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AVON

Financial Annual Report for 1985

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Financial Review

Avon's Business

Avon Products, Inc. ("the Company") is a diversified company which includes the Avon, Health Care and Direct Response Divisions.

The Avon Division's two principal industry segments are the manufacture and sale of cosmetics, fragrances and toiletries, and of fashion jewelry and accessories. These products are sold directly to customers by Avon representatives. Over 650 products are currently marketed in the United States. Although the products offered in Europe, Latin America and other parts of the world are not as varied as those sold in the United States, most are substantially the same as those marketed domestically.

The Health Care segment was established as a result of the acquisition of Foster Medical Corporation in May 1984. Foster Medical is a leader in the home health care industry and distributes medical supplies. Since the merger was accounted for as a pooling of interests, all financial data and statements have been restated to include the results of Foster Medical.

The Direct Response Division markets wearing apparel for women, men and children, and solicits magazine subscriptions by direct mail.

On December 19, 1985, the Company entered into an agreement with International Minerals & Chemical Corporation to sell Mallinckrodt, Inc., a company that develops, manufactures and markets products used principally in the health care, chemical and food industries, for $675 million in cash. All financial data and statements have been restated to reflect Mallinckrodt's results as a discontinued operation. The sale is expected to close during the first quarter of 1986, subject to the completion of regulatory filings and other conditions.

For financial information relating to industry segments and geographic areas, please see the Business Segment Data note of "Notes to Consolidated Financial Statements" on pages 15 and 16.

Cosmetics, Fragrances and Toiletries—65% of consolidated sales

This segment includes the following classes of principal products:

Fragrance and bath products for women—25% of consolidated sales
These include perfumes, colognes, fragrance candles, pomanders, lotions, bath oils, soaps and powders. They are marketed in a number of fragrance lines, each based on a particular scent and packaging theme.

Makeup, skin care and other products for women—27% of consolidated sales
These include such makeup items as lipsticks, eye shadows and mascaras; skin care products; nail and hand care products; and such hair care products as shampoos, conditioners and brushes.

Men's toiletry products—6% of consolidated sales
These include colognes, after shave lotions, talcs, skin care products and soaps, in a number of fragrances that are based on a particular scent and packaging theme.

Personal care, children's and teen products—7% of consolidated sales
Personal care items include deodorants, anti-perspirants and household products such as room sprays. Children's and teen products include cosmetics, fragrances and gift products.

Fashion Jewelry and Accessories—16% of consolidated sales

Fashion jewelry and accessories are sold in the United States and in several foreign markets. Jewelry for women, men and children is sold, with women's jewelry accounting for most of these sales.

Health Care—11% of consolidated sales

Foster Medical's home health care operation delivers, installs and services medical equipment for patients in their homes. Among its products are durable medical equipment, such as hospital beds and wheelchairs, respiratory equipment and infusion care products for intravenous administration of nutrients and drugs. Foster Medical also distributes a broad line of medical supplies and equipment to the primary care market.

Direct Response—8% of consolidated sales

Wearing apparel for women, men and children is marketed by direct mail in the United States from the Avon Fashions, James River Traders and Brights Creek catalogs. Great American Magazines, the mail-order magazine subscription business, has been authorized to solicit subscriptions for all major consumer publishers

Other

Tiffany & Co. was sold during 1984.

Net Sales of Principal Products

(in millions)

	Year Ended December 31 1985	1984	1983
Cosmetics, fragrances and toiletries:			
Fragrance and bath products for women	$ 610.2	$ 700.9	$ 732.0
Makeup, skin care and other products for women	659.6	727.5	709.6
Men's toiletry products	154.7	176.1	162.5
Personal care, children's and teen products	185.1	227.8	277.5
Subtotal	1,609.6	1,832.3	1,881.6
Fashion jewelry and accessories	394.2	350.9	330.2
Health care	260.3	159.0	126.6
Direct response	205.2	186.0	144.0
Other	—	77.6	124.6
Eliminations	.8	(.5)	.6
Consolidated	$2,470.1	$2,605.3	$2,607.6

Quarterly Financial Data

Quarterly data are summarized below (in millions, except per share amounts):

	Year Ended December 31, 1985* First	Second	Third	Fourth	Year	Year Ended December 31, 1984* First	Second	Third	Fourth	Year
Net sales	$529.2	$585.7	$567.8	$787.4	$2,470.1	$595.3	$676.4	$616.8	$716.8	$2,605.3
Gross profit	325.4	361.1	349.3	474.8	1,510.6	358.6	404.0	377.3	454.9	1,594.8
Net earnings from continuing operations	13.6	31.9	19.8	62.9	128.2	22.4	39.5	25.8	64.2	151.9
Discontinued operations:										
Earnings, net of taxes	9.5	8.6	5.7	11.1	34.9	7.7	8.1	4.5	9.5	29.8
Loss on disposal, including taxes	—	—	—	(223.0)	(223.0)	—	—	—	—	—
Net (loss) earnings	23.1	40.5	25.5	(149.0)	(59.9)	30.1	47.6	30.3	73.7	181.7
Per share of common stock:										
Continuing operations	$ .17	$ .40	$ .25	$ .79	$ 1.61	$ .26	$ .46	$ .30	$ .78	$ 1.80
Discontinued operations:										
Earnings	.12	.11	.07	.14	.44	.09	.10	.06	.11	.36
Loss on disposal	—	—	—	(2.81)	(2.81)	—	—	—	—	—
Net (loss) earnings	$ .29	$ .51	$ .32	$ (1.88)	$ (.76)	$ .35	$ .56	$ .36	$ .89	$ 2.16

* Previously published quarterly financial data have been restated to reflect the results of Mallinckrodt, Inc. as a discontinued operation.

Stock Market and Dividend Data

Avon common stock is listed on the New York Stock Exchange (symbol:AVP). At December 31, 1985, there were approximately 41,800 shareholders of record.

Quarter	1985 High	1985 Low	1984 High	1984 Low
First	$ 23⅜	$ 19⅝	$ 25¾	$ 21
Second	21¾	17⅞	22⅝	19½
Third	25⅜	21	25¼	21⅛
Fourth	29	23⅜	24½	20¼

Quarter	Cash Dividends Per Share 1985	1984
First	$ .50	$ .50
Second	.50	.50
Third	.50	.50
Fourth	.50	.50
	$2.00	$2.00

Discussion of Liquidity and Capital Resources

Cash and short-term investments decreased by $32.4 million to $86.1 million, and total borrowings increased by $196.0 million to $676.6 million at December 31, 1985. In February 1985, Avon Capital Corporation issued $100 million of notes due 1991 (26 billion Japanese yen at 6¾%). In conjunction with this issue, agreements with financial institutions were executed that fixed its principal amount in U.S. dollars and provided for interest payments at rates which approximate the Company's 30-day commercial paper rate. The proceeds of this loan were used to reduce the amount of commercial paper outstanding. In April 1985, a Standby Revolving Underwriting Facility Agreement was entered into with a group of international banks whereby the Company can issue up to $130 million of short-term notes. The proceeds of any notes issued under this facility will be used for general corporate purposes.

