure that would yield the highest economic value, among other factors.

Financial Instruments

We use derivative financial instruments, including forward foreign currency contracts, to manage foreign currency exposures.

If applicable, derivatives are recognized in our Consolidated Balance Sheets at their fair values. When we become a party to a derivative instrument and intend to apply hedge accounting, we designate the instrument, for financial reporting purposes, as a fair value hedge, a cash flow hedge, or a net investment hedge. The accounting for changes in fair value (gains or losses) of a derivative instrument depends on whether we had designated it and it qualified as part of a hedging relationship and further, on the type of hedging relationship. We apply the following:

- Changes in the fair value of a derivative that is designated as a fair value hedge, along with the loss or gain on the hedged asset or liability that is attributable to the hedged risk are recorded in earnings.
- Changes in the fair value of a derivative that is designated as a cash flow hedge are recorded in AOCI and reclassified into earnings in the same period or periods during which the transaction hedged by that derivative also affects earnings.
- Changes in the fair value of a derivative that is designated as a hedge of a net investment in a foreign operation are recorded in foreign currency translation adjustments within AOCI.
- Changes in the fair value of a derivative that is not designated as a hedging instrument are recognized in earnings in other expense, net in our Consolidated Statements of Operations.

We present the earnings effect of the hedging instrument in our Consolidated Statements of Operations in the same income statement line item in which the earnings effect of the hedged item is reported.

For derivatives designated as cash flow hedges, if we conclude that the hedging relationship is perfectly effective at inception, a detailed effectiveness assessment in each period is not required as long as (i) the critical terms of the hedging instrument completely match the related terms of the hedged item (ii) it is considered probable that the counterparties to the hedging instrument and the hedged item will not default, and (iii) the hedged cash flows remain probable.

If the conditions above are not met, we will assess prospective and retrospective effectiveness using the cumulative dollar-offset method, which compares the change in fair value or present value of cash flows of the hedging instrument to the changes in the fair value or present value of the cash flows of the hedged item. If the result of the quantification demonstrates that the hedge is still highly effective (meaning that cumulative changes in the fair value of the derivative are between 80% and 125% of the cumulative changes in the fair value of the hedged item), we will revert to qualitative assessments of hedge effectiveness in subsequent periods if an expectation of high effectiveness on a qualitative basis for subsequent periods can be reasonably supported. If effectiveness is not within the 80% to 125% range, hedge accounting will be discontinued, and changes in the fair value of the hedging instrument will be recorded in earnings from the date the hedge is no longer considered highly effective.

Deferred Income Taxes

Deferred income taxes have been provided on items recognized for financial reporting purposes in different periods than for income tax purposes using tax rates in effect for the year in which the differences are expected to reverse. A valuation allowance is provided to reduce our deferred tax assets to an amount that is "more likely than not" to be realized. The ultimate realization of our deferred tax assets depends upon generating sufficient future taxable income during the periods in which our temporary differences become deductible or before our net operating loss and tax credit carryforwards expire. See Note 10, Income Taxes for more information.

In accordance with guidance issued by the Financial Accounting Standards Board ("FASB"), we are choosing to treat the U.S. income tax consequences of Global Intangible Low-Taxed Income ("GILTI") as a period cost. As a result, as of December 31, 2019, no deferred income taxes have been provided.

Uncertain Tax Positions

We recognize the benefit of a tax position, if that position is more likely than not of being sustained on audit, based on the technical merits of the position. We record interest expense and penalties payable to relevant tax authorities in income taxes in our Consolidated Statements of Operations.

SG&A Expenses

SG&A expenses include costs associated with selling; marketing; distribution, including shipping and handling costs; advertising; net brochure costs; research and development; information technology; and other administrative costs, including finance, legal and human resource functions.

Shipping and Handling

Shipping and handling costs are expensed as incurred and amounted to $432.1 in 2019, $503.5 in 2018 and $530.8 in 2017.

Advertising

Advertising costs, excluding brochure preparation costs, are expensed as incurred and amounted to $72.9 in 2019, $127.6 in 2018 and $118.4 in 2017.

Research and Development

Research and development costs are expensed as incurred and amounted to $40.6 in 2019, $48.0 in 2018 and $52.9 in 2017. Research and development costs include all costs related to the design and development of new products such as salaries and benefits, supplies and materials and facilities costs.

Share-based Compensation

Where applicable, share-based payments to employees are recognized in the financial statements based on their fair value at the date of grant. If applicable, we use a Monte-Carlo simulation to calculate the fair value of performance restricted stock units with market conditions and the fair value of premium-priced stock options. We account for forfeitures on share-based payments as they occur.

When the terms of an equity-settled award are modified, the minimum expense recognized is the grant date fair value of the unmodified award, provided the original vesting terms of the award are met. An additional expense, measured as at the date of modification, is recognized for any modification that increases the total fair value of the share-based payment. Where an award is cancelled, any unamortized compensation cost is expensed immediately.

Restructuring Expense

We record the estimated expense for our restructuring initiatives, such as our Transformation Plan and Open Up Avon, when 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, inventory write-offs, impairment or accelerated depreciation of property, plant and equipment and capitalized software, and any other qualifying exit costs. 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 whether an adjustment is required.

Pension and Postretirement Expense

Pension and postretirement expense is determined based on a number of actuarial assumptions, which are generally reviewed and determined on an annual basis. These assumptions include the discount rate applied to plan obligations, the expected rate of return on plan assets, the rate of compensation increase of plan participants, price inflation, cost-of-living adjustments, mortality rates and certain other demographic assumptions, 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. We recognize the funded status of pension and other postretirement benefit plans in our Consolidated Balance Sheets. Each overfunded plan is recognized as an asset and each underfunded plan is recognized as a liability. The recognition of prior service costs or credits and net actuarial gains or losses, as well as subsequent changes in the funded status, are recognized as components of AOCI, net of tax, in shareholders' equity, until they are amortized as a component of net periodic benefit cost. We recognize prior service costs or credits and actuarial gains and losses beyond a 10% corridor to earnings based on the estimated future service period of the participants. The determination of the 10% corridor utilizes a calculated value of plan assets for our more significant plans, whereby gains and losses are smoothed over three- and five-year periods. We use a December 31 measurement date for all of our employee benefit plans. Service cost is presented in SG&A in our Consolidated Statements of Operations. The components of net periodic benefit costs other than service cost are presented in other expense, net in our Consolidated Statements of Operations.

Contingencies

We determine whether to disclose and/or accrue for loss contingencies based on an assessment of whether the risk of loss is remote, reasonably possible or probable. We record loss contingencies when it is probable that a liability has been incurred and the amount of loss is reasonably estimable.

NOTE 2. New Accounting Standards

New Accounting Standards Implemented

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

ASU 2016-02, Leases

In February 2016, the FASB issued ASU 2016-02, Leases, which requires all assets and liabilities arising from leases to be recognized in our Consolidated Balance Sheets. We adopted this new accounting guidance effective January 1, 2019.

In July 2018, the FASB added an optional transition method which we elected upon adoption of the new standard. This allows us to recognize and measure leases existing at January 1, 2019 without restating comparative information. In addition, we elected to apply the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allows us to carry forward the historical lease classification.

The standard had a material impact on our consolidated balance sheets but does not have a material impact on our Consolidated Income Statements. The most significant impact was the recognition of right-of-use ("ROU") assets and lease liabilities for operating leases which are presented separately on the Consolidated Balance Sheet. Accounting for finance leases remains substantially unchanged, with leased assets included in Property, Plant and Equipment and lease liabilities included within Debt.

Adoption of the standard resulted in the recognition of additional ROU assets and lease liabilities for operating leases of $191 and $204, respectively, as of January 1, 2019. The difference between these amounts was recorded as an adjustment to retained earnings.

See note 16, Leases and Commitments in our Annual Report for more information.

ASU 2018-02, Income Statement - Reporting Comprehensive Income

In February 2018, the FASB issued ASU 2018-02, *Income Statement - Reporting Comprehensive Income*, which permits entities to reclassify the disproportionate income tax effects of the 2017 enactment of U.S. tax reform legislation (the "Act") on items within AOCI (loss) to retained earnings. We adopted this new accounting guidance effective January 1, 2019 and elected not to reclassify the disproportionate income tax effects of the Act from AOCI (loss) to retained earnings.

ASU 2014-09, Revenue from Contracts with Customers

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

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

- a reduction to retained earnings of $52.7 before taxes ($41.1 after tax), with a corresponding impact to deferred income taxes of $11.6;
- a reduction to prepaid expenses and other of $54.9;
- an increase to inventories of $39.3; and
- an increase to other accrued liabilities of $37.1 due to the net impact of the establishment of a contract liability of $91.8 for deferred revenue where our performance obligations are not yet satisfied, which is partially offset by a reduction in the sales incentive accrual of $54.7.

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

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

Performance obligations - Avon products and appointment kits

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

Under our historical accounting, we recognized revenue for Avon products in net sales in our Consolidated Statements of Operations upon delivery of the product to the Representative. We recognized revenue for appointment kits sold to Representatives as a reduction of SG&A expenses in our Consolidated Statements of Operations, and the associated cost was recognized in SG&A expenses in our Consolidated Statements of Operations. Revenue was adjusted for expected sales returns.

Performance obligations/ material rights - sales incentives

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

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

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

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

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

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

Fulfillment activities and late payment fees - We often charge the Representative for shipping and handling (including order processing) and payment processing activities on the invoice, and such activities are considered to be fulfillment costs. The consideration received represents part of the transaction price in the contract that is allocated to the performance obligations in the contract. We recognize revenue for fulfillment activities in other revenue in our Consolidated Statements of Operations when such services are provided to the Representative. The cost of these activities is recognized in SG&A expenses in our Consolidated Statements of Operations. Late payment fees are recorded in other revenue in our Consolidated Statements of Operations when collected.

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

<u>Impacts on consolidated financial statements</u>

The following tables summarize the impacts of adopting ASC 606 on the Company's consolidated financial statements for the twelve months ended December 31, 2018:

	Impact of change in revenue recognition standard			
Line items impacted within the Consolidated Statements of Operations	Per consolidated financial statements	Adjustments		Balances excluding the impact of adopting ASC 606
Revenue				
Net sales	$ 5,247.7	$ (28.5)	(1)	$ 5,219.2
Other revenue	323.6	(200.7)	(2)	122.9
Total revenue	**5,571.3**	**(229.2)**		**5,342.1**
Costs and expenses				
Cost of sales	2,364.0	(277.4)	(3)	2,086.6
SG&A expenses	2,972.1	60.4	(4)	3,032.5
Operating profit	**235.2**	**(12.2)**		223.0
Income before income taxes	**108.1**	**(12.2)**		95.9
Income taxes	(129.9)	3.6		(126.3)
Net loss	**(21.8)**	**(8.6)**		(30.4)
Net loss attributable to Avon	**(19.5)**	**(8.6)**		(28.1)

(1) Primarily relates to appointment kits, which were reclassified from SG&A, partially offset by the timing of recognition of sales incentives.

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

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

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

Line items impacted within the Consolidated Statements of Other Comprehensive Income	Impact of change in revenue recognition standard Per consolidated financial statements	Adjustments	Balances excluding the impact of adopting ASC 606
Net loss	(21.8)	$ (8.6)	$ (30.4)
Foreign currency translation adjustments	(48.7)	(3.5)	(52.2)
Total other comprehensive loss, net of income taxes	**(104.4)**	**(3.5)**	**(107.9)**
Comprehensive loss	**(126.2)**	**(12.1)**	**(138.3)**
Comprehensive loss attributable to Avon	**(123.6)**	**(12.1)**	**(135.7)**

Line items impacted within the Consolidated Balance Sheets	Impact of change in revenue recognition standard Per consolidated financial statements	Adjustments		Balances excluding the impact of adopting ASC 606
Accounts receivable, net	349.7	$ (8.2)	(1)	$ 341.5
Inventories	542.0	(42.8)	(2)	499.2
Prepaid expenses and other	272.0	47.8	(2)	319.8
Total current assets	**1,762.0**	**(3.2)**		**1,758.8**
Other assets	603.0	(10.1)	(3)	592.9
Total assets	**3,010.0**	**(13.3)**		**2,996.7**
Liabilities, Series C Convertible Preferred Stock and Shareholders' Deficit				
Other accrued liabilities	451.3	(38.0)	(4)	413.3
Income taxes	15.9	(3.6)		12.3
Total current liabilities	**1,496.5**	**(41.6)**		**1,454.9**
Other liabilities	72.1	(0.7)		71.4
Total liabilities	**3,414.7**	**(42.3)**		**3,372.4**
Retained earnings	2,234.3	32.5	(5)	2,266.8
Accumulated other comprehensive loss	(1,030.4)	(3.5)		(1,033.9)
Total Avon shareholders' deficit	**(904.5)**	**29.0**		**(875.5)**
Total shareholders' deficit	**(896.8)**	**29.0**		**(867.8)**
Total liabilities, series C convertible preferred stock and shareholders' deficit	**3,010.0**	**(13.3)**		**2,996.7**

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

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

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

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

(5) Relates to the $41.1 cumulative-effect adjustment upon adoption of ASC 606, partially offset by the year-to-date $8.6 net loss adjustment.

	Impact of change in revenue recognition standard				
Line items impacted within the Consolidated Statements of Cash Flows	Per consolidated financial statements		Adjustments		Balances excluding the impact of adopting ASC 606
Cash Flows from Operating Activities					
Net loss	(21.8)	$	(8.6)	$	(30.4)
Other	18.5		(3.5)		15.0
Accounts receivable	(102.8)		(.4)		(103.2)
Inventories	(99.6)		3.5		(96.1)
Prepaid expenses and other	(49.3)		3.9		(45.4)
Accounts payable and accrued liabilities	73.1		10.5		83.6
Income and other taxes	63.2		(3.6)		59.6
Noncurrent assets and liabilities	42.8		(1.8)		41.0

ASU 2018-15, Intangibles - Goodwill and Other-Internal - Use Software - Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract

In August 2018, the FASB issued ASU 2018-15, *Intangibles - Goodwill and Other - Internal-Use Software - Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract.* The new guidance aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The accounting for the service element of a hosting arrangement that is a service contract is not affected by the amendment. We early adopted ASU 2018-15 effective October 1, 2018, which did not have a material impact on our Consolidated Financial Statements.

ASU 2017-12, Derivatives and Hedging - Targeted Improvements to Accounting for Hedging Activities

In August 2017, the FASB issued ASU 2017-12, *Derivatives and Hedging - Targeted Improvements to Accounting for Hedging Activities* to align the hedge accounting model more closely with risk management practices, and to simplify its application. Among other things, the new guidance eliminates the requirement to separately measure and report hedge ineffectiveness. The new guidance is effective for interim and annual reporting periods beginning after December 15, 2018. The new guidance must be adopted using a modified retrospective transition with a cumulative effect adjustment recorded to opening retained earnings as of the initial adoption date. We early adopted ASU 2017-12 effective July 1, 2018, the adoption did not have a material impact on our Consolidated Financial Statements.

ASU 2017-07, Compensation - Retirement Benefits

In March 2017, the FASB issued ASU 2017-07, *Compensation - Retirement Benefits*. This new guidance requires entities to (1) disaggregate the service cost component from the other components of net periodic benefit costs and present it with other current employee compensation costs in the Consolidated Statements of Operations and (2) present the other components of net periodic benefit costs below operating profit in other expense, net. We adopted this new accounting guidance effective January 1, 2018. The new accounting guidance was applied retrospectively and increased our operating profit for 2017 and 2016 by $8.0 and $1.9 respectively, but had no impact on net loss.

The following tables summarize the impacts of adopting ASC 2017-07 on the Company's consolidated financial statements for the twelve months ended December 31, 2017 and 2016:

	Impact of ASU 2017-07 adoption											
Line items impacted within the Consolidated Statements of Operations	Per consolidated financial statements				Impact of adoption					As originally reported		
	2017		2016		2017		2016			2017		2016
SG&A expenses	$	3,231.0	$	3,136.9	$	(8.0)	$	(1.9)	(4)	$	3,239.0	$ 3,138.8
Operating profit		**281.3**		**323.8**		**8.0**		**1.9**			**273.3**	**321.9**
Other expense, net		34.6		172.9		8.0		1.9			26.6	171.0
Income before income taxes		**120.7**		**31.2**		**—**		**—**			**120.7**	**31.2**

ASU 2017 - 04, Intangibles - Goodwill and other (Topic 350)

In January 2017, the FASB issued Accounting Standards Update ("ASU") 2017-04 *Intangibles - Goodwill and other*, which simplifies the test for goodwill impairment. This Update eliminates Step 2 from the goodwill impairment test. In computing the implied fair value of goodwill under Step 2, an entity had to perform procedures to determine the fair value at the impairment testing date of its assets and liabilities (including unrecognized assets and liabilities) following the procedure that would be required in determining the fair value of the assets acquired and liabilities assumed in a business combination. Instead an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value, however the loss recognized should not exceed the total amount of goodwill allocated to the reporting unit. The amendments in this Update are effective for the Company for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. The Company is in the process of evaluating the impact of this standard update on its consolidated financial statements and related disclosures.

ASU 2016-09, Compensation - Stock Compensation

In March 2016, the FASB issued Accounting Standards Update ("ASU") 2016-09, *Compensation - Stock Compensation*, which is intended to simplify the accounting for share-based payment transactions. This new guidance changes several aspects of the accounting for share-based payment transactions, including accounting for income taxes, forfeitures and employer-tax withholding requirements. ASU 2016-09 also clarifies the Statements of Cash Flows presentation for certain components of share-based payment awards. We adopted this new accounting guidance in the first quarter of 2017, which did not have a material impact on our Consolidated Financial Statements.

Accounting Standards to be Implemented

ASU 2016-13, Financial Instruments - Credit Losses

In January 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses,* which requires measurement and recognition of expected credit losses for financial assets held. We intend to adopt this new accounting guidance effective January 1, 2020. We have assessed the impact of adopting this standard to reduce long term receivables, within other assets by approximately $2 on January 1, 2020, with an adjustment to retained earnings. The implementation of this standard will not result in additional allowances related to trade accounts receivable.

ASU 2019-12, Simplifying the Accounting for Income Taxes

In December 2019, the FASB issued ASU 2019-12, *Income Taxes*, which is intended to simplify the accounting standard and improve the usefulness of information provided in the financial statements. We intend to implement this new accounting guidance effective January 1, 2021, however early adoption is permitted. we are currently assessing the impact this new accounting guidance will have on our financial statements.

NOTE 3. Discontinued Operations and Assets and Liabilities Held for Sale

Discontinued Operations

On December 17, 2015, the Company entered into definitive agreements with affiliates controlled by Cerberus. The agreements resulted in the separation of the Company's North America business, which represented the Company's operations in the United States, Canada and Puerto Rico, from the Company into New Avon Company, formerly New Avon, a privately-held company majority-owned and managed by Cerberus NA Investor LLC (an affiliate of Cerberus). The Company retained an investment of 19.9% ownership interest in New Avon. These transactions closed on March 1, 2016; from that date, resolution of contingent liabilities relating to Avon's ownership and operation of the North America business prior to its separation from the Company into New Avon have been treated as discontinued operations. Refer to the Divestitures section below for information relating to the sale of New Avon.

The Company incurred costs during the year ended December 31, 2019 following the resolution of certain contingent liabilities related to its ownership and operation of the North America business prior to its separation into New Avon.

The major classes of financial statement components comprising the loss on discontinued operations, net of tax for New Avon are shown below:

	Year Ended December 31, 2019
Selling, general and administrative expenses	$ 36.6
Operating loss	$ (36.6)
Loss from discontinued operations, net of tax	$ (36.6)

There were no amounts recorded in discontinued operations for the years ended December 31, 2018 and December 31, 2017.

Assets and Liabilities Held for Sale

The major classes of assets and liabilities comprising held for sale assets and Held for sale liabilities on the Consolidated Balance Sheet as of December 31, 2019 and December 31, 2018 are shown in the following table.

	Year ended December 31,	
	2019	2018
Current held for sale assets		
Inventories	$ —	$ 8.7
Property, Plant & Equipment (net)	22.6	52.0
Cash and cash equivalents	—	3.7
Other assets	—	1.2
	$ 22.6	$ 65.6
Current held for sale liabilities		
Accounts payable	$ —	$ 8.6
Other liabilities	—	2.8
	$ —	$ 11.4

During 2019, the Company, in line with the Open Up Avon strategy, identified five properties to be sold which met the held for sale criteria under ASC 360 as of December 31, 2019. The Company expects to close these transactions within a year.

Divestitures

Rye Office

On June 26, 2019, we completed the sale of the Rye office for a selling price of $23.2, less expenses of approximately $0.8, resulting in proceeds of $22.4. These proceeds are presented as investing activities in the Consolidated Statement of Cash Flows.

In the second quarter of 2019, we recorded a gain on sale of $9.9 before and after tax, which is reported separately in the Consolidated Statements of Operations. The gain recorded represents the difference between the proceeds and the carrying value of the Rye office on the date of sale. During the first quarter of 2019, we refined the calculation for the held for sale assets which gave rise to an additional $.2 in assets.

Malaysia Maximin

On May 9, 2019, we completed the sale of all of our equity interests in Malaysia Maximin for a total selling price of $7.8. The cash proceeds of $7.6, net of expenses, are presented within investing activities in the Consolidated Statement of Cash Flows.

In the second quarter of 2019, we recorded a gain on sale of $3.3 before tax, which is reported separately in the Consolidated Statements of Operations, and $3.0 after tax. The gain recorded represents the difference between the proceeds and the carrying value of Malaysia Maximin on the date of sale. During the second quarter of 2019, we refined the calculation for the held for sale assets which gave rise to an additional $1.4 in assets.

China manufacturing

On February 15, 2019, we completed the sale to TheFaceShop Co., Ltd., an affiliate of LG Household & Health Care Ltd. ("TheFaceShop"), of all of the equity interests in Avon Manufacturing (Guangzhou), Ltd. for a total selling price of $71.0, less expenses of approximately $1.1. The selling price included $23.5 relating to outstanding intercompany loans payable to Avon

Manufacturing (Guangzhou), Ltd. from other Avon subsidiaries that was presented as financing activities in the Consolidated Statement of Cash Flows, this was subsequently settled in April 2019. The cash proceeds of $46.4, net of loan amounts, are presented as investing activities in the Consolidated Statement of Cash Flows, which includes $7.6 of restricted cash as of December 31, 2019.

In the first quarter of 2019, we recorded a gain on sale of $10.3 before tax, which is reported separately in the Consolidated Statements of Operations, and $8.2 after tax, representing the difference between the proceeds, including the settlement of the intercompany loans, and the carrying value of Avon Manufacturing (Guangzhou), Ltd. on the date of sale.

New Avon

In April 2019, we signed an agreement with LG Household & Health Care Ltd. to sell our 19.9% ownership interest in New Avon. During August 2019, we completed the sale of New Avon for a selling price of $24.5. Expenses were approximately $1.1, resulting in cash proceeds of $23.4. These proceeds are presented as investing activities in the Consolidated Statement of Cash Flows.

In the third quarter of 2019, we recorded a gain on sale of $26.8 before and after tax, which is reported in the Consolidated Statements of Operations as Gain on sale of business/asset. The gain recorded represents the total proceeds and the release of AOCI of $3.4.

Our recorded investment balance in New Avon at December 31, 2019 and December 31, 2018 was zero.

NOTE 4. Investment in New Avon

In connection with the separation of the Company's North America business, which closed on March 1, 2016, the Company retained a 19.9% ownership interest in New Avon, a privately-held company that is majority-owned and managed by an affiliate of Cerberus. In April 2019, Avon and Cerberus signed an agreement with LG Household & Health Care Ltd. for the sale of New Avon, including our 19.9% ownership interest. In April 2019, Avon and Cerberus signed an agreement with LG Household & Health Care Ltd. for the sale of New Avon, including our 19.9% ownership interest. This transaction closed on August 14, 2019. See Note 3, Discontinued Operations and Assets and Liabilities Held for Sale, for additional information.

Since March 1, 2016, the Company had accounted for its ownership interest in New Avon using the equity method of accounting, which resulted in the Company recognizing its proportionate share of New Avon's income or loss and other comprehensive income or loss. Our recorded investment balance in New Avon at August 14, 2019 and December 31, 2018 was zero.

During the year ended December 31, 2017, the Company's proportionate share of the losses of New Avon was $20.2, of which $11.5 was recorded within other expense, net. In addition, during the third quarter of 2017, the Company received a cash distribution of $22.0 from New Avon, which reduced our recorded investment balance in New Avon. During the third quarter of 2017, we recorded only $1.7 of the Company's proportionate share of the losses in New Avon, as this reduced our recorded investment balance in New Avon to zero. As a result, we did not record our proportionate share of New Avon's losses from the fourth quarter of 2017 onwards. In addition, the Company's proportionate share of the post-separation other comprehensive income of New Avon was benefits of $.1 during the year ended December 31, 2017, and was recorded within other comprehensive income (loss).

The Company also recorded an additional loss of $.5 within other expense, net and a benefit of $1.1 within other comprehensive income (loss), during the year ended December 31, 2017, primarily associated with purchase accounting adjustments reported by New Avon.

NOTE 5. Related Party Transactions

The following tables present the related party transactions with New Avon, affiliates of Cerberus and the Instituto Avon in Brazil. There are no other related party transactions. On August 14, 2019, we sold our investment in New Avon to LG Household & Health Care Ltd. Upon completion of the sale, New Avon is no longer a related party, for the purposes of this disclosure, transactions with New Avon during the period it was a related party have been disclosed. See Note 3, Discontinued Operation and Assets and Liabilities Held for Sale, to the Consolidated Financial Statements contained herein, for further details.

	Year Ended December 31, 2019		Year Ended December 31, 2018	
Statement of Operations Data				
Revenue from sale of product to New Avon[(1)]	$	12.0	$	25.7
Gross profit from sale of product to New Avon[(1)]	$	0.2	$	1.6
Cost of sales for purchases from New Avon[(2)]	$	2.1	$	2.9
SG&A expenses:				
Transition services, intellectual property, research and development and subleases[(3)]	$	(0.5)	$	(5.9)
Project management team[(4)]		4.0		1.2
Net increase, (reduction) of SG&A expenses	$	3.5	$	(4.7)
Interest income from Instituto Avon[(5)]	$	.2	$	.1
	December 31, 2019		December 31, 2018	
Balance Sheet Data				
Inventories[(6)]		N/A	$	.3
Receivables due from New Avon[(6)]		N/A	$	7.0
Receivables due from Instituto Avon[(5)]	$	2.1	$	3.2
Payables due to New Avon[(6)]		N/A	$	.2
Payables due to an affiliate of Cerberus[(7)]	$	2.1	$	.6

[(1)] The Company supplies product to New Avon as part of a manufacturing and supply agreement. On August 14, 2019, the Company sold it's investment in New Avon to LG Household & Health Care Ltd.; from this point New Avon is no longer a related party. Transactions entered into with New Avon for the period it was a related party in 2019 and the twelve month period ended December 31, 2018 have been disclosed above.

[(2)] New Avon supplies products to the Company as part of the same manufacturing and supply agreement discussed in footnote [(1)] above. The Company purchased $1.6 and $2.8 from New Avon associated with this agreement during the years ended December 31, 2019 and 2018, respectively, and recorded $2.1 and $2.9 associated with these purchases within cost of sales during the years ended December 31, 2019 and 2018, respectively. On August 14, 2019, the Company sold its investment in New Avon to LG Household & Health Care Ltd; from this point New Avon is no longer a related party. Transactions entered into with New Avon for the period it was a related party in 2019 and the twelve month period ended December 31, 2018 have been disclosed above.

[(3)] The Company also entered into a transition services agreement to provide certain services to New Avon, which expired on October 31, 2018, as well as an intellectual property license agreement, an agreement for technical support and innovation and subleases for office space. In addition, New Avon performed certain services for the Company under a similar transition services agreement which expired during the third quarter of 2017. The Company recorded a net $0.5 and $5.9 reduction of SG&A expenses associated with these agreements during the years ended December 31, 2019 and 2018, respectively, which generally represents a recovery of the related costs.

[(4)] The Company also entered into agreements with an affiliate of Cerberus, which provide for the secondment of Cerberus affiliate personnel to the Company's project management team responsible for assisting with the execution of the transformation plan (the "Transformation Plan") announced in January 2016 and Open Up Avon strategy ("Open Up Avon") announced in September 2018. The Company recorded $4.0 and $1.2 in SG&A expenses associated with these agreements during the years ended December 31, 2019 and 2018, respectively. See Note 17, Restructuring Initiatives for additional information related to the Transformation Plan and Open Up Avon.

(5) During the second quarter of 2018, the Company entered into an agreement to loan the Instituto Avon, an independent non-government charitable organization in Brazil, R$12 million (Brazilian real) for an unsecured 5-year term at a fixed interest rate of 7% per annum, to be paid back in five equal annual installments. The Instituto Avon was created by an Avon subsidiary in Brazil, with the board and executive team comprised of Avon Brazil management. The purpose of the loan was to provide the Instituto Avon with the means to donate funds to Fundação Pio XII (a leading cancer prevention and treatment organization in Brazil and owner of the Hospital do Câncer de Barretos), in order to invest in equipment with the objective of expanding breast cancer prevention and treatment. During the period ended December 31, 2019, Institutio Avon repaid $1 million of the loan.

(6) On August 14, 2019, the Company sold its investment in New Avon to LG Household & Health Care Ltd.; from this point New Avon is no longer a related party. Therefore at December 31, 2019, we did not have any related party balances with New Avon.

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

In addition, the Company also issued standby letters of credit to the lessors of certain equipment, a lease for which was transferred to New Avon in connection with the separation of the Company's North America business. The initial liability for the estimated value of such standby letters of credit was $2.1, which was included in the additional loss on sale of the North America business recognized in loss from discontinued operations, net of tax in our Consolidated Statements of Operations during the year ended December 31, 2016. At December 31, 2019 and 2018, the Company had a liability of $0.4 and $1.4, respectively, for the estimated value of such standby letters of credit. The reduction of this estimated liability of $1.0 during the years ended December 31, 2019 and 2018 was recognized in other expense, net in our Consolidated Statements of Operations.

See Note 18, Series C Convertible Preferred Stock, for discussion of preferred shares issued to Cleveland Apple Investor L.P. ("Cerberus Investor") (an affiliate of Cerberus).

NOTE 6. Revenue

Disaggregation of revenue

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

	Twelve Months Ended December 31, 2019						
	Reportable segments						
	Europe, Middle East & Africa	South Latin America	North Latin America	Asia Pacific	Total reportable segments	Other operating segments and business activities	Total
Beauty:							
Skincare	$ 552.7	$ 512.7	$ 187.2	$ 118.8	$ 1,371.4	$ —	$ 1,371.4
Fragrance	562.6	415.8	188.9	77.3	1,244.6	—	1,244.6
Color	335.3	259.3	80.7	46.3	721.6	—	721.6
Total Beauty	1,450.6	1,187.8	456.8	242.4	3,337.6	—	3,337.6
Fashion & Home:							
Fashion	222.2	154.0	81.0	161.6	618.8	—	618.8
Home	35.7	234.6	173.7	26.0	470.0	—	470.0
Total Fashion & Home	257.9	388.6	254.7	187.6	1,088.8	—	1,088.8
Certain Brazil indirect taxes*	—	67.7	—	—	67.7	—	67.7
Net sales	1,708.5	1,644.1	711.5	430.0	4,494.1	—	4,494.1
Representative fees	84.7	112.9	39.8	6.8	244.2	—	—
Other	0.9	5.7	—	0.1	6.7	18.2	24.9
Other revenue	85.6	118.6	39.8	6.9	250.9	18.2	269.1
Total revenue	$ 1,794.1	$ 1,762.7	$ 751.3	$ 436.9	$ 4,745.0	$ 18.2	$ 4,763.2

	Twelve Months Ended December 31, 2018						
	Reportable segments						
	Europe, Middle East & Africa	South Latin America	North Latin America	Asia Pacific	Total reportable segments	Other operating segments and business activities	Total
Beauty:							
Skincare	$ 619.2	$ 564.3	$ 166.9	$ 124.3	$ 1,474.7	$ 6.4	$ 1,481.1
Fragrance	636.6	483.9	218.1	89.5	1,428.1	2.9	1,431.0
Color	398.7	310.7	81.8	54.1	845.3	4.8	850.1
Total Beauty	1,654.5	1,358.9	466.8	267.9	3,748.1	14.1	3,762.2
Fashion & Home:							
Fashion	298.0	190.6	94.4	167.8	750.8	3.0	753.8
Home	45.3	283.4	204.2	28.4	561.3	2.0	563.3
Total Fashion & Home	343.3	474.0	298.6	196.2	1,312.1	5.0	1,317.1
Brazil IPI tax release**	—	168.4	—	—	168.4	—	168.4
Net sales	1,997.8	2,001.3	765.4	464.1	5,228.6	19.1	5,247.7
Representative fees	95.3	135.7	43.9	6.5	281.4	2.0	283.4
Other	0.7	9.9	—	0.2	10.8	29.4	40.2
Other revenue	96.0	145.6	43.9	6.7	292.2	31.4	323.6
Total revenue	$ 2,093.8	$ 2,146.9	$ 809.3	$ 470.8	$ 5,520.8	$ 50.5	$ 5,571.3

* 2019 includes the impact of certain Brazil indirect taxes which was recorded in product sales of approximately $68, in our Consolidated Income Statements. See Note 21 Supplemental Balance Sheet Information, to the Consolidated Financial Statements contained herein for further information.
**2018 includes the impact of the Brazil IPI, which was recorded in product sales of approximately $168, in our Consolidated Income Statements. See Note 19, Contingencies, to the Consolidated Financial Statements contained herein for further information.

Contract balances

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

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

The following table provides information about receivables and contract liabilities from contracts with customers at December 31, 2019 and 2018:

	December 31, 2019	December 31, 2018
Accounts receivable, net of allowances of $66.6 and $93.0	$ 280.2	$ 349.7
Contract liabilities	$ 51.0	$ 84.4

The contract liability balances relate to certain material rights (loyalty points, status program and prospective discounts). During the twelve months ended December 31, 2019, we recognized $69.5 of revenue related to the contract liability balance at December 31, 2018, as the result of performance obligations satisfied. In addition, we deferred an additional $36.6 related to certain material rights granted during the period, for which the performance obligations are not yet satisfied. Of the amount deferred during the period, substantially all will be recognized within a year, with the significant majority to be captured within a quarter. The remaining movement in the contract liability balance is attributable to foreign exchange differences arising on the translation of the balance as at December 31, 2019 as compared with December 31, 2018.

Contract costs

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

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

NOTE 7. Inventories

Inventories at December 31 consisted of the following:

	2019	2018
Raw materials	$ 130.6	$ 157.8
Finished goods	321.7	384.2
Total	$ 452.3	$ 542.0

These amounts are net of the allowance for inventory obsolescence, and include the impact of an incremental one-off inventory obsolescence expense of $88 recognized at December 31, 2018, resulting from the structural reset of inventory announced in January 2019.

NOTE 8. Debt and Other Financing

Debt

Debt at December 31 consisted of the following:

	2019	2018
Debt maturing within one year:		
Short term debt	$ 1.8	$ 8.8
Current portion of long-term debt	—	3.2
Total	$ 1.8	$ 12.0
Long-term debt:		
Finance lease liabilities	1.4	—
4.60% Notes, due March 2020	—	386.4
6.50% Senior Secured Notes, due August 2022	392.6	—
7.875% Senior Secured Notes, due August 2022	495.8	494.2
5.00% Notes, due March 2023	459.3	458.5
Other debt, payable through 2025	—	4.6
6.95% Notes, due March 2043	241.3	241.1
Total	1,590.4	1,584.8
Less current portion	—	(3.2)
Total long-term debt	$ 1,590.4	$ 1,581.6

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

Notes payable included short-term borrowings of international subsidiaries.

Unsecured Notes

In March 2013, we issued, in a public offering, $250.0 principal amount of 2.375% Notes due March 15, 2016 (the "2.375% Notes"), $500.0 principal amount of 4.60% Notes due March 15, 2020 (the "4.60% Notes"), $500.0 principal amount of 5.00% Notes due March 15, 2023 (the "5.00% Notes") and $250.0 principal amount of 6.95% Notes due March 15, 2043 (the "6.95% Notes") (collectively, the "2013 Notes"). In March 2008, we issued $350.0 principal amount of 6.50% Notes due March 1, 2019 (the "6.50% Notes"). Interest on the 2013 Notes is payable semi-annually on March 15 and September 15 of each year, and interest on the 6.50% Notes is payable semi-annually on March 1 and September 1 of each year.

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

In August 2016, we completed cash tender offers which resulted in a reduction of principal of $108.6 of our 5.75% Notes due March 1, 2018 (the "5.75% Notes"), $73.8 of our 4.20% Notes due July 15, 2018 (the "4.20% Notes"), $68.1 of our 6.50% Notes and $50.1 of our 4.60% Notes.

In October 2016, we repurchased $44.0 of our 6.50% Notes, $44.0 of our 4.20% Notes, $40.0 of our 4.60% Notes and $35.2 of our 5.75% Notes. The aggregate repurchase price was equal to the principal amount of the notes, plus a premium of $6.2 and accrued interest of $1.1.

In December 2016, we repurchased $11.1 of our 5.00% Notes and $6.2 of our 6.95% Notes, and the aggregate repurchase price was equal to the principal amount of the notes, less a discount received of $1.3 and plus accrued interest of $.3.