In September 1985, the Company's Board of Directors authorized the purchase of up to 20 million shares of the Company's common stock. In October 1985, the Company signed an agreement with Merrill Lynch, Pierce, Fenner & Smith, Incorporated under which Merrill Lynch purchased 7.8 million shares of the Company's common stock during 1985. The Company had an option to purchase these shares, which it exercised on February 20, 1986. In addition, the Company purchased approximately 2.0 million shares of its common stock during January and February 1986. The cost of these shares was approximately $270 million.

On January 22, 1986, the Company and The Mediplex Group, Inc. ("Mediplex") signed merger agreements under which Mediplex will become a wholly owned subsidiary of the Company. Under the agreements, the Company will acquire all of the outstanding common stock of Mediplex for approximately $182 million in cash and $25 million in notes. Options to acquire approximately 650,000 shares of Mediplex common stock will be purchased for about $11 million. The merger agreements also provide for contingent payments of up to $61 million based on the annual earnings increases of Mediplex over the next three years.

On December 19, 1985, the Company signed an agreement with International Minerals & Chemical Corporation to sell Mallinckrodt, Inc. for $675 million in cash. The sale is expected to close in the first quarter of 1986, subject to completion of regulatory filings and other conditions. Proceeds from the sale of Mallinckrodt will be used to acquire The Mediplex Group, Inc., to make the scheduled purchase of 10 million shares of the Company's common stock and to reduce debt.

During the past three years, the Company has modernized major facilities in several countries. Capital expenditures during this three-year period totaled $305.7 million, a significant portion of which was financed by long-term borrowing. Construction programs in progress at December 31, 1985, carried an estimated cost to complete of $20 million. Capital expenditures in the next three years are expected to be at a higher rate than in the previous three years, primarily as a result of the acquisition of Retirement Inns of America and The Mediplex Group. Based on current projections, the Company will need to finance some of these projects with long-term borrowing.

The maximum amount of additional borrowing during 1986 for seasonal operating needs and facilities expansion projects, primarily in the United States, is estimated to be $85 million. The peak level of borrowings during 1986 for all purposes is not expected to exceed $760 million.

Short-term borrowing consists primarily of borrowings from banks by international subsidiaries. The peak level of such borrowings during 1986 is not expected to exceed that of 1985, which approximated $100 million. Unused lines of credit at December 31, 1985, were approximately $885 million. Of this amount, $630 million was revolving credit facilities used to support the commercial paper issued by the Company. The remaining $255 million was primarily related to international operations.

Discussion of 1985 and 1984

Consolidated net sales were $2.5 billion in 1985, a decrease of $135.2 million from 1984. U.S. net sales decreased 3% to $1.6 billion, and international net sales decreased 8% to $887.9 million. Net earnings from continuing operations decreased 16% to $128.2 million. Net earnings per share from continuing operations were $1.61, compared with $1.80 in 1984.

On December 19, 1985, the Company signed an agreement with International Minerals & Chemical Corporation to sell Mallinckrodt, Inc. for $675 million; accordingly, the financial results of 1985 and 1984 have been restated to reflect Mallinckrodt's results as a discontinued operation. Earnings from discontinued operations, net of taxes, were $34.9 million, compared with $29.8 million in 1984. The loss on disposal of discontinued operations, including taxes, was $223.0 million resulting primarily from capital gains and other taxes and the write-off of goodwill. As a result, the Company incurred a net loss of $59.9 million in 1985.

Financial results for 1984 have been restated to reflect the Company's acquisition of Foster Medical Corporation, which became effective in May 1984.

The decrease in net earnings from continuing operations of $23.7 million (19¢ per share) was caused principally by the following factors:

- Lower net sales, which decreased net earnings by $8.5 million (10¢ per share).
- An increase in marketing, distribution and administrative expenses as a percentage of net sales, which decreased net earnings by $14.4 million (17¢ per share).
- An increase in other deductions—net and interest expense, partially offset by an increase in interest income, which decreased net earnings by $3.9 million (5¢ per share).

The decrease in net earnings from continuing operations of $27.6 million (33¢ per share) was partially offset by the following factors:

- A decrease in the effective income tax rate, which increased net earnings by $3.9 million (5¢ per share).
- Fewer shares outstanding as a result of the purchase of treasury stock during 1984 and 1985, which increased earnings per share from continuing operations by 9¢.

Net sales of the Avon Division's domestic and international operations each decreased by 8%, primarily as a result of the decreased number of representatives. Sales of the Health Care and Direct Response Divisions increased compared with last year.

Cost of goods sold decreased by $51.0 million, but remained level as a percentage of net sales, at 38.8%. Increased cost ratios experienced in the Avon Division's domestic operations and the Direct Response Division were partially offset by a decreased cost ratio in the Health Care Division.

Marketing, distribution and administrative expenses decreased $41.4 million, but increased as a percentage of et sales, to 50.9% in 1985 from 49.8% in 1984. Decreases in the Avon Division were partially offset by increases in the Health Care and Direct Response Divisions.

Interest income increased $12.1 million primarily as a result of increased amounts of short-term investments outside the United States. Interest expense increased $13.5 million principally due to increased borrowing. Other deductions—net increased $5.6 million primarily as a result of higher foreign exchange losses in Mexico.

Taxes on earnings decreased by $26.1 million, and the effective income tax rate declined to 42.9% in 1985 from 44.6% in 1984. Major factors were lower effective tax rates on international earnings before nondeductible foreign exchange losses and tax benefits derived from the write-off of investments in certain foreign subsidiaries.

Discussion of 1984 and 1983

Consolidated net sales were unchanged at $2.6 billion in 1984. U.S. net sales were level at $1.6 billion, and international net sales decreased $1.4 million to $966.5 million. Net earnings from continuing operations increased 13% to $151.9 million. Net earnings per share from continuing operations were $1.80, compared with $1.61 in 1983.

Financial results for both 1984 and 1983 have been restated to reflect the results of Mallinckrodt, Inc. as a discontinued operation and the acquisition of Foster Medical in 1984. Net earnings from discontinued operations were $29.8 million, compared with $38.0 million in 1983.

Consolidated net earnings were $181.7 million, or $2.16 per share, compared with $172.9 million, or $2.06 per share in 1983.