In June 2018, we prepaid the remaining principal amount of our 6.50% Notes. The prepayment price was equal to the remaining principal amount of $237.8, plus a make-whole premium of $6.2 and accrued interest of $4.6. In connection with the prepayment, we incurred a loss on extinguishment of debt of $2.9 before tax in the second quarter of 2018 consisting of the $6.2 make-whole premium, and the write-off of $.3 of debt issuance costs and discounts related to the initial issuances of the notes that were prepaid, partially offset by a write off of a deferred gain of $3.6 associated with the March 2012 interest-rate swap agreement termination (see Note 11, Financial Instruments and Risk Management).

In the fourth quarter of 2018, we repurchased $23.0 of our 4.60% Notes and $27.0 of our 5.00% Notes. The aggregate repurchase price was equal to the principal amount of the notes, less a discount received of $2.4 and accrued interest of $.7. In connection with these repurchases of debt, we incurred a gain on extinguishment of debt of $2.1 before tax in the fourth quarter of 2018 consisting of the $2.4 discount received for the repurchases, partially offset by $0.3 for the write-off of debt issuance costs and discounts related to the initial issuance of the notes that were repurchased.

In July 2019, we repurchased $274.8 of our 4.60% Notes by way of a tender offer. The aggregate repurchase price was equal to the principal amount of $274.8 less a discount received of $0.6, plus an early tender premium of $8.2 and accrued interest of $5.4. In December 2019, we prepaid the remaining principal amount of our 4.6% Notes. The prepayment price was equal to the remaining principal amount of $112.2, plus a make-whole premium of $1.4 and accrued interest of $1.7. In connection with these repurchases of debt, we incurred a loss on extinguishment of debt of $8.1 before tax in the third quarter and $1.5 before tax in the fourth quarter of 2019.

At December 31, 2019 and 2018, the carrying values of our unsecured notes were comprised of the following:

	2019				2018			
	Remaining Principal	Unamortized Discounts	Unamortized Debt Issuance Costs	Total	Remaining Principal	Unamortized Discounts	Unamortized Debt Issuance Costs	Total
4.60% Notes, due March 2020	—	—	—	—	387.0	(.1)	(.5)	386.4
5.00% Notes, due March 2023	461.9	(1.5)	(1.1)	459.3	461.9	(1.9)	(1.5)	458.5
6.95% Notes, due March 2043	243.9	(.5)	(2.1)	241.3	243.9	(.6)	(2.2)	241.1

The indentures governing our outstanding notes described above contain certain customary covenants, customary events of default, cross-default provisions and change in control provisions. In July and September 2019, bondholder consents for the 5% Notes and the 6.95% Notes, respectively, were obtained to amend the definition of "change of control" to permit the acquisition of Avon by Natura. No repayment of notes was triggered by the Transaction with Natura &Co.

Senior Secured Notes

In August 2016, Avon International Operations, Inc. ("AIO"), a wholly-owned domestic subsidiary of the Company, issued, in a private placement exempt from registration under the Securities Act of 1933, as amended, $500.0 in aggregate principal amount of 7.875% Senior Secured Notes, which will mature on August 15, 2022 (the "2016 Notes"). Interest on our 2016 Notes is payable semi-annually on February 15 and August 15 of each year. This represents the total debt for AIO at December 31, 2019 and 2018.

In July 2019, Avon International Capital, p.l.c. ("AIC"), a wholly-owned foreign subsidiary of the Company, issued, in a private placement exempt from registration under the Securities Act of 1933, as amended, $400.0 in aggregate principal amount of 6.5% Senior Secured Notes, which will mature on August 15, 2022 (the "2019 Notes"). Interest on the 2019 Notes is payable semi-annually on February 15 and August 15 of each year. The 2019 Notes are listed on The International Stock Exchange. This represents the total debt for AIC at December 31, 2019. AIC was incorporated in January 2019 and therefore there is no 2018 comparison.

All obligations of AIO and AIC under our Senior Secured Notes are unconditionally guaranteed by the Company, AIO and each other material US or English restricted subsidiary of the Company (collectively, the "Obligors"), in each case, subject to certain exceptions. The obligations of the Obligors are secured by first priority liens on and security interests in substantially all of the assets of the Obligors, in each case, subject to certain exceptions.

The AIO and AIC indentures governing our Senior Secured Notes contains certain customary covenants and restrictions, customary events of default, cross-default provisions and change in control provisions. The indentures also contain a covenant requiring AIO and its restricted subsidiaries to, at the end of each year, own at least a certain percentage of the total assets of API and its restricted subsidiaries, subject to certain qualifications.

See Note 24, Subsequent Events, of our Annual Report for more information on change in control involving Avon. No repayment of notes was triggered by the Transaction with Natura &Co.

At December 31, 2019 and 2018, the carrying values of our senior secured notes were comprised of the following:

	2019				2018			
	Remaining Principal	Unamortized Discounts	Unamortized Debt Issuance Costs	Total	Remaining Principal	Unamortized Discounts	Unamortized Debt Issuance Costs	Total
6.50% Senior Secured Notes, due August 2022	400.0	(7.4)	—	392.6	—	—	—	—
7.875% Senior Secured Notes, due August 2022	500.0	(4.2)	—	495.8	500.0	(5.8)	—	494.2

Maturities of Long-Term Debt

Annual maturities of long-term debt, which includes our notes and capital leases outstanding at December 31, 2019, are as follows:

	2020	2021	2022	2023	2024	2024 and Beyond	Total
Maturities	$ —	$ 0.9	$ 900.6	$ 462.0	$ —	$ 243.8	$ 1,607.3

Other Financing

Revolving Credit Facility

In June 2015, Avon International Operations, Inc. ("AIO"), a wholly-owned domestic subsidiary of the Company, entered into a five-year $400.0 senior secured revolving credit facility (the "2015 facility"). As of December 31, 2019, there were no amounts outstanding under the 2015 facility.

In February 2019, AIC, a wholly-owned foreign subsidiary of the Company, entered into a three-year €200.0 senior secured revolving credit facility (the "2019 facility"). As of December 31, 2019 this amounted to $224. The 2019 facility replaced the 2015 facility and the 2015 facility was terminated at such time. Borrowings under the 2019 facility bear interest at our option, at a rate per annum, equal to either LIBOR or EURIBOR (for any loan in euros) plus 225 basis points, in each case subject to adjustment based upon a leveraged-based pricing grid. The 2019 facility was available for general corporate and working capital purposes.

In the first quarter of 2019, $2.0 was recorded for the write-off of unamortized issuance costs related to the 2015 revolving credit facility. In the first quarter of 2019, the Company capitalized $11.0 of issue costs relating to the new revolving credit facility; the cash outflow is presented in other financing activities within the Consolidated Statement of Cash Flows. As of December 31, 2019, there were no amounts outstanding under the 2019 facility and on January 3, 2020, the facility was automatically cancelled upon change of control, and as a result $7.8 was of unamortized issuance costs were written off, see Note 23, Agreement and Plan of Mergers with Natura Cosméticos S.A., to the Consolidated Financial Statements included herein.

The amount of the facility available to be drawn down on is reduced by any standby letters of credit granted by an obligor, which, as of December 31, 2019, was approximately $22. As of December 31, 2019, based on then applicable exchange rates, the entire amount of the remaining 2019 facility, which is approximately €180 million, could have been drawn down without violating any covenant.

All obligations of AIC under the 2019 facility were unconditionally guaranteed by the Obligors, in each case, subject to certain exceptions. The obligations of the Obligors were secured by first priority liens on and security interests in substantially all of the assets of the Obligors, in each case, subject to certain exceptions.

The 2019 facility contained affirmative and negative covenants, which are customary for secured financings of this type, as well as financial covenants (interest coverage and total leverage ratios).

Letters of Credit

At December 31, 2019 and December 31, 2018, we also had letters of credit outstanding under our revolving credit facility totaling $22.2 and $29.4, respectively. The balances at December 31, 2019 and 2018 primarily relate to letters of credit issued to lessors of certain equipment, a lease which was transferred to New Avon in connection with the separation of the Company's North America business. The balances at December 31, 2019 and December 31, 2018 also include letters of credit which guarantee various insurance activities.

Long-Term Credit Ratings

Our long-term credit ratings are: Moody’s ratings of Negative Outlook with B1 for corporate family debt, B3 for senior unsecured debt, and Ba1 for our Senior Secured Notes; S&P ratings of Stable Outlook with B+ for corporate family debt and senior unsecured debt and BB for our Senior Secured Notes; and Fitch rating of Positive Outlook with B+, each of which are below investment grade.

However, our credit ratings remain below investment grade which may impact our ability to access such transactions on favorable terms.

NOTE 9. Accumulated Other Comprehensive Income (Loss)

The tables below present the changes in AOCI by component and the reclassifications out of AOCI during 2019 and 2018:

	Foreign Currency Translation Adjustments	Cash Flow Hedges	Net Investment Hedges	Pension and Postretirement Benefits	Investment in New Avon	Total
Balance at December 31, 2018	$ (936.2)	$ 0.5	$ (4.3)	$ (93.8)	$ 3.4	$ (1,030.4)
Other comprehensive (loss) other than reclassifications	(6.5)	(2.4)	—	(8.0)	—	(16.9)
Reclassifications into earnings:						
Derivative loss on cash flow hedges, net of tax of $0	—	1.3	—	—	—	1.3
Amortization of net actuarial loss and prior service cost, net of tax of $0.4(1)	—	—	—	9.4	—	9.4
Sale of New Avon	—		—	—	(3.4)	(3.4)
Total reclassifications into earnings	—	1.3	—	9.4	(3.4)	7.3
Balance at December 31, 2019	$ (942.7)	$ (0.6)	$ (4.3)	$ (92.4)	$ —	$ (1,040.0)

	Foreign Currency Translation Adjustments	Cash Flow Hedges	Net Investment Hedges	Pension and Postretirement Benefits	Investment in New Avon	Total
Balance at December 31, 2017	$ (829.6)	$ —	$ (4.3)	$ (95.7)	$ 3.4	$ (926.2)
Other comprehensive (loss) income other than reclassifications	(106.6)	.5	—	(8.6)	—	(114.7)
Reclassifications into earnings:						
Derivative gains on cash flow hedges, net of tax of $0	—	—	—	—	—	—
Amortization of net actuarial loss and prior service cost, net of tax of $0.6(1)	—	—	—	10.5	—	10.5
Total reclassifications into earnings	—		—	10.5	—	10.5
Balance at December 31, 2018	$ (936.2)	$ 0.5	$ (4.3)	$ (93.8)	$ 3.4	$ (1,030.4)

(1) Gross amount reclassified to other expense, net, and related taxes reclassified to income taxes.

A foreign exchange net gain of $.8 for 2019, a net loss of $6.9 for 2018, and a net gain of $16.3 for 2017, resulting from the translation of actuarial losses and prior service cost recorded in AOCI, are included in changes in foreign currency translation adjustments in our Consolidated Statements of Comprehensive Income (Loss).

NOTE 10. Income Taxes

Income from continuing operations, before taxes for the years ended December 31 was as follows:

	2019	2018	2017
United States	$ (108.3)	$ 39.3	$ (147.6)
Foreign	246.7	68.8	268.3
Total	$ 138.4	$ 108.1	$ 120.7

The provision for income taxes for the years ended December 31 was as follows:

	2019	2018	2017
Federal:			
Current	$ (9.0)	$ (6.1)	$ —
Deferred	8.5	3.7	(34.0)
Total Federal	(0.5)	(2.4)	(34.0)
Foreign:			
Current	79.0	182.3	130.6
Deferred	28.9	(53.0)	3.8
Total Foreign	107.9	129.3	134.4
State and Local:			
Current	(4.3)	3.0	.3
Deferred	—	—	—
Total State and other	(4.3)	3.0	.3
Total	$ 103.1	$ 129.9	$ 100.7

The continuing operations effective tax rate for the years ended December 31 was as follows:

	2019	2018	2017
Statutory federal rate	21.0 %	21.0 %	35.0 %
State and local taxes, net of federal tax benefit	(2.7)	2.2	.2
U.S. Tax Reform	—	—	(24.7)
Tax on foreign income	62.1	(16.2)	6.0
Tax on uncertain tax positions - Brazil	8.1	67.4	—
Tax on uncertain tax positions - Rest of World	8.5	8.5	(3.6)
Reorganizations	185.6	(91.3)	—
Net change in valuation allowances	(208.0)	128.3	62.4
Imputed royalties and associated non-deductible expenses	—	.6	9.5
Research credits	(.9)	(1.3)	(1.3)
Other	.8	1.0	(.1)
Effective tax rate	74.5 %	120.2 %	83.4 %

In 2019, as a result of continued business model changes related to the move of the Company’s headquarters from the US to the UK, the Company recognized one time tax charges of $256.9 reflected in the "Reorganizations" line above associated primarily with the rationalization and re-alignment of the Company’s legal entity structure which resulted in the use of approximately $256.9 of Foreign Tax Credits, deferred tax assets and other tax attributes.

In 2019, the Net Change in Valuation Allowances line in the rate reconciliation above includes: 1) $232.5 of decreases to the Valuation Allowances primarily associated with the utilization of Foreign Tax Credits and deferred tax assets offsetting the one-time tax charges of $256.9 noted in the "Reorganizations" line above; and 2) $66.5 of decreases due to a tax rate change offsetting equivalent and associated write-offs of deferred tax assets reflected in the “Tax on Foreign Income” line above.

In 2018, as a result of continued business model changes related to the move of the Company's headquarters from the US to the UK, the Company recognized one-time tax benefits of $98.7 reflected in the "Reorganizations" line above associated primarily with the: rationalization and re-alignment of the Company's legal entity structure, the ownership transfer of certain operational assets within the consolidated group and the tax benefit associated with the Foreign Derived Intangible Income provisions of the Tax Cuts and Jobs Act in the U.S.

In 2018, the Net Change in Valuation Allowances line in the rate reconciliation above includes $138.6 of increases to the Valuation Allowances primarily associated with Deferred Tax Assets generated in 2018. Reductions to Valuation Allowances of $93.0 were reflected in other captions of the rate reconciliation net of the associated Deferred Tax Assets which were expensed or written off during 2018 as follows: $57.2 for excess tax basis in deconsolidated subsidiaries that was re-allocated against investments in consolidated subsidiaries, $15.3 for reduction of future tax benefits anticipated for state deferred tax assets, $11.7 of other Deferred Tax Assets and a reduction of $8.8 of Deferred Tax Assets associated with the repatriation of earnings from consolidated subsidiaries.

In 2017, as a result of the enactment of the Tax Cuts and Jobs Act in the U.S., the Company recognized a net income tax benefit of $29.9 associated with the following items which are reflected in the "U.S. Tax Reform" line above: $33.5 for a valuation allowance release associated with minimum tax credits which can be utilized and/or refunded in the future and $3.6 for an uncertain tax position for potential withholding taxes on the repatriation of unremitted earnings. In addition, there was no impact on our financial position or results associated with each of the following: a write-off of deferred tax assets and their associated valuation allowance of $161.4 due to the rate change from 35% to 21%; a reversal of deferred tax liabilities and recording of a valuation allowance of $66.7 associated with unremitted earnings; establishment of deferred tax assets for other miscellaneous withholding tax items and their associated valuation allowance of $5.5; and a one-time tax on offshore earnings and the associated utilization of foreign tax credits of $2.9.

Included in the net change in valuation allowance noted above for 2017, we released valuation allowances of $25.5 associated with a number of markets in Europe, Middle East & Africa as a result of a business model change related to the move of the Company's headquarters from the U.S. to the UK.

Given the timing of the enactment of the Tax Cuts and Jobs Act on December 22, 2017, the SEC issued guidance under SAB 118 directing taxpayers to consider the impact of the new legislation as "provisional" when it does not have the necessary information available, prepared or analyzed (including computations) in reasonable detail to complete its accounting for the effects resulting from the change in law. As of December 22, 2017, except for the impact of remeasuring our deferred tax assets at the 21% rate, we accounted for all other impacts of the new legislation, including but not limited to effects on existing deferred taxes and valuation allowances, a one-time tax on offshore earnings, potential changes to and impact of our indefinite reinvestment assertion, and the measurement of deferred taxes on foreign unremitted earnings, on a provisional basis on our financial statements. The amounts reported at that time represented our best estimate given the data we had available and based on our interpretation of the U.S. legislation. During 2018, the U.S. Treasury issued various guidance on the application of certain provisions that may impact our calculations. As of December 31, 2018, the Company completed its accounting for the impact of the Tax Cuts and Jobs Act including any necessary adjustments to the "provisional" amounts previously recorded. The recording of the additional adjustments had no material impact on our financial position or results.

Deferred tax assets (liabilities) at December 31 consisted of the following:

	2019	2018
Deferred tax assets:		
Tax loss and deduction carryforwards	$ 2,111.5	$ 2,144.3
Tax credit carryforwards	658.3	830.5
All other future deductions	485.5	560.8
Valuation allowance	(2,960.0)	(3,257.5)
Total deferred tax assets	295.3	278.1
Deferred tax liabilities	$ (142.2)	$ (85.1)
Net deferred tax assets	$ 153.1	$ 193.0

Deferred tax assets (liabilities) at December 31 were classified as follows:

	2019	2018
Deferred tax assets:		
Other assets	$ 161.2	$ 212.6
Total deferred tax assets	161.2	212.6
Deferred tax liabilities:		
Long-term income taxes	$ (8.1)	$ (19.6)
Total deferred tax liabilities	(8.1)	(19.6)
Net deferred tax assets	$ 153.1	$ 193.0

During 2019, the Company recorded a net decrease to its valuation allowance of $297.5 primarily related to the usage of certain tax credits and other tax attributes associated with rationalization and re-alignment of the Company's legal entity structure, change in applicable tax rates and the expiration of other tax attribute carryforwards, both credit and loss carryforwards. In the future, the Company will continue to evaluate whether its financial results will allow for the valuation allowances to be released. Release of the valuation allowance in the future would occur when the deferred tax assets associated with the valuation allowance are determined to be more likely than not of being realized.

At December 31, 2019, the valuation allowance primarily represents amounts for substantially all U.S. deferred tax assets, certain foreign tax loss carryforwards and certain other foreign deferred tax assets. The recognition of deferred tax assets was based on the evaluation of current and estimated future profitability of the operations, reversal of deferred tax liabilities and the likelihood of utilizing tax credit and/or loss carryforwards. Tax planning strategies were also considered and evaluated as support for the realization of deferred tax assets. Where these sources of income existed along with sufficient positive evidence that indicated it was more likely than not that such sources of income could be relied upon, then the deferred tax assets were not reduced by a valuation allowance.

At December 31, 2019, exclusive of ASU 2013-11 reductions, we had recognized deferred tax assets of $670.3 relating to tax credit carryforwards (U.S. foreign tax credits, minimum tax credits, research and experimentation credits and other tax credits) for which a valuation allowance of $649.5 has been provided and for which $11.9 has also been offset in accordance with ASU2013-11. The tax credit carryforwards consist of U.S. foreign tax credits of $629.5 which are subject to expiration between 2022 and 2027; U.S. research and experimentation credits of $21.6 which are subject to expiration between 2027 and 2039 U.S. minimum tax credits of $8.9 which are not subject to expiration; and other tax credits of $10.3 which are subject to expiration between 2020 and 2034.

At December 31, 2019, exclusive of ASU 2013-11 reductions, we had recognized deferred tax assets of $2,136.5 relating to foreign and state tax loss carryforwards for which a valuation allowance of $2,018.6 has been provided and for which $25.0 has also been offset in accordance with ASU2013-11. The deferred tax assets relating to tax loss carryforwards consist of $2,011.5 of foreign tax loss carryforwards, for which a valuation allowance of $1,918.5 has been provided, and $100.0 of state tax loss carryforwards, for which a valuation allowance of $100.0 has been provided.

At December 31, 2019 we had foreign tax loss carryforwards of $9,553.3, of which $7,611.6 are not subject to expiration and $1,941.5 are subject to expiration between 2020 and 2049. At December 31, 2019, we had state tax loss carryforwards, after taking into consideration the estimated effects of pre-apportionment states, of $1,443.7 which are subject to expiration between 2020 and 2039.

At December 31, 2019, as a result of our U.S. liquidity profile, we continue to assert that substantially all of our foreign earnings are not indefinitely reinvested. Accordingly, we adjusted our deferred tax liability as of December 31, 2019 to account for undistributed earnings of foreign subsidiaries outstanding at year-end and for the tax effect of earnings that were actually repatriated to the U.S. during the year. The net impact on the deferred tax liability associated with the Company's undistributed earnings is a decrease of $12.5, resulting in a deferred tax liability balance of $6.1 related to the incremental tax cost on approximately $1.2 billion of undistributed foreign earnings at December 31, 2019.

Uncertain Tax Positions

At December 31, 2019, we had $331.7 of total gross unrecognized tax benefits of which approximately $130.9 would favorably impact the provision for income taxes, if recognized.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

Balance at December 31, 2016	$	58.7
Additions based on tax positions related to the current year		1.3
Additions for tax positions of prior years		17.6
Reductions for tax positions of prior years		(7.9)
Reductions due to lapse of statute of limitations		(3.1)
Reductions due to settlements with tax authorities		(18.0)
Balance at December 31, 2017		48.6
Additions based on tax positions related to the current year		43.5
Additions for tax positions of prior years		65.5
Reductions for tax positions of prior years		(3.7)
Reductions due to lapse of statute of limitations		(.9)
Reductions due to settlements with tax authorities		(15.4)
Balance at December 31, 2018		137.6
Additions based on tax positions related to the current year		13.3
Additions for tax positions of prior years		186.6
Reductions for tax positions of prior years		(3.0)
Reductions due to lapse of statute of limitations		(.6)
Reductions due to settlements with tax authorities		(2.2)
Balance at December 31, 2019	$	331.7

We accrue interest and penalties related to unrecognized tax benefits in the provision for income taxes. We reversed previously recorded expenses for interest and penalties, net of taxes by $1.0, net of taxes during the years ended December 31, 2019, 2018 and 2017, respectively. At December 31, 2019 and 2018 we had $6.3 and $7.4, respectively, recorded for interest and penalties, net of tax benefit. The unrecognized tax benefits, including interest and penalties, were classified within long-term income taxes in our Consolidated Balance Sheets.

We file income tax returns in the U.S. and foreign jurisdictions. As of December 31, 2019, the tax years that remained subject to examination by major tax jurisdiction for our most significant subsidiaries were as follows:

Jurisdiction	Open Years
Brazil	2014-2019
Mexico	2014-2019
Philippines	2016-2019
Poland	2014-2019
Russia	2017-2019
United Kingdom	2017-2019
United States (Federal)	2017-2019

We anticipate that it is reasonably possible that the total amount of unrecognized tax benefits will not change materially within the next twelve months.

NOTE 11. Financial Instruments and Risk Management

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

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

Derivatives are recognized in the Consolidated Balance Sheets at their fair values. The following table presents the fair value of derivative instruments at December 31, 2019:

	Asset		Liability	
	Balance Sheet Classification	Fair Value	Balance Sheet Classification	Fair Value
Derivatives designated as hedges:				
Foreign exchange forward contracts	Prepaid expenses and other	$ —	Accounts payable	$ .6
Derivatives not designated as hedges:				
Foreign exchange forward contracts	Prepaid expenses and other	$ 5.6	Accounts payable	$ 3.2
Total derivatives		$ 5.6		$ 3.8

The fair value of derivative instruments outstanding was immaterial at December 31, 2018.

Interest Rate Risk

In the past we have used interest-rate swap agreements, which effectively converted the fixed rate on long-term debt to a floating interest rate, to manage our interest rate exposure. The agreements were designated as fair value hedges. At December 31, 2019 and 2018, we do not have any interest-rate swap agreements. Approximately —% and 1% of our debt portfolio at December 31, 2019 and 2018, respectively, was exposed to floating interest rates.

In March 2012, we terminated two of our interest-rate swap agreements previously designated as fair value hedges, with notional amounts totaling $350. As of the interest-rate swap agreements' termination date, the aggregate favorable adjustment to the carrying value (deferred gain) of our debt was $46.1, which is being amortized as a reduction to interest expense over the remaining term of the underlying debt obligations through March 2019. During the years ended December 31, 2019 and 2018, the net impact of the gain amortization was zero and $6.0, respectively, including $3.6 related to the extinguishment of debt during the year ended December 31, 2018 (see Note 8, Debt and Other Financing). At December 31, 2019, there was no unamortized deferred gain associated with the March 2012 interest-rate swap termination, as the underlying debt obligations have been paid.

Foreign Currency Risk

We may use foreign exchange forward contracts to manage a portion of our foreign currency exchange rate exposures. At December 31, 2019, we had outstanding foreign exchange forward contracts with notional amounts totaling approximately $816 for various currencies, of which $3.7 were designated as cash flow hedges.

We may use foreign exchange forward contracts to manage foreign currency exposure of certain intercompany loans. The change in fair value of these contracts is immediately recognized in earnings and substantially offsets the foreign currency impact recognized in earnings relating to the associated intercompany loans. During the years ended December 31, 2019 and 2018, we recorded gains of $42.1 and $2.6, respectively, in other expense, net in our Consolidated Statements of Operations related to these undesignated foreign exchange forward contracts.

During the first quarter of 2019, we discontinued our program to hedge foreign exchange risk relating to forecasted operational transactions. The last of our designated cash flow hedges will expire during the first quarter of 2020. Our designated hedges did not have a material impact on our Consolidated Financial Statements for the year ended December 31, 2019.

Credit Risk of Financial Instruments

Our foreign currency derivatives are typically 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 agreements would have resulted in a write-off of $5.6 at December 31, 2019. 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 rates.

NOTE 12. Fair Value

Assets and Liabilities Recorded at Fair Value

The fair value measurement provisions required by GAAP establish a fair value hierarchy, which prioritizes the inputs used in measuring fair value into three broad levels as follows:

- Level 1 - Quoted prices in active markets for identical assets or liabilities.
- Level 2 - Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly.
- Level 3 - Unobservable inputs based on our own assumptions.

Assets and Liabilities Recorded at Fair Value on a Recurring Basis

The following table presents the fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31, 2019:

	Level 1	Level 2	Total
Assets:			
Available-for-sale securities	$ 4.3	$ —	$ 4.3
Foreign exchange forward contracts	$ —	$ 5.6	$ 5.6
Total	$ 4.3	$ 5.6	$ 9.9
Liabilities:			
Foreign exchange forward contracts	$ —	$ 3.8	$ 3.8
Total	$ —	$ 3.8	$ 3.8

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

Other than our defined benefit pension and postretirement plan assets, the assets and liabilities measured at fair value on a recurring basis are comprised of foreign exchange forward contracts (see Note 11, Financial Instruments and Risk Management) and available-for-sale securities, which were immaterial at December 31, 2019 and 2018. See Note 14, Employee Benefit Plans, for the fair value hierarchy for our plan assets. The available-for-sale securities include securities held in a trust in order to fund future benefit payments for non-qualified retirement plans (see Note 14, Employee Benefit Plans).

Fair Value of Financial Instruments

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

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

	2019		2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Available-for-sale securities	$ 4.3	$ 4.3	$ 3.8	$ 3.8
Debt maturing within one year[(1)]	(1.8)	(1.8)	(12.0)	(12.0)
Long-term debt[(1)]	(1,590.4)	(1,748.1)	(1,581.6)	(1,460.2)
Foreign exchange forward contracts	1.8	1.8	(5.1)	(5.1)

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

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

- Available-for-sale securities - The fair values of these investments were the quoted market prices for issues listed on securities exchanges.

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

NOTE 13. Share-Based Compensation Plans

The Avon Products, Inc. 2013 Stock Incentive Plan, as amended and restated (the "2013 Plan") and the Avon Products, Inc. 2016 Omnibus Incentive Plan (the "2016 Plan"), which are shareholder-approved plans, provide for several types of share-based incentive compensation awards including stock options, restricted stock, restricted stock units and performance restricted stock units. Following shareholder approval of the 2016 Plan in May 2016, there were no further awards made under the 2013 Plan. Under the 2013 Plan, the maximum number of shares that may be awarded is 55,000,000 shares, where the maximum number of shares are reduced as follows: (i) in the case of the grant of an award of an option or stock appreciation right ("SAR"), by each share subject to such an award and (ii) in the case of the grant of an award payable in shares other than an option or SAR by 3.13 multiplied by each share subject to such an award. Under the 2016 Plan, the maximum number of shares that may be awarded is 48,000,000 shares, where the maximum number of shares are reduced as follows: (i) in the case of the grant of an award of an option or SAR, by each share subject to such an award and (ii) in the case of the grant of an award payable in shares other than an option or SAR by 2.4 multiplied by each share subject to such an award. Shares issued under share-based awards will be primarily funded with issuance of new shares.

The 2016 Plan was amended and restated (the “Amended and Restated 2016 Plan”) following shareholder approval in May 2019. Under the Amended and Restated 2016 Plan, the maximum number of shares was amended to 20,451,976 shares of common stock, which includes 5,000,000 additional shares and 15,451,976 unused shares under the 2016 Plan as of March 15, 2019, where the maximum number of shares are reduced as follows: (i) in the case of the grant of an award of an option or SAR, by each share subject to such an award and (ii) in the case of the grant of an award payable in shares other than an option or SAR by 1.35 multiplied by each share subject to such an award. Shares issued under share-based awards will be primarily funded with issuance of new shares.

We have issued stock options and restricted stock under the 2016 Plan (including under the Amended and Restated 2016 Plan), and restricted stock units and performance restricted stock units under the 2013 Plan and the 2016 Plan (including under the Amended and Restated 2016 Plan). We also have outstanding stock options under our prior shareholder-approved plans. Stock option awards are granted with an exercise price generally at a premium to the closing market price of our stock at the date of grant. Stock options generally vest in thirds over the three-year period following each option grant date and have ten-year contractual terms. Restricted stock units granted to Associates generally vest and settle after three years. Restricted stock units awarded to non-management directors vest in approximately one year and settle upon a director's departure from the Board of Directors. Performance restricted stock units generally vest after three years only upon the satisfaction of certain market or performance conditions.

For the years ended December 31:

	2019	2018	2017
Compensation cost for stock options, performance restricted stock units, restricted stock units, and restricted stock	$ 15.6	$ 13.8	$ 24.2
Total income tax benefit recognized for share-based arrangements	1.3	2.0	1.4

All of the compensation cost for stock options, performance restricted stock units, restricted stock units and restricted, including those that will be funded with treasury shares, for 2019, 2018 and 2017 was recorded in SG&A expenses in our Consolidated Statements of Operations.

Stock Options

During 2019, 2018 and 2017, we granted premium-priced stock options, in which the exercise price was equal to a 25% premium, a 25% premium and 30% premium, respectively, from the closing market price of our stock price at the date of grant. The premium-priced stock options vest on a three-year graded vesting schedule. The fair value of each premium-priced stock option is estimated on the date of grant using a Monte-Carlo simulation. When estimating the fair value of each option, we used the following weighted-average assumptions for options granted during the years ended December 31, 2019, 2018 and 2017:

	2019	2018	2017
Risk-free rate(1)	2.4%	2.7%	2.1%
Expected term(2)	7 years	7 years	7 years
Expected Avon volatility(3)	45%	42%	41%
Expected dividends	—%	—%	—%

(1) The risk-free rate was based upon the rate on a zero coupon U.S. Treasury bill, for periods within the contractual life of the option, in effect at the time of grant.

(2) The expected term of the option was based on the vesting terms of the respective option and a contractual life of 10 years.

(3) Expected Avon volatility was based on the daily historical volatility of our stock price, over a period similar to the expected life of the option.

The weighted-average grant-date fair value per share of options granted were $1.13, $1.04 and $1.54 during 2019, 2018 and 2017, respectively.

A summary of stock options as of December 31, 2019, and changes during 2019, is as follows:

	Shares (in 000's)	Weighted-Average Exercise Price	Weighted-Average Contractual Term	Aggregate Intrinsic Value
Outstanding at January 1, 2019	18,962	$ 9.05		
Granted	4,755	3.43		
Exercised	(3,071)	5.07		
Forfeited	(3,242)	5.33		
Expired	(2,525)	14.84		
Outstanding at December 31, 2019	14,878	$ 7.91	7.5	$ 21,766.0
Exercisable at December 31, 2018	8,832	$ 10.61	6.30	$ 4,223.0

We recognize expense on stock options using a graded vesting method, which recognizes the associated expense based on the timing of option vesting dates. At December 31, 2019, there was $3.5 of unrecognized compensation cost related to stock options outstanding. That cost is expected to be recognized over a weighted-average period of 1.9 years.

There were no stock options exercised during 2019, 2018 or 2017.

Restricted Stock Units and Performance Restricted Stock Units

During 2019, 2018, 2017 and 2016, we granted performance restricted stock units that would vest and settle after three years based on the relative total shareholder return of our common stock against companies included in the S&P 400 index as of the date of grant over a three year performance period ("2019 PRSUs", "2018 PRSUs", "2017 PRSUs" and "2016 PRSUs", respectively). The grant date fair value per share of these awards already reflects the estimated probability of achieving the market condition, and therefore we record the expense ratably over the performance period.

During 2015, we granted performance restricted stock units that would vest and settle after three years only upon the satisfaction of certain performance conditions over two years ("2015 PRSUs"). In addition, if the performance conditions are achieved above target, these performance restricted stock units are subject to a market condition in which the number of performance restricted stock units that vest will be limited to the target amount if the Company's absolute total shareholder return during the three-year service period is negative. We have adjusted the compensation cost recognized to-date to reflect our performance, which reflects an estimated payout below target, and as such, the absolute total shareholder return market condition will not impact the number of performance restricted stock units that vest.

The fair value of the PRSUs was estimated on the date of grant using a Monte-Carlo simulation that estimates the fair value based on the Company's share price activity, expected term of the award, risk-free interest rate, expected dividends and the expected volatility of the stock of the Company. When estimating the fair value of the PRSUs, we used the following weighted-average assumptions:

	2019 PRSUs	2018 PRSUs	2017 PRSUs	2016 PRSUs	2015 PRSUs
Risk-free rate(1)	2.4%	2.5%	1.6%	1.1%	1.1%
Expected Avon volatility(2)	54.8%	61.4%	61%	56%	38%
Expected average volatility(3)	29.9%	29.5%	29%	28%	N/A
Expected dividends	—%	—%	—%	—%	3%

(1) The risk-free rate was based upon the rate on a zero coupon U.S. Treasury bill, for periods within the three year performance period, in effect at the time of grant.

(2) Expected Avon volatility was based on the weekly historical volatility of our stock price, over a period similar to the three year performance period of the 2019 PRSUs, 2018 PRSUs, 2017 PRSUs and 2016 PRSUs and the three year service period of the 2015 PRSUs.

(3) Expected average volatility was based on the weekly historical volatility of the stock prices of each member of companies included in the S&P 400 index as of the date of the grant, over a period similar to the three year performance period of the 2019 PRSUs, 2018 PRSUs, 2017 PRSUs and 2016 PRSUs.

The weighted-average grant-date fair value per share of the 2019 PRSUs, 2018 PRSUs, 2017 PRSUs, 2016 PRSUs and 2015 PRSUs was $2.63, $2.63, $4.52, $4.42 and $7.49 respectively.

A summary of restricted stock units at December 31, 2019, and changes during 2019, is as follows:

	Restricted Stock Units (in 000's)	Weighted-Average Grant-Date Fair Value
January 1, 2019	4,998	$ 3.37
Granted	3,909	2.81
Vested	(2,123)	3.30
Forfeited	(902)	3.40
Modified	(1,484)	$ 2.75
December 31, 2019	4,398	$ 3.11

A summary of performance restricted stock units at December 31, 2019, and changes during 2019, is as follows:

	Performance Restricted Stock Units (in 000's)	Weighted-Average Grant-Date Fair Value
January 1, 2019[(1)]	3,177	$ 3.76
Granted	4,689	1.64
Vested	(413)	3.96
Forfeited	(1,794)	3.62
Modified	(2,677)	$ 1.83
December 31, 2019[(1)]	2,982	$ 1.98

[(1)] Based on initial target payout.

The total fair value of restricted stock units and performance restricted stock units that vested during 2019 was $8.4, based upon market prices on the vesting dates. At December 31, 2019, there was $13.8 of unrecognized compensation cost related to these restricted stock units and performance restricted stock units compensation arrangements outstanding. That cost is expected to be recognized over a weighted-average period of 1.98 years.

Restricted Stock

In December 2019, 2,083,872 RSUs and 3,276,774 PRSUs were exchanged for 4,808,534 Restricted Stock. The exchange was done in advance of the Transaction with Natura &Co Holdings. The Company accounted for the modification as a Type I (probable-to-probable) modification and the incremental fair value was approximately $1.5 which will be recognized over the remaining service period of the awards. The Restricted Stock would vest and settle after three years from the grant date of the original award. The Company retained and cancelled 1,400,010 Restricted Stock to satisfy withholding tax obligations of the grantees. The cancellation resulted in the acceleration and recognition of $1.7 of compensation cost which has been included as part of the $44 of Transaction related costs. At December 31, 2019 there was 3,408,524 Restricted Stock outstanding and $5.7 unrecognized compensation cost related to these awards. See Note 23, Agreement and Plan of Mergers with Natura Cosméticos S.A.