The increase in net earnings from continuing operations of $17.0 million (19¢ per share) was caused principally by the following factors:

- A decrease in cost of goods sold as a percentage of sales, which increased net earnings by $22.5 million (27¢ per share).
- A decrease in other deductions—net, partially offset by an increase in interest expense and a decrease in interest income, which increased net earnings by $6.6 million (8¢ per share).

The increase in net earnings from continuing operations of $29.1 million (35¢ per share) was partially offset by the following factors:

- An increase in marketing, distribution and administrative expenses as a percentage of net sales, which decreased net earnings by $11.9 million (14¢ per share).
- The greater number of shares outstanding resulting from the issuance of shares by Foster Medical during 1984 and 1983 prior to its acquisition by the Company, which decreased earnings per share by 1¢.

The increase in net sales was attributable to higher sales of all divisions, except the Avon Division. Net sales of the Avon Division's domestic operations decreased 2% primarily as a result of lower sales of gift-and-decorative products and the impact of the decreased number of representatives. Net sales of the Avon Division's international operations were nearly even with 1983, as was the number of representatives. Sales of the Health Care and Direct Response Divisions increased over 1983.

Cost of goods sold decreased by $41.5 million, and decreased as a percentage of net sales, to 38.8% in 1984 from 40.3% in 1983. All divisions experienced reduced cost ratios.

Marketing, distribution and administrative expenses increased $20.2 million, and increased as a percentage of net sales, to 49.8% in 1984 from 49.0% in 1983. Expense ratio increases occurred in all divisions, primarily to support marketing, research and development and new catalog businesses.

Interest income declined $4.2 million primarily as a result of the effect of foreign exchange fluctuations on interest earned outside the United States. Interest expense increased $6.3 million principally due to increased borrowing. Nonrecurring charges related to the restructuring of the Avon Division and to facilities realignments were approximately equal to the gain on the sale of Tiffany.

Information on Inflation and Changing Prices

Although the rate of inflation has moderated during the last three years, it continues to have an impact on the U.S. economy. Most other countries in which the Company has operations have experienced higher rates of inflation than the United States. Extremely high rates of inflation have been experienced in Mexico, Brazil and Argentina, countries in which the Company has significant operations.

For many years the Company has moderated the effects of inflation on its business by increasing selling prices and controlling costs and expenses in order to protect profit margins. Also, substantially all U.S. inventories are accounted for on the last-in, first-out basis. Reported cost of goods sold, therefore, generally reflects current costs.

The current cost column of the consolidated summary of earnings includes cost of goods sold, depreciation and net earnings adjusted to a current cost basis. The adjustment to a current cost basis represents a measure of the effect of the changes in specific prices on the Company's inventories and property, and results in an increase in cost of goods sold and depreciation. Net sales and expenses, other than cost of goods sold and depreciation expense, are assumed to be already stated at current cost in the primary financial statements, thus requiring no adjustment in the current cost statement.

In 1985, current cost measurement assumed the replacement of property with that using current technology and providing current capacity requirements, rather than the reproduction of existing property assumed in prior years. The primary sources of information used to compute the current cost data for inventories, property, cost of goods sold and depreciation were indices, engineering estimates and vendor price quotations.

Depreciation based on the current cost of buildings and equipment was estimated, using the same depreciation methods and estimated lives used in preparing the primary financial statements. For countries with functional currencies other than the U.S. dollar, current cost data were measured in local currency and then translated into U.S. dollars. The U.S. dollar current cost data were adjusted for the effects of general inflation using the U.S. Consumer Price Index for all Urban Consumers.

Approximately 88% of the $21.3 million decrease in net earnings from continuing operations calculated under the current cost method is attributable to an increase in depreciation associated with the current cost increase in property. The remaining portion of the decrease is primarily attributable to the restatement of first-in, first-out inventory to the current cost basis.

The income tax rate for 1985 increased from 42.9% in the primary financial statements to 47.3% on the current cost basis, because most countries require that deductions for tax purposes be based on historical costs.

The consolidated summary of earnings adjusted for changing prices for the year ended December 31, 1985, follows (in millions):

	As shown in the financial statements (historical cost)	Adjusted for changes in specific prices (current cost)
Net sales	$2,470.1	$2,470.1
Cost of goods sold	959.5	969.6
Marketing, distribution and administrative expenses	1,256.3	1,267.5
Interest income	46.5	46.5
Interest expense	(63.4)	(63.4)
Other income (deductions)—net	(13.1)	(13.1)
Taxes on earnings	96.1	96.1
Net earnings from continuing operations	$ 128.2	$ 106.9
Income tax rate	42.9%	47.3%
Depreciation included in:		
Cost of goods sold	$ 22.2	$ 29.8
Marketing, distribution and administrative expenses	33.1	44.3
	$ 55.3	$ 74.1
Purchasing power gain on net monetary items		$ 28.0
Decrease in current cost of inventory and property held during the year		$ (84.6)
Effect of increase in the general price level		54.0
Decrease in current cost over rate of increase in the general price level		$ (138.6)
Adjustment—foreign currency translation		$ 41.7
At December 31, 1985:		
Inventories		$ 412.7
Property—net of accumulated depreciation		1,047.2

Selected financial data adjusted for changing prices in average 1985 dollars (in millions, except per share amounts):

	Year ended December 31 1985	1984	1983	1982	1981
Net sales	$2,470.1	$2,698.2	$2,816.7	$3,021.2	$3,223.2
Net earnings from continuing operations	106.9	99.3	113.0	132.9	247.5
Earnings per share from continuing operations	1.35	1.18	1.35	1.73	3.91
Purchasing power gain on net monetary items	28.0	22.7	20.8	10.6	8.6
Increase (decrease) in current cost over (under) changes in the general price level	(138.6)	77.9	261.4	166.1	(.1)
Adjustment—foreign currency translation	41.7	(54.7)	(55.2)	(169.8)	(77.8)
Net assets, December 31	1,338.8	1,779.3	2,131.6	1,978.8	1,512.4
Dividends per share	2.00	2.07	2.16	2.79	3.54
Market price, December 31	27.19	22.34	26.68	29.55	34.34
Average consumer price index (1967 = 100)	322.2	311.1	298.4	289.1	272.4

Consolidated Statement of Financial Condition

Avon Products, Inc. and Subsidiaries
(in millions of dollars)