Restricted Stock Units and Performance Restricted Stock Units Funded With Treasury Shares

In March 2019 and March 2018, we granted 200,000 and 200,000 performance restricted stock units, respectively, that will be funded with treasury shares, outside of the 2016 Plan, in reliance upon the NYSE rules. These performance restricted stock units have a weighted-average grant-date fair value of $2.98 and $2.79 for the 2019 and 2018 grants respectively, and would vest and settle at the end of 2020 only upon the satisfaction of certain performance conditions over a one year performance period. During 2019 and 2018, none of these performance restricted stock units vested, and 400,000 performance restricted stock units were outstanding at December 31, 2019. During 2019 and 2018, we recognized compensation cost of $.5 and $.1, respectively, for these performance restricted stock units. At December 31, 2019, there was no unrecognized compensation cost related to these restricted stock units as the awards were exchanged for restricted stock as described above.

In February 2018 we granted 600,000 restricted stock units that will be funded from treasury shares, outside of our shareholder-approved plans, in reliance upon the NYSE rules. The restricted stock units granted in February 2018 have a weighted-average grant-date fair value of $2.25 and vest and settle in full after three years. During 2019 and 2018, none of these restricted stock units vested, and there were 600,000 restricted stock units outstanding at December 31, 2019. During 2019 and 2018 we recognized compensation cost of $.4 and $.4, respectively, for these restricted stock units. At December 31, 2019, there was no unrecognized compensation cost related to these restricted stock units as the awards were exchanged for restricted stock as described above.

In March 2015, we granted 121,951 performance restricted stock units that will be funded with treasury shares, outside of the 2013 Plan, in reliance upon the NYSE rules. These performance restricted stock units have a weighted-average grant-date fair value of $7.49 and the same terms exist for these awards as the 2015 PRSUs discussed above. During 2018, 121,951 of these restricted stock units vested, and no performance restricted stock units were outstanding at December 31, 2018. During 2018 and 2017, we recognized compensation cost of $.0 and $.1, respectively, for these performance restricted stock units. At December 31, 2019, there was no unrecognized compensation cost related to these performance restricted stock units as the awards had vested.

In March 2015 and April 2012, we granted 489,596 and 200,000 restricted stock units, respectively, that will be funded with treasury shares, outside of our shareholder-approved plans, in reliance upon the NYSE rules. The restricted stock units granted in March 2015 have a weighted-average grant-date fair value of $9.00 and vest and settle ratably over three years. The restricted stock units granted in April 2012 had a weighted-average grant-date fair value of $21.69 and vested and settled ratably over five years. During 2018, 163,198 of these restricted stock units vested, and there were no restricted stock units were outstanding at December 31, 2018. During 2019, 2018 and 2017, we recognized compensation cost of zero, $.1 and $.8, respectively, for these restricted stock units. At December 31, 2019, there was no unrecognized compensation cost related to these restricted stock units as the awards had vested.

NOTE 14. Employee Benefit Plans

Defined Contribution Plans

We offer a defined contribution plan for employees in the United Kingdom ("UK"), which allows eligible participants to contribute eligible compensation through payroll deductions. We double employee contributions up to the first 5% of eligible compensation and therefore the maximum level provided by Avon is 10% of eligible compensation. We made matching contributions in cash to the UK defined contribution plan of $7.5 in 2019, $5.9 in 2018 and $6.7 in 2017, which follow the same investment allocation that the participant has selected for his or her own contributions.

We also offer a qualified defined contribution plan for U.S.-based employees, the Avon Personal Savings Account Plan (the "PSA"), which allows eligible participants to contribute up to 25% of eligible compensation through payroll deductions. We match employee contributions dollar for dollar up to the first 3% of eligible compensation and fifty cents for each dollar contributed from 4% to 6% of eligible compensation. We made matching contributions in cash to the PSA of $1.3 in 2019, $2.2 in 2018 and $2.6 in 2017, which follow the same investment allocation that the participant has selected for his or her own contributions. Prior to the separation of the North America business, the costs associated with the contributions to the PSA were allocated between Discontinued Operations and Global as the plan included both North America and U.S. Corporate Avon associates. See Note 3, Discontinued Operations and Assets and Liabilities Held for Sale.

For U.S.-based employees hired on or after January 1, 2015, we made additional contributions to a Retirement Savings Account ("RSA") within the PSA. Such contributions will range from 3% to 6% of a participant's eligible compensation depending on the sum of the participant's age and length of service (as of December 31 of the prior year). Investment of such contributions will follow the same investment allocation that the participant has selected for his or her own contributions to the PSA. A participant will be vested in the RSA generally after three full years of applicable service.

Defined Benefit Pension and Postretirement Plans

Avon and certain subsidiaries have contributory and noncontributory defined benefit retirement plans for substantially all employees of those subsidiaries. Benefits under these plans are generally based on an employee’s length of service and average compensation near retirement, and certain plans have vesting requirements. Plans are funded based on legal requirements and cash flow.

Our largest non-U.S. defined benefit pension plan is in the UK. The UK defined benefit pension plan was frozen for future accruals as of April 1, 2013. The U.S. defined benefit pension plan, the Avon Products, Inc. Personal Retirement Account Plan (the "PRA"), is closed to employees hired on or after January 1, 2015. Qualified retirement benefits for U.S.-based employees hired on or after January 1, 2015 will be provided solely through the PSA, as described above.

As part of the separation of the North America business, in 2016 we transferred $499.6 of pension liabilities under the PRA associated with current and former employees of the North America business and certain other former Avon employees, along with $355.9 of assets held by the PRA, to a defined benefit pension plan sponsored by New Avon. We also transferred $60.4 of other postretirement liabilities (namely, retiree medical and supplemental pension liabilities) in respect of such employees and former employees. See Note 3, Discontinued Operations and Assets and Liabilities Held for Sale. We continue to retain certain

U.S. pension and other postretirement liabilities primarily associated with employees who are actively employed by Avon in the U.S. providing services other than with respect to the North America business. Prior to this separation, our net periodic benefit costs for the U.S. pension and postretirement benefit plans were allocated between Discontinued Operations and Global as the plan included both North America and U.S. Corporate Avon associates.

We provide health care benefits, subject to certain limitations, to certain retired associates in the U.S. and certain foreign countries. In the U.S., such health care benefits for Corporate Avon associates hired on or before January 1, 2005 are in the form of a health reimbursement account. U.S. Corporate Avon associates hired after January 1, 2005 are not eligible for retiree health care benefits. Certain retiree health care obligations for current and former employees of the North America business and certain other former Avon employees based in the U.S. were transferred to New Avon.

We recognize the funded status of defined benefit pension and other postretirement benefit plans on the balance sheet. Each overfunded plan is recognized as an asset and each underfunded plan is recognized as a liability. The recognition of prior service costs or credits and net actuarial gains or losses, as well as subsequent changes in the funded status, are recognized as components of AOCI, net of tax, in shareholders' equity, until they are amortized as a component of net periodic benefit cost. We recognize prior service costs or credits and actuarial gains and losses beyond a 10% corridor to earnings based on the estimated future service period of the participants. The determination of the 10% corridor utilizes a calculated value of plan assets for our more significant plans, whereby gains and losses are smoothed over three- and five-year periods.

Reconciliation of Benefit Obligations, Plan Assets and Funded Status

The following table summarizes changes in the benefit obligation, plan assets and the funded status of our significant defined benefit pension and postretirement plans. We use a December 31 measurement date for all of our employee benefit plans.

	Pension Plans				Postretirement Benefits	
	U.S. Plans		Non-U.S. Plans			
	2019	2018	2019	2018	2019	2018
Change in Benefit Obligation:						
Beginning balance	$ (74.7)	$ (88.9)	$ (617.0)	$ (714.2)	$ (26.0)	$ (28.2)
Service cost	(1.7)	(2.9)	(4.0)	(4.7)	(.1)	(.1)
Interest cost	(2.3)	(2.3)	(15.3)	(15.4)	(1.2)	(1.1)
Actuarial (loss) gain	(5.8)	9.9	(71.5)	47.4	(2.5)	1.2
Benefits paid	12.8	7.8	27.4	35.5	1.4	1.4
Actual expenses and taxes	—	—	0.4	0.5	—	—
Plan amendments	—	—	—	(2.2)	1.4	—
Curtailments	—	1.7	.8	—	—	—
Settlements	—	—	6.6	2.6	—	—
Special termination benefits	—	—	—	—	—	(.1)
Foreign currency changes and other	—	—	(13.3)	33.5	.2	.9
Ending balance	$ (71.7)	$ (74.7)	$ (685.9)	$ (617.0)	$ (26.8)	$ (26.0)
Change in Plan Assets:						
Beginning balance	$ 62.7	$ 63.1	$ 615.8	$ 705.4	$ —	$ —
Actual return on plan assets	12.3	(5.4)	89.0	(27.7)	—	—
Company contributions	1.1	12.8	7.3	11.6	(1.4)	1.4
Benefits paid	(12.8)	(7.8)	(27.4)	(35.5)	1.4	(1.4)
Settlements	—	—	(6.6)	(2.6)	—	—
Foreign currency changes and other	—	—	17.3	(35.4)	—	—
Ending balance	$ 63.3	$ 62.7	$ 695.4	$ 615.8	$ —	$ —
Funded Status:						
Funded status at end of year	$ (8.4)	$ (12.0)	$ 9.5	$ (1.2)	$ (26.8)	$ (26.0)
Amount Recognized in Balance Sheet:						
Other assets	$ —	$ —	$ 100.6	$ 88.1	$ —	$ —
Accrued compensation	(1.1)	(1.0)	(1.9)	(2.8)	(4.2)	(4.5)
Employee benefit plans liability	(7.3)	(11.0)	(89.1)	(86.5)	(22.6)	(21.5)
Net amount recognized	$ (8.4)	$ (12.0)	$ 9.6	$ (1.2)	$ (26.8)	$ (26.0)
Pretax Amounts Recognized in Accumulated Other Comprehensive Loss:						
Net actuarial loss	$ 24.3	$ 33.1	$ 183.8	$ 173.6	$ 2.4	$ —
Prior service (credit) cost	(.1)	(.1)	1.4	1.3	(1.7)	0.6
Total pretax amount recognized	$ 24.2	$ 33.0	$ 185.2	$ 174.9	$ .7	$ .6
Supplemental Information:						
Accumulated benefit obligation	$ 70.4	$ 72.7	$ 181.9	$ 179.9	N/A	N/A
Plans with Projected Benefit Obligation in Excess of Plan Assets:						
Projected benefit obligation	$ 71.7	$ 74.7	$ 197.5	$ 195.3	N/A	N/A
Fair value plan assets	63.3	62.7	106.5	106.0	N/A	N/A
Plans with Accumulated Benefit Obligation in Excess of Plan Assets:						
Projected benefit obligation	$ 7.7	$ 74.7	$ 188.3	$ 185.7	N/A	N/A
Accumulated benefit obligation	7.3	72.7	176.2	174.6	N/A	N/A
Fair value plan assets	—	62.7	98.2	98.0	N/A	N/A

The U.S. pension plans include a funded qualified plan (the PRA) and unfunded non-qualified plans. At December 31, 2019, the PRA had benefit obligations of $64.1 and plan assets of $63.3. At December 31, 2018, the PRA had benefit obligations of $65.4 and plan assets of $62.7. We believe we have adequate investments and cash flows to fund the liabilities associated with the unfunded non-qualified plans. The Non-U.S. pension plans include a funded qualified pension plan in the UK. At

December 31, 2019, the UK qualified pension plan had benefit obligations of $482.8 and plan assets of $582.1. At December 31, 2018, the UK qualified pension plan had benefit obligations of $416.5 and plan assets of $501.7.

Components of Net Periodic Benefit Cost and Other Amounts Recognized in Other Comprehensive Loss

	Pension Benefits								
	U.S. Plans			Non-U.S. Plans			Postretirement Benefits		
	2019	2018	2017	2019	2018	2017	2019	2018	2017
Net Periodic Benefit Cost:									
Service cost	$ 1.7	$ 2.9	$ 4.3	$ 4.0	$ 4.7	$ 4.6	$ .1	$ .1	$ .1
Interest cost	2.3	2.3	3.0	15.3	15.4	18.0	1.2	1.1	1.3
Expected return on plan assets	(3.4)	(3.5)	(3.2)	(31.0)	(31.9)	(28.2)	—	—	—
Amortization of prior service credit	—	—	(.1)	—	(.1)	(.1)	(.2)	(.4)	(.3)
Amortization of net actuarial losses	2.8	4.1	5.2	4.9	6.8	7.6	—	—	.1
Settlements/curtailments	3.0	1.4	—	(.6)	(.4)	3.7	—	(.3)	—
Other	—	—	—	—	—	(.7)	—	.1	1.6
Net periodic benefit cost	$ 6.4	$ 7.2	$ 9.2	$ (7.4)	$ (5.5)	$ 4.9	$ 1.1	$ .7	$ 2.8
Other Changes in Plan Assets and Benefit Obligations Recognized in Other Comprehensive (Loss) Income:									
Actuarial (gains) losses	$ (3.0)	$ (2.8)	$ (2.9)	$ 13.1	$ 12.2	$ (7.4)	$ 2.5	$ (1.2)	$ (.3)
Prior service cost (credit)	—	—	—	—	2.2	—	(1.3)	—	
Amortization of prior service credit	—	.1	.1	—	.1	.1	.2	.6	.3
Amortization of net actuarial losses	(5.7)	(5.6)	(5.2)	(4.6)	(6.4)	(11.3)	—	—	(.1)
Foreign currency changes	—	—	—	1.7	(9.1)	18.9	—	—	—
Total recognized in other comprehensive (loss) income*	$ (8.7)	$ (8.3)	$ (8.0)	$ 10.2	$ (1.0)	$ .3	$ 1.4	$ (.6)	$ (.1)
Total recognized in net periodic benefit cost and other comprehensive income (loss)	$ (2.3)	$ (1.1)	$ 1.2	$ 2.8	$ (6.5)	$ 5.2	$ 2.5	$ .1	$ 2.7

* Amounts represent the pre-tax effect classified within other comprehensive (loss) income. The net of tax amounts are classified within our Consolidated Statements of Comprehensive Income (Loss).

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

The amounts in AOCI that are expected to be recognized as components of net periodic benefit cost during 2020 are as follows:

	Pension Benefits		
	U.S. Plans	Non-U.S. Plans	Postretirement Benefits
Net actuarial loss	$ 3.0	$ 6.3	$ .1
Prior service credit	—	—	(.3)

Assumptions

Weighted-average assumptions used to determine benefit obligations recorded in our Consolidated Balance Sheets as of December 31 were as follows:

	Pension Benefits				Postretirement Benefits	
	U.S. Plans		Non-U.S. Plans			
	2019	2018	2019	2018	2019	2018
Discount rate	3.16 %	4.24 %	2.05 %	2.91 %	3.66 %	5.17 %
Rate of compensation increase	4.00 %	4.00 %	2.54 %	2.69 %	N/A	N/A

The discount rate used for determining the present value of future pension obligations for each individual defined benefit pension plan is based on a review of bonds that receive a high-quality rating from a recognized rating agency. The discount rates for our more significant plans, including the UK defined benefit pension plan and the PRA, 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. defined benefit pension plans determined on this basis has decreased to 2.15% at December 31, 2019, from 3.06% at December 31, 2018.

Effective as of January 1, 2018, we changed the method we use to estimate the service and interest cost components of net periodic benefit cost for the PRA and the majority of our significant non-U.S. pension plans, including the UK defined benefit pension plan. Historically, including in 2017, we estimated the service and interest cost components using a single weighted-average discount rate derived from the yield curve used to measure the benefit obligation at the beginning of the period. Beginning in 2018, we have elected to use a full yield curve approach in the estimation of these components of net periodic benefit cost by applying the specific spot rates along the yield curve used in the determination of the benefit obligation to the relevant projected cash flows. We have made this change to improve the correlation between projected benefit cash flows and the corresponding yield curve spot rates, which we believe results in a more precise measurement of service and interest costs.

Weighted-average assumptions used to determine net benefit cost recorded in our Consolidated Statements of Operations for the years ended December 31 were as follows:

	Pension Benefits								
	U.S. Plans			Non-U.S. Plans			Postretirement Benefits		
	2019	2018	2017	2019	2018	2017	2019	2018	2017
Discount rate	4.24 %	3.48 %	3.67 %	2.92 %	2.56 %	2.69 %	5.17 %	4.75 %	5.33 %
Rate of compensation increase	4.00 %	4.00 %	4.00 %	2.69 %	2.71 %	2.79 %	N/A	N/A	N/A
Rate of return on assets	5.50 %	5.50 %	5.50 %	5.27 %	5.20 %	5.09 %	N/A	N/A	N/A

In determining the long-term rates of return, we consider the nature of each plan's investments, an expectation for each plan's investment strategies, historical rates of return and current economic forecasts, among other factors. We generally evaluate the expected rate of return on plan assets annually and adjust as necessary. In determining the net cost for the year ended December 31, 2019, the assumed rate of return on assets globally was 5.29%, which represents the weighted-average rate of return on all plan assets. Amounts associated with the pension and postretirement benefit plans in Canada and the postretirement benefit plan in Puerto Rico, which are associated with discontinued operations, have been excluded from all amounts above.

A significant portion of our pension plan assets relate to the UK defined benefit pension plan. The assumed rate of return for determining 2019 net periodic benefit cost for the UK defined benefit pension plan was 5.20%. In addition, the 2019 rate of return assumption for the UK defined benefit pension plan was based on an asset allocation of approximately 80% in liability driven investments, approximately 5% in corporate and government bonds and mortgage-backed securities and approximately 15% in equity securities, emerging market debt and high yield securities. In addition to the physical assets, the asset portfolio for the UK defined benefit pension plan has derivative instruments which increase our exposure to fixed income (in order to better match liabilities) and, to a lesser extent, impact our equity exposure.

Similar assessments were performed in determining rates of return on other non-U.S. defined benefit pension plan assets, to arrive at our weighted-average assumed rate of return of 5.27% for determining 2019 net cost for all non-US defined benefit pension plan assets.