	December 31 1985	December 31 1984
Assets		
Current assets		
Cash and short-term investments	$ 86.1	$ 118.5
Accounts receivable (less allowance for doubtful accounts of $38.6 and $28.6)	264.6	202.5
Inventories	374.5	356.1
Prepaid expenses	169.8	144.5
Total current assets	895.0	821.6
Property	989.4	855.1
Less accumulated depreciation	323.0	270.9
	666.4	584.2
Excess of cost over net assets acquired	106.1	73.1
Deferred charges	96.6	77.6
Net assets of discontinued operations	524.9	731.0
	$2,289.0	$2,287.5
Liabilities and Shareholders' Equity		
Current liabilities		
Notes payable	$ 58.8	$ 67.8
Accounts payable	134.2	130.9
Accrued expenses	137.3	131.5
Accrued compensation	41.9	33.6
Retail sales and other taxes	66.3	67.2
Taxes on earnings	104.2	105.7
Total current liabilities	542.7	536.7
Long-term debt	617.8	412.8
Other liabilities	50.4	48.9
Deferred income taxes	151.7	132.0
Shareholders' equity		
Common stock, par value $.50; authorized 200,000,000 shares Issued 85,582,904 and 85,421,032 shares	42.8	42.7
Additional paid-in capital	470.0	466.5
Foreign currency translation adjustments	(148.8)	(153.6)
Retained earnings	706.3	925.5
Treasury stock, at cost—6,346,797 and 5,457,332 shares	(143.9)	(124.0)
Total shareholders' equity	926.4	1,157.1
	$2,289.0	$2,287.5

The accompanying notes are an integral part of these statements.

Consolidated Statement of Earnings and Retained Earnings

Avon Products, Inc. and Subsidiaries
(in millions, except per share amounts)

	Year Ended December 31		
	1985	1984	1983
Net sales:			
United States	$1,582.2	$1,638.8	$1,639.7
International	887.9	966.5	967.9
	2,470.1	2,605.3	2,607.6
Cost of goods sold	959.5	1,010.5	1,052.0
Gross profit	1,510.6	1,594.8	1,555.6
Marketing, distribution and administrative expenses	1,256.3	1,297.7	1,277.5
Operating profit	254.3	297.1	278.1
Interest income	46.5	34.4	38.6
Interest expense	(63.4)	(49.9)	(43.6)
Other income (deductions)—net	(13.1)	(7.5)	(29.9)
Earnings from continuing operations before taxes	224.3	274.1	243.2
Taxes on earnings	96.1	122.2	108.3
Net earnings from continuing operations	128.2	151.9	134.9
Discontinued operations:			
Earnings, net of taxes	34.9	29.8	38.0
Loss on disposal, including taxes	(223.0)	—	—
Net (loss) earnings	(59.9)	181.7	172.9
Retained earnings, January 1	925.5	901.6	878.4
Cash dividends	159.3	157.8	149.7
Retained earnings, December 31	$ 706.3	$ 925.5	$ 901.6
Per share of common stock:			
Continuing operations	$1.61	$1.80	$1.61
Discontinued operations:			
Earnings	.44	.36	.45
Loss on disposal	(2.81)	—	—
Net (loss) earnings	$ (.76)	$2.16	$2.06
Cash dividends	$2.00	$2.00	$2.00
Average shares outstanding	79.35	83.84	83.58

The accompanying notes are an integral part of these statements.

Consolidated Statement of Changes in Financial Position

Avon Products, Inc. and Subsidiaries
(in millions)

	Year Ended December 31		
	1985	1984	1983
Sources of working capital			
Net earnings from continuing operations	$128.2	$151.9	$134.9
Add			
Depreciation	55.3	52.2	41.2
Amortization of intangibles	2.3	1.3	.4
Deferred income taxes	19.7	20.3	7.3
Working capital provided from operations	205.5	225.7	183.8
Working capital provided from discontinued operations	74.4	65.2	73.8
Increase in long-term debt	205.0	114.1	14.2
Decrease in net asset position of discontinued operations	166.6	(67.3)	.8
Disposals of property	7.8	10.8	8.7
Treasury stock contributed to employee benefit plan	5.4	—	—
Common stock issued	3.6	5.7	40.1
	668.3	354.2	321.4
Uses of working capital			
Loss on disposal of discontinued operations	223.0	—	—
Cash dividends	159.3	157.8	149.7
Additions to property	91.2	104.2	110.3
Businesses acquired and sold	75.8	23.0	—
Purchase of treasury stock	25.3	124.0	—
Additions to deferred charges	4.1	17.2	(8.0)
Decrease in other liabilities	7.8	4.0	5.7
Effect of foreign currency translation adjustments on working capital	14.4	5.0	2.3
	600.9	435.2	260.0
Increase (decrease) in working capital	$ 67.4	$ (81.0)	$ 61.4
Changes in components of working capital			
Cash and short-term investments	$ (32.4)	$ (76.2)	$ 66.5
Accounts receivable	62.1	(24.9)	(2.2)
Inventories	18.4	6.6	(19.0)
Prepaid expenses	25.3	26.4	1.5
Notes payable	9.0	(3.0)	16.8
Accounts payable and accrued expenses	(17.4)	7.8	(80.3)
Accrued taxes	2.4	(17.7)	78.1
Increase (decrease) in working capital	$ 67.4	$ (81.0)	$ 61.4

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

Accounting Policies

Principles of consolidation—All majority-owned subsidiaries are consolidated. All other investments in affiliates are accounted for on the equity basis.

Short-term investments—Short-term investments are stated at cost plus accrued interest, which approximates market value.

Inventories—Inventories are stated at cost, not in excess of market. Cost is determined on the last-in, first-out basis for substantially all U.S. inventories and on the first-in, first-out basis for all other inventories.

Property and depreciation—Property is recorded at cost. Depreciation over the estimated useful lives is determined on the straight-line basis for the majority of property in the United States and Canada, and all property in other countries.

Intangibles—The excess of cost over the fair market value of net assets of purchased subsidiaries is amortized on the straight-line basis, primarily over 40 years.

Stock options—Proceeds from the sale of common stock issued pursuant to stock option plans are credited to common stock to the extent of par value, and to additional paid-in capital for the excess of the option price over par value. Any corporate tax benefits resulting from stock option plans are credited to additional paid-in capital.

Taxes on earnings—Taxes on earnings are adjusted for deferred income taxes where there are differences between the years in which transactions affect taxable income and the years in which they affect net earnings. Deferred income taxes include the effects of timing differences related to noncurrent items, including unremitted earnings of foreign subsidiaries, retirement plan expense, depreciation and capitalized interest.

The net deferred income tax benefit associated with certain current items is included in prepaid expenses.

Taxes on earnings are reduced by investment tax credits in the year in which the related assets are placed in service.

Retirement plans—The Company and several subsidiaries maintain noncontributory retirement plans for substantially all their employees. The annual provisions under these plans, as determined by independent actuaries using accepted actuarial methods, include current service cost and straight-line amortization of prior service liability over periods ranging up to 30 years. All plans are funded on a current basis except where funding is not required.

Earnings per share—Earnings per share of common stock are based on the average number of shares outstanding during each year. Shares issuable on the exercise of stock options are excluded from the average number of shares because their inclusion would not reduce earnings per share for any of the years presented.