Plan Assets

Our U.S. and non-U.S. funded defined benefit pension plans target and weighted-average asset allocations at December 31, 2019 and 2018, by asset category were as follows:

	U.S. Pension Plan			Non-U.S. Pension Plans		
	% of Plan Assets			% of Plan Assets		
	Target	at Year-End		Target	at Year-End	
Asset Category	2020	2019	2018	2020	2019	2018
Equity securities	30 %	31 %	30 %	25 %	22 %	16 %
Debt securities	70	69	70	75	72	79
Other	—	—	—	—	6	5
Total	100 %	100 %	100 %	100 %	100 %	100 %

The following tables present the fair value hierarchy for pension assets measured at fair value on a recurring basis as of December 31, 2019 :

	U.S. Pension Plan		
Asset Category	Level 1	Level 2	Total
Equity Securities:			
Domestic equity	$ —	$ 10.1	$ 10.1
International equity	—	7.4	7.4
Emerging markets	—	2.0	2.0
	—	19.5	19.5
Fixed Income Securities:			
Corporate bonds	—	23.7	23.7
Government securities	—	11.9	11.9
Other	—	8.2	8.2
	—	43.8	43.8
Total	$ —	$ 63.3	$ 63.3

	Non-U.S. Pension Plans			
Asset Category	Level 1	Level 2	Level 3	Total
Equity Securities:				
Domestic equity	$ —	$ 25.4	$ —	$ 25.4
International equity	—	128.9	—	128.9
	—	154.3	—	154.3
Fixed Income Securities:				
Corporate bonds	—	249.7	—	249.7
Government securities	—	213.8	—	213.8
Other	—	36.7	—	36.7
	—	500.2	—	500.2
Other				
Cash	27.9	—	—	27.9
Derivatives	—	11.4	—	11.4
Real estate	—	—	1.6	1.6
	27.9	11.4	1.6	40.9
Total	$ 27.9	$ 665.9	$ 1.6	$ 695.4

The following tables present the fair value hierarchy for pension assets measured at fair value on a recurring basis as of December 31, 2018:

	U.S. Pension Plan		
Asset Category	Level 1	Level 2	Total
Equity Securities:			
Domestic equity	$ —	$ 8.4	$ 8.4
International equity	—	6.3	6.3
Emerging markets	—	1.8	1.8
	—	16.5	16.5
Fixed Income Securities:			
Corporate bonds	—	32.2	32.2
Government securities	—	13.3	13.3
	—	45.5	45.5
Cash	.7	—	.7
Total(3)	$ .7	$ 62.0	$ 62.7

	Non-U.S. Pension Plans			
Asset Category	Level 1	Level 2	Level 3	Total
Equity Securities:				
Domestic equity	$ —	$ 25.8	$ —	$ 25.8
International equity	—	72.5	—	72.5
	—	98.3	—	98.3
Fixed Income Securities:				
Corporate bonds	—	212.7	—	212.7
Government securities	—	201.7	—	201.7
Other	—	70.1	—	70.1
	—	484.5	—	484.5
Other:				
Cash	35.1	—	—	35.1
Derivatives	—	(4.1)	—	(4.1)
Real estate	—	—	2.0	2.0
	35.1	(4.1)	2.0	33.0
Total	$ 35.1	$ 578.7	$ 2.0	$ 615.8

A reconciliation of the beginning and ending balances for our Level 3 investments is provided in the table below:

	Amount
Balance at January 1, 2018	$ 1.5
Purchases and sales net	(.7)
Actual return on plan assets held	1.4
Foreign currency changes	(.2)
Balance at December 31, 2018	2.0
Actual return on plan assets held	(.5)
Foreign currency changes	.1
Balance at December 31, 2019	1.6

Investments in equity securities classified as Level 1 in the fair value hierarchy are valued at quoted market prices. Investments in equity securities classified as Level 2 in the fair value hierarchy include collective funds that are valued at quoted market prices for non-active securities. Fixed income securities are based on broker quotes for non-active securities. Mutual funds are valued at quoted market prices. Real estate is valued by reference to investment and leasing transactions at similar types of property, supplemented by third party appraisals. Derivative instruments are not publicly traded, and each derivative contract is specifically negotiated with a unique financial counterparty. The derivative instruments are valued based upon valuation statements received from the financial counterparties, which use underlying yield curves or market indices.

The overall objective of the plan assets associated with the PRA and the UK defined benefit pension plan is to provide the means to pay benefits to participants and their beneficiaries in the amounts and at the times called for by the plan. This is expected to be achieved through the investment of our contributions and other trust assets and by utilizing investment policies designed to achieve adequate funding over a reasonable period of time.

In some of our defined benefit pension plans, we have adopted investment strategies which are designed to match the movements in the pension liability through an increased allocation towards debt securities. In addition, we also utilize derivative instruments in our UK defined benefit pension plans to hedge certain risks. Derivative instruments may include, but are not limited to, futures, options, swaps or swaptions. Investment types, including the use of derivatives are based on written guidelines established for each investment manager and monitored by the plan's investment committee.

Pension trust assets are invested so as to achieve a return on investment, based on levels of liquidity and investment risk that are prudent and reasonable as circumstances change from time to time. While we recognize the importance of the preservation of capital, we also adhere to the theory of capital market pricing which maintains that varying degrees of investment risk should be rewarded with compensating returns. Consequently, prudent risk-taking is justifiable.

The asset allocation decision includes consideration of the non-investment aspects of the PRA and the UK defined benefit pension plan, including future retirements, lump-sum elections, growth in the number of participants, company contributions, and cash flow. These characteristics of the plan place certain demands upon the level, risk, and required growth of trust assets. We regularly conduct analyses of the plan's current and likely future financial status by forecasting assets, liabilities, benefits and company contributions over time. In so doing, the impact of alternative investment policies upon the plan's financial status is measured and an asset mix which balances asset returns and risk is selected.

Our decision with regard to asset mix is reviewed periodically. Asset mix guidelines include target allocations and permissible ranges for each asset category. Assets are monitored on an ongoing basis and rebalanced as required to maintain an asset mix within the permissible ranges. The guidelines will change from time to time, based on an ongoing evaluation of the factors discussed above.

Cash flows

We expect to make contributions related to continuing operations in the range of $5 to $10 to our U.S. defined benefit pension and postretirement plans and in the range of $0 to $5 to our non-U.S. defined benefit pension and postretirement plans during 2020.

Total benefit payments expected to be paid from the plans are as follows:

	Pension Benefits			
	U.S. Plans	Non-U.S. Plans	Total	Postretirement Benefits
2020	$ 12.2	$ 40.3	$ 52.5	$ 4.5
2021	6.4	41.1	47.5	2.4
2022	5.7	41.7	47.4	2.2
2023	5.0	43.5	48.5	2.1
2024	5.2	45.5	50.7	2.0
2025-2029	18.3	230.1	248.4	8.5

Postemployment Benefits

We provide postemployment benefits, which include salary continuation, severance benefits, disability benefits and continuation of health care benefits to eligible former employees. The accrued cost for such postemployment benefits was $9.2 at December 31, 2019 and 2018, and was included in employee benefit plans in our Consolidated Balance Sheets.

Supplemental Retirement Programs

In the U.S., in addition to qualified retirement plans (i.e., the PSA and the PRA), we also maintain unfunded non-qualified plans. We offer a non-qualified deferred compensation plan, the Avon Products, Inc. Deferred Compensation Plan (the "DCP"), for certain higher paid key employees. The DCP is an unfunded, unsecured plan for which obligations are paid to participants out of our general assets. The DCP allows for the deferral of up to 50% of a participant's base salary, the deferral of up to 100% of incentive compensation bonuses, and the deferral of contributions that would normally have been made to the PSA but are not deferred because the amount was in excess of U.S. Internal Revenue Code limits on contributions to the PSA. Participants may elect to have their deferred compensation invested in one or more of three permitted investment alternatives. Expense associated with the DCP was $.8 in 2019, $.1 in 2018 and $1.4 in 2017. The benefit obligation under the DCP was $13.1 at December 31, 2019 and $16.4 at December 31, 2018 and was included in other liabilities and accrued compensation in our Consolidated Balance Sheets.

We maintain supplemental retirement programs consisting of the Supplemental Executive Retirement Plan of Avon Products, Inc. ("SERP") and the Benefit Restoration Pension Plan of Avon Products, Inc. ("BRP") under which non-qualified supplemental pension benefits are paid to higher paid key employees in addition to amounts received under our qualified defined benefit retirement plan, which is subject to IRS limitations on covered compensation. The SERP has not been offered to new employees in the last nine years, and the BRP is closed to employees hired on or after January 1, 2015 in conjunction with the closure of the PRA. The annual cost of these programs has been included in the determination of the net periodic benefit cost shown previously and amounted to $1.3 in 2019, $2.1 in 2018 and $3.0 in 2017. The benefit obligation under these programs was $7.3 at December 31, 2019 and $9.3 at December 31, 2018 and was included in employee benefit plans and accrued compensation in our Consolidated Balance Sheets.

We also maintain a Supplemental Life Plan ("SLIP") under which additional death benefits ranging from $.4 to $2.0 are provided to certain active and retired officers. The SLIP has not been offered to new officers in over nine years.

We established a grantor trust to provide assets that may be used for the benefits payable under the SERP and SLIP. The trust is irrevocable and, although subject to creditors' claims, assets contributed to the trust can only be used to pay such benefits with certain exceptions. The assets held in the trust are included in other assets and at December 31 consisted of the following:

	2019	2018
Corporate-owned life insurance policies	$ 36.0	$ 35.8
Cash and cash equivalents	1.3	1.2
Total	$ 37.3	$ 37.0

The assets are recorded at fair market value, except for investments in corporate-owned life insurance policies which are recorded at their cash surrender values as of each balance sheet date, which is a proxy of fair value. Changes in the cash surrender value during the period are recorded as a gain or loss within SG&A expenses in our Consolidated Statements of Operations.

NOTE 15. Segment Information

Our reportable segments are based on geographic operations in four regions: Europe, Middle East & Africa; South Latin America; North Latin America; and Asia Pacific. The segments have similar business characteristics, and each offers similar products through similar customer access methods.

The accounting policies of the segments are the same as those described in Note 1, Description of the Business and Summary of Significant Accounting Policies. We evaluate the performance of our segments based on revenues and segment profits or losses. Segment revenues primarily reflect direct sales of products to Representatives based on the Representative's geographic location.

We determine segment profit by deducting the related costs and expenses from segment revenue. Segment profit excludes certain unallocated global expenses, costs to implement ("CTI") restructuring initiatives (see Note 17, Restructuring Initiatives), a loss contingency related to a non-U.S. pension plan (see Note 14, Employee Benefit Plans), certain significant asset impairment charges (see Note 20, Goodwill), and other items, which are not allocated to a particular segment. This is consistent with the manner in which we assess our performance and allocate resources.

Effective in the first quarter of 2017, given that we exited Thailand during 2016, the results of Thailand are now reported in Other operating segments and business activities for all periods presented, while previously the results had been reported in Asia Pacific. Effective in the first quarter of 2018, given that we have exited Australia and New Zealand during 2018, the results of Australia and New Zealand are now reported in Other operating segments and business activities for all periods presented, while previously the results had been reported in Asia Pacific. Other operating segments and business activities also include revenue from the sale of products to New Avon since the separation of the Company's North America business into New Avon on March 1, 2016 and ongoing royalties from the licensing of our name and products.

Summarized financial information concerning our reportable segments as of December 31 is shown in the following tables:

Total Revenue	2019	2018	2017
Europe, Middle East & Africa	$ 1,794.1	$ 2,093.8	$ 2,126.5
South Latin America [(1)]	1,762.7	2,146.9	2,222.4
North Latin America	751.3	809.3	811.8
Asia Pacific	436.9	470.8	471.9
Total segment revenue	4,745.0	5,520.8	5,632.6
Other operating segments and business activities[(3)]	18.2	50.5	83.0
Total revenue	$ 4,763.2	$ 5,571.3	$ 5,715.6

Operating Profit	2019	2018	2017
Segment Profit			
Europe, Middle East & Africa	$ 225.6	$ 267.5	$ 329.6
South Latin America (1)	240.6	314.6	195.7
North Latin America	65.8	70.4	83.4
Asia Pacific	45.4	42.0	50.8
Total segment profit (1)	577.4	694.5	659.5
Other operating segments and business activities(3)	2.4	3.6	2.5
Unallocated global expenses	(250.6)	(282.4)	(302.3)
CTI restructuring initiatives	(139.3)	(180.5)	(60.2)
Loss contingency	—	—	(18.2)
Other expenses(2)	(64.3)	—	—
Operating profit (1)	125.6	235.2	281.3

(1) 2019 includes the impact of certain Brazil indirect taxes which was recorded in product sales of approximately $68, in our Consolidated Income Statements. See Note 21 Supplemental Balance Sheet Information, to the Consolidated Financial Statements contained herein for further information. 2018 includes the impact of the Brazil IPI, which was recorded in product sales, of approximately $168, in our Consolidated Income Statements. See Note 19, Contingencies, to the Consolidated Financial Statements contained herein for further information.
(2) Other expenses were incurred in relation to the Transaction, primarily professional fees, and impairment losses on assets. See Note 23, Agreement and Plan of Mergers with Natura Cosméticos S.A., to the Consolidated Financial Statements contained herein and "Agreement and Plan of Mergers with Natura Cosméticos S.A.," in the MD&A in this 2019 Annual Report for further information.
(3) Other operating segments and business activities include markets that have been exited. Effective in the first quarter of 2018, given that we exited Australia and New Zealand during 2018, the results of Australia and New Zealand are now reported in Other operating segments and business activities for all periods presented, while previously the results had been reported in the Asia Pacific segment. Other operating segments and business activities also include revenue from the sale of products to New Avon since the separation of the Company's North America business into New Avon on March 1, 2016 and ongoing royalties from the licensing of our name and products.

Total Assets	2019	2018	2017
Europe, Middle East & Africa	$ 1,079.5	$ 1,048.8	$ 1,190.5
South Latin America	1,057.8	1,001.0	1,273.6
North Latin America	316.1	329.7	335.8
Asia Pacific	212.2	272.0	278.2
Total from reportable segments	2,665.6	2,651.5	3,078.1
Other operating segments	1.8	5.4	18.9
Global	418.9	353.1	600.9
Total assets	$ 3,086.3	$ 3,010.0	$ 3,697.9

Capital Expenditures	2019	2018	2017
Europe, Middle East & Africa	$ 23.8	$ 37.0	$ 29.4
South Latin America	16.5	27.5	35.4
North Latin America	2.4	9.1	12.9
Asia Pacific	2.0	2.9	2.3
Total from reportable segments	44.7	76.5	80.0
Global	13.8	18.4	17.3
Total capital expenditures	$ 58.5	$ 94.9	$ 97.3

Depreciation and Amortization	2019	2018	2017
Europe, Middle East & Africa	$ 27.4	$ 27.3	$ 29.9
South Latin America	27.3	30.1	34.3
North Latin America	14.0	14.2	13.6
Asia Pacific	4.3	8.3	8.9
Total from reportable segments	73.0	79.9	86.7
Other operating segments	—	.3	.4
Global	19.9	27.5	26.9
Total depreciation and amortization	$ 92.9	$ 107.7	$ 114.0

Total Revenue by Major Country

A major country is defined as one with total revenues greater than 10% of consolidated total revenues.

	2019	2018	2017
Brazil	$ 1,034.4	$ 1,262.8	$ 1,263.8
Mexico[(1)]	509.4	533.1	520.3
All other	3,219.4	3,775.4	3,931.5
Total	$ 4,763.2	$ 5,571.3	$ 5,715.6

[(1)] Mexico's revenue is greater than 10% of consolidated revenues in 2019 only

Long-Lived Assets by Major Country

A major country is defined as one with long-lived assets greater than 10% of consolidated long-lived assets, and also includes our country of domicile (the U.S.). Long-lived assets primarily include property, plant and equipment associated with our continuing operations. Long-lived assets in Brazil consist primarily of property, plant and equipment related to manufacturing and distribution facilities and long-lived assets in the U.S. consist primarily of property, plant and equipment, including our global research and development facility.

	2019	2018	2017
Brazil	$ 203.3	$ 283.2	$ 396.9
U.S.	120.8	152.6	174.4
Poland[(1)]	86.3	93.7	107.8
All other	335.6	364.3	446.5
Total	746.0	893.8	1125.6

[(1)] Poland's Long-Lived asset population is greater than 10% of consolidated Long-Lived assets in 2019 only

NOTE 16. Leases and Commitments

We have operating and finance leases for corporate and market offices, warehouses, automotive and other equipment. Some of our leases may include options to extend or terminate the lease. Certain leases also include options to purchase the leased property. The depreciable life of assets and leasehold improvements are limited by the expected lease term, unless there is a transfer of title or purchase option reasonably certain of exercise.

	Classification	December 31, 2019	January 1, 2019
Assets			
Operating right-of-use assets	Right-of-use asset	$ 175.4	$ 187.5
Finance right-of-use assets	Property, Plant and Equipment	2.4	3.2
Total right-of-use assets		177.8	190.7
Liabilities			
Current			
Operating lease liabilities	Other accrued liabilities	$ 45.7	$ 45.4
Finance lease liabilities	Other accrued liabilities	1.0	1.1
Total current lease liabilities		46.7	46.5
Noncurrent			
Operating lease liabilities	Long-term operating lease liability	$ 143.3	$ 155.9
Finance lease liabilities	Long-term debt	1.4	1.9
Total noncurrent lease liabilities		$ 144.7	$ 157.8
Total lease liability		$ 191.4	$ 204.3

The table below shows the lease income and expenses recorded in the Consolidated Statement of Operations incurred during the year ended December 31, 2019.

Lease Costs	**Classification**	December 31, 2019
Operating lease cost [1]	Selling, general and administrative expenses	$ 66.7
Finance lease cost		
Amortization of right-of-use assets	Selling, general and administrative expenses	1.6
Interest on lease liabilities	Interest Expense	.3
Short-term leases costs	Selling, general and administrative expenses	3.5
Sublease income [2]	Selling, general and administrative expenses	(12.4)
Net lease cost		$ 59.7

[1] Includes variable lease costs which are immaterial. These are presented in selling, general and administrative expenses in our Consolidated Statements of Operations.
[2] Sublease portfolio consists of the sublease of our previous principal executive office located at 777 Third Avenue, New York, NY.

The maturity analysis of the finance and operating lease liabilities is reflected below. This table also reflects the reconciliation of the undiscounted cash flows to the discounted finance and operating lease liabilities as recognized in the December 31, 2019 Consolidated Balance Sheet:

Maturity of Lease Liabilities	Operating Leases	Finance Leases	Total
2020	59.7	1.2	60.9
2021	50.5	.9	51.4
2022	42.4	.6	43.0
2023	28.3	.1	28.4
2024	20.2	—	20.2
Thereafter	30.1	—	30.1
Total lease payments	$ 231.2	$ 2.8	$ 234.0
Less: Interest	42.2	.4	42.6
Present value of lease liabilities	$ 189.0	$ 2.4	$ 191.4

At December 31, 2018 our operating and finance lease obligations by due dates were as follows:

Maturity of Lease Liabilities	Operating Leases	Finance Leases	Total
2019	$ 56.4	$ 1.1	$ 57.5
2020	42.0	.6	42.6
2021	35.3	.4	35.7
2022	31.1	.2	31.3
2023	22.4	.1	22.5
Thereafter	46.9	.1	47.0
Total lease payments[(1)]	$ 234.1	$ 2.5	$ 236.6

[(1)] Total lease payments of $236.6 represent undiscounted cash flows and therefore do not reconcile to the total discounted lease liability of $204.3 at January 1, 2019 shown above.

The Company has calculated the weighted-average remaining lease term, presented in years below, and the weighted-average discount rate for our operating and finance lease population. As noted in our lease accounting policy (See Note 1, Description of the Business and Summary of Significant Accounting Policies to the Consolidated Financial Statements contained herein), the Company uses the incremental borrowing rate as the lease discount rate.

Lease Term and Discount Rate	December 31, 2019
Weighted-average remaining lease term (years)	
Operating leases	4.8
Finance leases	2.6
Weighted-average discount rate	
Operating leases	8.5 %
Finance leases	11.2 %

The table below sets out the classification of lease payments in the Consolidated Statement of Cash Flows. The ROU assets obtained in exchange for new finance and operating lease liabilities represent the new operating and finance leases entered into during the year ended December 31, 2019.

Other Information	December 31, 2019
Operating Cash Flows From Operating Leases	$ 64.2
Operating Cash Flows From Finance Leases	.3
Financing Cash Flows From Finance Leases	1.2
Cash Paid For Amounts Included In Measurement of Liabilities	$ 65.7
Right-of-use Assets Obtained In Exchange For New Finance Liabilities	$ 1.0
Right-of-use Assets Obtained In Exchange For New Operating Liabilities	$ 45.4

NOTE 17. Restructuring Initiatives

Transformation Plan and Open Up Avon

Open Up Avon

In September 2018, we initiated Open Up Avon. The Open Up Avon strategy is integral to our ability to return Avon to growth, built around the necessity of incorporating new approaches to various elements of our business, including increased utilization of third-party providers in manufacturing and technology, a more fit for purpose asset base, and a focus on enabling our Representatives to more easily interact with the company and achieve relevant earnings. The commercial elements of the strategy were developed to help increase Representative earnings and thereby retention. Elements of the Representative strategy include improvements in service functions, increased training on utilization of digital tools to expand her consumer reach, product bundling and regimens designed to help improve her earnings opportunity and sharper more targeted product innovation to drive brand relevancy. Cost savings under this plan are expected to be generated from efficiencies in manufacturing and sourcing, distribution, general and administrative activities, and back office functions, as well as through revenue management, interest and tax. These savings are expected to be achieved through restructuring actions (that may result in charges related to severance, contract terminations and inventory and other asset write-offs), as well as other cost-savings strategies that would not result in restructuring charges. In January 2019, we announced significant advancements in this strategy, including a structural reset of inventory processes resulting in an incremental one-off inventory obsolescence expense of $88 recognized at December 31, 2018. As a result of Open Up Avon restructuring actions approved to-date, we have recorded total costs to implement these restructuring initiatives of $249.8 before taxes, of which $106.6 and $143.2 was recorded during the twelve months ended December 31, 2019 and 2018, respectively, in our Consolidated Statements of Operations.

Transformation Plan

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

As a result of these restructuring actions approved to-date, we have recorded total costs to implement these restructuring initiatives of $214.7 before taxes, of which $9.3 and $38.0 was recorded during the twelve months ended December 31, 2019 and 2018, respectively, in our Consolidated Statements of Operations. There are no further restructuring actions to be taken associated with our Transformation Plan, as beginning in the third quarter of 2018, all new restructuring actions approved operate under our new Open Up Avon plan described above.

Costs to Implement Restructuring Initiatives - Twelve Months Ended December 31, 2019 and 2018

During the twelve months ended December 31, 2019, we recorded net costs to implement of $116.0, of which $106.6 related to Open Up Avon, $9.3 related to the Transformation Plan, and $.1 related to other restructuring initiatives, in our Consolidated Statements of Operations. During the twelve months ended December 31, 2018, we recorded costs to implement of $180.5 of which $143.2 related to Open Up Avon, $38.0 related to the Transformation Plan, and a benefit of $.7 related to other restructuring initiatives, in our Consolidated Statements of Operations.

The costs during the twelve months ended December 31, 2019 and 2018 consisted of the following:

	December 31, 2019	December 31, 2018
CTI recorded in operating profit - COGS		
Manufacturing asset write-offs	$ 11.1	$ —
Inventory write-off	1.4	89.8
Accelerated depreciation	—	1.7
	12.5	91.5
CTI recorded in operating profit - SG&A		
Net charges for employee-related costs, including severance benefits	56.4	42.6
Implementation costs, primarily related to professional service fees	44.9	30.9
Dual running costs	9.1	4.1
Contract termination and other net costs	7.9	3.2
Impairment of other assets	5.3	4.0
Accelerated depreciation	1.3	3.5
Variable lease charges	1.9	—
Foreign Currency Translation Adjustment Write-offs	—	0.7
	126.8	89.0
CTI recorded in operating profit	139.3	180.5
CTI recorded in other (income) expense		
Gain on sale of business / assets	(23.3)	—
Total CTI	$ 116.0	$ 180.5
Open Up Avon	$ 106.6	$ 143.2
Transformation Plan	$ 9.3	$ 38.0
Other	$ 0.1	$ (0.7)

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

The liability balance included in other accrued liabilities in our Consolidated Balance Sheet for the restructuring actions associated with Open Up Avon at December 31, 2019 is as follows:

	Employee-Related Costs	Inventory Write-offs	Foreign Currency Translation Adjustment Write-offs	Contract Terminations/Other	Total
Balance at December 31, 2017	$ —	$ —	$ —	$ —	$ —
2018 charges	$ 26.4	$ 88.5	$ —	$ 0.8	$ 115.7
Adjustments	—	—	—	—	—
Cash payments	(6.8)	—	—	.3	(6.5)
Non-cash write-offs	—	(88.5)	—	—	(88.5)
Foreign exchange	—	—	—	—	—
Balance at December 31, 2018	$ 19.6	$ —	$ —	$ 1.1	$ 20.7
2019 charges	$ 61.8	$ 17.5	$ (10.9)	$ 8.2	$ 76.6
Adjustments	(4.5)	—	—	(.5)	$ (5.0)
Cash payments	(56.3)	—	—	(2.4)	$ (58.7)
Non-cash write-offs	—	(17.5)	10.9	—	$ (6.6)
Foreign exchange	(2.8)	—	—	—	$ (2.8)
Balance at December 31, 2019	$ 17.8	$ —	$ —	$ 6.4	$ 24.2

The liability balance included in other accrued liabilities in our Consolidated Balance Sheet for the restructuring actions associated with our Transformation Plan as of December 31, 2019 is as follows:

	Employee-Related Costs	Inventory Write-offs	Foreign Currency Translation Adjustment Write-offs	Contract Terminations/Other	Total
Balance at December 31, 2017	$ 41.2	$ —	$ —	$ 8.0	$ 49.2
2018 charges	$ 29.5	$ 1.4	$ .7	$ 5.5	$ 37.1
Adjustments	(12.6)	—	—	(3.4)	(16.0)
Cash payments	(21.3)	—	—	(6.3)	(27.6)
Non-cash write-offs	—	(1.4)	(.7)	—	(2.1)
Foreign exchange	(2.4)	—	—	(.2)	(2.6)
Balance at December 31, 2018	$ 34.4	$ —	$ —	$ 3.6	$ 38.0
2019 charges	$ (.7)	$ .3	$ —	$ .2	$ (.2)
Adjustments	(.2)	—	—	—	(.2)
Cash payments	(25.0)	—	—	(2.4)	(27.4)
Non-cash write-offs	—	(.3)	—	—	(.3)
Foreign exchange	(.1)	—	—	.1	—
Balance at December 31, 2019	8.4	$ —	$ —	1.5	9.9

The majority of cash payments, if applicable, associated with the year-end liability are expected to be made during 2020.

The following table presents the restructuring charges incurred to date, under the Open Up Avon and the Transformation Plan, along with the estimated charges expected to be incurred on approved initiatives under the plans:

	Employee-Related Costs	Inventory/ Asset Write-offs	Contract Terminations/Other	Foreign Currency Translation Adjustment Write-offs	Total
Open Up Avon					
Charges incurred to-date	$ 83.6	$ 107.5	$ 8.5	$ (10.9)	$ 188.7
Estimated charges to be incurred on approved initiatives	—	—	6.1	—	6.1
Total expected charges on approved initiatives	$ 83.6	$ 107.5	$ 14.6	$ (10.9)	$ 194.8
Transformation Plan					
Charges incurred to-date	$ 127.1	$ 2.5	$ 40.9	$ 3.4	$ 173.9
Estimated charges to be incurred on approved initiatives	—	—	—	—	—
Total expected charges on approved initiatives	$ 127.1	$ 2.5	$ 40.9	$ 3.4	$ 173.9

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

	Europe, Middle East & Africa	South Latin America	North Latin America	Asia Pacific	Global & Other Operating Segments	Total
Open Up Avon						
2018	$ 32.2	$ 36.4	$ 27.9	$ 14.4	$ 6.2	$ 117.1
2019	24.3	26.6	10.3	(4.9)	15.3	71.6
Charges incurred to-date	56.5	63.0	38.2	9.5	21.5	188.7
Estimated charges to be incurred on approved initiatives	5.8	—	—	.3	—	6.1
Total expected charges on approved initiatives	$ 62.3	$ 63.0	$ 38.2	$ 9.8	$ 21.5	$ 194.8
Transformation Plan						
2015	$ —	$ —	$ —	$ —	$ 21.4	$ 21.4
2016	30.9	13.2	4.4	9.1	16.8	74.4
2017	.9	5.6	(.6)	(.5)	49.4	54.8
2018	5.0	4.1	.6	.6	13.4	23.7
2019	(1.3)	.6	—	—	.3	(.4)
Charges incurred to-date	35.5	23.5	4.4	9.2	101.3	173.9
Estimated charges to be incurred on approved initiatives	—	—	—	—	—	—
Total expected charges on approved initiatives	$ 35.5	$ 23.5	$ 4.4	$ 9.2	$ 101.3	$ 173.9

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

NOTE 18. Series C Convertible Preferred Stock

On March 1, 2016, the Company issued and sold to Cerberus Investor 435,000 shares of newly issued series C preferred stock for an aggregate purchase price of $435 pursuant to an Investment Agreement, dated as of December 17, 2015, between the Company and Cerberus Investor. In connection with the issuance of the series C preferred stock, the Company incurred direct and incremental expenses of $8.7, comprised of financial advisory fees and legal expenses, which reduced the carrying value of the series C preferred stock. Cumulative preferred dividends accrue daily on the series C preferred stock at a rate of 1.25% per quarter. The series C preferred stock had accrued unpaid dividends of $91.3 as of December 31, 2019. There were no dividends paid in relation to the series C preferred stock in the years ended December 31, 2019 and 2018.

On December 19, 2019, the Company and Natura &Co Holding announced that as of such date, all regulatory approvals required by the Merger Agreement to complete the Transactions have been obtained. As a result, the series C preferred stock were probable of becoming redeemable and the redemption value was adjusted. Subsequently, on December 30, 2019, Cerberus elected to convert the series C preferred stock, as described below, and the series C preferred stock was no longer probable of becoming redeemable. We recognize changes in redemption value immediately as they occur and the carrying value of the security is adjusted to equal what the redemption amount would be as if redemption were to occur at the end of the reporting date based on the conditions that exist as of that date. As a result, we recognized an increase of $60.9 in the carrying value of the series C preferred stock for the year ended December 31, 2019.

On December 30, 2019, Cerberus elected to convert 435,000 shares of series C preferred stock, representing all shares of series C preferred stock outstanding, into shares of the Company’s common stock, par value U.S.$0.25 per share, pursuant to the holder of the Company’s Series C Preferred Stock’s rights under the Company’s certificate of incorporation. The foregoing election is conditioned upon the filing of the certificates of merger with respect to the First Merger (the "Conversion Condition").

On January 3, 2020, the Company consummated a transaction to become a wholly owned subsidiary of Natura &Co Holding. Upon consummation of the transaction, the Company's common stock was converted to Natura &Co Holding common stock. Natura &Co Holding subsequently paid the accrued dividend of $91.5 to Cerberus in January 2020. See Note 23, Agreement and Plan of Mergers with Natura Cosméticos S.A., and Note 24, Subsequent Events.

Dividend Rights. The series C preferred stock ranks senior to the shares of our common stock with respect to dividend rights and rights on the distribution of assets on any liquidation, dissolution or winding up of our affairs. The series C preferred stock has a liquidation preference of $1,000 per share, representing an aggregate liquidation preference of $435.0 upon issuance. Holders of series C preferred stock are entitled to participate on an as-converted basis in any dividends paid to the holders of shares of the Company’s common stock. In addition, cumulative preferred dividends accrue daily on the series C preferred stock and are payable at a rate of 1.25% per quarter (net of any dividends on the Company’s common stock and subject to increase up to a maximum rate of 5.00% per quarter if the Company breaches certain obligations). Except to the extent not otherwise previously paid by the Company, preferred dividends are payable on the seventh anniversary of the issuance date of the series C preferred stock as and when declared by the Board of Directors and at the end of each quarter thereafter. Accrued and unpaid preferred dividends may be paid, at the Company’s option, (i) in cash, (ii) subject to certain conditions, in shares of the Company’s common stock or (iii) upon conversion of shares of series C preferred stock, in shares of the Company’s non-voting, non-convertible Series D Preferred Stock. Any such shares of Series D Preferred Stock issued would have similar preferential rights.

Conversion Features. series C preferred stock is convertible at the option of the holders at any time into shares of the Company’s common stock at an initial conversion price of $5.00 per share, subject to certain anti-dilution adjustments. Prior to receipt of applicable shareholder approval, shares of series C preferred stock are not convertible into more than 19.99% of the number of shares of common stock outstanding immediately prior to the issuance of the series C preferred stock, subject to certain anti-dilution adjustments. As of December 31, 2019, series C preferred stock was convertible into 87,051,524 shares of common stock. If at any time the volume weighted average price of the common stock exceeds $10.00 per share (subject to certain anti-dilution adjustments) for a period of 30 consecutive trading days, the Company may cause all of the series C preferred stock to be converted into shares of common stock based on the then applicable conversion price.

Voting Rights. Holders of series C preferred stock are entitled to vote generally with the holders of common stock on an as-converted basis. Holders of series C preferred stock are also entitled to a separate class vote with respect to (i) the election of up to three directors to the Board of Directors, subject to maintaining certain levels of beneficial ownership of series C preferred stock and/or common stock, (ii) amendments to the Company’s organizational documents that have an adverse effect on the series C preferred stock, (iii) issuances by the Company of securities that are senior to, or equal in priority with, the series C preferred stock or (iv) the delisting of the Company’s common stock, other than in connection with a change of control event.

Change of Control Put. Upon certain change of control events involving the Company, holders of series C preferred stock can require the Company to repurchase the series C preferred stock for an amount equal to the greater of (i) an amount in cash equal to 100% of the liquidation preference thereof plus all accrued but unpaid dividends or (ii) the consideration the holders would have received if they had converted their shares of series C preferred stock into common stock immediately prior to the change of control event. See Note 23, Agreement and Plan of Mergers with Natura Cosméticos S.A., and Note 24, Subsequent Events, to the Consolidated Financial Statements included herein.

NOTE 19. Contingencies

Brazilian Tax Assessments

In December 2012, our Brazilian subsidiary, Avon Industrial LTDA (Avon Brazil Manufacturing) received an excise tax ("IPI") assessment for the year 2008. The assessment totals approximately $305, including penalties and accrued interest. As in prior IPI cases that have been resolved in Avon’s favor, this assessment asserts that the establishment in 1995 of separate manufacturing and distribution companies in Brazil was done without a valid business purpose and that Avon Brazil Manufacturing did not observe minimum pricing rules to define the taxable basis of excise tax. The structure adopted in 1995 is comparable to that used by many other companies in Brazil. We believe that our Brazilian corporate structure is appropriate, both operationally and legally, and that the 2012 IPI assessment is unfounded.

These matters are being vigorously contested. In July 2013, the 2012 IPI assessment was upheld at the first administrative level and we appealed this decision to the second administrative level. On April 18, 2018, Avon received official notification that the second administrative level has issued a partially favorable and partially unfavorable decision. In this decision, the original assessment was reduced by approximately $64 (including associated penalty and interest), subject to Federal Revenue appeal. The remaining $241 of the assessment was upheld at the second administrative level. In April 2018, we appealed this decision in the third administrative level and in December 2019, we received an unfavorable decision in the third administrative level. We are waiting for the formal notification to present a motion for clarification. After this motion is presented, the case will continue in the judicial level.

On October 3, 2017, Avon Brazil Manufacturing received a new tax assessment notice regarding IPI for 2014 on grounds similar to the 2012 assessment. The 2017 IPI assessment totals approximately $238, including penalties and accrued interest. On April 2, 2018, Avon was notified of an unfavorable decision at the first administrative level. On February 25, 2019, this IPI assessment was upheld at the second administrative level and on April 11, 2019 we appealed this decision to the third administrative level and in December, 2019, we received an unfavorable decision in the third administrative level. An appeal was presented, pending resolution. The structure adopted in 1995 is comparable to that used by many other companies in Brazil. We believe that our Brazilian corporate structure is appropriate, both operationally and legally, and that the 2017 IPI assessment is unfounded.

In the event that the 2012 and the 2017 IPI assessments are upheld in the third and final administrative level, it may be necessary for us to provide monetary security in the full amount of the debt to pursue further appeals in the judicial levels, which, depending on the circumstances, may result in a charge to earnings and an adverse effect on the Company's Consolidated Statements of Cash Flows. It is not possible to reasonably estimate the likelihood or potential amount of assessments that may be issued for subsequent periods (tax years up through 2014 are closed by statute). We believe that the 2012 and the 2017 IPI assessments are unfounded, however, based on the likelihood that these will be upheld, we assess the risks as disclosed above as reasonably possible. At December 30, 2019, we have not recognized a liability for the 2012 or 2017 IPI assessments.

Brazil IPI Tax on Cosmetics

Separate from the tax assessments received by Avon Brazil Manufacturing, Avon Cosmeticos LTDA (Avon Brazil) is involved in litigation related to an executive decree issued in May 2015. This decree increased the amount of IPI taxes that are to be remitted by Avon Brazil to the taxing authority on the sales of cosmetic products. Avon Brazil filed an objection to this IPI tax increase on the basis that it is not constitutional. In December 2016, Avon Brazil received a favorable decision from the Federal District Court regarding this objection. This decision has been appealed by the tax authorities.

From May 2015 through April 2016, Avon Brazil remitted the taxes associated with this IPI tax increase into a judicial deposit which would be remitted to the taxing authorities in the event that we are not successful in our objection to the tax increase. In May 2016, Avon Brazil received a favorable preliminary decision on its objection to the tax and was granted a preliminary injunction. As a result, beginning in May 2016, Avon Brazil was no longer required to remit the taxes associated with IPI into a judicial deposit. On June 12, 2018, we received a decision authorizing Avon to withdraw the amount held as a judicial deposit, substituting it by letter of guarantee, which was presented. On June 29, 2018, the tax authorities presented an appeal against that decision. On July 30, 2018, the funds were received in our bank account. As of September 30, 2018, due in part to recent judicial decisions across the industry and other developments, we concluded, supported by the opinion of legal counsel, that the Executive Decree is unconstitutional. We therefore assessed the IPI tax under ASC 450, Contingencies and determined that the risk of loss is reasonably possible but not probable. Accordingly, we released the associated liability as of September 30, 2018 of approximately $195 and ceased accruing the IPI taxes from October 1, 2018. The liability had been classified within long-term sales taxes and taxes other than income in our Consolidated Balance Sheet, and the release was recorded in product sales and other income (expense), net in the amounts of approximately $168 and approximately $27, respectively, in our Consolidated Income Statements for the quarter ended September 30, 2018.