Effect of Foreign Exchange Fluctuations

Net earnings from continuing operations were unfavorably affected by foreign exchange fluctuations as follows (in millions):

	Year Ended December 31		
	1985	1984	1983
Foreign exchange gains (losses)—net:			
Remeasurement of foreign currency statements into U.S. dollars, and realized and unrealized foreign currency transactions	$ (12.8)	$ 3.4	$ (4.6)
Remeasurement of certain items, principally inventories, at historical rates	(31.3)	(30.2)	(38.3)
	$ (44.1)	$ (26.8)	$ (42.9)

In addition to the information presented above, there was a significant unfavorable impact on earnings caused by the effect of foreign currency rate changes on revenue and expenses. To minimize this impact, certain business actions such as increases in local currency selling prices were taken.

An analysis of the foreign currency translation adjustments component of shareholders' equity follows (in millions):

	Year Ended December 31		
	1985	1984	1983
Foreign currency translation adjustments:			
January 1	$ (153.6)	$ (132.0)	$ (96.7)
Translation adjustments	4.8	(21.6)	(35.3)
	$ (148.8)	$ (153.6)	$ (132.0)

Taxes on Earnings

The Company has provided for U.S. and foreign income taxes (after giving effect to available tax planning alternatives and foreign tax credits) on earnings of subsidiaries that have been remitted, which are available for remittance or are not intended to be invested in foreign operations. The balance of unremitted earnings of foreign subsidiaries that are not subject to U.S. income taxes or are restricted or required for current or future operations approximated $340 million at December 31, 1985.

An analysis of taxes on earnings and earnings before taxes from continuing operations follows (in millions):

	Year Ended December 31 1985	1984	1983
Taxes on earnings:			
Federal:			
Current	$ 23.0	$ 43.2	$ 39.6
Deferred	14.9	16.6	5.7
	37.9	59.8	45.3
Foreign:			
Current	49.3	45.3	48.9
Deferred	4.8	3.7	1.6
	54.1	49.0	50.5
State and other	4.1	13.4	12.5
	$ 96.1	$122.2	$108.3
Earnings before taxes from continuing operations:			
United States	$ 87.3	$148.4	$127.1
Foreign	137.0	125.7	116.1
	$224.3	$274.1	$243.2

Differences between the consolidated income tax rate and the statutory federal income tax rate are as follows:

	Year Ended December 31 1985	1984	1983
Statutory federal income tax rate	46.0%	46.0%	46.0%
State and local income taxes, net of federal income tax benefit	1.0	2.6	2.7
Tax exempt operations	(2.5)	(3.2)	(3.1)
Tax credits	(2.3)	(1.8)	(3.2)
Write-off of investments in foreign subsidiaries	(3.3)	—	(3.8)
Taxes on foreign income and all other	(5.7)	(3.6)	(1.5)
Consolidated income tax rate before effect of nondeductible foreign exchange losses	33.2	40.0	37.1
Effect of nondeductible foreign exchange losses	9.7	4.6	7.4
Consolidated income tax rate	42.9%	44.6%	44.5%
Net current deferred income tax benefit included in prepaid expenses (in millions)	$20.3	$15.5	$13.9
Investment tax credit	4.4	4.1	5.0

Long-Term Debt

Long-term debt follows (in millions):

	December 31 1985	1984
Commercial paper with an average interest rate of 8.0%. The Company maintains at all times revolving credit agreements in amounts equal to the principal amount of its outstanding commercial paper	$140.4	$ 68.0
11¾% Notes due 1990	100.0	100.0
10¼% Notes due 1992	99.6	99.6
6¾% Japanese Yen Notes due 1991*	100.0	—
5⅝% Swiss Franc Bonds due 1994*	50.0	50.0
7½% Deutsche Mark Bonds due 1988 to 1993*	33.3	33.3
8.8% Japanese Yen bank note, due 1987 to 1990	28.9	24.5
Notes for businesses acquired payable to 1991 with interest from 8% to 10%	30.4	19.2
Other long-term debt payable to 2016 with interest from 6½% to 15%	35.2	18.2
	$617.8	$412.8

* Agreements with financial institutions have fixed the principal amounts of these issues in U.S. dollars and provided interest payments at rates which approximate the Company's 30-day commercial paper rate (8.0% at December 31, 1985).

Annual maturities for the next five years were (in millions): 1986—$29.6; 1987—$26.8; 1988—$21.3; 1989—$19.8; 1990—$123.6.

Lines of Credit

Unused lines of credit at December 31, 1985, approximated $885 million. Of this amount $630 million was revolving credit facilities, with banks, used to support the commercial paper issued by the Company. Commitment fees for these credit facilities approximated $1.4 million annually. The remaining $255 million was primarily related to international operations and involved no material compensating balances or commitment fees.

Retirement Plans

Accumulated plan benefits and plan net assets of the Company's U.S. defined benefit retirement plans, primarily at January 1, are presented below (in millions):

	1985	1984	1983
Present value of accumulated plan benefits:			
Vested	$140.8	$137.4	$127.0
Nonvested	35.4	32.8	32.4
	$176.2	$170.2	$159.4
Net assets available for benefits	$303.3	$305.8	$276.2

The estimated weighted average rate of return used to determine the present value of accumulated plan benefits was 9.5%, 9.0% and 9.3% for 1985, 1984 and 1983, respectively.

The Company's foreign retirement plans are not required to report pursuant to the Employee Retirement Income Security Act of 1974. They do not determine the actuarial value of accumulated benefits or net assets available for benefits as calculated and disclosed for U.S. plans.

Retirement plan expense was $16.3, $19.1 and $24.4 million in 1985, 1984 and 1983, respectively.

The Company provides certain health care and life insurance benefits for retired employees. Substantially all of the Company's employees in the United States and in certain foreign countries became eligible for such benefits upon retirement under the Company's retirement plans. The Company recognizes the cost of these benefits by expensing the annual premiums, which were $2.9 and $2.4 million in 1985 and 1984, respectively.

Inventories

The major classes of inventories are shown below (in millions):

	December 31 1985	1984
Finished goods	$237.4	$221.0
Raw material	137.1	135.1
	$374.5	$356.1
Excess of current cost over the stated value of LIFO inventories	$ 27.6	$ 22.8

Property

The major classes of property are shown below (in millions):

	December 31 1985	1984
Land	$ 36.4	$ 32.5
Buildings and improvements	439.4	401.1
Equipment	484.2	385.4
Construction in progress	29.4	36.1
	$989.4	$855.1

Intangibles

An analysis of the excess of cost over net assets acquired follows (in millions):

	December 31 1985	1984
Excess of cost over net assets acquired	$111.4	$76.1
Accumulated amortization	(5.3)	(3.0)
	$106.1	$73.1

During 1985 and 1984, additions of $35.3 and $44.4 million, respectively, resulted from businesses acquired.

Capital Changes

Stock option transactions are summarized below:

	Shares available for option	Shares under option	
		Shares	Price
January 1, 1984	2,249,884	2,608,575	$ 6-$44
Granted	(1,292,231)	1,292,231	14-28
Exercised	—	(489,161)	7-23
Cancelled	193,417	(193,417)	7-44
December 31, 1984	1,151,070	3,218,228	6-44
Authorized	5,000,000	—	
Granted	(2,589,750)	2,589,750	21-26
Exercised	—	(164,519)	7-29
Cancelled	333,502	(333,502)	23-44
December 31, 1985	3,894,822	5,309,957	$ 6-$40

The Company has three stock option plans, the 1970 Stock Option Incentive Plan (the "Avon Plan"), the Mallinckrodt, Inc. 1978 Stock Option Plan and the Foster Medical Corporation 1982 Stock Option Plan. All options under these plans were granted at market value on the dates of grant. All plans, as amended, permit the granting of incentive stock options. Options granted during 1982 through 1984, to the extent permitted by law, were generally incentive stock options. In 1985, all options granted were nonqualified unless the recipient elected to receive incentive stock options.

The Avon Plan permits the granting of stock appreciation rights to optionees. Such rights, as granted, permit the optionees to receive cash and/or stock equal to any excess of the market value over the exercise price. The aggregate difference between the exercise price and the market price is charged to net earnings as compensation expense. The number of shares covered by options is reduced by the number of rights exercised.

During 1985, the shareholders approved the amendment of the Avon Plan to increase by 5,000,000 the number of shares subject to the granting of options.

Consolidated statements of common stock, additional paid-in capital and treasury stock follow (in millions):

	Year Ended December 31		
	1985	1984	1983
Common stock:			
January 1	$ 42.7	$ 42.4	$ 39.2
Shares sold	—	—	.5
Shares issued for stock splits	—	—	2.6
Shares issued pursuant to stock option and warrant plans	.1	.3	.1
	$ 42.8	$ 42.7	$ 42.4
Additional paid-in capital:			
January 1	$ 466.5	$ 461.1	$424.2
Shares issued for acquisitions	—	.3	1.6
Shares sold	—	—	34.5
Shares issued for stock splits	—	—	(2.6)
Shares issued pursuant to stock option and warrant plans	3.1	4.0	3.4
Corporate tax benefit arising from the exercise of stock options	.3	1.1	—
Other	.1	—	—
	$ 470.0	$ 466.5	$461.1
Treasury stock:			
January 1	$(124.0)	$ —	$ —
Shares purchased	(25.3)	(124.0)	—
Contributed to employee benefit plan and other	5.4	—	—
	$(143.9)	$(124.0)	$ —

Common Stock Purchase

In September 1985, the Company's Board of Directors authorized the purchase of up to 20 million shares of the Company's common stock. In October 1985, the Company signed an agreement with Merrill Lynch, Pierce, Fenner & Smith, Incorporated under which Merrill Lynch purchased 7.5 million shares of the Company's common stock during 1985. The Company had an option to purchase these shares, which it exercised on February 20, 1986. In addition, the Company purchased approximately 2.0 million shares of its common stock during January and February 1986. The cost of these shares was approximately $270 million.

Discontinued Operations

On December 19, 1985, the Company entered into an agreement to sell Mallinckrodt, Inc. to International Minerals & Chemical Corporation for $675 million in cash. The sale is expected to close during the first quarter of 1986. The loss on the sale was estimated to be $223 million including taxes of approximately $165 million. Prior years have been restated to include the results of Mallinckrodt as a discontinued operation. For 1985, the net assets of Mallinckrodt have been restated from their historical cost to net realizable value.

Summarized results of operations of Mallinckrodt were (in millions):

	Year Ended December 31		
	1985	1984	1983
Net sales	$570.6	$540.6	$513.3
Taxes on earnings	34.6	32.3	39.0
Net earnings	34.9	29.8	38.0
Net earnings per share of common stock	$ .44	$ .36	$ .45

Acquisitions and Disposals

During 1984, Foster Medical Corporation ("Foster Medical"), a company engaged in the home health care and medical supplies markets, became a wholly owned subsidiary of the Company through the exchange of approximately 10.7 million shares of the Company's common stock and 86,244 shares of its preferred stock for all of the outstanding common and preferred shares of Foster Medical. The merger was accounted for as a pooling of interests, and accordingly the accompanying financial statements have been restated to include the results of Foster Medical.

Net sales and net earnings from continuing operations of both companies for the periods preceding acquisition were (in millions):

	Net Sales	Net Earnings From Continuing Operations
Three months ended March 31, 1984 (unaudited)		
Avon Products, Inc.	$ 561.9	$ 19.0
Foster Medical Corporation	33.4	3.4
	$ 595.3	$ 22.4
Year ended December 31, 1983		
Avon Products, Inc.	$2,481.0	$126.4
Foster Medical Corporation	126.6	8.5
	$2,607.6	$134.9

During 1985 and 1984, Foster Medical acquired 57 and 30 businesses for $47.0 million and $54.9 million, respectively, in the home health care field for cash and notes payable. These acquisitions were accounted for as purchases and did not have a material effect on the consolidated results of operations. On November 20, 1985, the Company acquired Retirement Inns of America, Inc. for approximately $30.0 million. The results of the businesses acquired have been included since their respective dates of acquisition.

In October 1984, the Company sold Tiffany & Co. to a group of investors for $135.5 million in cash. Nonrecurring charges related to the restructuring of the Avon Division and to facilities realignments were approximately equal to the gain on the sale. The results of operations of Tiffany & Co. have been included in the consolidated statement of earnings to the date of sale. These results follow (in millions):

	1984 (to date of sale)	Year Ended December 31, 1983
Net sales	$77.6	$124.6
Earnings (loss) before interest and taxes	(.8)	6.2

Proposed Merger

On January 22, 1986, the Company and The Mediplex Group, Inc. ("Mediplex") signed merger agreements under which Mediplex will become a wholly owned subsidiary of the Company. Under the agreements the Company will acquire all of the outstanding common stock of Mediplex for approximately $182 million in cash and $25 million in notes. Options to acquire approximately 650,000 shares of Mediplex common stock will be purchased for about $11 million. The merger agreements also provide for contingent payments of up to $61 million based on the annual earnings increases of Mediplex over the next three years.

The purchase is subject to the approval of the shareholders of Mediplex at a special meeting to be held during April 1986. The transaction will be accounted for as a purchase. Mediplex reported net revenues of $52.0 million and net earnings of $7.3 million in the nine months ended September 30, 1985.