An unfavorable ruling to our objection of this IPI tax increase would have an adverse effect on the Company's Consolidated Income Statements and Consolidated Statements of Cash Flows as Avon Brazil would have to remit the reasonably possible amount of $267 to the taxing authorities (including the judicial deposit that was returned to us on July 30, 2018). We are not able to reliably predict the timing of the outcome of our objection to this tax increase.

A favorable judicial ruling to our objection of this IPI tax would also have an adverse effect on the Company's Consolidated Statements of Cash Flows as Avon Brazil would have to remit all or a portion of the associated income tax liability to the taxing authorities. The Company is accruing a tax reserve, which amounts to approximately $83 at December 31, 2019. This reserve would be settled on final adjudication of the law through a combination of cash and use of deferred tax assets.

Talc-Related Litigation

The Company has been named a defendant in numerous personal injury lawsuits filed in U.S. courts, alleging that certain talc products the Company sold in the past were contaminated with asbestos. Many of these actions involve a number of co-defendants from a variety of different industries, including manufacturers of cosmetics and manufacturers of other products that, unlike the Company’s products, were designed to contain asbestos. As of December 31, 2019, there were 124 individual cases pending against the Company. During the three months ended December 31, 2019, 21 new cases were filed and three cases were dismissed, settled, or otherwise resolved. The value of our settlements in this area thus far has not been material, either individually or in the aggregate. Additional similar cases arising out of the use of the Company's talc products are reasonably anticipated.

We believe that the claims asserted against us in these cases are without merit. We are defending vigorously against these claims and will continue to do so. To date, the Company has not proceeded to trial in any case filed against it and there have been no findings of liability enforceable against the Company. However, nationwide trial results in similar cases filed against other manufacturers of cosmetic talc products have ranged from outright dismissals to very large jury awards of both compensatory and punitive damages. Given the inherent uncertainties of litigation, we cannot predict the outcome of all individual cases pending against the Company, and we are only able to make a reasonable estimate for a small number of individual cases that have advanced to the later stages of legal proceedings. For the remaining cases, we provide an estimate of exposure on an aggregated and ongoing basis, which takes into account the historical outcomes of all cases we have resolved to date. Any accruals currently recorded on the Company’s balance sheet with respect to these cases are not material. Other than these accruals, we are at this time unable to estimate our reasonably possible or probable losses. However, any adverse outcomes, either in an individual case or in the aggregate, could be material. Future costs to litigate these cases, which we expense as incurred, are not known but may be significant, though some costs will be covered by insurance.

Brazilian Labor-Related Litigation

On an ongoing basis, the Company is subject to numerous and diverse labor-related lawsuits filed by employees in Brazil. These cases are assessed on an aggregated and ongoing basis based on historical outcomes of similar cases. The claims made are often for significantly larger sums than have historically been paid out by the Company. Our practice continues to be to recognize a liability based on our assessment of historical payments in similar cases. Our best estimate of the probable loss for such current cases at December 31, 2019 is approximately $10 and, accordingly, we have recognized a liability for this amount.

Shareholder Litigation

On February 14, 2019, a purported shareholder’s class action complaint (Bevinal v. Avon Products, Inc., et al., No. 19-cv-1420) was filed in the USDC for the Southern District of New York against the Company and certain former officers of the Company. On June 3, 2019, the court appointed a lead plaintiff and class counsel. The complaint was subsequently amended on June 28, 2019 and recaptioned "In re Avon Products, Inc. Securities Litigation" on July 8, 2019. On July 24, 2019, the plaintiffs filed a further amended complaint. The amended complaint is brought on behalf of a purported class consisting of all purchasers or acquirers of Avon common stock between January 21, 2016 and November 1, 2017, inclusive. The complaint asserts violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 based on allegedly false or misleading statements and alleged market manipulation with respect to, among other things, changes made to Avon’s credit terms for Representatives in Brazil. On July 26, 2019, Avon and the individual defendants filed a motion to dismiss. On November 18, 2019, the court denied that motion. Accordingly, on December 16, 2019, Avon and the individual defendants filed an answer to the amended complaint. On February 14, 2020, plaintiffs filed a motion for class certification. The parties are currently engaged in discovery. Avon has provided notice of this matter to the Company’s insurers. In light of the early stage of the litigation, we are unable to predict the outcome of this matter and are unable to assess the likelihood of loss or to make a reasonable estimate of the amount or range of loss that could result from an unfavorable outcome.

Other Matters

Various other lawsuits and claims, arising in the ordinary course of business or related to businesses previously sold, are pending or threatened against Avon. In management's opinion, based on its review of the information available at this time, the total cost of resolving such other contingencies at December 31, 2019, is not expected to have a material adverse effect on our consolidated financial position, results of operations or cash flows.

NOTE 20. Goodwill

Goodwill

	Europe, Middle East & Africa	South Latin America	Asia Pacific	Total
Gross balance at December 31, 2018	$ 24.9	$ 66.8	$ 85.0	$ 176.7
Accumulated impairments	(6.9)	—	(82.4)	(89.3)
Net balance at December 31, 2018	$ 18.0	$ 66.8	$ 2.6	$ 87.4
Changes during the period ended December 31, 2019:				
Foreign exchange	(.6)	(.6)	—	(1.2)
Gross balance at December 31, 2019	$ 24.3	$ 66.2	$ 85.0	$ 175.5
Accumulated impairments	(6.9)	—	(82.4)	(89.3)
Net balance at December 31, 2019	$ 17.4	$ 66.2	$ 2.6	$ 86.2

NOTE 21. Supplemental Balance Sheet Information

At December 31, 2019 and 2018, prepaid expenses and other included the following:

Components of Prepaid expenses and other	2019	2018
Prepaid taxes and tax refunds receivable	$ 141.1	$ 145.0
Receivables other than trade	51.4	69.2
Prepaid brochure costs, paper and other literature	13.1	14.9
Other	46.5	42.9
Prepaid expenses and other	$ 252.1	$ 272.0

At December 31, 2019 and 2018, other assets included the following:

Components of Other assets (1)	2019	2018
Capitalized software (Note 1)	83.1	89.3
Judicial deposits	70.1	82.2
Net overfunded pension plans (Note 14)	100.6	88.1
Long-term receivables	196.1	65.1
Trust assets associated with supplemental benefit plans (Note 14)	37.3	37.0
Tooling (plates and molds associated with our beauty products)	12.9	12.6
Other	27.6	16.1
Other assets	$ 527.7	$ 390.4

(1) Deferred tax asset balance as of December 31, 2018 is presented separately in the Consolidated Balance Sheet

Long-term receivables includes approximately $118 of certain Brazil indirect taxes (COFINS), recognized in the year ended December 31, 2019. Approximately $68 and $50 was recorded in product sales and other income (expense), net, respectively, in our Consolidated Income Statements following favorable judicial decisions in 2019. The corresponding tax charge on this transaction is approximately $23 and is included in the deferred tax asset balance as of December 31, 2019 which is presented separately in the Consolidated Balance Sheet.

During the third quarter of 2019, we entered into an arrangement to sell the rights to a portion of these credits, in the amount of approximately $80. The Company has the option to repurchase these credits for a period of three years. This transaction resulted in a cash inflow of approximately $19, which is presented as a financing activity in the Consolidated Statements of Cash Flows. The sale of credits is accounted for as a financing arrangement, therefore the receivables have not been derecognized and a financing liability of approximately $19 has been recognized.

NOTE 22. Results of Operations by Quarter (Unaudited)

2019	First	Second	Third	Fourth	Year
Total revenue	$ 1,186.9	$ 1,174.8	$ 1,188.0	$ 1,213.5	$ 4,763.2
Gross profit	669.9	677.3	719.8	686.1	2,753.1
Operating (loss) profit[1]	(3.9)	30.5	97.7	1.3	125.6
(Loss) income from continuing operations, before taxes	(4.5)	21.3	144.4	(22.8)	138.4
(Loss) income from continuing operations, net of tax[2]	(24.0)	(5.9)	112.9	(47.7)	35.3
Loss from discontinued operations, net of tax	(9.5)	(13.2)	(6.3)	(7.6)	(36.6)
Net loss (income) attributable to noncontrolling interests	.8	(.4)	.3	.3	1.0
Net (loss) income attributable to Avon	$ (32.7)	$ (19.5)	$ 106.9	$ (55.0)	$ (0.3)

2018	First	Second	Third	Fourth	Year
Total revenue	$ 1,393.5	$ 1,351.9	$ 1,424.2	$ 1,401.7	$ 5,571.3
Gross profit	813.8	812.2	885.8	695.5	3,207.3
Operating profit[1]	44.9	53.0	186.9	(49.6)	235.2
(Loss) income from continuing operations, before taxes	10.4	(0.3)	182.1	(84.1)	108.1
(Loss) income from continuing operations, net of tax[3]	(21.1)	(37.0)	113.8	(77.5)	(21.8)
Net (income) loss attributable to noncontrolling interests	.8	.9	.7	(.1)	2.3
Net (loss) income attributable to Avon	$ (20.3)	$ (36.1)	$ 114.5	$ (77.6)	$ (19.5)

(1) Operating profit (loss) was impacted by the following:

2019	First	Second	Third	Fourth	Year
Certain Brazil indirect taxes	$ —	$ —	$ (67.7)	$ —	$ (67.7)
Costs to implement restructuring initiatives:					
Cost of sales	$ 4.3	$ 8.6	$ (1.0)	$ .6	$ 12.5
SG&A expenses	49.2	37.1	18.5	22.0	126.8
Total costs to implement restructuring initiatives	$ 53.5	$ 45.7	$ 17.5	$ 22.6	$ 139.3

2018	First	Second	Third	Fourth	Year
Brazil IPI tax release	$ —	$ —	$ (168.4)	$ —	$ (168.4)
Costs to implement restructuring initiatives:					
Cost of sales	$ .6	$ .5	$ (.1)	$ 90.5	$ 91.5
SG&A expenses	10.3	23.2	19.9	35.6	89.0
Total costs to implement restructuring initiatives	$ 10.9	$ 23.7	$ 19.8	$ 126.1	$ 180.5

In addition to the items impacting operating profit (loss) above:

(2) (Loss) income from continuing operations, net of tax during 2019 was impacted by certain indirect tax items in Brazil of approximately $68.

(3) (Loss) income from continuing operations, net of tax during 2018 was impacted by one-time tax reserves of approximately $18 associated with our uncertain tax positions, and an expense of approximately $3 associated with the ownership transfer of certain operational assets within the consolidated group.

See Note 17, Restructuring Initiatives, "Results Of Operations - Consolidated" within MD&A, Note 15, Segment Information, Note 1, Description of the Business and Summary of Significant Accounting Policies, Note 14, Employee Benefit Plans, Note 19, Contingencies, Note 8, Debt and Other Financing and Note 10, Income Taxes, in our 2019 Annual report, for more information on these items.

NOTE 23. Agreement and Plan of Merger with Natura Cosmeticos S.A.

On May 22, 2019, the Company entered into the Merger Agreement with Natura Cosméticos S.A., a Brazilian corporation (sociedade anônima) ("Natura Cosméticos"), Natura &Co Holding S.A., a Brazilian corporation (sociedade anônima) ("Natura &Co Holding"), Nectarine Merger Sub I, Inc., a Delaware corporation and a direct wholly owned subsidiary of Natura &Co Holding ("Merger Sub I"), and Nectarine Merger Sub II, Inc., a Delaware corporation and a direct wholly owned subsidiary of Merger Sub I ("Merger Sub II"), pursuant to which (i) Natura &Co Holding will, after the completion of certain restructuring steps, hold all issued and outstanding shares of Natura Cosméticos, (ii) Merger Sub II will merge with and into Avon, with Avon surviving the merger and (iii) Merger Sub I will merge with and into Natura &Co Holding, with Natura &Co Holding surviving the merger and as a result of which Avon will become a wholly owned direct subsidiary of Natura &Co Holding (collectively, the "Transaction").

The Transaction was consummated on January 3, 2020, and at this time, the Company became a wholly owned subsidiary of Natura &Co Holding.

On completion of the Transaction, each share of Avon common stock issued and outstanding immediately prior to the consummation of the Transaction was converted into the right to receive, at the election of the holder thereof, (i) 0.300 validly issued and allotted, fully paid-up American Depositary Shares of Natura &Co Holding, each representing one Natura &Co Holding Share ("Natura &Co Holding ADSs") against the deposit of two shares of common stock of Natura &Co Holding ("Natura &Co Holding Shares"), subject to adjustment in accordance with the terms of the Merger Agreement, and any cash in lieu of fractional Natura &Co Holding ADSs or (ii) 0.600 validly issued and allotted, fully paid-up Natura &Co Holding Shares, subject to adjustment in accordance with the terms of the Merger Agreement, and any cash in lieu of fractional Natura &Co Holding Shares. Avon's series C preferred stock held by Cerberus Investor were converted to common stock prior to consummation of the Transaction and were therefore automatically converted into common stock of Natura &Co.

Natura &Co Holding Shares are listed on the B3 S.A. - Brasil, Bolsa, Balcão stock exchange, and Natura &Co Holding ADSs are listed on the NYSE. Additionally, upon the consummation of the Transaction, Avon common stock ceased to be traded on the NYSE.

The Company has incurred costs of $44 in relation to the Transaction, primarily professional fees up to 31 December, 2019.

NOTE 24. Subsequent Events

On May 22, 2019, we entered into the Merger Agreement with Natura Cosméticos, Natura &Co, and two subsidiaries of Natura &Co. On January 3, 2020, the Company consummated the Transaction and became a fully owned subsidiary of Natura &Co. In connection with the consummation of the Transaction, the Company notified the NYSE that trading of their stock should be suspended, the Company's common stock was subsequently delisted and deregistered.

On consummation of the Transaction, all common stock of the Company was converted to common stock of Natura &Co.

Prior to consummation of the Transaction, Cerberus elected to convert the series C preferred stock into common stock of the Company; this was subsequently converted into Natura &Co Holding stock as of January 3, 2020. Natura &Co Holding paid $91.5 of accrued dividends to Cerberus in January 2020.

In connection with the Transaction, the Company incurred professional fees of $43 contingent on the successful completion of the Transaction. These professional fees were paid in January 2020.

During January 2020, it was announced that the employment of certain senior officers of the Company would be terminated, in connection with the Transaction. The Company incurred approximately $21 relating to these terminations triggered by change in control provisions. In addition, the Company made payments of approximately $25 related to options and restricted stock units held by certain employees and directors of the Company.

On consummation of the Transaction, a deferred compensation scheme relating to former employees of the Company became payable which resulted in a cash outflow of approximately $13m.

In January 2020, upon completion of the Transaction, the Company's revolving credit facility was cancelled, triggered by change in control provisions.

As a result of the Transaction, the Company will no longer have access to certain tax attributes of approximately $480 to approximately $550 million in certain taxing jurisdictions.

SCHEDULE II

AVON PRODUCTS, INC. AND SUBSIDIARIES
VALUATION AND QUALIFYING ACCOUNTS
Years ended December 31, 2019, 2018 and 2017

(In millions) Description	Balance at Beginning of Period	Additions: Charged to Costs and Expenses	Additions: Charged to Revenue	Deductions	Balance at End of Period
2019					
Allowance for doubtful accounts receivable	$ 93.0	$ 115.4	$ —	$ (141.8) [1]	$ 66.6
Refund liability	12.3	—	132.6	(134.2) [2]	10.7
Allowance for inventory obsolescence	146.1	37.1	—	(101.2) [5]	82.0
Deferred tax asset valuation allowance	3,257.5	(297.5)	—	—	2,960.0
2018					
Allowance for doubtful accounts receivable	$ 129.3	$ 162.4	$ —	$ (198.7) [1]	$ 93.0
Refund liability	9.3 [3]	—	172.3	(169.3) [2]	12.3
Allowance for inventory obsolescence	61.3	113.5 [4]	—	(28.7) [5]	146.1
Deferred tax asset valuation allowance	3,217.6	39.9	—	—	3,257.5
2017					
Allowance for doubtful accounts receivable	$ 122.9	$ 221.9	$ —	$ (215.5) [1]	$ 129.3
Refund liability	8.2	—	197.9	(196.8) [2]	9.3 [3]
Allowance for inventory obsolescence	58.4	36.7	—	(33.8) [5]	61.3
Deferred tax asset valuation allowance	3,296.0	(78.4) [6]	—	—	3,217.6

(1) Accounts written off, net of recoveries and foreign currency translation adjustment.
(2) Returned product reused or destroyed and foreign currency translation adjustment.
(3) Due to the adoption of ASC 606, *Revenue from Contracts with Customers,* as of January 1, 2018, the allowance for sales returns was reclassified from a reduction of accounts receivable to a refund liability (within other accrued liabilities).
(4) Includes a one-off inventory obsolescence expense of $88 recognized at December 31, 2018 relating to the structural reset of inventory (refer to Note 17, Restructuring Initiatives, for additional information regarding the structural reset of inventory).
(5) Obsolete inventory destroyed and foreign currency translation adjustment. Deductions in 2018 were corrected in 2019 to recast the financial statements in the schedule above. There is no impact to the financial statements and the net inventory number was correctly presented. Given that the primary statements are not impacted, we have concluded this correction is not quantitatively or qualitatively material.
(6) Decrease in valuation allowance primarily related to a partial release of the U.S. valuation allowance as a result of the enactment of the Tax Cuts and Jobs Act in the U.S. and the impact of a business model change related to the move of the Company's headquarters from the U.S. to the UK.

Exhibit 31.1

CERTIFICATION

I, Angela Cretu, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: March 5 , 2020

/s/ Angela Cretu

Angela Cretu

Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION

I, Carl Rogberg, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: March 5, 2020

/s/ Carl Rogberg
Carl Rogberg
Vice President Finance

EXHIBIT 32.1

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

In connection with the Annual Report of Avon Products, Inc. (the "Company") on Form 10-K for the period ending December 31, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Angela Cretu, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 5 , 2020

/s/ Angela Cretu
Angela Cretu
Chief Executive Officer

EXHIBIT 32.2

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

In connection with the Annual Report of Avon Products, Inc. (the "Company") on Form 10-K for the period ending December 31, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Carl Rogberg, Vice President Finance of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 5, 2020

/s/ Carl Rogberg
Carl Rogberg
Vice President Finance