Commitments

Various construction programs were in progress at December 31, 1985, with an estimated additional cost to complete of $20 million.

The Company leases office space in New York City for its executive and administrative offices, and in London, England, for its European Marketing Center, under operating leases that expire in 1997 and 2000 to 2006, respectively. Other real property is leased under operating leases expiring from 1986 to 2036.

The Company leases automobiles and other equipment under operating leases that expire during the next five years.

The minimum annual rental of real property is subject to escalation for increases in taxes, utilities and maintenance labor. Personal property rentals are subject to escalation based on usage.

Rent expense was $68.3, $65.4 and $61.6 million in 1985, 1984 and 1983, respectively.

Long-term lease obligations, all of which are operating leases, at December 31, 1985, consisted of (in millions):

Period	Minimum rental for the period
1986	$ 56.3
1987	40.0
1988	32.6
1989	27.6
1990	25.6
Beyond 1990	165.2
	347.3
Sublease rental income	(85.9)
	$261.4

Supplemental Information

(in millions)

	Year Ended December 31		
	1985	1984	1983
Depreciation	$ 55.3	$ 52.2	$ 41.2
Research and development expense	30.4	30.6	33.5
Advertising expense	42.4	33.9	33.2
Provision for doubtful accounts	47.4	48.7	42.9
Repairs and maintenance expense	30.2	28.8	27.9
Taxes other than on earnings:			
Payroll taxes	$ 55.3	$ 56.7	$ 61.8
Other	26.7	26.8	18.1
	82.0	83.5	79.9
Taxes on earnings	96.1	122.2	108.3
Total taxes	$178.1	$205.7	$188.2
Interest expense:			
Incurred	$ 70.7	$ 62.3	$ 52.9
Capitalized	(7.3)	(12.4)	(9.3)
Expensed	$ 63.4	$ 49.9	$ 43.6

Business Segment Data

The Company's business is primarily composed of four industry segments. These segments are the manufacture and sale of cosmetics, fragrances and toiletries; the manufacture and sale of fashion jewelry and accessories; the rental and sale of home health care equipment and the sale of medical supplies; and the sale of apparel. Operations are conducted in the United States, Europe, Latin America, the Pacific and Canada.

Operating profit consists of total revenues less cost of goods sold and marketing, distribution and administrative expenses. Interest income, interest expense and other income (deductions)—net, including amortization of the excess of cost over the fair market value of net assets of purchased subsidiaries, which are included in earnings before taxes, are excluded from operating profit.

The identifiable assets of industry segments and geographic areas are those assets used in the Company's operations in each segment and area. Corporate assets are principally short-term investments.

Industry Segments

(in millions)

	Year Ended December 31 Net Sales	Operating Profit	Identifiable Assets	Depreciation Expense	Additions To Property
1985					
Cosmetics, fragrances and toiletries	$1,609.6	$192.3	$ 963.2	$29.2	$ 35.1
Fashion jewelry and accessories	394.2	42.3	244.2	6.2	7.9
Health care	260.3	51.2	315.6	16.4	40.4
Direct response	205.2	8.8	128.8	1.2	3.3
Net assets of discontinued operations	—	—	524.9	—	—
Corporate and eliminations	.8	(40.3)	112.3	2.3	4.5
Consolidated	$2,470.1	$254.3	$2,289.0	$55.3	$ 91.2
1984					
Cosmetics, fragrances and toiletries	$1,832.3	$237.2	$ 945.2	$31.3	$ 51.8
Fashion jewelry and accessories	350.9	55.0	204.4	7.2	7.5
Health care	159.0	22.3	194.1	10.7	26.1
Direct response	186.0	2.9	100.2	.6	4.5
Other	77.6	(.5)	—	1.1	8.2
Net assets of discontinued operations	—	—	731.0	—	—
Corporate and eliminations	(.5)	(19.8)	112.6	1.3	6.1
Consolidated	$2,605.3	$297.1	$2,287.5	$52.2	$104.2
1983					
Cosmetics, fragrances and toiletries	$1,881.6	$233.6	$ 945.7	$30.9	$ 70.6
Fashion jewelry and accessories	330.2	47.3	166.7	4.8	10.2
Health care	126.6	12.9	82.5	3.6	11.9
Direct response	144.0	11.7	55.7	.6	5.4
Other	124.6	8.0	127.8	1.3	8.4
Net assets of discontinued operations	—	—	699.1	—	—
Corporate and eliminations	.6	(35.4)	179.3	—	3.8
Consolidated	$2,607.6	$278.1	$2,256.8	$41.2	$110.3

Geographic Areas

(in millions)

	Year Ended December 31				
	Net Sales	Operating Profit	Identifiable Assets	Depreciation Expense	Additions To Property
1985					
United States	$1,581.4	$155.6	$1,126.6	$35.9	$ 68.3
Europe	290.7	32.8	182.5	5.9	7.5
Latin America	324.2	58.4	178.6	6.4	5.8
Pacific and Canada	273.0	47.8	164.1	4.8	5.1
Total international	887.9	139.0	525.2	17.1	18.4
Net assets of discontinued operations	—	—	524.9	—	—
Corporate and eliminations	.8	(40.3)	112.3	2.3	4.5
Consolidated	$2,470.1	$254.3	$2,289.0	$55.3	$ 91.2
1984					
United States	$1,639.3	$172.4	$ 943.7	$32.9	$ 68.0
Europe	332.6	27.9	161.4	6.1	9.1
Latin America	346.0	64.7	193.5	7.3	15.1
Pacific and Canada	287.9	51.9	145.3	4.6	5.9
Total international	966.5	144.5	500.2	18.0	30.1
Net assets of discontinued operations	—	—	731.0	—	—
Corporate and eliminations	(.5)	(19.8)	112.6	1.3	6.1
Consolidated	$2,505.3	$297.1	$2,287.5	$52.2	$104.2
1983					
United States	$1,639.1	$197.5	$ 849.7	$23.6	$ 68.1
Europe	373.9	31.1	188.0	7.3	9.1
Latin America	310.4	39.6	199.3	6.4	17.1
Pacific and Canada	283.6	45.3	141.4	3.9	12.2
Total international	967.9	116.0	528.7	17.6	38.4
Net assets of discontinued operations	—	—	699.1	—	—
Corporate and eliminations	.6	(35.4)	179.3	—	3.8
Consolidated	$2,607.6	$278.1	$2,256.8	$41.2	$110.3

Management's Responsibility for Financial Reporting

Management is responsible for all the information and representations contained in the annual report, including the financial statements, which are prepared in accordance with generally accepted accounting principles. Some elements in the statements are based on management's estimates and informed judgments.

The Company maintains systems of internal control to provide reasonable assurance that its financial records are reliable for the purpose of preparing the financial statements, that its assets are adequately protected, and that there is proper authorization and accounting for all transactions. The internal control system is supported by written policies and procedures, by the careful selection and training of qualified personnel, and by an extensive internal auditing program.

The Company's financial statements have been examined by KMG Main Hurdman, independent certified public accountants, as stated in their report. Their examination was made in accordance with generally accepted auditing standards, and included a review and evaluation of internal controls.

The Audit Committee of the Board of Directors, composed solely of outside Directors, is responsible for reviewing and monitoring the quality of the Company's accounting and auditing practices. The Committee meets several times each year with management, the internal auditors and the independent certified public accountants. The independent certified public accountants and internal auditors have complete access to management and to the Audit Committee, and meet with both to discuss their audit activities, the internal controls and financial reporting matters.

Report of Independent Certified Public Accountants

The Shareholders and Board of Directors of
Avon Products, Inc.

We have examined the consolidated statement of financial condition of Avon Products, Inc. and subsidiaries as of December 31, 1985 and 1984 and the related consolidated statements of earnings and retained earnings and of changes in financial position for each of the three years in the period ended December 31, 1985. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements identified above present fairly the consolidated financial position of Avon Products, Inc. and subsidiaries at December 31, 1985 and 1984 and the consolidated results of their operations and the changes in their financial position for each of the three years in the period ended December 31, 1985, in conformity with generally accepted accounting principles applied on a consistent basis.

KMG Main Hurdman

New York, New York
January 29, 1986 (except
as to the Common
Stock Purchase note
which is dated
February 20, 1986)

Ten-Year Review

Avon Products, Inc. and Subsidiaries
(in millions of dollars, except per share amounts)

	1985	1984
Net Sales:		
United States	$1,582.2	$1,638.8
International	887.9	966.5
	2,470.1	2,605.3
Cost of goods sold	959.5	1,010.5
Gross profit	1,510.6	1,594.8
Marketing, distribution and administrative expenses	1,256.3	1,297.7
Operating profit	254.3	297.1
Interest income	46.5	34.4
Interest expense	(63.4)	(49.9)
Other income (deductions)—net	(13.1)	(7.5)
Earnings from continuing operations before taxes	224.3	274.1
Taxes on earnings	96.1	122.2
Net earnings from continuing operations	128.2	151.9
Discontinued operations:		
Earnings, net of taxes	34.9	29.8
Loss on disposal, including taxes	(223.0)	—
Net (loss) earnings	$ (59.9)	$ 181.7
Per share of stock:		
Continuing operations	$ 1.61	$ 1.80
Discontinued operations	(2.37)	.36
Net (loss) earnings	$ (.76)	$ 2.16
Cash dividends	$ 2.00	$ 2.00
Average shares outstanding (in millions)	79.35	83.84
% to net sales:		
Earnings from continuing operations before taxes	9.1%	10.5%
Net earnings from continuing operations	5.2	5.8
Working capital	$ 352.3	$ 284.9
Current ratio	1.65	1.53
Property—net	666.4	584.2
Capital expenditures	91.2	104.2
Total assets	2,289.0	2,287.5
Long-term debt	617.8	412.8
Shareholders' equity	926.4	1,157.1
Per share	11.69	14.47
Return on continuing operations	13.8%	13.1%
Number of employees:		
United States	18,900	18,800
International	19,500	19,500
	38,400	38,300

1983	1982	1981	1980	1979	1978	1977	1976
$1,639.7	$1,598.9	$1,524.4	$1,332.1	$1,326.5	$1,233.0	$1,019.4	$ 865.1
967.9	1,111.2	1,200.8	1,237.0	1,051.0	853.3	689.3	617.1
2,607.6	2,710.1	2,725.2	2,569.1	2,377.5	2,086.3	1,708.7	1,482.2
1,052.0	1,109.8	1,108.0	960.6	903.7	759.1	619.7	544.4
1,555.6	1,600.3	1,617.2	1,608.5	1,473.8	1,327.2	1,089.0	937.8
1,277.5	1,241.6	1,220.4	1,171.1	1,036.7	880.4	718.8	617.1
278.1	358.7	396.8	437.4	437.1	446.8	370.2	320.7
38.6	39.9	49.3	39.8	34.3	29.9	22.0	20.3
(43.6)	(37.6)	(7.7)	(1.3)	(.9)	(5.8)	(4.9)	(3.6)
(29.9)	(32.0)	3.9	(3.5)	2.6	(2.7)	2.4	8.6
243.2	329.0	442.3	472.4	473.1	468.2	389.7	346.0
108.3	169.1	225.8	230.3	229.1	234.6	194.2	174.6
134.9	159.9	216.5	242.1	244.0	233.6	195.5	171.4
38.0	26.7	—	—	—	—	—	—
—	—	—	—	—	—	—	—
$ 172.9	$ 186.6	$ 216.5	$ 242.1	$ 244.0	$ 233.6	$ 195.5	$ 171.4
$ 1.61	$ 2.08	$ 3.42	$ 4.02	$ 4.06	$ 3.89	$ 3.26	$ 2.86
.45	.35	—	—	—	—	—	—
$ 2.06	$ 2.43	$ 3.42	$ 4.02	$ 4.06	$ 3.89	$ 3.26	$ 2.86
$ 2.00	$ 2.50	$ 3.00	$ 2.95	$ 2.75	$ 2.55	$ 2.20	$ 1.80
83.58	76.75	63.29	60.15	60.14	60.11	60.02	59.99
9.3%	12.1%	16.2%	18.4%	19.9%	22.4%	22.8%	23.3
5.2	5.9	7.9	9.4	10.3	11.2	11.4	11.6
$ 365.9	$ 304.5	$ 465.3	$ 495.4	$ 505.7	$ 507.9	$ 475.3	$ 418.9
1.70	1.57	1.82	1.89	2.07	2.13	2.37	2.38
576.3	548.9	519.3	479.3	392.6	292.0	242.4	231.8
110.3	94.7	115.3	117.7	116.3	75.6	35.2	27.6
2,256.8	2,227.6	1,611.9	1,583.1	1,417.0	1,282.4	1,082.0	966.7
301.2	286.9	13.1	2.6	4.1	5.4	7.5	9.4
1,273.1	1,245.1	930.5	928.3	866.3	770.7	682.4	614.7
15.00	15.88	15.27	15.43	14.40	12.82	11.37	10.25
10.6%	12.8%	23.3%	26.1%	28.2%	30.3%	28.6%	27.9
20,000	20,100	16,300	15,300	16,200	15,200	13,000	12,400
19,700	19,400	18,400	19,000	18,100	17,300	15,200	15,200
39,700	39,500	34,700	34,300	34,300	32,500	28,200	27,600

Avon

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